

Company Registration No.07472318

Smith Electric Vehicles Europe Limited
Report and Financial Statements
For year ended 31 December 2012

FRIDAY



A3ETWWVS

A07

22/08/2014

#280

COMPANIES HOUSE

Smith Electric Vehicles Europe Limited
Report and Financial Statements
Year ended December 2012

	Page
Contents	
Officers and professional advisors	2
Directors' report	3-5
Directors' responsibilities statement	6
Independent auditors' report	7
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10-20

Smith Electric Vehicles Europe Limited
Year ended 31 December 2012

Officers and Professional Advisors

DIRECTORS

R D M Mackie

B L Hansel

REGISTERED OFFICE

The Future Technology Centre

Barmston Court

Nissan Way

SUNDERLAND

SR5 3NY

AUDITOR

Baker Tilly UK Audit LLP

Chartered Accountants

1 St James' Gate

Newcastle upon Tyne

NE1 4AD

Smith Electric Vehicles Europe Limited

Year ended 31 December 2012

Directors' Report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditors' report, for the year ended 31 December 2012.

Principal activities

The principal activity of the company is the supply of electric vehicles and provision of service and maintenance of both electric vehicles and light diesel commercial vehicles.

Results and Dividends

The loss for the period was £8,161k (2011: £19,298k). The directors have not recommended payment of a final dividend.

Business Review

This year is the second year of consolidating and developing the electric vehicle business. As such it was anticipated that it would be necessary to invest significant expenditure into research and development of the drive systems required to underpin the growth of the business worldwide

This resulted in a number of new products being launched which are expected to make significant contributions to the growth of the business. The directors regard investment in this area as a prerequisite for success in the medium to long-term future.

Whilst the service of light commercial vehicles continues to generate revenue it was anticipated that the significant investment required in electric vehicle design and prototyping would result in a significant loss for the period. This is primarily due to the fact that all research and development costs are written off to profit and loss as they are incurred. Funding for this activity comes directly from our US parent company.

The directors rely upon gross margin indicators in the service division to assess the trends within the business. This remains consistent against a reduction of turnover due to the decrease in fleet size of a major customer.

Profit indicators are not considered appropriate at this stage. Results against budgeted investment are assessed to review progress towards production of vehicles on individual platforms.

Going Concern

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

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Further details regarding liquidity risk can be found in the Statement of accounting policies in the financial statements.

Smith Electric Vehicles Europe Limited

Year ended 31 December 2012

Directors' Report

Research and Development

The company maintains a research and development centre which has a staff of approximately 26. In the opinion of the directors, continuity of investment in this area is essential for the maintenance of the company's market position and for future growth

Directors

The directors, who served throughout the year except as noted, were as follows:

R D M Mackie

B L Hansel

Supplier payment policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment and abide by the terms of payment.

Charitable and political contributions

During the year the Company made neither charitable nor political donations.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the 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 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 other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, the Company magazine and a special edition for employees of the annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Smith Electric Vehicles Europe Limited
Year ended 31 December 2012
Directors' Report

Auditors

Baker Tilly UK Audit LLP were appointed auditors on 24 March 2014 to fill a casual vacancy. Baker Tilly Audit LLP have indicated their willingness to be re-appointed for another term.

Statement as to disclosure of information to auditors

The directors have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors, in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Approved by the Board and signed on its behalf by:



R Mackie

Director

The Future Technology Centre
Barmston Court
Nissan Way
SUNDERLAND
SR5 3NY

1+18/17

Smith Electric Vehicles Europe Limited

For the year ended 31 December 2012

Directors' responsibilities statement

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 and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's report to the members of Smith Electric Vehicles Europe Limited

We have audited the financial statements on pages 8 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 auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 6 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 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.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the accounting policies on page 10 of the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £8,161,000 during the year ended 31 December 2012 and, at that date, the company had current liabilities of £16,449,000 and net liabilities of £17,844,000. In order to continue as a going concern for a period of at least one year from the date of approval of these financial statements the company is reliant on support from its parent company which in turn needs to raise additional working capital funding as detailed in note 1 to the financial statements. This condition indicates the existence of a material uncertainty which may cause significant doubt over the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

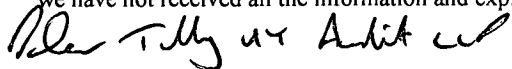
Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

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



MARK HARWOOD (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

14/8/14

Smith Electric Vehicles Europe Limited
Year ended 31 December 2012
Profit and Loss

	Note	2012 £ 000's	2011 £ 000's
Turnover	2	9,985	12,926
Cost of sales		(10,436)	(12,854)
Gross profit		(451)	72
Other operating expenses (net)		(7,578)	(6,826)
Goodwill written off	7	-	(12,544)
Operating loss	3	(8,029)	(19,298)
Loss on ordinary activities before finance charges		(8,029)	(19,298)
Finance charges		(132)	-
Loss on ordinary activities before taxation		(8,161)	(19,298)
Tax on profit on ordinary activities	5	-	-
Loss for the financial year		(8,161)	(19,298)

All activities relate to continuing operations. There have been no recognised gains and losses in the current financial period other than as stated above. Accordingly no separate statement of total recognised gains and losses has been prepared.

Smith Electric Vehicles Europe Limited
Year ended 31 December 2012

Balance Sheet

As at 31 December 2012

	Note	2012 £ 000's	2011 £ 000's
Fixed assets			
Patents and trademarks	6	909	1,417
Goodwill	7	-	-
		<u>909</u>	<u>1,417</u>
Intangible assets		909	1,417
Tangible assets	8	<u>422</u>	<u>1,062</u>
		<u>1,331</u>	<u>2,479</u>
Current assets			
Stocks	9	1,760	2,427
Debtors	10	2,524	1,869
Cash at bank and in hand		26	443
		<u>4,310</u>	<u>4,739</u>
Creditors: Amounts falling due within one year	11	<u>(20,759)</u>	<u>(14,042)</u>
Net current liabilities		<u>(16,449)</u>	<u>(9,303)</u>
Total assets less current liabilities		<u>(15,118)</u>	<u>(6,824)</u>
Creditors: Amounts falling due in more than one year:	11	(363)	(169)
Provisions for liabilities	12,13	<u>(2,363)</u>	<u>(2,690)</u>
Net liabilities		<u>(17,844)</u>	<u>(9,683)</u>
Capital and reserves			
Called-up share capital	14	-	-
Profit and loss account	15	<u>(17,844)</u>	<u>(9,683)</u>
Shareholders' funds	16	<u>(17,844)</u>	<u>(9,683)</u>

The financial statements of Smith Electric Vehicles Europe Limited, registration number 07472318, were approved by the board of directors and authorised for issue on 14 August 2014. They were signed on its behalf by:



R D M Mackie
 Director

Smith Electric Vehicles Europe Limited

Year ended 31 December 2012

Notes to the financial statements

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention, in accordance with applicable United Kingdom accounting standards.

Going Concern

Our parent company, Smith Electric Vehicles Corp, has succeeded in securing commitments to fund the group in its future developments. Initial funding is available from current and new investors to support the group's immediate working capital requirements. Additional funding is also available to support the restructuring of the parent company through the acquisition of a NASDAQ quoted company in the US. Once this acquisition is completed the parent company will engage in the process of raising further funds for investment for NASDAQ, a significant proportion of which is already committed from new investors. This will provide funding for the group to continue its investment in research and development of electric drive systems and related products to serve the emerging commercial electric vehicle market.

Our parent company has given the commitment to support this business with the funding required for the foreseeable future. This entails the injection of some immediate finance to support the continued trading of this company and to allow us to create a licencing support centre in this country. This centre will continue to perform research and development work and provide support to our licensees across the world. Subsequent fund raising activity in the US will provide investment for this business to develop this function to support the licensing revenue generated either directly from this business or support centre in this country. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Current forecasts are based on the availability of this funding and the subsequent generation of revenue from licence fees, parts and supply and the development and manufacture for sale of new products.

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

Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, was capitalised and written off in 2011.

Intangible assets – patents and trademarks

Patents and trademarks are included at cost and depreciated in equal annual instalments over a period of 10 years which is their estimated useful economic life. Provision is made for any impairment.

Research and development

Research and development expenditure is written off as incurred.

Smith Electric Vehicles Europe Limited

Year ended 31 December 2012

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, 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:

Leasehold land and buildings	5% per annum
Plant and machinery	20% per annum

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Website development costs

Design and content development costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the costs of developing the design and content are charged to the profit and loss account as incurred.

Investments

Except as stated below, fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

In the Company balance sheet, for investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as 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 not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Smith Electric Vehicles Europe Limited

Year ended 31 December 2012

1. Accounting policies (continued)

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover is stated net of VAT and trade discounts. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of Creditors due within one year.

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign Exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Smith Electric Vehicles Europe Limited

Year ended 31 December 2012

1. Accounting policies (continued)

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Financial liabilities and equity

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

Warranty Provisions

Provision is made for liabilities arising in respect of expected warranty claims on warranties provided in conjunction with the sale of vehicles.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

Buy back Guarantees

The company enters into guaranteed buy-back agreements on certain vehicle sales. The company guarantees that it will buy back vehicles in five years following the original sale at a set residual value. On entering the agreement, the company recognises both the asset and the liability, and defers the income over the period of the guarantee.

2. Turnover

Turnover for the year is derived from the following geographical areas :-

	2012	2011
	£000's	£000's
UK	6,393	11,816
Europe	1,182	866
Rest of World	2,410	244
	<hr/>	<hr/>
Total Sales	<u>9,985</u>	<u>12,926</u>

Smith Electric Vehicles Europe Limited

Year ended 31 December 2012

3. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting):

	2012 £ 000's	2011 £ 000's
Depreciation of tangible fixed assets:		
owned	215	305
held under finance leases and hire purchase contracts	26	24
Impairment of tangible fixed assets	718	
Amortisation of patents and trademarks	496	96
Impairment of intangible fixed assets		
Owned		
Research and development		
current year expenditure	954	1,224
Government grants	-	(245)
Audit fees	18	18
Operating lease rentals:		
plant and machinery	-	13
	<u> </u>	<u> </u>

4. Staff costs

The average monthly number of employees (including executive directors) was:

	2012 Number	2011 Number
Production	40	48
Service	94	107
Sales	4	5
Administration	58	36
	<u> </u>	<u> </u>
	196	196
	<u> </u>	<u> </u>

Their aggregate remuneration comprised

	2012 £ 000's	2011 £ 000's
Wages and salaries	5,146	5,261
Social security costs	504	515
Pension costs	112	104
	<u> </u>	<u> </u>
Total	5,762	5,880
	<u> </u>	<u> </u>

The directors received no emoluments from the company during the period. The company operates a defined contribution group personal scheme. Contributions payable to the scheme are charged to the profit and loss during the period

Smith Electric Vehicles Europe Limited **Year ended 31 December 2012**

5. Tax on loss on ordinary activities

The tax charge comprises:

	2012 £'000	2011 £'000
Current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Total tax on loss on ordinary activities	-	-

The differences between the total current tax shown above and the amount are calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2012 £'000	2011 £'000
Loss on ordinary activities before taxation	(8,161)	(19,298)
Tax on loss on ordinary activities at standard UK corporation tax rate of 24.50% (2011: 26.49%)	(1,999)	(5,112)
Effects of:		
Expenses not deductible for tax purposes	166	74
Tax effect of fair value adjustments	-	(626)
Capital allowances in excess of depreciation	34	17
Movement on short term timing difference	-	53
Unutilised tax losses carried forward	1,799	5,594
Group current tax charge for period	-	-

There are estimated trading tax losses of £6.5m (2011:£5.3m) available to offset against future taxable profits. There is an unrecognised deferred tax asset of £6.6m (2011: £5.3m)

Smith Electric Vehicles Europe Limited
Year ended 31 December 2012

6. Intangible fixed assets - patents and trademarks

	Patents and trademarks £ 000's	Total £ 000's
Cost		
At 31 December 2011	1,513	1,513
Additions	1	1
Exchange adjustment	(27)	(27)
	<u>1,487</u>	<u>1,487</u>
At 31 December 2012		
Depreciation		
At 31 December 2011	(96)	(96)
Charge for the year	(496)	(496)
Impairment losses	14	14
	<u>(578)</u>	<u>(578)</u>
At 31 December 2012		
Net book value		
At 31 December 2012	909	909
	<u>1,417</u>	<u>1,417</u>
At 31 December 2011		

7. Intangible fixed assets - goodwill

	£ 000's
Cost	
At 1 January 2012 and 31 December 2012	12,544
	<u>12,544</u>
Amortisation	
At 1 January 2012 and 31 December 2012	(12,544)
	<u>(12,544)</u>
Net book value	
At 31 December 2012	-
	<u>-</u>
At 31 December 2011	-
	<u>-</u>

Smith Electric Vehicles Europe Limited
Year ended 31 December 2012

8. Tangible fixed assets

	Land and Buildings £ 000's	Plant and machinery £ 000's	Total £ 000's
Cost			
At 31 December 2011	360	1,031	1,391
Additions	-	319	319
Impairment adjustment	(332)	(710)	(1,042)
	<hr/>	<hr/>	<hr/>
At 31 December 2012	28	640	668
	<hr/>	<hr/>	<hr/>
Depreciation			
At 31 December 2011	(24)	(305)	(329)
Charge for the year	(26)	(215)	(241)
Impairment adjustment	45	279	324
	<hr/>	<hr/>	<hr/>
At 31 December 2012	(5)	(241)	(246)
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2012	23	399	422
	<hr/>	<hr/>	<hr/>
At 31 December 2011	336	726	1,062
	<hr/>	<hr/>	<hr/>

9. Stocks

	2012 £ 000's	2011 £ 000's
Raw materials and consumables	1,242	1,341
Work in progress	431	1,067
Finished goods and goods for resale	87	19
	<hr/>	<hr/>
	1,760	2,427
	<hr/>	<hr/>

Smith Electric Vehicles Europe Limited
Year ended 31 December 2012

10. Debtors

	2012	2011
	£ 000's	£ 000's
Trade debtors	2,179	1,671
Other debtors	120	-
Prepayments and accrued income	225	198
	<u>2,524</u>	<u>1,869</u>

11. Creditors – amounts falling due within one year

	2012	2011
	£ 000's	£ 000's
Trade creditors	3,415	3,525
Amounts owed to Group undertakings	15,547	8,699
Other taxation and social security	292	798
Other creditors	33	-
Government grants	-	-
Accruals and deferred income	1,472	1,020
	<u>20,759</u>	<u>14,042</u>

	2012	2011
	£'000's	£ 000's
Creditors – amounts falling due after more than one year		

Deferred Income	259	169
Buy back Creditor	104	-
	<u>363</u>	<u>169</u>

12. Provisions for liabilities

	2012	2011
	£ 000's	£ 000's
Warranty	2,363	2,690
	<u>2,363</u>	<u>2,690</u>

Product warranties

The provision for product warranties relates to expected warranty claims on products sold in the last six years. It is expected that the majority of this expenditure will be incurred in the next financial year and that all will be incurred within three years of the balance sheet date.

Smith Electric Vehicles Europe Limited **Year ended 31 December 2012**

13. Provisions for liabilities

	Product warranties £ 000's	Total £ 000's
As at 31 December 2011: Less than one year	2,306	2,306
As at 31 December 2011: More than one year	384	384
Total	2,690	2,690
Charged to profit and loss account	(92)	(92)
Utilisation of provision	(235)	(235)
	<u>-</u>	<u>-</u>
At 31 December 2012: Provisions more than one year	2,363	2,363
	<u>-</u>	<u>-</u>

The provision for deferred tax is nil (2011:nil)

14. Called-up share capital

	2012 £	2011 £
Allotted, called-up and fully-paid		
1 ordinary share of £1 each	1	1
	<u>1</u>	<u>1</u>

15. Reserves

	Profit and loss account £000's	Total £000's
At 1 January 2012	(9,683)	(9,683)
Loss for the financial year	(8,161)	(8,161)
	<u>-</u>	<u>-</u>
At 31 December 2012	(17,844)	(17,844)
	<u>-</u>	<u>-</u>

16. Reconciliation of movements in shareholders' funds

	2012 £000's	2011 £000's
Loss for the financial year	(8,161)	(19,298)
Capital contribution	-	9,615
	<u>-</u>	<u>-</u>
Net reduction to shareholders' funds	(8,161)	(9,683)
	<u>-</u>	<u>-</u>
Opening shareholders' funds	(9,683)	-
	<u>-</u>	<u>-</u>
Closing shareholders' funds	(17,844)	(9,683)
	<u>-</u>	<u>-</u>

Smith Electric Vehicles Europe Limited

Year ended 31 December 2012

17. Financial commitments

There are no capital commitments at the year end.

18. Contingent liabilities

There are no known contingent liabilities at the year end

19. Related party transactions

The company has taken advantage of the exemption contained in FRS8 not to disclose details of related party transactions with other group companies. The group accounts are available to the public through the S1 documentation submitted for NASDAQ.

20. Controlling party

The directors regard Smith Electric Vehicles Corp, incorporated in the United States of America being the company's ultimate parent company and ultimate controlling party. Smith Electric Vehicles Corp leads the largest and smallest group in which the results of the company are consolidated. Copies of the consolidated financial statements are available from Smith Electric Vehicles Corp, 1220 N.W. Ambassador Drive, Suite 326, Kansas City, MO 64163.