
GKN EVO EDRIVE SYSTEMS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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COMPANIES HOUSE

GKN EVO EDRIVE SYSTEMS LIMITED

COMPANY INFORMATION

DIRECTORS

R H Bahns
J A Hickman (appointed 21 January 2014)
C J Nash
S Clarke (appointed 3 March 2014)

COMPANY SECRETARY

G.K.N. Group Services Limited

REGISTERED NUMBER

07664134

REGISTERED OFFICE

PO BOX 55
Ipsley House
Ipsley Church Lane
Redditch
Worcestershire
B98 0TL

INDEPENDENT AUDITOR

Rawlinson & Hunter
Chartered Accountants & Registered Auditor
Eighth Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ

GKN EVO EDRIVE SYSTEMS LIMITED

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GKN EVO EDRIVE SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and the financial statements of GKN EVO eDrive Systems Limited ("the company") for the year ended 31 December 2013.

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;
- 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.

PRINCIPAL ACTIVITY

The principal activity of the company is the development and supply of electric motors based on axial flux motor technology.

DIRECTORS

The directors who served during the year and subsequently were:

R H Bahns
J A Hickman (appointed 21 January 2014)
P Mairl (resigned 3 March 2014)
J D McLuskie (resigned 21 January 2014)
C J Nash
G P Parsi (resigned 2 April 2013)
S Clarke (appointed 3 March 2014)

GKN EVO EDRIVE SYSTEMS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013**

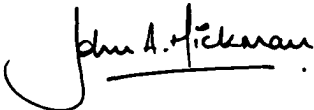
DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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



J A Hickman
Director

Date: 25 April 2014

GKN EVO EDRIVE SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GKN EVO EDRIVE SYSTEMS LIMITED

We have audited the financial statements of GKN EVO eDrive Systems Limited ('the company') for the year ended 31 December 2013, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 you in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, 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 and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

GKN EVO EDRIVE SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GKN EVO EDRIVE SYSTEMS LIMITED

EMPHASIS OF MATTER

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the company's ability to continue as a going concern. The directors have prepared the financial statements on a going concern basis and the validity of this ultimately depends on the accuracy of the forecast cash flows of the company for the period to 30 April 2015. These are based on future events and hence, by their nature, are inherently subject to uncertainty. Details of the circumstances relating to this uncertainty are set out in Note 1. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect. The financial statements do not include any adjustments that would result if the company was considered by the directors to be unable to continue as a going concern.

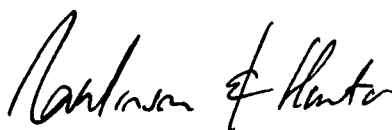
OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Directors' Report.



David Davies (Senior Statutory Auditor)

for and on behalf of
Rawlinson & Hunter

Chartered Accountants
Registered Auditor

Eighth Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ

Date:

25 April 2014

GKN EVO EDRIVE SYSTEMS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 £000	2012 £000
TURNOVER	1,2	836	90
Cost of sales		(210)	(71)
GROSS PROFIT		626	19
Administrative expenses		(2,316)	(800)
Other operating (expenses)/income	3	(33)	129
OPERATING LOSS	4	(1,723)	(652)
Interest receivable and similar income		14	11
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,709)	(641)
Tax (charge)/credit on loss on ordinary activities	6	(96)	85
LOSS FOR THE FINANCIAL YEAR	11	(1,805)	(556)

The notes on pages 7 to 12 form part of these financial statements.

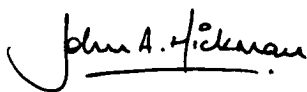
GKN EVO EDRIVE SYSTEMS LIMITED
REGISTERED NUMBER: 07664134

BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	£000	2013 £000	£000	2012 £000
FIXED ASSETS					
Tangible fixed assets	7		217		295
CURRENT ASSETS					
Stocks		189		187	
Debtors	8	3,126		4,762	
		<u>3,315</u>		<u>4,949</u>	
CREDITORS: amounts falling due within one year	9	<u>(894)</u>		<u>(801)</u>	
NET CURRENT ASSETS			<u>2,421</u>		<u>4,148</u>
NET ASSETS			<u><u>2,638</u></u>		<u><u>4,443</u></u>
CAPITAL AND RESERVES					
Called up share capital	10		5,130		5,130
Profit and loss account	11		<u>(2,492)</u>		<u>(687)</u>
SHAREHOLDERS' FUNDS			<u><u>2,638</u></u>		<u><u>4,443</u></u>

The financial statements have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



J A Hickman
Director

Date: 25 April 2014

The notes on pages 7 to 12 form part of these financial statements.

GKN EVO EDRIVE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

1.2 Future financing

Although the company incurred a net loss of £1,805,000 during the year ended 31 December 2013, at that date the company had net current assets amounting to £2,421,000, including £2,572,000 due from GKN (UK) plc which is repayable on demand and funds the company's day to day cash flow and working capital requirements.

The directors have reviewed the company's forecast cash flows, along with both current and expected future financial liabilities, from its forecast activities over the period to 30 April 2015 and are confident that the company will maintain sufficient funding to meet its financial liabilities as they fall due throughout that period. The company was also granted a conditional term loan facility of £5 million on 21 June 2011 by GKN (UK) plc which is available until 21 June 2019 and accessible to the company upon, amongst other criteria, receipt of a customer order for series production.

In view of the forecast cash flows to 30 April 2015, and the availability of the conditional term loan facility, the directors consider it appropriate to prepare the financial statements for the year ended 31 December 2013 on a going concern basis. The financial statements do not include any adjustments which would be necessary if the going concern basis was considered inappropriate.

1.3 Cash flow

The financial statements do not include a Cash Flow Statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective April 2008).

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	-	10% straight Line (2012 - 33% straight line)
Fixtures & fittings	-	33% straight line
Office equipment	-	33% straight line
Computer equipment	-	33% straight line

1.6 Operating leases

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

GKN EVO EDRIVE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. ACCOUNTING POLICIES (continued)

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs.

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.9 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and Loss Account.

1.10 Research and development

Research and development expenditure is charged to the Profit and Loss Account in the period in which it is incurred.

1.11 Government and other grants

Grant income is received by the company for the purpose of part funding research and development projects. Grant income is credited to the Profit and Loss Account as the related expenditure is incurred and to the extent that management considers claims will be accepted and income will be received. Grant income is reported within Other operating income.

1.12 Pensions

The company makes contributions to employees' pension funds and the pension charge represents the amounts payable by the company to such funds in respect of the year.

GKN EVO EDRIVE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

2. TURNOVER

85.5% of the company's turnover (2012 - 63.3%) is attributable to geographical markets outside the United Kingdom.

3. OTHER OPERATING INCOME

	2013	2012
	£000	£000
Research and development expenditure credit	47	-
(Adjustment to)/recognition of grant received	(80)	129
	(33)	129

4. OPERATING LOSS

The operating loss is stated after charging:

	2013	2012
	£000	£000
Depreciation of tangible fixed assets:		
- owned by the company	245	18
Auditor's remuneration	8	9
Auditor's remuneration - non-audit	13	2
Pension costs	19	3
Research and development expenditure written off	626	434

5. DIRECTORS' REMUNERATION

	2013	2012
	£000	£000
Aggregate remuneration	12	8

6. TAXATION

	2013	2012
	£000	£000
Analysis of tax charge in the year		
UK corporation tax charge/(credit) on loss for the year	11	(85)
Adjustments in respect of prior periods	85	-
Tax on loss on ordinary activities	96	(85)

GKN EVO EDRIVE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

6. TAXATION (continued)

Factors that may affect future tax charges

A reduction in the main rate of UK corporation tax to 23% took effect from 1 April 2013 which gives rise to an effective UK tax rate of 23.25% for the year. Further reductions in the main rate of corporation tax to 21% and then to 20% will take effect on 1 April 2014 and 1 April 2015 respectively. At the balance sheet date the reduction to 20% had been substantively enacted.

No deferred tax asset has been recognised in respect of losses carried forward as it is not considered more likely than not that there will be sufficient future taxable profits to offset against the losses.

7. TANGIBLE FIXED ASSETS

	Plant & machinery £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost				
At 1 January 2013	232	4	77	313
Additions	89	-	78	167
At 31 December 2013	321	4	155	480
Depreciation				
At 1 January 2013	6	4	8	18
Charge for the year	194	-	51	245
At 31 December 2013	200	4	59	263
Net book value				
At 31 December 2013	121	-	96	217
At 31 December 2012	226	-	69	295

8. DEBTORS

	2013 £000	2012 £000
Trade debtors	287	106
Amounts owed by related undertakings (Note 13)	2,664	4,543
Other debtors	175	113
	3,126	4,762

GKN EVO EDRIVE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

6. TAXATION (continued)

Factors that may affect future tax charges

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Charge for the year	194	-	51	245
At 31 December 2013	<u>200</u>	<u>4</u>	<u>59</u>	<u>263</u>
Net book value				
At 31 December 2013	<u>121</u>	<u>-</u>	<u>96</u>	<u>217</u>
At 31 December 2012	<u>226</u>	<u>-</u>	<u>69</u>	<u>295</u>

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	<u>3,126</u>	<u>4,762</u>

GKN EVO EDRIVE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

9. CREDITORS:
Amounts falling due within one year

	2013	2012
	£000	£000
Trade creditors	80	40
Amounts owed to related undertakings (Note 13)	160	70
Other taxation and social security	36	36
Other creditors	618	655
	<u>894</u>	<u>801</u>

10. SHARE CAPITAL

	2013	2012
	£000	£000
Allotted, called up and fully paid		
5,130,000 Ordinary shares of £1 each	<u>5,130</u>	<u>5,130</u>

11. RESERVES

	Profit and loss account £000
At 1 January 2013	(687)
Loss for the financial year	(1,805)
	<u>(2,492)</u>
At 31 December 2013	<u>(2,492)</u>

12. OPERATING LEASE COMMITMENTS

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

	2013	2012
	£000	£000
Expiry date:		
Within 1 year	37	36
Between 2 and 5 years	<u>-</u>	<u>1</u>

GKN EVO EDRIVE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

13. RELATED PARTY TRANSACTIONS

Amounts owed by related undertakings (Note 8) includes £2,572,000 (2012 - £4,458,000) due from GKN (UK) PLC, the parent company of GKN Automotive Limited (Note 14). This amount is unsecured, bears interest at LIBOR minus 0.125% per annum and is repayable on demand. Amounts owed by related undertakings also includes £92,000 (2012 - £85,000) owed by GKN Automotive Limited and other related undertakings which are unsecured, interest free and repayable on demand.

Amounts owed to related undertakings (Note 9) includes £11,000 (2012 - £70,000) owed to GKN Automotive Limited and other related undertakings which is unsecured, interest free and repayable on demand. The comparative column in Note 9 has been restated to reclassify the prior year amount from trade creditors to amounts owed to related undertakings.

Amounts owed to related undertakings (Note 9) also includes £149,000 (2012 - trade debtor balance of £47,000) owed to EVO Electric Limited (Note 14). The amount owed in the current year is unsecured, bears interest at LIBOR minus 0.125% and is repayable on demand.

During the year, the company recharged costs of £13,000 (2012 - £39,000) to and incurred purchases of £34,000 (2012 - £156,000) from EVO Electric Limited.

The company also recharged costs and made sales of £225,000 (2012 - £22,000) to and incurred purchases of £595,000 (2012 - £141,000) from GKN Automotive Limited and other related undertakings.

Director's fees of £Nil (2012 - £1,791) were paid to R Bahns during the year.

14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is a Joint Venture between GKN Automotive Limited and EVO Electric Limited who own 50% of the allotted share capital each. There is no single controlling party.