

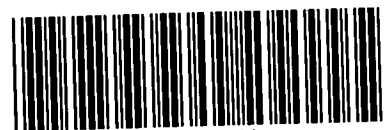
REGISTERED NUMBER: 07664134

# **GKN EVO eDRIVE SYSTEMS LIMITED**

## **Annual report and financial statements**

For the year ended 31 December 2022

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# **GKN EVO eDrive Systems Limited**

## **Company Information**

<b>Directors</b>	J Brumbaugh J Nicholson
<b>Registered Number</b>	07664134
<b>Registered Office</b>	1 <sup>ST</sup> Floor, 2100 The Crescent Birmingham Business Park Birmingham B37 7YE
<b>Independent Auditor:</b>	Deloitte LLP Statutory Auditor 2 New Street Square London United Kingdom EC4A 3BZ

**GKN EVO eDrive Systems Limited**

**Table of Contents**

Directors' Report .....3

Independent auditor's report to the members of GKN EVO eDrive Systems Limited ..... 5

Income Statement ..... 7

Balance Sheet .....8

Statement of Changes in Equity ..... 9

Notes to the Financial Statements ..... 10

# GKN EVO eDrive Systems Limited

## Directors' Report

For the year ended 31 December 2022

In line with special provisions relating to small companies within Part 15 of the Companies Act 2006, the Company has chosen not to prepare a Strategic Report.

The Directors present their annual report and audited financial statements of GKN EVO eDrive Systems Limited ("the Company") for the year ended 31 December 2022.

## Directors' Responsibilities Statement

The directors are responsible for preparing the Annual 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 applicable law and United Kingdom Generally Accepted Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

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 judgements 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.

## Principal Activity

The Company owns patents and know-how relating to the design, manufacture, service and repair of axial flux electric motors. It licenses these to a third party for the use in the manufacture and sale of these motors in various countries around the world. The Company is remunerated based on a percentage of sales made by the licensee. The company is not itself involved in the design, manufacture, or service of these products.

## Going Concern

The financial statements have been prepared on a going concern basis. The Company's forecasts show that the Company expects to be able to continue to operate for the next 12 months from the date of the approval of these financial statements.

Due to the nature of its operations, the Company's status as a going concern is reliant on continued support from fellow subsidiaries within the Group, in the context of recovery of intercompany receivables.

At 31 December 2022, the Company was a subsidiary of Melrose Industries PLC, a global manufacturing and engineering group. The 2022 Annual Report of Melrose Industries PLC disclosed that the Group had headroom on its multi-currency committed revolving credit facility of £2.6 billion, when applying the exchange rates at 31 December 2022.

On 20 April 2023, Melrose Industries PLC demerged a newly formed group, Dowlais Group plc (the "Dowlais Group"), which is the new ultimate parent of the Company. In assessing going concern, the Company has taken into account a multi-currency committed revolving credit facility of £1.8 billion within the Dowlais Group, which was entered into upon its demerger from Melrose Industries PLC.

At 31 December 2022, the Dowlais Group had recognised cash balances of £263 million (net of overdrafts), and is forecast to record positive operating cashflows for 2023 and 2024. It is considered that this multi-currency committed revolving credit facility provides sufficient liquidity for the going concern period

## Financial Risk Management

As a subsidiary of Dowlais Group PLC all the Company's funding will be provided through a fellow subsidiary via a current account. The overarching Group policies for the period in relation to external risks, including interest rate risk, price risk, credit risk, cash flow risk, foreign exchange risk and liquidity risk, all of which were managed centrally by the Melrose Group Treasury function for the period these accounts relate to, are set out in the annual report of Melrose. The Company does not use derivative financial instruments to manage interest rate costs.

## Results and Dividends

The profit for the year, after taxation, amounted to £30,000 (2021: £108,000)

During the year, the Directors did not recommend the payment of a dividend (2021: £nil)

## Future Outlook

The Directors expect the Company to continue to receive licensing fees on the patents and know-how it owns. No significant developments are planned.

## GKN EVO eDrive Systems Limited

**Directors' Report (continued)**  
For the year ended 31 December 2022

### **Directors**

The Directors who served during the year and up to the date of signing the Financial Statements are as follows:

G Barnes (resigned 20 April 2023)  
J Brumbaugh  
G Morgan (resigned 20 April 2023)  
J Nicholson  
M Richards (resigned 20 April 2023)  
J Crawford (resigned 20 April 2023)

### **Disclosure of Information to Auditor**

Each of the persons who are Directors of the Company at the time when the 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.

The confirmation is given and should be interpreted in accordance with the provision of s418 on the 2006 Companies Act.

### **Directors' Indemnity**

The Company has indemnified one or more Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision was in force throughout the year and at the date of this report.

### **Auditor**

Deloitte have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

This report was approved by the Board on 14 September 2023 and signed on its behalf by:



J Brumbaugh  
Director  
Registration number: 07664134

# GKN EVO eDrive Systems Limited

## Independent auditor's report to the members of GKN Evo eDrive Systems Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of GKN EVO eDrive Systems Limited:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- and the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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

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.

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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

#### Responsibilities of directors

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, 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 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 company or to cease operations, or have no realistic alternative but to do so.

#### 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 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# GKN EVO eDrive Systems Limited

## Independent auditor's report to the members of GKN EVO eDrive Systems Limited (continued)

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the recognition of revenue – with the risk pinpointed to the completeness and occurrence assertions. Our specific procedures performed to address this risk included the following:

- reviewing the contractual agreement with the licensee;
- verifying that revenue has been recognised in line with the disclosed accounting policy through inspection of the notification received from the licensee; and
- confirming that all licensing agreements have been accounted for.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

### Report on other legal and regulatory requirements

#### 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.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

#### Matters on which we are required to report by exception

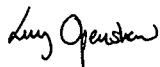
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

#### 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.



Lucy Openshaw FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

14 September 2023

## GKN EVO eDrive Systems Limited

### Income Statement

For the year ended 31 December 2022

	Note	2022 £000	2021 £000
Revenue	3	22	98
<b>OPERATING PROFIT</b>		<b>22</b>	<b>98</b>
Other income	4	-	10
Interest income	6	8	-
<b>PROFIT BEFORE TAX</b>		<b>30</b>	<b>108</b>
Tax on profit	7	-	-
<b>PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME</b>		<b>30</b>	<b>108</b>

The results presented above are from continuing operations. There are no items of other comprehensive income for either the year or the prior year other than the profit for the year. Accordingly, no statement of other comprehensive income has been presented.

The notes on page 10 to 14 form part of these Financial Statements.



## GKN EVO eDrive Systems Limited

### Balance Sheet

As at 31 December 2022

		2022 £000	2021 £000
Intangible assets	Note 8	-	-
<b>Current assets</b>			
Trade and other receivables	9	737	707
		<u>737</u>	<u>707</u>
<b>Total assets</b>		<u>737</u>	<u>707</u>
<b>Total assets less current liabilities</b>		<u>737</u>	<u>707</u>
<b>Net assets</b>		<u>737</u>	<u>707</u>
<b>Capital and reserves</b>			
Share capital	10	5,130	5,130
Retained earnings	11	(6,827)	(6,857)
Capital contribution reserve	11	2,434	2,434
<b>Total equity</b>		<u>737</u>	<u>707</u>

The notes on page 10 to 14 form part of these financial statements.

The financial statements on pages 7 to 14 were approved by the Board of Directors and authorised for issue on 14 September 2023.

*Jennifer M. Brumbaugh*

J Brumbaugh  
Director  
Registration number: 07664134

## GKN EVO eDrive Systems Limited

### Statement of Changes in Equity For the year ended 31 December 2022

	Share Capital	Capital Contribution	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000
At 1 January 2022	5,130	2,434	(6,857)	707
<b>Comprehensive income for the year</b>				
Profit for the year and total comprehensive income	-	-	30	30
<b>At 31 December 2022</b>	<b>5,130</b>	<b>2,434</b>	<b>(6,827)</b>	<b>737</b>
At 1 January 2021	5,130	2,434	(6,965)	599
<b>Comprehensive income for the year</b>				
Profit for the year and total comprehensive income	-	-	108	108
<b>At 31 December 2021</b>	<b>5,130</b>	<b>2,434</b>	<b>(6,857)</b>	<b>707</b>

The notes on page 10 to 14 form part of these Financial Statements

# GKN EVO eDrive Systems Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### Accounting policies and presentation

The Company's significant accounting policies which have been consistently applied are summarised below.

#### 1. General Information

GKN EVO eDrive Systems Limited is a private company limited by shares and is incorporated and domiciled in the UK and registered in England and Wales under the Companies Act 2006 with the registered number 07664134. Its registered office is 2100 The Crescent, Birmingham Business Park, Birmingham, West Midlands, United Kingdom B37 7YE.

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

#### 2. Accounting Policies and Presentation

The Company's significant accounting policies which have been consistently applied are summarised below.

##### 2.1 Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

##### 2.2 Standards, Revisions and Amendments to Standards and Interpretations Issued

At the date of authorisation of these financial statements, there are no issued standards, revisions or amendments which impact GKN EVO eDrive Systems Limited and require adoption.

##### 2.3 Going Concern

The financial statements have been prepared on a going concern basis. The Company's forecasts show that the Company expects to be able to continue to operate for the next 12 months from the date of the approval of these financial statements.

Due to the nature of its operations, the Company's status as a going concern is reliant on continued support from fellow subsidiaries within the Group, in the context of recovery of intercompany receivables.

At 31 December 2022, the Company was a subsidiary of Melrose Industries PLC, a global manufacturing and engineering group. The 2022 Annual Report of Melrose Industries PLC disclosed that the Group had headroom on its multi-currency committed revolving credit facility of £2.6 billion, when applying the exchange rates at 31 December 2022.

On 20 April 2023, Melrose Industries PLC demerged a newly formed group, Dowlais Group plc (the "Dowlais Group"), which is the new ultimate parent of the Company. In assessing going concern, the Company has taken into account a multi-currency committed revolving credit facility of £1.8 billion within the Dowlais Group, which was entered into upon its demerger from Melrose Industries PLC.

At 31 December 2022, the Dowlais Group had recognised cash balances of £263 million (net of overdrafts), and is forecast to record positive operating cashflows for 2023 and 2024. It is considered that this multi-currency committed revolving credit facility provides sufficient liquidity for the going concern period.

##### 2.4 Financial Reporting Standard 101 - Reduced Disclosure Exemptions

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

- IFRS 7, 'Financial Instruments: Disclosures'
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows)
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for a minimum of two primary statements, including cash flow statements),
  - 40A-D (requirements for a third balance sheet)
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group

##### 2.5 Financial Instruments

Financial liabilities are recorded in arrangements where payments, or similar transfers of financial resources, are unavoidable or guaranteed.

Borrowings and loans are measured initially at fair value net of transaction costs. Borrowings and loans are subsequently measured at amortised cost.

# GKN EVO eDrive Systems Limited

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

Other financial assets and liabilities, including short term receivables and payables, are initially recognised at fair value are subsequently measured at amortised cost less any impairment provision unless the impact of the time value of money is considered to be material. The company does not trade in derivative financial instruments.

### **2.5 Financial Instruments (continued)**

Derecognition of financial assets and liabilities

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or where it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers or retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for proceeds received.

### **2.6 Finance Costs**

Finance costs are charged to the Income Statement over the term of the debt using effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### **2.7 Revenue recognition**

The Company recognises revenue during the period the licensee sells the products which benefit from the Company's technology. The licensee collates the period sales data and notifies the Company of it shortly after the close of each period. In early 2023 the Company was advised of sales made in 2022 (£22,000).

### **2.8 Interest Income**

Interest income is recognised in the Income Statement using the effective interest rate method.

### **2.9 Pensions**

Defined Contribution Pension Plans

The Company previously operated a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. Once the contributions have been paid the Company has no further obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company and independently administered funds.

### **2.10 Current and Deferred Taxation**

#### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred taxation.

#### **Current tax**

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

A provision is recognised for those matters for which the tax determination is uncertain but considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

#### **Deferred Tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

# GKN EVO eDrive Systems Limited

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

### Current tax and deferred tax

Current tax and deferred tax are recognised in profit or loss except where they relate to items recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

### 2.11 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment charges. They are amortised over their expected useful economic life.

Intangible assets comprise patents and know-how relating to the design, manufacture and service of axial flux motors. The company bears no cost for the maintenance of these patents and know-how as costs are met by another group company.

The future cashflow attributable to these assets is uncertain and therefore no intangible asset is recognised.

### 2.12 Critical accounting judgements and key sources of estimation uncertainty

In preparing the financial statements, management has to make judgements on how to apply the company's accounting policies and make estimates about the future. There are no critical judgements made in the preparation of these financial statements.

### 2.13 Estimation uncertainty

There are no key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year.

## 3. Revenue

	United Kingdom	Total
	£000	£000
2022 sales	22	22
2021 sales	98	98

All revenue is derived from licensing fees charged on patents owned by the Company. Revenue is recognised at the point the licensee notifies the Company of amounts due to it for sales of licensed technology. During 2021 the Company was notified by the licensee of payments owing to the Company relating to several previous years.

## 4. Other income

Administrative income totalled £nil (2021: £10k). Administrative income constitutes late notification charges relating to licensing fees on patents owned by the Company.

Audit fees totalled £12,000 (2021: £nil) during the year. Auditor's fees for non-audit work totalled £nil (2021: £nil) during the year. The Company's audit fees are borne by another Group company.

## 5. Employees

There were no employees in either year; directors are remunerated by the parent company, and it is not possible to apportion their time spent on activities relating to the Company.

## 6. Interest Income

	2022 £000	2021 £000
Interest income		
Interest receivable on amounts owed by group undertakings	8	-
Net interest income	8	-

Amounts owed by group undertakings are unsecured. They accumulate interest at SONIA less 0.125% (LIBOR less 0.125% until January 2022), have no fixed date of repayment and are repayable on demand.

# GKN EVO eDrive Systems Limited

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

### 7. Taxation

#### (a) Tax expense

	2022	2021
	£'000	£'000
<b>Analysis of charge/(credit) in year</b>		
Current tax charge/(credit)		
Current year UK corporation tax	-	-
<b>Total current tax</b>	-	-
Deferred tax charge/(credit)		
Current year	-	-
Adjustments in respect of prior years	-	-
<b>Total deferred tax</b>	-	-
<b>Tax on profit on ordinary activities</b>	-	-

#### Factors affecting the tax charge/(credit) in the year

- (b) The tax assessed for the year is different to (2021: different to) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022	2021
	£'000	£'000
<b>Tax reconciliation</b>		
Profit on ordinary activities before tax	30	108
Profit on ordinary activities multiplied by the standard UK corporation rate of 19% (2021: 19%)	6	21
Tax effect of expenditure not deductible/ (income not taxable) in determining taxable profits	-	-
Recognition of previously unrecognised deferred tax assets	-	-
Group relief at nil tax rate	(6)	(21)
Adjustment to current tax charge in respect of prior periods	-	-
Adjustment to deferred tax charge in prior periods	-	-
<b>Total tax (charge)/credit for the year</b>	-	-

The rate of UK corporation tax for the year ended 31 December 2022 was 19%. The Finance Act 2021 included an increase in the UK corporation tax rate to 25% with effect from 1 April 2023. As this change had been enacted at the balance sheet date, the closing deferred tax balances have been re-measured using the 25% rate to the extent that the deductible or taxable temporary differences will reverse post 1 April 2023. This has no effect on the closing balance sheet.

### 8. Intangible assets

The Company owns patents and know-how relating to the design, manufacture, service and repair of axial flux electric motors. It licenses these to a third party for the use in the manufacture and sale of these motors in various countries around the world. The Company is remunerated based on a percentage of sales made by the licensee.

The costs for upkeep and maintenance of the patents and know how are met by GKN Driveline International GmbH on behalf of GKN EVO eDrive Systems Limited and are not charged back to the Company. No asset is therefore recognised (2021: £nil) due to the uncertainty around the timing and amount of future cash inflows related to the assets.

### 9. Trade and other receivables

	2022	2021
	£000	£000
<b>Due within one year</b>		
Amounts due from group undertakings	737	707

Amounts due from group undertaking are unsecured, repayable on demand and, except as detailed below, interest free.

Included in amounts due from group undertakings is £607,000 (2021: £599,000) due from GKN Industries Ltd, the loan having been novated from GKN Enterprise Limited on 20th December 2022. This amount bears interest at SONIA minus 0.125 % per annum (LIBOR less 0.125% per annum to January 2022). The loan is unsecured and is repayable on demand.

# GKN EVO eDrive Systems Limited

## Notes to the Financial Statements (continued)

For the year ended 31 December 2022

### 10. Share capital

	2022 £000	2021 £000
<b>Authorised, issued and fully paid</b>		
5,130,000 (2021: 5,130,000) Ordinary shares of £1 each	<u>5,130</u>	<u>5,130</u>

The Company has one class of ordinary shares which carry no right to fixed income. No further shares were issued during the year hence there has been no movement in this balance.

### 11. Reserves

#### Retained earnings

Retained earnings represent cumulative profits and losses net of dividends and other adjustments.

#### Capital contribution

During 2017, GKN Enterprise Limited (formerly known as GKN (United Kingdom) PLC) waived a loan of £2.4m, which has been accounted for as a capital contribution. Capital contribution reserve is considered to be a distributable reserve.

### 12. Related party transactions

The Company has taken advantage of the exemption not to disclose the transactions with wholly owned subsidiaries of Melrose Industries PLC in accordance with FRS 101.

### 13. Controlling party

The immediate parent is GKN Automotive Limited. The ultimate parent undertaking and controlling party at the time of approving the financial statement is Dowlais Group PLC (see Note 14).

The parent of the largest and smallest group in which these financial statements are consolidated is Melrose Industries PLC. Consolidated financial statements of Melrose Industries PLC are available from Melrose Industries PLC, 11<sup>th</sup> Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham B4 6AT, which is also the registered office of the Company.

### 14. Post balance sheet events

On 20<sup>th</sup> April 2023, the Company's ultimate parent undertaking changed from Melrose Industries PLC to Dowlais Group PLC following the demerger from the Melrose Group of Dowlais Group PLC and the listing of Dowlais Group PLC on the London Stock Exchange.

The Directors do not consider that the change in ultimate parent company will impact significantly on the operations of the Company.