

Company Registration No. 03442268 (England and Wales)

Evolution Power Tools Ltd
Annual Report And Financial Statements
For The Year Ended 31 December 2019



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 R Bates |
| Company number | 03442268 |
| Registered office | Venture One Longacre Close Holbrook Industrial Estate Sheffield S20 3FR |
| Auditor | Garbutt & Elliott Audit Limited Triune Court Monks Cross Drive York YO32 9GZ |

EVOLUTION POWER TOOLS LTD

CONTENTS

| | Page |
|---|---------|
| Strategic report | 1 - 3 |
| Directors' report | 4 |
| Directors' responsibilities statement | 5 |
| Independent auditor's report | 6 - 7 |
| Group statement of comprehensive income | 8 |
| Group balance sheet | 9 |
| Company balance sheet | 10 |
| Group statement of changes in equity | 11 |
| Company statement of changes in equity | 12 |
| Group statement of cash flows | 13 |
| Notes to the financial statements | 14 - 36 |

EVOLUTION POWER TOOLS LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their Strategic Report on the affairs of the Group for the year ended 31 December 2019. 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 2018, with the majority of the sales being attributable to Power Tool sales. Gross profit margins have increased from 33.6% in 2018 to 34.2% in 2019, operating profit margin has decreased from 8.6% in 2018 to 3.4% in 2019.

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

The UK parent turnover reduced by 12.7% in the year as a result of reduced intercompany sales to France with France selling through stock held. The external revenues were largely in line year on year.

Group level gross margin percentages improved during the year, from 33.6% to 34.2% following improvement in the French business.

On the property development side of the business, one of the three remaining units was sold during the year. A further unit has been sold post year end and the last remaining is now being used by the Group and is no longer being marketed for resale.

In its local currency, US business turnover increased in 2019 to \$16.1m (\$15.4m in 2018). The US business represented 31% (2018 – 29%) of Group turnover. Sales to Steel customers declined 3%, due to the over-weighted impact of tariffs on steel products, as well as a migration of steel end-users to e-commerce channels. The North American e-commerce business grew by approximately 7% in 2019, with Steel products representing 58% of the North American e-commerce business's sales (up from 50% in 2018). The North American Retail business grew 36% in 2019, based on growth at Menards, Canadian Tire, and The Home Depot Canada, slightly offset by sales reductions to The Home Depot US as part of their transition to the new R355 multi-material chop saw. Given our overall sales and customer mix, gross margins increased in 2019 to 39.7% (versus 39.1% in 2018).

Despite a number of challenges being faced by the Group, the growth of the Evolution brand continued through 2019.

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 2019

Credit risk

The Group's credit risk is primarily attributable to its trade debtors. The amounts presented in the Balance Sheet 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. 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.

Events after the balance sheet date

Subsequent to the year end, coronavirus Covid-19 has resulted in a pandemic affecting businesses globally, including within the UK. The speed and severity of the impact has been unprecedented and while the UK Government has introduced considerable measures to help businesses through this extremely challenging time, the full impact of Covid-19 on the wider economy is currently unknown.

In the months of March and April, following the government actions taken in the geographies we serve, we saw a dramatic change with our traditional routes to market as a consequence of which we saw a switch in consumer behaviour to buying more products on-line through the growth of our own Website activities and Amazon.

In parallel, to manage with the reduced revenue, the cost base was reviewed and measures were taken to ensure that costs were closely managed and all non-essential spending was stopped. Subsequently, the businesses in the UK, France and US have all utilised the respective government programmes to subsidise the wages of employees kept on the payroll. To further support cash management, stock holding times were reduced and Letter of Credit payment terms with the bank were extended by 60 days. Additionally, we have taken advantage of mortgage payment and VAT holidays.

Based on the above, a new financial plan was produced which saw turnover revised significantly downwards. With known cost savings, this plan showed a break-even profit and marginally positive cash flow as a result of the inventory reductions. Subsequent to modelling this 'worst case' scenario, trading in March, April and May against the revised plan has been very strong, with revenue, profit and cash all performing better than envisaged. At the end of May the year to date profit remains in line with the pre Coronavirus business plan. At the time of writing, June is expected to continue in this manner.

Based on this robust trading over the last quarter we now forecast full year sales to be similar to 2019 levels, with a full year profit and cash inflow ahead of 2019.

Based on the trading through the pandemic so far, the facilities available to the group and the actions taken by management, the directors are confident that the group has sufficient working capital for at least the next 12 months, accordingly, based on the current models and forecasts, as detailed in the going concern note on page 15, the board remain satisfied that the Group is a going concern.

EVOLUTION POWER TOOLS LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Financial performance indicators

| KPI's | 2019 | 2018 | Measure |
|---------------------|------------|-----------|-----------------------------|
| Turnover (£) | 40,381,680 | 40,374,01 | Sales in Year |
| Gross profit % | 34.2% | 33.6% | Gross profit/sales |
| Profit before tax % | 4.2% | 7.5% | Profit before tax/sales |
| Stock turns | 5.4 | 4.4 | Turnover/stock |
| Debtor days | 78 | 94 | Trade debtors/turnover x365 |

Turnover across the Group stayed flat with the reduction in the UK offset by steady growth in the US and France.

The gross margin improvement is predominantly a result of improvements in the French business.

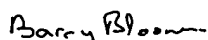
Operating profit margins for the business reduced in 2019 from 2018, primarily due to increased overheads in the UK.

Stock turns have improved due to a managed reduction in stock holding across the business. Total Group inventory has reduced by 21% year on year.

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.

On behalf of the board



.....
Mr B Bloomer
Director
.....

26/06/2020

EVOLUTION POWER TOOLS LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

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 £300,000 (2018 - £761,725). The directors do not recommend payment of a further dividend.

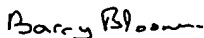
Auditor

The auditor, Garbutt & Elliott Audit Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

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: 26/06/2020

EVOLUTION POWER TOOLS LTD

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 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.

Garbutt + Elliott Audit Limited

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

29/06/2020.....

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 2019

| | | 2019 | 2018 |
|--|----------|-------------------|-------------------|
| | Notes | £ | as restated £ |
| Turnover | 3 | 40,381,680 | 40,374,016 |
| Cost of sales | | (26,570,241) | (26,720,541) |
| Gross profit | | 13,811,439 | 13,653,475 |
| Administrative expenses | | (11,659,339) | (10,188,926) |
| Other operating income | | 36,903 | - |
| Operating profit | 4 | 2,189,003 | 3,464,549 |
| Interest receivable and similar income | | (20,886) | 1 |
| Interest payable and similar expenses | 7 | (470,030) | (414,750) |
| Fair value gains on investment properties | | 5,000 | - |
| Profit before taxation | | 1,703,087 | 3,049,800 |
| Tax on profit | 8 | (74,889) | (900,234) |
| Profit for the financial year | | 1,628,198 | 2,149,566 |
| Other comprehensive income | | | |
| Currency translation differences | | 99,413 | 233,858 |
| Total comprehensive income for the year | | 1,727,611 | 2,383,424 |

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 2019

| | | 2019 | | 2018 as restated | |
|--|-------|-------------------|-------------------------|---------------------|-------------------------|
| | Notes | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 10 | | 6,286,280 | | 6,053,058 |
| Investment properties | 11 | | 150,000 | | 450,000 |
| | | | <u>6,436,280</u> | | <u>6,503,058</u> |
| Current assets | | | | | |
| Stocks | 14 | 7,523,791 | | 9,111,425 | |
| Debtors | 15 | 9,845,712 | | 11,613,983 | |
| Cash at bank and in hand | | 940,836 | | 474,937 | |
| | | <u>18,310,339</u> | | <u>21,200,345</u> | |
| Creditors: amounts falling due within one year | 18 | (11,305,683) | | (15,173,341) | |
| Net current assets | | | <u>7,004,656</u> | | <u>6,027,004</u> |
| Total assets less current liabilities | | | <u>13,440,936</u> | | <u>12,530,062</u> |
| Creditors: amounts falling due after more than one year | 19 | | (4,095,327) | | (4,734,488) |
| Provisions for liabilities | 20 | | (177,133) | | (54,709) |
| Net assets | | | <u><u>9,168,476</u></u> | | <u><u>7,740,865</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 22 | | 42,001 | | 42,001 |
| Other reserves | | | 12,501 | | 12,501 |
| Profit and loss reserves | | | 9,113,974 | | 7,686,363 |
| Total equity | | | <u><u>9,168,476</u></u> | | <u><u>7,740,865</u></u> |

The financial statements were approved by the board of directors and authorised for issue on 26/06/2020
and are signed on its behalf by:

Barry Bloomer

Mr B Bloomer
Director

Company Registration No. 03442268

EVOLUTION POWER TOOLS LTD

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2019

| | | 2019 | | 2018 as restated | |
|--|-------|-------------------|-------------------------|---------------------|-------------------------|
| | Notes | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 10 | | 4,557,921 | | 4,154,750 |
| Investment properties | 11 | | 150,000 | | 450,000 |
| Investments | 12 | | 91,764 | | 90,766 |
| | | | <u>4,799,685</u> | | <u>4,695,516</u> |
| Current assets | | | | | |
| Stocks | 14 | 4,026,390 | | 3,803,729 | |
| Debtors | 15 | 9,502,244 | | 11,178,424 | |
| Cash at bank and in hand | | 260,400 | | 381,482 | |
| | | <u>13,789,034</u> | | <u>15,363,635</u> | |
| Creditors: amounts falling due within one year | 18 | (8,339,627) | | (10,847,293) | |
| Net current assets | | | <u>5,449,407</u> | | <u>4,516,342</u> |
| Total assets less current liabilities | | | <u>10,249,092</u> | | <u>9,211,858</u> |
| Creditors: amounts falling due after more than one year | 19 | | (3,085,087) | | (3,617,852) |
| Provisions for liabilities | 20 | | (177,133) | | (54,709) |
| Net assets | | | <u><u>6,986,872</u></u> | | <u><u>5,539,297</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 | | | 6,936,870 | | 5,489,295 |
| Total equity | | | <u><u>6,986,872</u></u> | | <u><u>5,539,297</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 £1,747,575 (2018 - £1,788,134 profit).

The financial statements were approved by the board of directors and authorised for issue on 26/06/2020 and are signed on its behalf by:

Barry Bloomer

.....
Mr B Bloomer
Director

Company Registration No. 03442268

EVOLUTION POWER TOOLS LTD

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

| | Notes | Share capital £ | Other reserves £ | Profit and loss reserves £ | Total £ |
|---|-------|-----------------------|------------------------|-------------------------------------|------------|
| As restated for the period ended 31 December 2018: | | | | | |
| Balance at 1 January 2018 | | 42,001 | 12,501 | 6,064,664 | 6,119,166 |
| Year ended 31 December 2018: | | | | | |
| Profit for the year | | - | - | 2,149,566 | 2,149,566 |
| Other comprehensive income: | | | | | |
| Currency translation differences | | - | - | 233,858 | 233,858 |
| Total comprehensive income for the year | | - | - | 2,383,424 | 2,383,424 |
| Dividends | 9 | - | - | (761,725) | (761,725) |
| Balance at 31 December 2018 | | 42,001 | 12,501 | 7,686,363 | 7,740,865 |
| Year ended 31 December 2019: | | | | | |
| Profit for the year | | - | - | 1,628,198 | 1,628,198 |
| Other comprehensive income: | | | | | |
| Currency translation differences | | - | - | 99,413 | 99,413 |
| Total comprehensive income for the year | | - | - | 1,727,611 | 1,727,611 |
| Dividends | 9 | - | - | (300,000) | (300,000) |
| Balance at 31 December 2019 | | 42,001 | 12,501 | 9,113,974 | 9,168,476 |

EVOLUTION POWER TOOLS LTD

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

| | Notes | Share capital £ | Capital redemption reserve £ | Profit and loss reserves £ | Total £ |
|---|-------|-----------------------|---------------------------------------|-------------------------------------|------------|
| As restated for the period ended 31 December 2018: | | | | | |
| Balance at 1 January 2018 | | 42,001 | 8,001 | 4,462,886 | 4,512,888 |
| Year ended 31 December 2018: | | | | | |
| Profit and total comprehensive income for the year | | - | - | 1,788,134 | 1,788,134 |
| Dividends | 9 | - | - | (761,725) | (761,725) |
| Balance at 31 December 2018 | | 42,001 | 8,001 | 5,489,295 | 5,539,297 |
| Year ended 31 December 2019: | | | | | |
| Profit and total comprehensive income for the year | | - | - | 1,747,575 | 1,747,575 |
| Dividends | 9 | - | - | (300,000) | (300,000) |
| Balance at 31 December 2019 | | 42,001 | 8,001 | 6,936,870 | 6,986,872 |

EVOLUTION POWER TOOLS LTD

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

| | Notes | 2019 £ | £ | 2018 £ | £ |
|---|-------|--------------------|---|--------------------|---|
| Cash flows from operating activities | | | | | |
| Cash generated from operations | 29 | 5,146,321 | | 63,030 | |
| Interest paid | | (470,030) | | (430,893) | |
| Income taxes paid | | (208,683) | | (647,986) | |
| | | | | | |
| Net cash inflow/(outflow) from operating activities | | 4,467,608 | | (1,015,849) | |
| Investing activities | | | | | |
| Purchase of tangible fixed assets | | (542,197) | | (368,661) | |
| Proceeds on disposal of tangible fixed assets | | 68,813 | | 40,753 | |
| Proceeds on disposal of investment property | | 155,000 | | - | |
| Interest received | | - | | 1 | |
| | | | | | |
| Net cash used in investing activities | | (318,384) | | (327,907) | |
| Financing activities | | | | | |
| Repayment of bank loans | | (1,595,297) | | (923,921) | |
| Payment of finance leases obligations | | (77,156) | | (61,584) | |
| Dividends paid to equity shareholders | | (300,000) | | (761,725) | |
| | | | | | |
| Net cash used in financing activities | | (1,972,453) | | (1,747,230) | |
| | | | | | |
| Net increase/(decrease) in cash and cash equivalents | | 2,176,771 | | (3,090,986) | |
| Cash and cash equivalents at beginning of year | | (4,997,321) | | (1,598,980) | |
| Effect of foreign exchange rates | | 53,505 | | (307,355) | |
| | | | | | |
| Cash and cash equivalents at end of year | | (2,767,045) | | (4,997,321) | |
| Relating to: | | | | | |
| Cash at bank and in hand | | 940,836 | | 474,937 | |
| Bank overdrafts included in creditors payable within one year | | (3,707,881) | | (5,472,258) | |

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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, 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, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. 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 2019. 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 2019

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 worst case 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, particularly in light of the Covid-19 global pandemic, these showed a breakeven position and some modest cash generation. Trading since the Pandemic has significantly out performed this forecast at both a profit and cash level. The group also utilised various government schemes in the geographies it operates along with other cost saving measures, all of which have served to preserve cash and have led to increased headroom against available facilities.

The group has financing from various banks. The facility in the U.S is due for renewal during August 2020 and discussions are at an advanced stage with no reasons to suggest this won't be renewed under normal terms. In the UK and wider group, the group meets its day to day working capital requirements through un-committed credit facilities, the terms of which were extended by the bank in light of Covid-19. Forecasts indicate that the group can operate within these facilities with significant levels of headroom, 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.

Based on the above, despite the uncertainty presented by Covid-19 the directors 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.

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 |

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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. Changes in fair value are recognised in profit or loss.

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.

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.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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 and cash equivalents 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.

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.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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.

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.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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.

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.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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 in the period are included in profit or loss.

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

| | 2019 £ | 2018 £ |
|---|------------|------------|
| Turnover analysed by class of business | | |
| Sale of power tools | 40,381,680 | 40,374,016 |

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

3 Turnover and other revenue (Continued)

| | 2019 £ | 2018 £ |
|---|-------------------|-------------------|
| Turnover analysed by geographical market | | |
| United Kingdom | 19,479,811 | 20,006,009 |
| Rest of europe | 8,618,172 | 8,227,486 |
| Rest of the world | 12,283,697 | 12,140,521 |
| | <u>40,381,680</u> | <u>40,374,016</u> |

4 Operating profit

| | 2019 £ | 2018 £ |
|--|---------------|---------------|
| Operating profit for the year is stated after charging/(crediting): | | |
| Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss | 261,786 | (112,324) |
| Research and development costs | 47,045 | 70,543 |
| Government grants | (1,000) | - |
| Depreciation of owned tangible fixed assets | 431,236 | 343,117 |
| Depreciation of tangible fixed assets held under finance leases | 25,613 | 35,418 |
| Profit on disposal of tangible fixed assets | (17,682) | (8,934) |
| Operating lease charges | 52,036 | 53,398 |
| | <u>52,036</u> | <u>53,398</u> |

5 Auditor's remuneration

| | 2019 £ | 2018 £ |
|--|--------------|--------------|
| Fees payable to the company's auditor and associates: | | |
| For audit services | | |
| Audit of the financial statements of the group and company | 48,300 | 54,500 |
| For other services | | |
| All other non-audit services | 3,150 | 8,000 |
| | <u>3,150</u> | <u>8,000</u> |

6 Employees

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

| | Group 2019 Number | 2018 Number | Company 2019 Number | 2018 Number |
|------------------------------|-------------------------|----------------|---------------------------|----------------|
| Office, management and sales | <u>114</u> | <u>108</u> | <u>68</u> | <u>55</u> |

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

6 Employees

(Continued)

Their aggregate remuneration comprised:

| | Group 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|-----------------------|--------------------|------------------|----------------------|------------------|
| Wages and salaries | 4,577,722 | 4,015,387 | 2,525,236 | 2,014,824 |
| Social security costs | 358,802 | 365,790 | 251,142 | 224,830 |
| Pension costs | 209,665 | 152,769 | 148,550 | 81,858 |
| | <u>5,146,189</u> | <u>4,533,946</u> | <u>2,924,928</u> | <u>2,321,512</u> |

7 Interest payable and similar expenses

| | 2019 £ | 2018 £ |
|--|----------------|----------------|
| Interest on financial liabilities measured at amortised cost: | | |
| Interest on bank overdrafts and loans | 466,329 | 427,935 |
| Interest on finance leases and hire purchase contracts | 3,701 | 2,958 |
| | <u>470,030</u> | <u>430,893</u> |
| Other finance costs: | | |
| Fair value movement in derivatives | - | (16,143) |
| | <u>470,030</u> | <u>414,750</u> |

8 Taxation

| | 2019 £ | 2018 £ |
|--|-----------------|----------------|
| Current tax | | |
| UK corporation tax on profits for the current period | 257,743 | 672,558 |
| Adjustments in respect of prior periods | (350,923) | 203,186 |
| UK income tax | 73 | 128 |
| | <u>(93,107)</u> | <u>875,872</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 75,208 | 23,957 |
| Adjustment in respect of prior periods | 92,788 | 7,094 |
| Foreign exchange differences | - | (6,689) |
| | <u>167,996</u> | <u>24,362</u> |
| Total tax charge | <u>74,889</u> | <u>900,234</u> |

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

8 Taxation

(Continued)

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:

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Profit before taxation | 1,703,087 | 3,049,800 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%) | 323,587 | 579,462 |
| Tax effect of expenses that are not deductible in determining taxable profit | 4,335 | 14,977 |
| Tax effect of income not taxable in determining taxable profit | (18,609) | (3,238) |
| Tax effect of utilisation of tax losses not previously recognised | 134,241 | - |
| Unutilised tax losses carried forward | - | 266,700 |
| Adjustments in respect of prior years | (258,135) | 203,186 |
| Research and development tax credit | (180,275) | (191,299) |
| Effect of overseas tax rates | 51,350 | 37,135 |
| Foreign exchange differences | 18,395 | (6,689) |
| Taxation charge | 74,889 | 900,234 |

9 Dividends

| | 2019 £ | 2018 £ |
|------------|-----------|-----------|
| Final paid | 300,000 | 761,725 |

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

10 Tangible fixed assets

| Group | Freehold land and buildings | Plant and machinery | Fixtures fittings and equipment | Motor vehicles | Total |
|------------------------------------|--------------------------------|------------------------|---------------------------------------|-------------------|-----------|
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 January 2019 - as restated | 5,354,694 | 2,404,949 | 501,190 | 500,598 | 8,761,431 |
| Additions | 13,476 | 444,997 | 17,183 | 182,344 | 658,000 |
| Disposals | - | - | - | (198,304) | (198,304) |
| Transfer from investment property | 150,000 | - | - | - | 150,000 |
| Exchange adjustments | (73,723) | (133) | (15,546) | (6,143) | (95,545) |
| At 31 December 2019 | 5,444,447 | 2,849,813 | 502,827 | 478,495 | 9,275,582 |
| Depreciation and impairment | | | | | |
| At 1 January 2019 - as restated | 826,093 | 1,261,382 | 393,625 | 227,273 | 2,708,373 |
| Depreciation charged in the year | 78,089 | 269,915 | 33,603 | 75,242 | 456,849 |
| Eliminated in respect of disposals | - | - | - | (147,173) | (147,173) |
| Exchange adjustments | (17,039) | 5,194 | (14,390) | (2,512) | (28,747) |
| At 31 December 2019 | 887,143 | 1,536,491 | 412,838 | 152,830 | 2,989,302 |
| Carrying amount | | | | | |
| At 31 December 2019 | 4,557,304 | 1,313,322 | 89,989 | 325,665 | 6,286,280 |
| At 31 December 2018 - as restated | 4,528,601 | 1,143,567 | 107,565 | 273,325 | 6,053,058 |

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

10 Tangible fixed assets

(Continued)

| Company | Freehold land and buildings | Plant and machinery | Fixtures fittings and equipment | Motor vehicles | Total |
|------------------------------------|--------------------------------|------------------------|---------------------------------------|-------------------|-----------|
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 January 2019 - as restated | 3,146,329 | 2,330,848 | 146,479 | 316,570 | 5,940,226 |
| Additions | 13,476 | 444,997 | 13,478 | 182,344 | 654,295 |
| Disposals | - | - | - | (156,231) | (156,231) |
| Transfer from investment property | 150,000 | - | - | - | 150,000 |
| At 31 December 2019 | 3,309,805 | 2,775,845 | 159,957 | 342,683 | 6,588,290 |
| Depreciation and impairment | | | | | |
| At 1 January 2019 - as restated | 315,672 | 1,210,172 | 107,617 | 152,015 | 1,785,476 |
| Depreciation charged in the year | 30,340 | 269,915 | 7,307 | 45,119 | 352,681 |
| Eliminated in respect of disposals | - | - | - | (107,788) | (107,788) |
| At 31 December 2019 | 346,012 | 1,480,087 | 114,924 | 89,346 | 2,030,369 |
| Carrying amount | | | | | |
| At 31 December 2019 | 2,963,793 | 1,295,758 | 45,033 | 253,337 | 4,557,921 |
| At 31 December 2018 - as restated | 2,830,657 | 1,120,676 | 38,862 | 164,555 | 4,154,750 |

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 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|----------------|--------------------|-----------|----------------------|-----------|
| Motor vehicles | 247,881 | 141,673 | 247,881 | 141,673 |

Included with freehold land and buildings in the group is land not depreciated with a value of £2,059,734 (2018 - £2,059,734).

Included with freehold land and buildings in the company is land not depreciated with a value of £1,717,788 (2018 - £1,717,788).

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

11 Investment property

| | Group 2019 £ | Company 2019 £ |
|--|--------------------|----------------------|
| Fair value | | |
| At 1 January 2019 | 450,000 | 450,000 |
| Disposals | (155,000) | (155,000) |
| Transfers to tangible fixed assets | (150,000) | (150,000) |
| Net gains or losses through fair value adjustments | 5,000 | 5,000 |
| At 31 December 2019 | <u>150,000</u> | <u>150,000</u> |

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 uplift in valuation during the year was to increase the valuation of one of the properties to selling price. The directors do not believe that there has been other significant change in the fair value of investment properties since the date of the most recent valuation.

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 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|--------------------------|--------------------|----------------|----------------------|----------------|
| Cost | 191,084 | 573,250 | 191,084 | 573,250 |
| Accumulated depreciation | (48,727) | (134,715) | (48,727) | (134,715) |
| Carrying amount | <u>142,357</u> | <u>438,535</u> | <u>142,357</u> | <u>438,535</u> |

12 Fixed asset investments

| | | Group 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|-----------------------------|-------|--------------------|-----------|----------------------|---------------|
| | Notes | | | | |
| Investments in subsidiaries | 27 | <u>-</u> | <u>-</u> | <u>91,764</u> | <u>90,766</u> |

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

12 Fixed asset investments (Continued)

Movements in fixed asset investments Company

Shares in
group
undertakings
£

Cost or valuation

At 1 January 2019

90,766

Additions

998

At 31 December 2019

91,764

Carrying amount

At 31 December 2019

91,764

At 31 December 2018

90,766

13 Financial instruments

| | Group 2019 £ | 2018 as restated £ | Company 2019 £ | 2018 as restated £ |
|---|--------------------|--------------------------|----------------------|--------------------------|
| Carrying amount of financial assets | | | | |
| Debt instruments measured at amortised cost | 9,959,063 | 10,410,512 | 9,360,642 | 10,461,659 |
| Carrying amount of financial liabilities | | | | |
| Measured at fair value through profit or loss | | | | |
| - Other financial liabilities | 92,690 | 95,891 | - | - |
| Measured at amortised cost | 15,039,384 | 19,371,497 | 11,278,396 | 13,986,062 |

14 Stocks

| | Group 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|-------------------------------------|--------------------|-----------|----------------------|-----------|
| Finished goods and goods for resale | 7,523,791 | 9,111,425 | 4,026,390 | 3,803,729 |

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

15 Debtors

| | Group 2019 | 2018 as restated | Company 2019 | 2018 as restated |
|---|------------------|---------------------|------------------|---------------------|
| | £ | £ | £ | £ |
| Amounts falling due within one year: | | | | |
| Trade debtors | 8,487,766 | 10,449,603 | 4,801,727 | 6,497,208 |
| Amounts owed by group undertakings | - | - | 3,767,627 | 4,096,997 |
| Other debtors | 821,903 | 755,135 | 530,888 | 14,804 |
| Prepayments and accrued income | 463,719 | 287,278 | 402,002 | 569,415 |
| | <u>9,773,388</u> | <u>11,492,016</u> | <u>9,502,244</u> | <u>11,178,424</u> |
| Deferred tax asset (note 20) | 72,324 | 121,967 | - | - |
| | <u>9,845,712</u> | <u>11,613,983</u> | <u>9,502,244</u> | <u>11,178,424</u> |

16 Loans and overdrafts

| | Group 2019 | 2018 | Company 2019 | 2018 |
|-------------------------|------------------|-------------------|------------------|------------------|
| | £ | £ | £ | £ |
| Bank loans | 4,537,382 | 6,132,679 | 3,550,794 | 5,040,510 |
| Bank overdrafts | 3,707,881 | 5,472,258 | 2,261,995 | 3,187,237 |
| | <u>8,245,263</u> | <u>11,604,937</u> | <u>5,812,789</u> | <u>8,227,747</u> |
| Payable within one year | 4,300,155 | 6,984,721 | 2,785,231 | 4,628,276 |
| Payable after one year | 3,945,108 | 4,620,216 | 3,027,558 | 3,599,471 |

The loans are secured over the freehold property owned by the company. There is also a debenture compromising 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 at 1.94% and 2.75% over base respectively.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

17 Finance lease obligations

| | Group 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|---|--------------------|---------------|----------------------|---------------|
| Future minimum lease payments due under finance leases: | | | | |
| Within one year | 60,184 | 59,863 | 60,184 | 59,863 |
| In two to five years | 58,113 | 22,375 | 58,113 | 22,375 |
| | <u>118,297</u> | <u>82,238</u> | <u>118,297</u> | <u>82,238</u> |
| Less: future finance charges | (4,595) | (7,183) | (4,595) | (7,183) |
| | <u>113,702</u> | <u>75,055</u> | <u>113,702</u> | <u>75,055</u> |

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

| | Notes | Group 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|------------------------------------|-------|--------------------|-------------------|----------------------|-------------------|
| Bank loans and overdrafts | 16 | 4,300,155 | 6,984,721 | 2,785,231 | 4,628,276 |
| Obligations under finance leases | 17 | 56,173 | 56,674 | 56,173 | 56,674 |
| Trade creditors | | 3,298,070 | 4,242,281 | 2,948,504 | 3,114,258 |
| Amounts owed to group undertakings | | - | - | 30,464 | 177,839 |
| Corporation tax payable | | 110,381 | 412,171 | 7,217 | 412,171 |
| Other taxation and social security | | 158,555 | 82,979 | 139,101 | 66,912 |
| Other creditors | | 489,721 | 632,092 | 58,207 | 91,565 |
| Accruals and deferred income | | 2,892,628 | 2,762,423 | 2,314,730 | 2,299,598 |
| | | <u>11,305,683</u> | <u>15,173,341</u> | <u>8,339,627</u> | <u>10,847,293</u> |

19 Creditors: amounts falling due after more than one year

| | Notes | Group 2019 £ | 2018 £ | Company 2019 £ | 2018 £ |
|----------------------------------|-------|--------------------|------------------|----------------------|------------------|
| Bank loans and overdrafts | 16 | 3,945,108 | 4,620,216 | 3,027,558 | 3,599,471 |
| Obligations under finance leases | 17 | 57,529 | 18,381 | 57,529 | 18,381 |
| Interest rate swap | | 92,690 | 95,891 | - | - |
| | | <u>4,095,327</u> | <u>4,734,488</u> | <u>3,085,087</u> | <u>3,617,852</u> |

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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 | 1,271,164 | 1,713,685 | 1,271,164 | 1,713,685 |
|------------------------|-----------|-----------|-----------|-----------|

20 Deferred taxation

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

| | Liabilities 2019 £ | Liabilities 2018 £ | Assets 2019 £ | Assets 2018 £ |
|--|--------------------------|--------------------------|-----------------------------|-------------------------------|
| Group | | | | |
| Accelerated capital allowances | 177,133 | 54,709 | 72,324 | 121,967 |
| | | | | |
| | Liabilities 2019 £ | Liabilities 2018 £ | Assets 2019 £ | Assets 2018 £ |
| Company | | | | |
| Accelerated capital allowances | 177,133 | 54,709 | - | - |
| | | | | |
| | | | Group 2019 £ | Company 2019 £ |
| Movements in the year: | | | | |
| Liability/(Asset) at 1 January 2019 | | | (67,258) | 54,709 |
| Charge to profit or loss | | | 75,208 | 29,636 |
| Exchange rate differences | | | 4,071 | - |
| Adjustments in relation to prior years | | | 92,788 | 92,788 |
| Liability at 31 December 2019 | | | 104,809 | 177,133 |

21 Retirement benefit schemes

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | 209,665 | 152,769 |

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 2019

22 Share capital

| | Group and company | |
|-----------------------------------|-------------------|--------|
| | 2019 | 2018 |
| | £ | £ |
| 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 | |
|----------------------------|----------------|----------------|---------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £ | £ | £ | £ |
| Within one year | 149,041 | 110,167 | 27,540 | 5,051 |
| Between two and five years | 388,314 | 293,732 | 55,080 | - |
| In over five years | 68,628 | 123,110 | - | - |
| | <u>605,983</u> | <u>527,009</u> | <u>82,620</u> | <u>5,051</u> |

24 Events after the reporting date

Subsequent to the year end, coronavirus Covid-19 has resulted in a pandemic affecting businesses globally, including within the UK. The speed and severity of the impact has been unprecedented and while the UK Government has introduced considerable measures to help businesses through this extremely challenging time, the full impact of Covid-19 on the wider economy is currently unknown. Based on the trading through the pandemic so far, the facilities available to the group and the actions taken by management, the directors are confident that the group has sufficient working capital for at least the next 12 months, accordingly, based on the current models and forecasts, as detailed in the going concern note on page 15, the board remain satisfied that the Group is a going concern. No adjustments have been identified as a result of this post balance sheet event.

25 Related party transactions

Remuneration of key management personnel

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

| | 2019 | 2018 |
|------------------------|---------|---------|
| | £ | £ |
| Aggregate compensation | 429,318 | 458,148 |

At the year end there was a directors loan account due within other debtors of £530,888 (2018 - £54,428 within other creditors).

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

26 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 issued share capital of the Evolution Power Tools Limited.

27 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

| Name of undertaking | Address | Nature of business | Class of shares held | % Held Direct |
|--|---------|---|----------------------|---------------|
| 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 |
| Evolution Power Tools Polska Spolka | 4 | Sale of power tools | Ordinary | 100.00 |

Registered office addresses (all UK unless otherwise indicated):

- 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
- 4 Grzyboswka 2 ap. 82 St., 00-131 Warsaw

28 Directors' remuneration

| | 2019 £ | 2018 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 902,917 | 644,228 |
| Company pension contributions to defined contribution schemes | 36,753 | 21,915 |
| | <u>939,670</u> | <u>666,143</u> |

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

| | 2019 £ | 2018 £ |
|---|-----------|---------------|
| Remuneration for qualifying services | 249,682 | 214,588 |
| Company pension contributions to defined contribution schemes | - | 16,505 |
| | <u>-</u> | <u>16,505</u> |

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

29 Cash generated from group operations

| | 2019 £ | 2018 |
|--|------------------|---------------|
| Profit for the year after tax | 1,628,198 | 2,137,993 |
| Adjustments for: | | |
| Taxation charged | 74,889 | 900,234 |
| Finance costs | 470,030 | 414,750 |
| Investment income | 20,886 | (1) |
| Gain on disposal of tangible fixed assets | (17,682) | (8,934) |
| Depreciation and impairment of tangible fixed assets | 456,849 | 310,748 |
| Amounts written off investments | (5,000) | - |
| Movements in working capital: | | |
| Decrease/(increase) in stocks | 1,587,634 | (4,169,560) |
| Decrease/(increase) in debtors | 1,718,628 | (214,844) |
| (Decrease)/increase in creditors | (788,111) | 692,644 |
| Cash generated from operations | 5,146,321 | 63,030 |

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

30 Prior period adjustment

During the year the company noticed, as part of a machine audit, that there were several machines in the manufacturing plant which had been omitted from the fixed asset register. The assets had been missed due to manufacturers purchasing them instead of issuing rebates which Evolution had accrued for. Hence this has been corrected in the prior year and historic depreciation has been charged.

Changes to the balance sheet - group

| | At 31 December 2018 | | |
|-----------------------------|------------------------|----------------|------------------|
| | As previously reported | Adjustment | As restated |
| | £ | £ | £ |
| Fixed assets | | | |
| Tangible assets | 5,527,457 | 525,601 | 6,053,058 |
| Current assets | | | |
| Debtors due within one year | 12,084,757 | (514,028) | 11,570,729 |
| Net assets | <u>7,729,292</u> | <u>184,816</u> | <u>7,740,865</u> |
| Capital and reserves | | | |
| Profit and loss | <u>7,674,790</u> | <u>11,573</u> | <u>7,686,363</u> |

Changes to the profit and loss account - group

| | Period ended 31 December 2018 | | |
|------------------------------|-------------------------------|---------------|------------------|
| | As previously reported | Adjustment | As restated |
| | £ | £ | £ |
| Cost of sales | (26,799,901) | 79,360 | (26,720,541) |
| Administrative expenses | (10,121,139) | (67,787) | (10,188,926) |
| Profit after taxation | <u>2,137,993</u> | <u>11,573</u> | <u>2,149,566</u> |

Reconciliation of changes in equity - group

| | 1 January 2018 | 31 December 2018 |
|----------------------------------|------------------|------------------|
| | £ | £ |
| Equity as previously reported | 6,119,166 | 7,729,292 |
| Adjustments to prior year | | |
| Omitted plant and machinery | - | 11,537 |
| Equity as restated | <u>6,119,166</u> | <u>7,740,829</u> |

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

30 Prior period adjustment

(Continued)

Reconciliation of changes in profit for the previous financial period

| | 2018 £ |
|----------------------------------|------------------|
| Profit as previously reported | 2,137,993 |
| Adjustments to prior year | |
| Omitted plant and machinery | 11,573 |
| Profit as restated | <u>2,149,566</u> |

Changes to the balance sheet - company

| | At 31 December 2018 | | |
|-----------------------------|--------------------------------|-----------------|------------------|
| | As previously reported £ | Adjustment £ | As restated £ |
| Fixed assets | | | |
| Tangible assets | 3,629,149 | 525,601 | 4,154,750 |
| Current assets | | | |
| Debtors due within one year | 11,692,452 | (514,028) | 11,178,424 |
| Net assets | <u>5,542,528</u> | <u>11,573</u> | <u>5,554,101</u> |
| Capital and reserves | | | |
| Profit and loss | <u>5,477,722</u> | <u>11,573</u> | <u>5,489,295</u> |

Changes to the profit and loss account - company

| | Period ended 31 December 2018 | | |
|-------------------------|--------------------------------|-----------------|------------------|
| | As previously reported £ | Adjustment £ | As restated £ |
| Cost of sales | (21,755,127) | 79,360 | (21,675,767) |
| Administrative expenses | (5,357,574) | (67,787) | (5,425,361) |
| Profit after taxation | <u>1,776,561</u> | <u>11,573</u> | <u>1,788,134</u> |

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

30 Prior period adjustment (Continued)

Reconciliation of changes in equity - company

| | 1 January 2018 £ | 31 December 2018 £ |
|----------------------------------|------------------------|--------------------------|
| Equity as previously reported | 4,512,888 | 5,527,724 |
| Adjustments to prior year | | |
| Omitted plant and machinery | | 11,573 |
| Equity as adjusted | 4,512,888 | 5,539,297 |

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

| | 2018 £ |
|----------------------------------|-----------|
| Profit as previously reported | 1,776,561 |
| Adjustments to prior year | |
| Omitted plant and machinery | 11,573 |
| Profit as adjusted | 1,788,134 |