

Company registration number 03442268 (England and Wales)

EVOLUTION POWER TOOLS LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

EVOLUTION POWER TOOLS LTD

COMPANY INFORMATION

Directors	Mr. J A Bamber Mr B Bloomer Mr. R H Dorman Mr M J Gavins Mr. A Shorter
Secretary	Mr R J Bates
Company number	03442268
Registered office	Venture One Longacre Close Holbrook Industrial Estate Sheffield S20 3FR
Auditor	Azets Audit Services Limited 33 Park Place Leeds LS1 2RY

EVOLUTION POWER TOOLS LTD

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EVOLUTION POWER TOOLS LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their Strategic Report on the affairs of the Group for the year ended 31 December 2022. 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.

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

Trading in 2022 proved very challenging for the Evolution Group. Early signs of slowdown were seen at the end of 2021 and the challenge throughout 2022 was one of managing inventory levels down to ease pressure on liquidity. During 2021 the group had built an inventory position to accommodate the surge in demand leading to the higher inventory value at December 2021, which has been reduced £1.4m through 2022 by focussed working capital management.

Group results show turnover has reduced to £47.2m from £59.8m in 2021, with the majority of the sales being attributable to Power Tool sales. Gross profit margins have reduced from 31.3% in 2021 to 30.3% in 2022, operating profit margin has reduced from 10.4% in 2021 to 1.8% in 2022.

The UK parent turnover reduced by 44.0% in the year mainly as a result of declining retail sales in the UK and Europe, as retailers sought to re-normalise inventory levels following the surge in demand during the earlier stages of the covid-19 pandemic.

We continued to grow our business and presence in Poland during 2022 and are following a framework for our French business to be sustainably profitable.

In its local currency, US business turnover was stable in 2022 at \$22.6m (\$22.7m in 2021). The US business represented 39% (2021 – 28%) of Group turnover. Sales to Industrial customers declined 8% in 2022, primarily as a result of inventory carry-over at some of our larger customers (that depressed 1st quarter sales), as well as restricting the resale of Evolution products on 3rd party websites. Our Retail business suffered a decline of 33% similarly as a result of inventory carry-over at some of our larger customers (which depressed 1st quarter sales) and was further compounded by cautionary consumer spend as a result of significant inflationary effects that persisted throughout the year. Conversely, eCommerce experienced significant growth of 26% driven by aggressive Customer Acquisition Digital Ad campaigns.

Despite the significant challenges and uncertainties faced by the Group during the year in the aftermath of covid-19, the growth of the Evolution brand continued through 2022.

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. We have in place a number of patents and are seeking further opportunities to protect our products and competitive advantage.

EVOLUTION POWER TOOLS LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Principal risks and uncertainties

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. Given recent increases in the UK base rate and general market expectations of no significant reductions in the near term, the directors consider these interest rate risks to have increased over the last year. However cash generation in the year has enabled the Group to reduce levels of debt and therefore the Group's exposure to this interest rate risk. As a result 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

The aftermath of the covid-19 pandemic has continued to bring challenges and uncertainties, however our products continue to be in demand and the Group is well positioned to respond to these challenges.

Financial key performance indicators

KPI's	2022	2021	Measure
Turnover (£)	47,208,705	59,808,557	Sales in Year
Gross profit %	30.3%	31.3%	Gross profit/sales
Profit before tax %	0.9%	10.0%	Profit before tax/sales
Stock turns	2.9	3.4	Turnover/stock
Debtor days	49	78	Trade debtors/turnover x365

Turnover in local currencies reduced in the UK and Poland, remained stable in the USA, and increased slightly in France. However during the year sterling weakened against the US dollar, which resulted in an increase in turnover from the USA when exchanged into sterling for consolidation into the Group results.

Operating profit margins for the business reduced in 2022 from 2021, primarily due to the reduced gross margin generated.

Stock turns have decreased as the business has seen supply chain delays and long product lead times ease, but customer demand weaken. Total Group inventory has reduced by £1.4m year on year, and is expected to reduce further in 2023 with more focussed working capital management.

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.

EVOLUTION POWER TOOLS LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Promoting the success of the company

In accordance with section 172 of the Companies Act 2006 each of our directors act in a way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole.

The Directors are aware of how important building and maintaining successful relationships with stakeholders is to the business; be it employees, customers, suppliers, or the wider community.

In making decisions the Directors take account, not only of the short-term requirements of the business but also of the long-term impact on these stakeholders.

Employees – The company views pay and benefits as just one element of the needs of staff and is highly aware of the need to look after the security and welfare of its staff. Training and development are considered where support is required or where career paths identify promotional opportunities.

Customers – Engagement with our customers is essential. This is achieved through feedback, social media activity and after sales support. Providing our customers with the products and services they require at the right time is imperative to building and maintaining our relationship.

Suppliers – Maintaining good relationships with suppliers over the long-term contributes to the success of the business and the promotion of brand loyalty.

Wider community – Being involved in local community projects through donations and encouraging employees to get involved is considered an important part of the business and helps to build links and enhance the company's reputation.

On behalf of the board

Mr B Bloomer
Director

26 September 2023

EVOLUTION POWER TOOLS LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

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

Results and dividends

The results for the year are set out on page 11.

Ordinary dividends were paid amounting to £360,000 (2021 - £330,000). The directors do not recommend payment of a further dividend.

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. R H Dorman
Mr M J Gavins
Mr. A Shorter

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor

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

EVOLUTION POWER TOOLS LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Energy and carbon report

We have considered the recommendations of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the government's policy on Streamlined Energy and Carbon reporting (SECR) when preparing this report.

The Company designs and distributes power tools throughout the world predominantly in the UK, Europe and the USA.

Methodology

Electricity

Total electricity usage has been supplied by our designated broker for the period 01st January 2022 to 31st December 2022 on a half hourly basis.

The total kWh has been multiplied using multipliers extracted from the UK Government GHG Conversion Factors for Company Reporting 2022.

Activity	Country	Unit	Year	kgCO2e
Electricity generated	Electricity: UK	kWh	2022	0.19338
Conversions				42,920
Activity	Country	Unit	Year	kgCO2e
Electricity generated	Electricity: UK	kWh	2021	0.21233
Conversions				43,843

Activity	Country	Unit	Year	kgCO2e
T&D – UK electricity	Electricity: UK	kWh	2022	0.01769
Conversions				3,926

Activity	Country	Unit	Year	kgCO2e
T&D – UK electricity	Electricity: UK	kWh	2021	0.01879
Conversions				3,880

Passenger Vehicles

Where available actual mileage rates have been used otherwise the mileage used has been estimated based on the current mileometer reading. All engine sizes and fuel types have been taken from the vehicles V5 document.

Total Emissions kg CO2e = 47,363 (2021 - 38,413)

Water Supply & Treatment

Usage has been taken from the average daily rates as per the invoices

Supply cubic metres = 88.9530 (2021 - 74,4503) kg CO2e

Treatment cubic metres = 162.3840 (2021 - 135.9093) kg CO2e

EVOLUTION POWER TOOLS LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Business Travel - Flights

Usage has been based on the total number of kilometers traveled

Total Emissions kg CO₂e = 11,406 (2021 - nil)

Hotel Stays

Usage has been based on number of nights stayed per hotel room

Total Emissions kg CO₂e = 399 (2021 - nil)

Total kg CO₂e for 2022 was 106,265 (2021 - 86,346) making the intensity ratio 225.10 (2021 - 144.37) based on a total CO₂ per £100,000 of turnover.

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

26 September 2023

EVOLUTION POWER TOOLS LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

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 ;
- prepare the 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 2022 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company 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 2022 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 group and parent 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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 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 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 is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

EVOLUTION POWER TOOLS LTD

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

Extent to which the audit was capable of identifying irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.
- Performing audit work over the timing and recognition of revenue and in particular whether it has been recorded in the correct accounting period.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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 Azets Audit Services Limited

26 September 2023

Chartered Accountants
Statutory Auditor

33 Park Place
Leeds
LS1 2RY

EVOLUTION POWER TOOLS LTD

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	47,208,705	59,808,557
Cost of sales		(32,898,908)	(41,062,477)
Gross profit		14,309,797	18,746,080
Administrative expenses		(13,473,595)	(12,534,731)
Operating profit	4	836,202	6,211,349
Interest payable and similar expenses	7	(411,014)	(234,702)
Profit before taxation		425,188	5,976,647
Tax on profit	8	93,529	(731,728)
Profit for the financial year		518,717	5,244,919
Other comprehensive income			
Currency translation differences		(40,167)	490,248
Total comprehensive income for the year		478,550	5,735,167

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 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Tangible assets	10		6,607,230		6,267,729
Current assets					
Stocks	12	16,228,451		17,653,198	
Debtors	13	7,940,457		15,744,627	
Cash at bank and in hand		2,145,932		1,313,468	
		<u>26,314,840</u>		<u>34,711,293</u>	
Creditors: amounts falling due within one year	14	<u>(13,956,891)</u>		<u>(22,122,805)</u>	
Net current assets			<u>12,357,949</u>		<u>12,588,488</u>
Total assets less current liabilities			<u>18,965,179</u>		<u>18,856,217</u>
Creditors: amounts falling due after more than one year	15		(1,337,583)		(1,442,005)
Provisions for liabilities	18		(288,364)		(193,530)
Net assets			<u>17,339,232</u>		<u>17,220,682</u>
Capital and reserves					
Called up share capital	19		42,001		42,001
Other reserves			12,501		12,501
Profit and loss reserves			<u>17,284,730</u>		<u>17,166,180</u>
Total equity			<u>17,339,232</u>		<u>17,220,682</u>

The financial statements were approved by the board of directors and authorised for issue on 26 September 2023 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 2022

		2022		2021	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		4,764,084		4,616,456
Investments	11		91,764		91,764
			<u>4,855,848</u>		<u>4,708,220</u>
Current assets					
Stocks	12	8,114,865		8,711,290	
Debtors	13	7,791,399		15,739,109	
Cash at bank and in hand		1,239,770		619,375	
		<u>17,146,034</u>		<u>25,069,774</u>	
Creditors: amounts falling due within one year	14	(5,631,923)		(13,258,050)	
Net current assets			<u>11,514,111</u>		<u>11,811,724</u>
Total assets less current liabilities			<u>16,369,959</u>		<u>16,519,944</u>
Creditors: amounts falling due after more than one year	15		(1,337,583)		(1,442,005)
Provisions for liabilities					
Deferred tax liability	18	288,364		193,530	
		<u>(288,364)</u>		<u>(193,530)</u>	
Net assets			<u>14,744,012</u>		<u>14,884,409</u>
Capital and reserves					
Called up share capital	19		42,001		42,001
Capital redemption reserve			8,001		8,001
Profit and loss reserves			14,694,010		14,834,407
Total equity			<u>14,744,012</u>		<u>14,884,409</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 £219,603 (2021 - £4,839,191 profit).

The financial statements were approved by the board of directors and authorised for issue on 26 September 2023 and are signed on its behalf by:

Mr B Bloomer
Director

Company registration number 03442268 (England and Wales)

EVOLUTION POWER TOOLS LTD

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Capital redemption reserve	Profit and loss reserves	Total
Notes	£	£	£	£
Balance at 1 January 2021	42,001	12,501	11,761,013	11,815,515
Year ended 31 December 2021:				
Profit for the year	-	-	5,244,919	5,244,919
Other comprehensive income:				
Currency translation differences	-	-	490,248	490,248
Total comprehensive income	-	-	5,735,167	5,735,167
Dividends	9	-	(330,000)	(330,000)
Balance at 31 December 2021	42,001	12,501	17,166,180	17,220,682
Year ended 31 December 2022:				
Profit for the year	-	-	518,717	518,717
Other comprehensive income:				
Currency translation differences	-	-	(40,167)	(40,167)
Total comprehensive income	-	-	478,550	478,550
Dividends	9	-	(360,000)	(360,000)
Balance at 31 December 2022	42,001	12,501	17,284,730	17,339,232

EVOLUTION POWER TOOLS LTD

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2021		42,001	8,001	10,325,216	10,375,218
Year ended 31 December 2021:					
Profit and total comprehensive income for the year		-	-	4,839,191	4,839,191
Dividends	9	-	-	(330,000)	(330,000)
Balance at 31 December 2021		42,001	8,001	14,834,407	14,884,409
Year ended 31 December 2022:					
Profit and total comprehensive income for the year		-	-	219,603	219,603
Dividends	9	-	-	(360,000)	(360,000)
Balance at 31 December 2022		42,001	8,001	14,694,010	14,744,012

EVOLUTION POWER TOOLS LTD

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	27		6,703,051		(1,101,173)
Interest paid			(411,014)		(234,702)
Income taxes refunded/(paid)			76,318		(499,995)
Net cash inflow/(outflow) from operating activities			6,368,355		(1,835,870)
Investing activities					
Purchase of tangible fixed assets		(897,086)		(1,099,285)	
Proceeds on disposal of tangible fixed assets		5,200		60,400	
Interest received		269		-	
Net cash used in investing activities			(891,617)		(1,038,885)
Financing activities					
Movement in borrowings		166,937		2,102,586	
Payment of finance leases obligations		(23,095)		(25,273)	
Dividends paid to equity shareholders		(360,000)		(330,000)	
Net cash (used in)/generated from financing activities			(216,158)		1,747,313
Net increase/(decrease) in cash and cash equivalents			5,260,580		(1,127,442)
Cash and cash equivalents at beginning of year			(4,170,701)		(3,567,182)
Effect of foreign exchange rates			65,340		523,923
Cash and cash equivalents at end of year			1,155,219		(4,170,701)
Relating to:					
Cash at bank and in hand			2,145,932		1,313,468
Bank overdrafts included in creditors payable within one year			(990,713)		(5,484,169)

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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 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 2022. 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 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. 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.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Investments in joint ventures and associates are carried in the group balance sheet at cost plus post-acquisition changes in the group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill.

If the group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the group does not recognise further losses unless it has incurred obligations to do so or has made payments on behalf of the joint venture or associate.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the group's interest in the entity.

1.3 Going concern

Trading in 2022 proved very challenging for the Evolution Group. Early signs of slowdown were seen at the end of 2021 and the challenge throughout 2022 was one of managing inventory levels down to ease pressure on liquidity. During 2021 the group had built an inventory position to accommodate the surge in demand leading to the higher inventory value at December 2021, which has been reduced £1.4m through 2022 by focussed working capital management.

The company re-organised during 2020 to put more emphasis on to the selling of product on-line, supported by complimentary growth strategies in the traditional 'bricks and mortar' markets of the UK, US and France. This strategy continued in 2022 with the US a particular focus for investment, and expansion into new territories in the pipeline. We have continued to see growth in our Web businesses and Amazon but the retail sector globally has been where we are seeing the biggest challenges. The US retail market has remained relatively flat but we have seen declining turnover in the UK and Europe.

The Directors acknowledge that despite numerous opportunities for growth there is some level of economic uncertainty ahead. We are acutely aware that trading post pandemic is still volatile. As a result, we foresee a level of stabilisation in the short-term before our growth strategies in parallel with economic recovery kick-in.

The group has financing from HSBC bank. The facility is reviewed on an annual basis to ensure that the appropriate financing is in place to match the future demands of the business. Although this is an un-committed facility, the Directors are not aware of any reason why the facility would be withdrawn. Should this occur, however, there is the option to transfer credit terms to the supply chain. The next reviews for the facilities are July 2024.

Based on the above, 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.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

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	2-3.5% straight line
Plant and machinery	20% straight line
Fixtures fittings and equipment	15-20% straight line
Motor vehicles	20% straight line

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 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.

1.8 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.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.9 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 cost and replacement 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.

1.10 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.

1.11 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 2022

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 2022

1 Accounting policies

(Continued)

Derecognition of financial liabilities

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

1.12 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.

1.13 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.

1.14 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 2022

1 Accounting policies

(Continued)

1.15 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.

1.16 Retirement benefits

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

1.17 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.

1.18 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.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Stock provision

At each reporting date an assessment is made for provisions required to recognise a fair valuation of damaged, slow moving or obsolete stock. 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 the profit or loss and provided for in the balance sheet. Reversals of impairment losses are also recognised in profit or loss when they arise.

Rebate accruals

A certain level of estimation or judgment is required for certain agreements in assessing the level of qualifying sales and whether performance obligations have been met, which in turn drive the obligation to make payments to customers. This estimation is based on historical actual sales or projections. The group only recognises rebate agreements where there is documented evidence of an agreement with an individual customer and when associated performance conditions are met.

3 Turnover

	2022	2021
	£	£
Turnover analysed by class of business		
Sale of power tools	47,208,705	59,808,557
	<u>47,208,705</u>	<u>59,808,557</u>
	2022	2021
	£	£
Turnover analysed by geographical market		
United Kingdom	16,960,037	30,313,932
Rest of europe	11,630,967	11,804,197
Rest of the world	18,617,701	17,690,428
	<u>47,208,705</u>	<u>59,808,557</u>

4 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(349,970)	(903,603)
Research and development costs	49,929	172,409
Depreciation of owned tangible fixed assets	727,883	563,569
Depreciation of tangible fixed assets held under finance leases	24,919	55,927
Profit on disposal of tangible fixed assets	(5,200)	(934)
Operating lease charges	224,089	231,230
	<u>224,089</u>	<u>231,230</u>

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

5 Auditor's remuneration

	2022 £	2021 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	64,550	53,800
For other services		
All other non-audit services	18,450	6,600

6 Employees

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

	Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
Office, management and sales	141	126	83	71

Their aggregate remuneration comprised:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Wages and salaries	5,990,485	5,280,994	3,048,832	2,829,070
Social security costs	550,294	297,168	300,949	281,352
Pension costs	234,511	225,228	162,736	158,931
	6,775,290	5,803,390	3,512,517	3,269,353

7 Interest payable and similar expenses

	2022 £	2021 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	411,667	200,847
Interest on finance leases and hire purchase contracts	(653)	8,420
Other interest on financial liabilities	-	25,435
	411,014	234,702

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

8 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	6,927	803,960
Adjustments in respect of prior periods	(195,290)	(143,737)
Total current tax	(188,363)	660,223
Deferred tax		
Origination and reversal of timing differences	160,576	39,178
Changes in tax rates	-	32,327
Adjustment in respect of prior periods	(65,742)	-
Total deferred tax	94,834	71,505
Total tax (credit)/charge	(93,529)	731,728

The actual (credit)/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:

	2022 £	2021 £
Profit before taxation	425,188	5,976,647
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	80,786	1,135,563
Tax effect of expenses that are not deductible in determining taxable profit	1,288	2,135
Tax effect of income not taxable in determining taxable profit	6,429	(3,685)
Adjustments in respect of prior years	(261,032)	(150,880)
Effect of change in corporation tax rate	-	32,327
Research and development tax credit	(147,377)	(169,751)
Effect of overseas tax rates	(3,832)	76,100
Foreign exchange differences	-	(3,933)
Fixed asset differences	(38,538)	(41,327)
Other adjustments	268,747	(144,821)
Taxation (credit)/charge	(93,529)	731,728

9 Dividends

	2022 £	2021 £
Recognised as distributions to equity holders:		
Final paid	360,000	330,000

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Tangible fixed assets

Group	Freehold land and buildings	Plant and Fixtures fittings machinery and equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2021	5,443,798	2,885,776	1,317,097	10,060,583
Additions	12,496	555,785	313,765	897,086
Disposals	-	-	(7,132)	(7,132)
Exchange adjustments	256,505	(20,998)	74,239	326,284
At 31 December 2022	5,712,799	3,420,563	1,697,969	11,276,821
Depreciation and impairment				
At 1 January 2021	1,017,963	1,889,029	686,001	3,792,854
Depreciation charged in the year	90,424	400,222	188,744	752,802
Eliminated in respect of disposals	-	-	(7,132)	(7,132)
Exchange adjustments	75,709	(30,638)	74,145	131,067
At 31 December 2022	1,184,096	2,258,613	941,758	4,669,591
Carrying amount				
At 31 December 2022	4,528,703	1,161,950	756,211	6,607,230
At 31 December 2021	4,425,835	996,747	631,096	6,267,729
Company				
	£	£	£	£
Cost				
At 1 January 2021	3,296,329	2,808,278	929,177	7,309,236
Additions	-	535,028	233,518	783,586
At 31 December 2022	3,296,329	3,343,306	1,162,695	8,092,822
Depreciation and impairment				
At 1 January 2021	392,384	1,823,216	362,587	2,692,780
Depreciation charged in the year	28,572	391,716	164,465	635,958
At 31 December 2022	420,956	2,214,932	527,052	3,328,738
Carrying amount				
At 31 December 2022	2,875,373	1,128,374	635,643	4,764,084
At 31 December 2021	2,903,945	985,062	566,590	4,616,456

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 £	2021 £	Company 2022 £	2021 £
Motor vehicles	74,296	160,281	74,296	160,281

Included with freehold land and buildings in the group is land not depreciated with a value of £2,059,734 (2021 - £2,059,734).

Included with freehold land and buildings in the company is land not depreciated with a value of £1,717,788 (2021 - £1,717,788).

11 Fixed asset investments

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Investments in subsidiaries	25	-	-	91,764	91,764

Movements in fixed asset investments Company

Shares in
subsidiaries
£

Cost or valuation

At 1 January 2022 and 31 December 2022

91,764

Carrying amount

At 31 December 2022

91,764

At 31 December 2021

91,764

12 Stocks

	Group 2022 £	2021 £	Company 2022 £	2021 £
Finished goods and goods for resale	16,228,451	17,653,198	8,114,865	8,711,290

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13 Debtors

	Group 2022	2021	Company 2022	2021
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	6,400,033	12,836,670	2,678,770	6,218,624
Corporation tax recoverable	143,891	-	143,891	-
Amounts owed by group undertakings	-	-	4,238,809	7,922,340
Other debtors	24,757	493,926	-	239,782
Prepayments and accrued income	1,371,776	2,414,031	729,929	1,358,363
	<u>7,940,457</u>	<u>15,744,627</u>	<u>7,791,399</u>	<u>15,739,109</u>

14 Creditors: amounts falling due within one year

		Group 2022	2021	Company 2022	2021
	Notes	£	£	£	£
Bank loans and overdrafts	16	5,886,952	10,126,159	1,103,781	5,626,644
Obligations under finance leases	17	22,837	28,822	22,837	28,822
Trade creditors		2,595,158	5,585,883	1,953,282	4,000,333
Amounts owed to group undertakings		-	-	9,326	-
Corporation tax payable		-	37,037	-	56,692
Other taxation and social security		153,209	111,147	252,884	99,116
Other creditors		380,971	368,232	97,000	113,111
Accruals and deferred income		4,917,764	5,865,525	2,192,813	3,333,332
		<u>13,956,891</u>	<u>22,122,805</u>	<u>5,631,923</u>	<u>13,258,050</u>

15 Creditors: amounts falling due after more than one year

		Group 2022	2021	Company 2022	2021
	Notes	£	£	£	£
Bank loans and overdrafts	16	1,311,904	1,399,216	1,311,904	1,399,216
Obligations under finance leases	17	25,679	42,789	25,679	42,789
		<u>1,337,583</u>	<u>1,442,005</u>	<u>1,337,583</u>	<u>1,442,005</u>

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

Payable by instalments	845,285	963,490	845,285	963,490
	<u>845,285</u>	<u>963,490</u>	<u>845,285</u>	<u>963,490</u>

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

16 Loans and overdrafts

	Group 2022 £	2021 £	Company 2022 £	2021 £
Bank loans	6,208,143	6,041,206	1,428,558	1,541,691
Bank overdrafts	990,713	5,484,169	987,127	5,484,169
	<u>7,198,856</u>	<u>11,525,375</u>	<u>2,415,685</u>	<u>7,025,860</u>
Payable within one year	5,886,952	10,126,159	1,103,781	5,626,644
Payable after one year	<u>1,311,904</u>	<u>1,399,216</u>	<u>1,311,904</u>	<u>1,399,216</u>

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. The US mortgage is repayable in monthly instalments of \$10,711.

Interest is chargeable on the UK mortgage at 1.94% over base.

17 Finance lease obligations

	Group 2022 £	2021 £	Company 2022 £	2021 £
Future minimum lease payments due under finance leases:				
Within one year	24,025	30,772	24,025	30,772
In two to five years	25,865	44,163	25,865	44,163
	<u>49,890</u>	<u>74,935</u>	<u>49,890</u>	<u>74,935</u>
Less: future finance charges	<u>(1,374)</u>	<u>(3,324)</u>	<u>(1,374)</u>	<u>(3,324)</u>
	<u>48,516</u>	<u>71,611</u>	<u>48,516</u>	<u>71,611</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.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

18 Deferred taxation

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

	Liabilities 2022 £	Liabilities 2021 £
Group		
Accelerated capital allowances	357,302	256,848
Tax losses	13,206	-
Short term timing differences	(82,144)	(63,318)
	<u>288,364</u>	<u>193,530</u>
	Liabilities 2022 £	Liabilities 2021 £
Company		
Accelerated capital allowances	357,302	256,848
Tax losses	13,206	-
Short term timing differences	(82,144)	(63,318)
	<u>288,364</u>	<u>193,530</u>
	Group 2022 £	Company 2022 £
Movements in the year:		
Liability at 1 January 2022	193,530	193,530
Charge to profit or loss	94,834	94,834
	<u>288,364</u>	<u>288,364</u>

19 Share capital

	Group and company 2022 £	2021 £
Ordinary share capital		
Issued and fully paid		
42,001 Ordinary shares of £1 each	<u>42,001</u>	<u>42,001</u>

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

20 Retirement benefit schemes

	2022	2021
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	234,511	225,228

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.

21 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 2022	2021	Company 2022	2021
	£	£	£	£
Within one year	75,947	128,050	21,600	27,540
Between two and five years	117,260	236,990	46,800	-
	193,207	365,040	68,400	27,540

22 Related party transactions

Remuneration of key management personnel

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

	2022	2021
	£	£
Aggregate compensation	544,423	322,576

During the year the company made a charitable donations of £241,161 (2021 - £623,282) to a charitable organisation where a director of the company is a trustee.

During the year the company made £nil (2021 - £66,000) of loans to trust funds where the beneficiaries are the children of directors of the company. At the year end the remaining balance of these loans was £30,000 (2021 - £30,000).

During the year purchases of £nil (2021 - £106,233) were made from companies providing key management personnel services to the group, of which, £nil (2021 - £nil) was included within trade creditors at the year end. Such companies are controlled by certain directors.

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

23 Directors' transactions

Dividends totalling £360,000 (2021 - £330,000) were paid in respect of shares held by the company's directors.

Advances or credits have been granted by the group to its directors as follows:

Description	% Rate	Opening balance £	Amounts advanced £	Closing balance £
Directors Loan Account - Mr M Gavins	-	(45,907)	907	(45,000)
		<u>(45,907)</u>	<u>907</u>	<u>(45,000)</u>

24 Controlling party

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

25 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 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

26 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	937,835	1,084,281
Company pension contributions to defined contribution schemes	24,065	15,518
	<u>961,900</u>	<u>1,099,799</u>

EVOLUTION POWER TOOLS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

26 Directors' remuneration

(Continued)

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

	2022 £	2021 £
Remuneration for qualifying services	280,763	376,650

27 Cash generated from group operations

	2022 £	2021
Profit for the year after tax	518,717	5,244,919
Adjustments for:		
Taxation (credited)/charged	(93,529)	731,728
Finance costs	411,014	234,702
Investment income	(509,187)	-
Gain on disposal of tangible fixed assets	(5,200)	(934)
Depreciation and impairment of tangible fixed assets	752,802	619,496
Movements in working capital:		
Decrease/(increase) in stocks	1,424,747	(9,360,614)
Decrease in debtors	7,896,779	577,141
(Decrease)/increase in creditors	(3,693,092)	852,389
Cash generated from/(absorbed by) operations	6,703,051	(1,101,173)

28 Analysis of changes in net debt - group

	1 January 2022 £	Cash flows £	31 December 2022 £
Cash at bank and in hand	1,313,468	832,464	2,145,932
Bank overdrafts	(5,484,169)	4,493,456	(990,713)
	(4,170,701)	5,325,920	1,155,219
Borrowings excluding overdrafts	(6,041,206)	(166,937)	(6,208,143)
Obligations under finance leases	(71,611)	23,095	(48,516)
	(10,283,518)	5,182,078	(5,101,440)

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