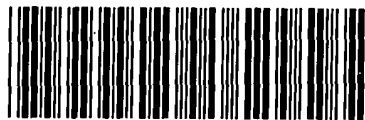


Company Registration No. 03442268 (England and Wales)

Evolution Power Tools Ltd
Annual Report And Financial Statements
For The Year Ended 31 December 2018

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EVOLUTION POWER TOOLS LTD

COMPANY INFORMATION

Directors	Mr J A Bamber Mr B Bloomer Mr D A Bygraves Mr R H Dorman Mr M J Gavins
Secretary	Mr D Taylor
Company number	03442268
Registered office	Venture One Longacre Close Holbrook Industrial Estate Sheffield South Yorkshire S20 3FR
Auditor	Garbutt & Elliott Audit Limited Triune Court Monks Cross Drive York YO32 9GZ

EVOLUTION POWER TOOLS LTD

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EVOLUTION POWER TOOLS LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their Strategic Report on the affairs of the Group for the year ended 31 December 2018. The directors in preparing this Strategic Report have complied with s414c of the Companies Act 2006.

Business review

We aim to present a balanced and comprehensive review of the development and performance of the Group during the year and its position at the year end.

Group results show turnover in line with 2017, with the majority of the sales being attributable to Power Tool sales. Gross profit margins have increased from 28.2% in 2017 to 33.6% in 2018, and operating profit margin has increased from 3.3% in 2017 to 8.6% in 2018.

As a designer and distributor of power tools, the Group continues to supply goods to the UK and overseas markets.

The UK parent turnover grew by 11.8% in the year as a result of growing existing customer accounts, engaging new customers and continuing to grow sales in the export markets in Europe and Australia.

Group level gross margin percentages improved during the year, from 28.2% to 33.6% following some movement in the mix of product sales and also an increase in the amount of USD denominated FOB sales from the UK business.

There were no activities in the property development side of the business. The majority of the units were sold in 2008 and there are now only three units left for resale, the cost of construction of which is reflected in Fixed Assets and is currently marketed for resale.

In its local currency, the US business turnover remained in line with 2017, representing 29% (2017 – 30%) of Group turnover. The North American e-commerce business grew by approximately 25% in 2018 (39% of sales in 2018, versus 30% of sales in 2017). This growth was fuelled by Steel products, which in part came at the expense of sales to brick and mortar Steel customers (which declined by 5% for the year). That said, Steel product sales grew overall, and represented 68% of North American sales in 2018 (versus 61% in 2017). The percentage growth in Steel product sales was also partially driven by a decline in multi-material Retail sales at a specific customer whose inventory carry-over impacted their 2018 purchases. Given our sales mix, gross margins increased in 2018 to 39.1% (versus 36.4 in 2017).

Despite a number of challenges being faced by the Group, the growth of the Evolution brand continued through 2018.

Prior year adjustment

During Q3 2018 an error was uncovered in the France accounts where intercompany invoices totalling €4.7m were found to have been shown in debtors in the 2017 accounts instead of charging the Profit and Loss account. Following further investigations this error was found to relate to 2017 and prior years. The effect of correcting this revealed that the France business was not performing as well as had been reported and was, in fact, loss making. As a result, the 2017 accounts have been restated to reflect the true position. Significant measures were commenced in Q4 2018 to resolve the issue and with the aim of returning France to profit. This corrective action is ongoing in 2019. Further information on the impact of the prior year adjustment can be found in note 29.

Principal risks and uncertainties

The Group's activities expose it to a number of financial risks including competitor risk, credit risk, foreign exchange risk and interest rate risk. The Group does not use financial instruments for speculative purposes. The directors have reviewed the financial risks facing the Group and have devised systems and controls to mitigate these risks:

Competitor risk

The Group continues to operate in competitive markets. To reduce this risk in relation to competitors we undertake market research to ensure that we develop appropriate products that satisfy the needs of our customers. We continue to focus on product development to ensure that we have products at various stages of the product life cycle and are pleased to be launching the next generation of products early in the coming year.

EVOLUTION POWER TOOLS LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Credit risk

The Group's credit risk is primarily attributable to its trade debtors. The amounts presented in the Statement of Financial Position are net of allowances for doubtful debt. The risk is mitigated by appropriate credit control procedures. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. This is regularly reviewed by the Board.

Interest rate risk

The Group has interest bearing liabilities relating to long-term funding, the majority of which is variable to enable the business to overpay and pay down debt early. The Group took an additional debt in the year, with an increase in the mortgage against the UK office buildings and a new term loan. Given the current low UK base rate and general market expectations of minimal increases in the near term, the directors do not consider these interest rate risks to be significant for the UK. The Group uses an interest rate swap at Evolution Power Tools LLC (the US subsidiary) to fix the interest on a long-term liability.

Foreign exchange risk

The Group operates in a number of different territories with different currencies. Furthermore, the Group are exposed to foreign exchange movements from the import and export of goods within each location. The Group does not hedge the translation of its overseas profits since this is not considered to be a material risk for the Group. The Group enters into forward currency contracts for the purchase and sale of foreign currency in order to manage its exposure to fluctuations in currency rates primarily in respect of US Dollar.

The use of financial derivatives is subject to approval by the Board of Directors.

Going concern

Recognising a shift in trends of consumer purchasing behavior, the Company is well positioned for a switch to and growth of direct to consumer sales in existing and new markets. This along with a re-focus on the Steel side of the business will lead to continued growth in the near term.

The Company anticipates revenue growth in excess of 10% in 2019 with a corresponding improvement in profit before tax. Cash generation in the year is expected to be around £1.5m after payments of tax, dividends and charitable donations.

At the time of approval of the financial statements, the Group meets its day to day working capital requirements through a mixture of supplier and customer financing and bank credit facilities. Whilst the Group's forecasts and projections taking account of reasonably possible changes in trading performance show that the Group should be able to operate within the level of the current facility, it is noted that the US facility is due for renewal in February 2020 and the UK facility whilst on an uncommitted basis has recently been renewed until July 2020. Whilst the UK facility continues to be on an uncommitted basis this extends only to new letter of credit applications and that the existing letters of credit by nature are committed. Additionally, there is enough optionality and headroom through customer and supplier financing, combined with continued positive trading, to lead the directors to have a reasonable expectation that the company has adequate resources to continue to meet its trading liabilities as they fall due.

Regarding the loan facility, whilst it is acknowledged that the company did not fully satisfy a debt servicing covenant at 31 December 2018, it has been confirmed by HSBC bank that this breach has been waived and does not modify the loan agreement and consequently monies do not fall due.

The directors therefore believe that it is appropriate to prepare these financial statements on a going concern basis. Further information in this regard is included in the accounting policies at note 1.3 to the financial statements.

At the end of 2018, the cumulative losses of the French business amounted to (€5.6m), with an intercompany creditor balance with the Evolution UK entity of €9.9m. That said, there has been a substantial improvement in the performance of the French business since 2017. After re-statement of the accounts the French business posted a loss before tax of €(2.1)m in 2017 and €(1.17)m in 2018.

EVOLUTION POWER TOOLS LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

2019 has a budgeted loss before tax of €(0.4)m but importantly is forecast to be making a positive contribution before its allocation of group overheads. The profitability improvement in 2019 will be achieved through the introduction of new products at better margin; a review and reduction of the freight forward costs; a reduced level of customer fines; staffing costs being kept flat despite turnover growth and price increases on certain lines.

Post 2019, as the business expands further into Europe, selling directly to the consumer; and with further streamlining of the French business, we forecast that going forward the French business will be trading profitably.

Financial performance indicators

KPI's	2018	2017	Measure
Turnover (£)	40,374,016	40,322,522	Sales in Year
Gross profit %	33.6%	28.2%	Gross profit/sales
Profit before tax %	7.5%	2.4%	Profit before tax/sales
Stock turns	4.4	8.2	Turnover/stock
Debtor days	94	96	Trade debtors/turnover x365

Turnover across the Group stayed flat with challenge in France and a slight decline in the US offset by steady growth in the UK and export channels.

The gross margin improvement is predominantly a result of the correction in the French business, a positive movement in US\$ denominated sales and a favourable product sales mix.

Operating profit margins for the business improved in 2018 from 2017, primarily due to corrective actions taken in France and continual progress in new product development.

Stock turns have reduced due to control issues and reduced sales in the French and US businesses. UK inventory levels remain at the previous year's turns ratio.

We consider that our key performance indicators are those that communicate the financial performance and strength of the Group as a whole, being turnover and gross margin, and we will concentrate on growth in sales and improving the gross margin.

The Group continues to research and develop new products and to explore new markets to achieve business growth. Further detail is included in the Director's Report.

On behalf of the board



Mr B Bloomer

Director

21-10-19

EVOLUTION POWER TOOLS LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the company and group continued to be that of design and distribution of power tools.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr J A Bamber
Mr B Bloomer
Mr D A Bygraves
Mr R H Dorman
Mr M J Gavins

Results and dividends

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £761,725 (2017 - £2,901,191). The directors do not recommend payment of a further dividend.

Auditor

Garbutt & Elliott Audit Limited were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board



Mr B Bloomer
Director

Date: 21-10-19

EVOLUTION POWER TOOLS LTD

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EVOLUTION POWER TOOLS LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EVOLUTION POWER TOOLS LTD

Opinion

We have audited the financial statements of Evolution Power Tools Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the group statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2018 and of the group's profit 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.

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

EVOLUTION POWER TOOLS LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF EVOLUTION POWER TOOLS LTD

Matters on which we are required to report by exception

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

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

Responsibilities of directors

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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.



Chris Butt (Senior Statutory Auditor)
for and on behalf of Garbutt & Elliott Audit Limited

28/10/19

Chartered Accountants
Statutory Auditor

Triune Court
Monks Cross Drive
York
YO32 9GZ

EVOLUTION POWER TOOLS LTD

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
	Notes	£	as restated £
Turnover	3	40,374,016	40,322,522
Cost of sales		(26,799,901)	(28,944,290)
Gross profit		13,574,115	11,378,232
Administrative expenses -		(10,121,139)	(10,084,953)
Other operating income		-	24,717
Operating profit	4	3,452,976	1,317,996
Interest receivable and similar income		1	-
Interest payable and similar expenses	7	(414,750)	(366,091)
Profit before taxation		3,038,227	951,905
Tax on profit	8	(900,234)	(573,524)
Profit for the financial year		2,137,993	378,381
Other comprehensive income			
Currency translation differences		233,858	(129,821)
Total comprehensive income for the year		2,371,851	248,560

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Total comprehensive income for the year is all attributable to the owners of the parent company.

EVOLUTION POWER TOOLS LTD

GROUP BALANCE SHEET AS AT 31 DECEMBER 2018

		2018		2017 as restated	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		5,527,457		5,405,505
Investment properties	11		450,000		450,000
			<u>5,977,457</u>		<u>5,855,505</u>
Current assets					
Stocks	14	9,111,425		4,941,865	
Debtors	15	12,128,011		11,863,224	
Cash at bank and in hand		474,937		1,464,830	
		<u>21,714,373</u>		<u>18,269,919</u>	
Creditors: amounts falling due within one year	18	(15,173,341)		(13,564,294)	
Net current assets			<u>6,541,032</u>		<u>4,705,625</u>
Total assets less current liabilities			<u>12,518,489</u>		<u>10,561,130</u>
Creditors: amounts falling due after more than one year	19		(4,734,488)		(4,418,306)
Provisions for liabilities	20		(54,709)		(23,658)
Net assets			<u><u>7,729,292</u></u>		<u><u>6,119,166</u></u>
Capital and reserves					
Called up share capital	22		42,001		42,001
Other reserves			12,501		12,501
Profit and loss reserves			7,674,790		6,064,664
Total equity			<u><u>7,729,292</u></u>		<u><u>6,119,166</u></u>

The financial statements were approved by the board of directors and authorised for issue on 21-10-19 and are signed on its behalf by:



Mr B Bloomer
Director

Company Registration No. 03442268

EVOLUTION POWER TOOLS LTD

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2018

		2018		2017 as restated	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		3,629,149		3,618,215
Investment properties	11		450,000		450,000
Investments	12		90,766		90,766
			<u>4,169,915</u>		<u>4,158,981</u>
Current assets					
Stocks	14	3,803,729		2,643,422	
Debtors	15	11,692,452		9,253,496	
Cash at bank and in hand		381,482		1,341,704	
		<u>15,877,663</u>		<u>13,238,622</u>	
Creditors: amounts falling due within one year	18	(10,847,293)		(8,572,725)	
Net current assets			<u>5,030,370</u>		<u>4,665,897</u>
Total assets less current liabilities			<u>9,200,285</u>		<u>8,824,878</u>
Creditors: amounts falling due after more than one year	19		(3,617,852)		(4,288,332)
Provisions for liabilities	20		(54,709)		(23,658)
Net assets			<u><u>5,527,724</u></u>		<u><u>4,512,888</u></u>
Capital and reserves					
Called up share capital	22		42,001		42,001
Capital redemption reserve			8,001		8,001
Profit and loss reserves			5,477,722		4,462,886
Total equity			<u><u>5,527,724</u></u>		<u><u>4,512,888</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £1,776,561 (2017 - £1,731,055 loss (restated)).

The financial statements were approved by the board of directors and authorised for issue on 21-10-19 and are signed on its behalf by:



Mr B Bloomer
Director

Company Registration No. 03442268

EVOLUTION POWER TOOLS LTD

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £	Other reserves £	Profit and loss reserves £	Total £
As restated for the period ended 31 December 2017:					
Balance at 1 January 2017		42,001	12,501	10,857,598	12,927,761
Effect of prior year adjustments		-	-	(2,140,303)	(2,140,303)
As restated		42,001	12,501	8,717,295	8,771,797
Year ended 31 December 2017:					
Profit for the year		-	-	378,381	378,381
Other comprehensive income:					
Currency translation differences		-	-	(129,821)	(129,821)
Total comprehensive income for the year		-	-	248,560	248,560
Dividends	9	-	-	(2,901,191)	(2,901,191)
Balance at 31 December 2017		42,001	12,501	6,064,664	6,119,166
Year ended 31 December 2018:					
Profit for the year		-	-	2,137,993	2,137,993
Other comprehensive income:					
Currency translation differences		-	-	233,858	233,858
Total comprehensive income for the year		-	-	2,371,851	2,371,851
Dividends	9	-	-	(761,725)	(761,725)
Balance at 31 December 2018		42,001	12,501	7,674,790	7,729,292

EVOLUTION POWER TOOLS LTD

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
As restated for the period ended 31 December 2017:					
Balance at 1 January 2017		42,001	8,001	9,095,132	9,145,134
Year ended 31 December 2017:					
Loss and total comprehensive income for the year		-	-	(1,731,055)	(1,731,055)
Dividends	9	-	-	(2,901,191)	(2,901,191)
Balance at 31 December 2017		42,001	8,001	4,462,886	4,512,888
Year ended 31 December 2018:					
Profit and total comprehensive income for the year		-	-	1,776,561	1,776,561
Dividends	9	-	-	(761,725)	(761,725)
Balance at 31 December 2018		42,001	8,001	5,477,722	5,527,724

EVOLUTION POWER TOOLS LTD

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

		2018		2017 as restated	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	28		63,030		654,136
Interest paid			(430,893)		(386,833)
Income taxes paid			(647,986)		(533,922)
Net cash outflow from operating activities			(1,015,849)		(266,619)
Investing activities					
Purchase of tangible fixed assets		(368,661)		(469,546)	
Proceeds on disposal of tangible fixed assets		40,753		71,000	
Interest received		1			
Net cash used in investing activities			(327,907)		(398,546)
Financing activities					
Proceeds of new bank loans		-		4,780,000	
Repayment of bank loans		(923,921)		(173,072)	
New hire purchase agreements		-		122,659	
Payment of finance leases obligations		(61,584)		(53,907)	
Dividends paid to equity shareholders		(761,725)		(2,901,191)	
Net cash (used in)/generated from financing activities			(1,747,230)		1,774,489
Net (decrease)/increase in cash and cash equivalents			(3,090,986)		1,109,324
Cash and cash equivalents at beginning of year			(1,598,980)		(2,458,740)
Effect of foreign exchange rates			(307,355)		(249,564)
Cash and cash equivalents at end of year			(4,997,321)		(1,598,980)
Relating to:					
Cash at bank and in hand			474,937		1,464,830
Bank overdrafts included in creditors payable within one year			(5,472,258)		(3,063,810)

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Evolution Power Tools Ltd ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Venture One Longacre Close, Holbrook Industrial Estate, Sheffield, South Yorkshire, S20 3FR.

The group consists of Evolution Power Tools Ltd and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a parent of a group that prepares publicly available consolidated financial statements, which are intended to give a true and fair view of the assets, liabilities, balance sheet and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Balance Sheet' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Evolution Power Tools Ltd and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 31 December 2018. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates. In the group financial statements, associates are accounted for using the equity method.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the equity method.

1.3 Going concern

At the time of approving the financial statements, the directors have prepared a forecast and succession plan looking forward at least 12 months from the date of approval of the accounts. Taking into account reasonable possible changes in trading performance, these show continued cash generation and profitability for the group.

The group has financing from various banks. The facility in the U.S is due for renewal during February 2020, negotiations with banks are progressing well and the directors expect facilities to be in place at normal terms. In the UK and wider group, the group meets its day to day working capital requirements through un-committed credit facilities. Forecasts indicate that the group can operate within these facilities, additionally, there is enough optionality and headroom through customer and supplier financing, combined with continued positive trading, to lead the directors to have a reasonable expectation that the company has adequate resources to continue to meet its trading liabilities as they fall due.

This facility has recently been extended to July 2020 following a periodic review by the bank.

The company also has loan and mortgage facilities with HSBC. These facilities contain covenants which are tested quarterly. At 31 December 2018 there was a breach of one of these covenants. HSBC have both waived the covenant and confirmed that the breach did not result in a modification of the terms of the debt.

Based on the above, the directors therefore believe that it is appropriate to prepare these financial statements on a going concern basis.

1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Turnover is recognised at the point when the customer takes on the risks and rewards of the product, in line with the terms and conditions of the sale.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% straight line
Plant and machinery	15-20% reducing balance
Fixtures fittings and equipment	15% reducing balance
Motor vehicles	20% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.7 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in profit or loss.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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 group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.14 Taxation

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

Current tax

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

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.17 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.18 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.19 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.20 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

	2018 £	2017 as restated £
Turnover analysed by class of business		
Sale of power tools	40,374,016	40,322,522
	<u>40,374,016</u>	<u>40,322,522</u>
	2018 £	2017 as restated £
Turnover analysed by geographical market		
United Kingdom	20,006,009	21,425,487
Rest of europe	8,227,486	6,373,098
Rest of the world	12,140,521	12,523,937
	<u>40,374,016</u>	<u>40,322,522</u>

4 Operating profit

	2018 £	2017 as restated £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(112,324)	(181,494)
Research and development costs	70,543	201,282
Depreciation of owned tangible fixed assets	275,330	241,735
Depreciation of tangible fixed assets held under finance leases	35,418	33,287
Profit on disposal of tangible fixed assets	(8,934)	(34,257)
Cost of stocks recognised as an expense	25,300,340	28,231,324
Stocks impairment losses recognised or reversed	-	65,523
Operating lease charges	53,398	84,105
	<u>53,398</u>	<u>84,105</u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £112,324 (2017 - £181,494).

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

5 Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	54,500	50,000
For other services		
All other non-audit services	8,000	2,350

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Office, management and sales	108	98	55	49

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Wages and salaries	4,015,387	3,440,977	2,014,824	1,874,590
Social security costs	365,790	351,434	224,830	172,845
Pension costs	152,769	84,872	81,858	36,807
	4,533,946	3,877,283	2,321,512	2,084,242

7 Interest payable and similar expenses

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	427,935	384,970
Interest on finance leases and hire purchase contracts	2,958	1,820
	430,893	386,790
Other finance costs:		
Fair value movement in derivatives	(16,143)	(20,742)
Other interest	-	43
Total finance costs	414,750	366,091

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

8 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	672,558	451,291
Adjustments in respect of prior periods	203,186	83,226
UK income tax	128	-
Total current tax	875,872	534,517
Deferred tax		
Origination and reversal of timing differences	23,957	39,007
Adjustment in respect of prior periods	7,094	-
Foreign exchange differences	(6,689)	-
Total deferred tax	24,362	-
Total tax charge	900,234	573,524

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 as restated £
Profit before taxation	3,038,227	951,905
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	577,263	183,242
Tax effect of expenses that are not deductible in determining taxable profit	14,977	6,959
Tax effect of income not taxable in determining taxable profit	(3,238)	(220)
Unutilised tax losses carried forward	266,700	338,838
Adjustments in respect of prior years	203,186	112,696
Effect of change in corporation tax rate	-	(5,155)
Research and development tax credit	(191,299)	(120,964)
Effect of overseas tax rates	39,334	58,128
Foreign exchange differences	(6,689)	-
Taxation charge	900,234	573,524

9 Dividends

	2018 £	2017 £
Final paid	761,725	2,901,191

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

10 Tangible fixed assets

Group	Freehold land and buildings	Plant and machinery	Fixtures fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2018	5,226,058	2,152,262	433,190	444,387	8,255,897
Additions	7,951	237,638	49,941	73,131	368,661
Disposals	-	(584,762)	(5,773)	(23,000)	(613,535)
Exchange adjustments	120,685	6,423	23,832	6,080	157,020
At 31 December 2018	5,354,694	1,811,561	501,190	500,598	8,168,043
Depreciation and impairment					
At 1 January 2018	714,642	1,584,473	372,397	178,880	2,850,392
Depreciation charged in the year	86,118	128,029	29,781	66,820	310,748
Eliminated in respect of disposals	-	(554,787)	(5,773)	(21,156)	(581,716)
Exchange adjustments	25,333	35,880	(2,780)	2,729	61,162
At 31 December 2018	826,093	1,193,595	393,625	227,273	2,640,586
Carrying amount					
At 31 December 2018	4,528,601	617,966	107,565	273,325	5,527,457
At 31 December 2017	4,511,416	567,789	60,793	265,507	5,405,505

Company	Freehold land and buildings	Plant and machinery	Fixtures fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2018	3,146,329	2,084,584	128,445	339,570	5,698,928
Additions	-	237,638	18,034	-	255,672
Disposals	-	(584,762)	-	(23,000)	(607,762)
At 31 December 2018	3,146,329	1,737,460	146,479	316,570	5,346,838
Depreciation and impairment					
At 1 January 2018	278,101	1,569,143	101,593	131,876	2,080,713
Depreciation charged in the year	37,571	128,029	6,024	41,295	212,919
Eliminated in respect of disposals	-	(554,787)	-	(21,156)	(575,943)
At 31 December 2018	315,672	1,142,385	107,617	152,015	1,717,689
Carrying amount					
At 31 December 2018	2,830,657	595,075	38,862	164,555	3,629,149
At 31 December 2017	2,868,123	512,045	30,255	207,792	3,618,215

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

10 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets, in both the company and the group includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2018 £	2017 £	Company 2018 £	2017 £
Motor vehicles	141,673	177,091	141,673	177,091

Included with freehold land and buildings in the group is land not depreciated with a value of £2,059,734 (2017 - £2,059,734).

Included with freehold land and buildings in the company is land not depreciated with a value of £1,717,788 (2017 - £1,717,788).

11 Investment property

	Group 2018 £	Company 2018 £
Fair value		
At 1 January 2018 and 31 December 2018	450,000	450,000

The Group's investment properties comprise warehouse units. The properties are valued at fair value, determined by an independent, professionally qualified valuer as at 8 February 2017. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

The directors do not believe that there has been a significant change in the fair value of investment properties since the date of the most recent valuation. Details on the assumptions made and the key sources of estimation uncertainty included in the valuation have been detailed in note 2.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Cost	573,250	573,250	573,250	573,250
Accumulated depreciation	(134,715)	(123,250)	(134,715)	(123,250)
Carrying amount	438,535	450,000	438,535	450,000

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

12 Fixed asset investments

		Group 2018	2017	Company 2018	2017 as restated
	Notes	£	£	£	£
Investments in subsidiaries	26	-	-	90,766	90,766
Movements in fixed asset investments					
Company					Shares in group undertakings £
Cost or valuation					
At 1 January 2018 and 31 December 2018					90,766
Carrying amount					
At 31 December 2018					90,766
At 31 December 2017					90,766

13 Financial instruments

	Group 2018	2017 as restated	Company 2018	2017 as restated
	£	£	£	£
Carrying amount of financial assets				
Debt instruments measured at amortised cost	10,924,540	12,060,154	10,975,687	9,654,373
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Other financial liabilities	95,891	129,974	-	-
Measured at amortised cost	19,371,497	17,186,360	13,986,062	12,682,425

14 Stocks

	Group 2018	2017 as restated	Company 2018	2017
	£	£	£	£
Finished goods and goods for resale	9,111,425	4,941,865	3,803,729	2,643,422

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

15 Debtors

	Group 2018	2017 as restated	Company 2018	2017 as restated
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	10,449,603	10,595,324	6,497,208	6,017,061
Amounts owed by group undertakings	-	-	4,096,997	2,295,608
Other debtors	755,135	95,702	14,804	-
Prepayments and accrued income	801,306	1,056,920	1,083,443	940,827
	<u>12,006,044</u>	<u>11,747,946</u>	<u>11,692,452</u>	<u>9,253,496</u>
Deferred tax asset (note 20)	121,967	115,278	-	-
	<u>12,128,011</u>	<u>11,863,224</u>	<u>11,692,452</u>	<u>9,253,496</u>

16 Loans and overdrafts

	Group 2018	2017	Company 2018	2017
	£	£	£	£
Bank loans	6,132,679	7,484,015	5,040,510	5,920,523
Bank overdrafts	5,472,258	3,063,810	3,187,237	1,969,276
	<u>11,604,937</u>	<u>10,547,825</u>	<u>8,227,747</u>	<u>7,889,799</u>
Payable within one year	6,984,721	6,327,379	4,628,276	3,669,353
Payable after one year	4,620,216	4,220,446	3,599,471	4,220,446

The loans are secured over the freehold property owned by the company. There is also a debenture comprising fixed and floating charges over all assets and undertakings of the company, including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital past and present.

In respect of the US subsidiary company, long-term debt is secured on premises at 8363 Research Drive, Davenport, Iowa, vehicles and all other assets.

In respect of repayments the UK mortgage is repayable in monthly instalments of £14,875 and the UK term loan is repayable in monthly instalments of £33,039. the US mortgage is repayable in monthly instalments of \$10,711.

Interest is chargeable on the UK mortgage and UK term loan and 1.94% and 2.75% over base respectively.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

17 Finance lease obligations

	Group 2018 £	2017 £	Company 2018 £	2017 £
Future minimum lease payments due under finance leases:				
Within one year	59,863	74,614	59,863	74,614
In two to five years	22,375	76,302	22,375	76,302
	82,238	150,916	82,238	150,916
Less: future finance charges	(7,183)	(14,277)	(7,183)	(14,277)
	75,055	136,639	75,055	136,639

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

18 Creditors: amounts falling due within one year

		Group 2018 £	2017 as restated £	Company 2018 £	2017 £
	Notes				
Bank loans and overdrafts	16	6,984,721	6,327,379	4,628,276	3,669,353
Obligations under finance leases	17	56,674	68,753	56,674	68,753
Trade creditors		4,242,281	2,778,134	3,114,258	1,553,599
Amounts owed to group undertakings		-	-	177,839	16,189
Corporation tax payable		412,171	184,285	412,171	74,567
Other taxation and social security		82,979	481,981	66,912	104,065
Other creditors		632,092	144,320	91,565	144,320
Accruals and deferred income		2,762,423	3,579,442	2,299,598	2,941,879
		15,173,341	13,564,294	10,847,293	8,572,725

19 Creditors: amounts falling due after more than one year

		Group 2018 £	2017 £	Company 2018 £	2017 £
	Notes				
Bank loans and overdrafts	16	4,620,216	4,220,446	3,599,471	4,220,446
Obligations under finance leases	17	18,381	67,886	18,381	67,886
Interest rate swap		95,891	129,974	-	-
		4,734,488	4,418,306	3,617,852	4,288,332

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

19 Creditors: amounts falling due after more than one year (Continued)

Amounts included above which fall due after five years are as follows:

Payable by instalments	1,713,685	2,429,878	1,713,685	2,429,878
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2018 £	Liabilities 2017 £	Assets 2018 £	Assets 2017 £
Group				
Accelerated capital allowances	54,709	23,658	121,967	115,278
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Liabilities 2018 £	Liabilities 2017 £	Assets 2018 £	Assets 2017 £
Company				
Accelerated capital allowances	54,709	23,658	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Group 2018 £	Company 2018 £
Movements in the year:		
Liability/(asset) at 1 January 2018	(91,620)	23,658
Charge to profit or loss	24,362	31,051
	<u> </u>	<u> </u>
Liability/(asset) at 31 December 2018	(67,258)	54,709
	<u> </u>	<u> </u>

21 Retirement benefit schemes

	2018 £	2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	152,769	36,807
	<u> </u>	<u> </u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

22 Share capital

	Group and company	
	2018	2017
	£	£
Ordinary share capital		
Issued and fully paid		
42,001 Ordinary shares of £1 each	42,001	42,001

23 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Within one year	110,167	86,966	5,051	10,103
Between two and five years	293,732	155,681	-	5,051
In over five years	123,110	56,603	-	-
	<u>527,009</u>	<u>299,250</u>	<u>5,051</u>	<u>15,154</u>

24 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel in addition to directors is as follows.

	2018	2017
	£	£
Aggregate compensation	458,148	457,541

At the year end there was a directors loan account outstanding within other creditors of £54,428 (2017 - £157,753).

25 Controlling party

Mr M J Gavins, a director of Evolution Power Tools Limited, controls the Group as a result of controlling, directly or indirectly, 60 percent of the issue share capital of the Evolution Power Tools Limited.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

26 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Evolution Power Tools LLC	1	Sale of power tools	Ordinary	100.00	
Evolution Power Tools SAS	2	Sale of power tools	Ordinary	100.00	
Evolution Power Tools Shanghai Limited	3	Manufacturing support services provider to sister companies	Ordinary		100.00

Registered Office addresses:

- 1 8363 Research Drive, Iowa 528-6, United States
- 2 61 Avenue Lafontaine, 33560 Carbon Blanc, Bordeaux, France
- 3 No. 108 Building 9, 88 Yangxin Rd, Pudong New District, Shanghai, 200120

27 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	644,228	573,222
Company pension contributions to defined contribution schemes	21,915	40,222
	<u>666,143</u>	<u>613,444</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2018 £	2017 £
Remuneration for qualifying services	214,588	217,970
Company pension contributions to defined contribution schemes	16,915	16,505
	<u>231,503</u>	<u>234,475</u>

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

28 Cash generated from group operations

	2018 £	2017
Profit for the year after tax	2,137,993	378,381
Adjustments for:		
Taxation charged	900,234	573,524
Finance costs	414,750	366,091
Investment income	(1)	-
Gain on disposal of tangible fixed assets	(8,934)	(34,257)
Depreciation and impairment of tangible fixed assets	310,748	275,022
Impairment of tangible fixed assets	-	112,848
Foreign exchange gains on cash equivalents	-	181,494
Movements in working capital:		
(Increase)/decrease in stocks	(4,169,560)	1,967,155
(Increase) in debtors	(214,844)	(1,744,998)
Increase/(decrease) in creditors	692,644	(1,421,124)
Cash generated from operations	63,030	654,136

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

29 Prior period adjustment

During late 2018 and early 2019 group management identified some accounting irregularities in the French subsidiary. Following a thorough review of the accounting practices in France a number of accounting errors were identified. These have been corrected in the years to which they relate, with the impact on the year end December 2017 analysed below. The impact on group retained earnings at 1 January 2017 was £2,140,303.

Changes to the balance sheet - group

		At 31 December 2017		
	Note	As previously reported £	Adjustment £	As restated £
Current assets				
Stocks	2	4,482,753	459,112	4,941,865
Debtors due within one year	1, 2, 3 & 5	15,618,193	(3,754,969)	11,863,224
Creditors due within one year				
Other creditors	3 & 5	(5,711,788)	(632,355)	(6,344,143)
Net assets		10,047,378	(3,928,212)	6,119,166
Capital and reserves				
Profit and loss	1 & 5	9,992,876	(3,928,212)	6,064,664

Changes to the profit and loss account - group

		Period ended 31 December 2017		
		As previously reported £	Adjustment £	As restated £
Turnover	5	40,270,013	52,509	40,322,522
Cost of sales	1 & 4	(26,768,909)	(2,175,381)	(28,944,290)
Administrative expenses	4 & 5	(10,447,624)	362,671	(10,084,953)
Profit after taxation	1, 4 & 5	2,138,582	(1,760,201)	378,381

Reconciliation of changes in equity - group

		1 January 2017	31 December 2017
	Notes	£	£
Equity as previously reported		10,912,100	10,047,378
Adjustments to prior year			
Evolution Power Tools France - Omitted invoices	1	(2,015,661)	(3,872,126)
Evolution Power Tools France - Accruals basis	5	(124,642)	(56,086)
Equity as restated		8,771,797	6,119,166

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

29 Prior period adjustment

(Continued)

Reconciliation of changes in profit for the previous financial period

	Notes	2017 £
Profit as previously reported		2,138,582
Adjustments to prior year		
Evolution Power Tools France - Omitted invoices	1	(1,663,968)
Evolution Power Tools France - Accruals basis	5	(96,233)
Profit as restated		378,381

Notes to reconciliation

1. Evolution Power Tools France - Omitted invoices

Management identified historic errors where intercompany invoices raised between the UK and France had not been posted in the French subsidiary. This resulted in Cost of Sales being understated in the consolidated financial statements, with the opposing difference included in Other Debtors.

The total value of this error was €4.175m; when converted equivalent to £3.679m, of which £1.664m related to the 2017 period and £2.015m related to pre 2017. The prior year adjustment has been included to recognise the previously omitted invoices and to ensure all intercompany balances are aligned and eliminated on consolidation as at 31 December 2018.

2. Evolution Power Tools US - Goods in Transit

During preparation of the prior year consolidation stock in transit on the US balance sheet with a total value of \$620,259 (£459,112) was allocated to Other Debtors, rather than Stocks. A prior year adjustment has been raised for £459,112 to correctly recognise Goods in Transit as part of the Stocks balance as at 31 December 2017.

3. Evolution Power Tools France - Trade creditors

As part of the accounting irregularities in the prior year French reporting (included in Note 1 above), intercompany transactions had incorrectly been netted down against Trade Creditors, when the balance should have been allocated against the transactions adjusted in Note 1, as part of other debtors. The total value of this difference on consolidation was £368,986, which has been removed from Other Debtors and included in Trade Creditors as at 31 December 2017.

4. Evolution Power Tools France - Analysis of Cost of Sales

During preparation of the prior year consolidation the main nominal code recording stock movement in Evolution Power Tools SAS (France) was recorded in Administrative Expenses, rather than Cost of Sales. The total value of the nominal line was a cost of £511,413 (€585,474) which has been adjusted to show the proper classification of the Evolution Power Tools SAS Cost of Sales.

5. Evolution Power Tools France - Accruals basis

As part of the above mentioned accounting irregularities identified in Evolution Power Tools SAS, a number of items had been accounted for on the date of the transaction, rather than on an accruals basis. This included items which have been identified in FY18 relating to FY17, as well as those in FY17 which related to FY16 and FY15. As such, an adjustment has been processed to include items in the correct accounting period.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

29 Prior period adjustment

(Continued)

Reconciliation of changes in equity - company

	Notes	31 December 2017 £
Equity as previously reported		7,991,968
Adjustments to prior year		
Changes in the value of investments	1	(34,956)
Provision against Evolution Power Tools SAS loan	2	(3,444,124)
Equity as adjusted		<u>4,512,888</u>

Reconciliation of changes in profit/(loss) for the previous financial period

	Notes	2017 £
Profit as previously reported		1,748,025
Adjustments to prior year		
Changes in the value of investments	1	(34,956)
Provision against Evolution Power Tools SAS loan	2	(3,444,124)
Loss as adjusted		<u>(1,731,055)</u>

Notes to reconciliation - company

1. Investments in subsidiaries

Following the accounting irregularities identified in the French company in 2018, management assessed the carrying value of the investment and concluded that had they been aware of the errors and resultant balance sheet position of the French company in the period to which they related (prior to 31 December 2017) then the investment would have been impaired in the prior year. As such, an impairment of the full carrying value of Evolution Power Tools SAS was posted of £34,956.

2. Evolution Power Tool SAS - Intercompany loans

As a result of the above mentioned accounting irregularities identified in Evolution Power Tools SAS and the difficulties this may cause in repayment of intercompany balances, management have opted to make a provision against the loan balance due from Evolution Power Tools SAS as at 31 December 2017, equivalent to the insolvent balance sheet position of the subsidiary. The impact of the adjustment on the year ended 31 December 2017 was to provide for a value of £3.444m against the loan due from Evolution Power Tools SAS, leaving a restated closing balance in Amount owed by group undertakings of £1.693m.