

Company Registration No. 03154040 (England and Wales)

**EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

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EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

COMPANY INFORMATION

Directors	R. Lambert J. Wust J. Lambert E. Wust N. D. Harris D. Beasley
Secretary	R. Lambert
Company number	03154040
Registered office	Stag Place Wooburn Town Wooburn Green High Wycombe Buckinghamshire HP10 0TT
Auditor	Rouse Audit LLP 55 Station Road Beaconsfield Buckinghamshire HP9 1QL

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

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EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present the strategic report for the year ended 31 March 2021.

Fair review of the business

In the 2021 financial period turnover was £14.4m (2020: £14.8m) and profit before tax was £1.8m, (2020: £1.2m). Profit after tax was £1.5m (2020: £1.2m).

Evolution continues to grow with installations across Europe and support from sister companies Evolution Risk & Design and Evolution Professional Services. The client trust generated by the pre-specification development work undertaken by Evolution Risk & Design can be seen in reduced competition and subsequent improved project margins.

Evolution continue to monitor and develop supply chains focusing on ethical buying and sourcing from reliable manufacturers from countries with reputable privacy legislation and human rights.

Repeating the format developed for the formation of the ICTS Division (Information, Communication, Technology and Security) the company is now building a dedicated Government/Defence Division which has seen significant growth this year and has been identified as a further growing sector with a long-term future.

Evolution has continued to promote the Evolution brand this year with various media sponsorship campaigns and our PR and Recruitment partners continue to improve our profile in the industry.

Our growth plans continue with a branch in Sweden and a new sister business Evolution Security b.v. to support our growing client base.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. Risks are formally reviewed by the directors and the senior management team and appropriate processes put in place to monitor and mitigate them.

The key risks affecting the company are set out below.

COVID-19

This continues to pose a risk although the impact of the COVID-19 pandemic is reducing.

The directors have considered any on-going impact of COVID-19 on the trading position of the company. Financial forecasts indicate that the company has sufficient resources to meet its obligations as they fall due for the foreseeable future.

Competition

The UK electronic security industry is competitive, and the company has positioned itself as a quality installer with high focus on customer service. The company regularly assesses this to ensure it can deliver on high-end service at the right price. With many direct, independent competitors now part of larger international competitors the directors believe our position as one of fewer major independents is further strengthened.

Political risk management

The company continues to monitor the impact of leaving the EU and the effect it may have on the business. Travel restrictions and working time limits in the EU region will present challenges but with an established sister company in Ireland and a new sister company in The Netherlands the directors believe the group is in a good position in any eventuality.

Liquidity risk

The directors and the senior management team regularly reviews its cashflow and working capital. The company has no external debt.

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Foreign exchange risk

The main area of financial risk is in the exchange rate movement as the company operates in both Sterling and Euro. The intercompany balances and working capital are regularly reviewed to minimise the risk.

Employees

The company depends on the skills and commitment of its employees to maintain the company's reputation for excellence within the industry.

The company is committed to the continued training and development of its employees. The company will look to promote from within where applicable.

Future developments and performance

The company is investing in developing the ICTS and government/defence divisions while continuing to grow in the commercial sector. The company is known as a market leader in both expertise within the sector and the quality of service. Maintaining this position in the market is a key part of the directors and senior management discussions on the future of the company.

Key performance indicators

Turnover reduced from £14.8m in 2020 to £14.4m in 2021 due to the COVID lockdown in the first quarter of the financial year as some businesses and workplaces shut. As electronic security was classified an essential service the company was able to continue trading during lockdown when possible.

Gross profit grew from £2.5m in 2020 to £3.4m in 2021. This was due to an increased focus on delivering the selling margins, including better management of large construction contracts.

Operating profit increased from £1.2m in 2020 to £1.8m in 2021. The increase in profit is a direct result of the improvement in margin.

On behalf of the board



R. Lambert
Director

Date: 20-12-21

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present their annual report and financial statements for the year ended 31 March 2021.

Principal activities

The principal activity of the company continued to be that of the supply, installation and maintenance of security systems.

Results and dividends

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

Ordinary dividends were paid amounting to £977,704 (2020: £277,704). 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:

R. Lambert
J. Wust
J. Lambert
E. Wust
N. D. Harris
D. Beasley

Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 company's auditor 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 company's auditor is aware of that information.

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

On behalf of the board



R. Lambert
Director

Date: 20-12-21

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

Opinion

We have audited the financial statements of Evolution (Electronic Security Systems) Ltd. (the 'company') for the year ended 31 March 2021 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including 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 company's affairs as at 31 March 2021 and of its 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

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

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

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

Other information

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

We have nothing to report in this regard.

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 (ELECTRONIC SECURITY SYSTEMS) LTD.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.
- 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- through discussions with the directors and other management, we identified the laws and regulations applicable to the company; and
- focusing on the specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, we assessed the extent of compliance with those laws and regulations identified above through making enquiries of management and inspecting relevant correspondence.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 2 were indicative of potential bias;
- investigated the rationale behind significant or unusual bank transactions

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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.

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.

Rouse Audit LLP

Leighton Bower (Senior Statutory Auditor)
For and on behalf of Rouse Audit LLP

Date: 23 December 2021

Chartered Accountants
Statutory Auditor

55 Station Road
Beaconsfield
Buckinghamshire
HP9 1QL

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Turnover	3	14,355,210	14,780,013
Cost of sales		(10,937,798)	(12,279,096)
Gross profit		3,417,412	2,500,917
Distribution costs		(67,858)	(99,756)
Administrative expenses		(2,084,421)	(1,603,935)
Other operating income		573,434	428,688
Operating profit	4	1,838,567	1,225,914
Interest receivable and similar income	7	378	3
Interest payable and similar expenses	8	(181)	(2,209)
Profit before taxation		1,838,764	1,223,708
Tax on profit	10	(351,789)	(67,646)
Profit for the financial year		1,486,975	1,156,062

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

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
	£	£
Profit for the year	1,486,975	1,156,062
Other comprehensive income	-	-
Total comprehensive income for the year	1,486,975	1,156,062

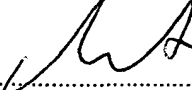
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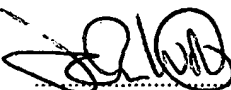
BALANCE SHEET

AS AT 31 MARCH 2021

	Notes	2021 £	£	2020 £	£
Fixed assets.					
Tangible assets	12		302,473		306,636
Current assets					
Stocks	13	810,391		593,210	
Debtors	14	4,729,889		4,744,808	
Cash at bank and in hand		848,109		343,444	
		<u>6,388,389</u>		<u>5,681,462</u>	
Creditors: amounts falling due within one year	15	<u>(3,290,120)</u>		<u>(3,095,518)</u>	
Net current assets			<u>3,098,269</u>		<u>2,585,944</u>
Total assets less current liabilities			<u>3,400,742</u>		<u>2,892,580</u>
Provisions for liabilities					
Deferred tax liability	16	<u>26,330</u>		<u>27,439</u>	
			<u>(26,330)</u>		<u>(27,439)</u>
Net assets			<u><u>3,374,412</u></u>		<u><u>2,865,141</u></u>
Capital and reserves					
Called up share capital	18		10,000		10,000
Profit and loss reserves			<u>3,364,412</u>		<u>2,855,141</u>
Total equity			<u><u>3,374,412</u></u>		<u><u>2,865,141</u></u>

The financial statements were approved by the board of directors and authorised for issue on 20.12.21 and are signed on its behalf by:


 R. Lambert
 Director


 J. Wust
 Director

Company Registration No. 03154040

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 April 2019		10,000	1,976,783	1,986,783
Year ended 31 March 2020:				
Profit and total comprehensive income for the year		-	1,156,062	1,156,062
Dividends	11	-	(277,704)	(277,704)
Balance at 31 March 2020		10,000	2,855,141	2,865,141
Year ended 31 March 2021:				
Profit and total comprehensive income for the year		-	1,486,975	1,486,975
Dividends	11	-	(977,704)	(977,704)
Balance at 31 March 2021		10,000	3,364,412	3,374,412

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

Company information

Evolution (Electronic Security Systems) Ltd. is a private company limited by shares incorporated in England and Wales. The registered office is Stag Place, Wooburn Town, Wooburn Green, High Wycombe, Buckinghamshire, HP10 0TT.

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 £.

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

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

- Section 4 'Statement of Financial Position': 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.

The financial statements of the company are consolidated in the financial statements of Evolution Europe Ltd. These consolidated financial statements are available from its registered office, Stag Place, Wooburn Town, Wooburn Green, Buckinghamshire, HP10 0TT.

1.2 Going concern

Financial forecasts indicate that the group has sufficient resources to meet its obligations as they fall due for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover comprises the value of sales, excluding VAT and similar taxes and trade discounts, of goods and services supplied to customers during the year, in the normal course of business.

Maintenance income is apportioned so that 40% is taken in the first month of the agreement to cover set up costs, with the remainder deferred over the balance of the agreement period.

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.

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. When it is probable that total cost will exceed revenue, the expected loss is recognised immediately.

1.4 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:

Leasehold improvements	20% straight line
Computer equipment	25% straight line
Fixtures, fittings and equipment	20% straight line
Motor vehicles	25% straight line

1.5 Impairment of fixed assets

At each reporting period end date, the company 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).

1.6 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.

Work in Progress is calculated based on the deferral of the costs of each contract with reference to the stage of completion.

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.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand and deposits held at call with banks.

1.8 Financial instruments

The company 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 company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

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.

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 company 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.

Basic financial liabilities

Basic financial liabilities, including creditors and loans from fellow group companies 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.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

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 company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company 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 company.

1.10 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 company'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 when the company has 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.

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

(Continued)

1.11 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.

1.12 Retirement benefits

The company contributes to a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.13 Share-based payments

On 20 July 2016 and 13 January 2017, the company issued equity share based payments to certain employees. Equity settled share based payments are measured at their fair value. The fair value is expensed over the vesting period, based on the estimate of when the share options will vest with a corresponding increase in equity. No charge was made to profit and loss in respect of the above during the year.

1.14 Leases

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 leases asset are consumed.

1.15 Government grants

The company has received support from the coronavirus job retention scheme made available by the government due to COVID-19. Government grants are classified as revenue-based grants and are recognised within other operating income on a systematic basis over the period in which the entity recognises the related costs for which the grants are intended to compensate.

1.16 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.

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

2 Judgements and key sources of estimation uncertainty

Critical judgements

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 judgements are based on 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.

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

Deferred income

Revenue on contracts is recognised on the basis of the level of completion of the contract. The percentage completed each month is established in conjunction with the project manager and directors.

Maintenance income is apportioned so that 40% is taken in the first month of the agreement to cover set up costs, with the remainder deferred over the balance of the agreement period.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2021 £	2020 £
Turnover analysed by class of business		
Project	10,569,323	10,981,327
Maintenance	1,694,982	1,343,625
Call outs	1,584,241	1,293,722
Technical sales	506,664	1,156,291
Retail sales	-	5,048
	<u>14,355,210</u>	<u>14,780,013</u>
	2021 £	2020 £
Turnover analysed by geographical market		
United Kingdom	10,431,170	11,311,570
Europe	3,021,640	3,225,037
Rest of the World	902,400	243,406
	<u>14,355,210</u>	<u>14,780,013</u>

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

4 Operating profit

	2021	2020
	£	£
Operating profit for the year is stated after charging/(crediting):		
Currency exchange differences	98,616	(28,591)
Government grants	(104,552)	-
Fees payable to the company's auditor for the audit of the company's financial statements	21,150	25,000
Depreciation of owned tangible fixed assets	124,851	127,171
Profit on disposal of tangible fixed assets	(4,452)	(9,688)
Operating lease charges	170,352	164,522

5 Employees

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

	2021	2020
	Number	Number
Cost of sales	84	81
Administration	6	5
Directors	6	6
Total	96	92

Their aggregate remuneration comprised:

	2021	2020
	£	£
Wages and salaries	4,059,258	3,912,534
Social security costs	478,811	452,868
Pension costs	209,146	126,457
	4,747,215	4,491,859

6 Directors' remuneration

	2021	2020
	£	£
Remuneration for qualifying services	272,327	242,167
Company pension contributions to defined contribution schemes	116,738	25,457
	389,065	267,624

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2020 - 6).

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

6 Directors' remuneration

(Continued)

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

	2021 £	2020 £
Remuneration for qualifying services	123,912	113,076
Company pension contributions to defined contribution schemes	-	2,813

7 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Interest on bank deposits	378	3

8 Interest payable and similar expenses

	2021 £	2020 £
Interest on bank overdrafts and loans	181	1,873
Interest on finance leases and hire purchase contracts	-	336

9 Share-based payment transactions

On 20 July 2016, the Company adopted an Enterprise Management Incentive share option scheme (EMI Scheme), and granted new options of 5 shares in Evolution Europe Limited, the Company's immediate and ultimate parent, to one of its directors. The exercise price was £2,200 per share, and the options expire on 19 July 2026 (10 years from grant date).

On 13 January 2017, the Company granted new options of 2 shares in Evolution Europe Limited, the Company's immediate and ultimate parent, to one of its directors. The exercise price was £2,200 per share, and the options expire on 12 January 2027 (10 years from grant date).

The options can only be exercised on the sale of at least 75% of the current share capital of Evolution Europe Limited. In the opinion of the directors, such an event is not deemed probable and therefore no expense is recognised. The total charge for the year relating to share-based payment plans was £nil, all of which relates to equity settled share based transactions. After deferred tax the total charge was £nil.

The total number of share options outstanding at the year end amounted to 7 (2020: 7).

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

10 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	350,736	142,387
Adjustments in respect of prior periods	2,162	(75,560)
Total current tax	352,898	66,827
Deferred tax		
Origination and reversal of timing differences	(1,109)	819
Total tax charge	351,789	67,646

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:

	2021 £	2020 £
Profit before taxation	1,838,764	1,223,708
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	349,365	232,505
Tax effect of expenses that are not deductible in determining taxable profit	619	8,819
Adjustments in respect of prior years	2,162	(75,560)
Group relief	-	(14,843)
Fixed asset differences	752	626
Research and development tax credit	-	(82,558)
Under/(over) provided in prior years	-	(2,162)
Deferred tax adjustments	(1,109)	819
Taxation charge for the year	351,789	67,646

11 Dividends

	2021 £	2020 £
Final paid	977,704	277,704

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

12 Tangible fixed assets

	Leasehold improvements	Computer equipment	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2020	162,620	89,722	114,070	521,576	887,988
Additions	25,311	16,820	28,319	59,582	130,032
Disposals	-	-	-	(61,397)	(61,397)
At 31 March 2021	187,931	106,542	142,389	519,761	956,623
Depreciation and impairment					
At 1 April 2020	93,758	76,818	57,570	353,206	581,352
Depreciation charged in the year	17,471	5,515	22,526	79,339	124,851
Eliminated in respect of disposals	-	-	-	(52,053)	(52,053)
At 31 March 2021	111,229	82,333	80,096	380,492	654,150
Carrying amount					
At 31 March 2021	76,702	24,209	62,293	139,269	302,473
At 31 March 2020	68,862	12,904	56,500	168,370	306,636

13 Stocks

	2021 £	2020 £
Work in progress	350,258	258,579
Finished goods and goods for resale	460,133	334,631
	810,391	593,210

14 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	3,280,107	3,567,237
Amounts owed by group undertakings	688,121	496,365
Other debtors	161,869	109,718
Prepayments and accrued income	530,472	516,173
	4,660,569	4,689,493

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

14 Debtors

(Continued)

	2021 £	2020 £
Amounts falling due after more than one year:		
Other debtors	69,320	55,315
Total debtors	4,729,889	4,744,808

15 Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	1,197,290	1,030,280
Amounts owed to group undertakings	84,561	84,561
Corporation tax	350,736	66,826
Other taxation and social security	256,164	386,839
Other creditors	20,153	19,494
Accruals and deferred income	1,381,216	1,507,518
	3,290,120	3,095,518

16 Deferred taxation

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

	Liabilities 2021 £	Liabilities 2020 £
Balances:		
Accelerated capital allowances	26,330	27,439
Movements in the year:		
Liability at 1 April 2020		27,439
Credit to profit or loss		(1,109)
Liability at 31 March 2021		26,330

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

17 Retirement benefit schemes

	2021	2020
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	209,146	126,457

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

18 Share capital

	2021	2020	2021	2020
	Number	Number	£	£
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	10,000	10,000	10,000	10,000

19 Financial commitments, guarantees and contingent liabilities

At the balance sheet date the company had granted an unlimited multilateral guarantee over a loan given to a related company, Grayson Pace Limited (formally RLJW Holdings Limited), The amount outstanding on the loan at 31 March 2021 was £935,589 (2020: £988,246).

20 Operating lease commitments

Lessee

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

	2021	2020
	£	£
Within one year	129,890	131,059
Between two and five years	254,500	384,390
	384,390	515,449

21 Related party transactions

During the year, the company was charged rent of £129,000 (2020: £129,000) by Grayson Pace Limited. The amounts owed to Grayson Pace Limited for rent payable at the balance sheet date totalled £38,700 (2020: £38,700).

22 Events after the reporting date

Subsequent to the balance sheet date the company entered into a debenture and cross guarantee with Evolution Europe Ltd and Evolution Risk and Design Limited, fellow group undertakings, and Grayson Pace Limited, a related company.

EVOLUTION (ELECTRONIC SECURITY SYSTEMS) LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

23 Ultimate controlling party

The company is a wholly owned subsidiary of Evolution Europe Ltd, which is the parent company of the largest and smallest group for which consolidated accounts are prepared. The parent's registered office is Stag Place, Wooburn Town, Wooburn Green, Buckinghamshire, HP10 0TT.