

Company Registration No. 00591930 (England and Wales)

Dynamic EMS Limited

Annual report and financial statements

for the year ended 31 December 2019

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Dynamic EMS Limited

Company information

Directors	P V Birrell J J Dignan J Watt
Secretary	J Watt
Company number	00591930
Registered office	Winterhill House Station Approach Marlow SL7 1NT
Auditor	MHA Henderson Loggie Ground Floor 11-15 Thistle Street Edinburgh EH2 1DF
Business address	Taxi Way Hillend Industrial Estate Dalgety Bay Fife KY11 9ET
Solicitors	MacRoberts LLP 30 Semple Street Edinburgh EH3 8BL

Dynamic EMS Limited

Contents

	Page
Strategic report	1 - 2
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report	5 - 7
Statement of comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11 - 23

Dynamic EMS Limited

Strategic report

for the year ended 31 December 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of the business

Turnover increased with profit before tax increasing to £509,612 (2018: £100,609).

The company anticipates sustained levels of revenue and profitability in 2020 and the key performance indicators are:

- Revenue growth
- Increased profitability
- Cash flow management
- On time delivery to customer required date
- Zero returns under warranty
- Compliance as a minimum with employment, health & safety and environmental legislation

Principal risks and uncertainties

Principal risks and uncertainties are:

- Bad debt
- Raw material and energy cost increases
- UK and offshore competitive pricing
- Cash flow

The company has reacted to these risks by:

- Monitoring of customers financial performance and payment of invoices
- Supply chain management and agreements with key suppliers of materials and energy
- Competitive bidding process/quote win web based application
- Stringent cost control

The global impact of the coronavirus (Covid-19) is having unprecedented effect on the global economy and that of the UK. This has not only been seen in retail, construction & hospitality sectors but also in the Electronics Manufacturing Sector - with levels of downturn across all sectors never seen in our generation. Dynamic EMS have combatted the impact of Covid-19 on our business having already engaged with organisations that are involved in: Blood Analysis and disease detection, contamination monitoring & antibody Diagnostic testing specifically for Covid-19. We have also engaged with part of the UK Ventilators challenge community enabling Dynamic EMS to manufacture associated components under our ISO13485 accreditation.

Dynamic EMS have been involved for many years with customers maintaining critical national infrastructure, clean water systems, wastewater treatment, utilities, fire prevention monitoring systems and the national grid.

Dynamic EMS are also suppliers to customers involved in high-security and communications products and services to sites of critical national infrastructure, including hospitals, prisons, airports, military sites, police and emergency services, ports, logistics centres, local and national government sites, city centre control rooms and alarm receiving centres. We have supplied an essential video surveillance system to a Covid-19 field hospital and provided networking transmission products to mobile Coronavirus testing stations run by healthcare organisations.

As the world strives to get businesses 'returning to work' post pandemic, Dynamic EMS are at the front-end, manufacturing 'social distancing' devices for all sectors.

Our strategy has allowed us to mitigate the impact on our revenues and business performance for the period.

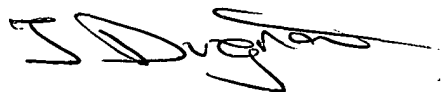
The Directors would like to thank both management and staff for their efforts, commitment and contribution to the business.

Dynamic EMS Limited

Strategic report (continued)

for the year ended 31 December 2019

On behalf of the board

A handwritten signature in black ink, appearing to read 'J J Dignan', written over a horizontal line.

J J Dignan

Director

26 May 2020

Dynamic EMS Limited

Directors' report

for the year ended 31 December 2019

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

Principal activities

The company's principal activity continues to be the supply of Electronic Manufacturing services comprising of PCB assembly and High Level (Complete Product) assembly and test. The directors do not envisage any change in the coming year.

Directors

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

P V Birrell
J J Dignan
J Watt

Results and dividends

The results for the year are set out on page 7.

An interim ordinary dividend was paid amounting to £88,133 (2018: £90,008). The directors have not recommended a final dividend (2018: £Nil).

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.

On behalf of the board



J J Dignan
Director

26 May 2020

Dynamic EMS Limited

Directors' responsibilities statement

for the year ended 31 December 2019

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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.

Dynamic EMS Limited

Independent auditor's report

to the members of Dynamic EMS Limited

Opinion

We have audited the financial statements of Dynamic EMS Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity 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 company's affairs as at 31 December 2019 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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
 - the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.
-

Dynamic EMS Limited

Independent auditor's report (continued)

to the members of Dynamic EMS Limited

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Dynamic EMS Limited

Independent auditor's report (continued)

to the members of Dynamic EMS Limited

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.

MHA Henderson Loggie.

Diana Penny (Senior Statutory Auditor)
for and on behalf of MHA Henderson Loggie

26 May 2020

Chartered Accountants
Statutory Auditor

Ground Floor
11-15 Thistle Street
Edinburgh
EH2 1DF

MHA Henderson Loggie is a trading name of Henderson Loggie LLP.

Dynamic EMS Limited**Statement of comprehensive income****For the year ended 31 December 2019**

	Notes	2019 £	2018 £
Turnover	3	9,781,883	9,489,457
Cost of sales		(8,244,928)	(8,342,917)
Gross profit		1,536,955	1,146,540
Administrative expenses		(1,006,944)	(1,019,001)
Operating profit	4	530,011	127,539
Interest payable and similar expenses	7	(20,399)	(26,930)
Profit before taxation		509,612	100,609
Tax on profit	8	(98,741)	23,035
Profit for the financial year		410,871	123,644
Other comprehensive income			
Revaluation of tangible fixed assets		335,933	-
Tax relating to other comprehensive income		(52,482)	15,341
Total comprehensive income for the year		694,322	138,985

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

Dynamic EMS Limited**Balance sheet****as at 31 December 2019**

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	10	1,314,338		966,354	
Current assets					
Stocks	11	1,557,744		1,441,976	
Debtors	12	4,276,673		4,601,107	
Cash at bank and in hand		43,395		37,102	
		<u>5,877,812</u>		<u>6,080,185</u>	
Creditors: amounts falling due within one year	13	<u>(2,313,142)</u>		<u>(2,833,185)</u>	
Net current assets		<u>3,564,670</u>		<u>3,247,000</u>	
Total assets less current liabilities		<u>4,879,008</u>		<u>4,213,354</u>	
Creditors: amounts falling due after more than one year	14	(5,291)		(12,345)	
Provisions for liabilities	17	(167,078)		(100,559)	
Net assets		<u><u>4,706,639</u></u>		<u><u>4,100,450</u></u>	
Capital and reserves					
Called up share capital	20	1,505,603		1,505,603	
Revaluation reserve		747,199		490,964	
Profit and loss reserves		2,453,837		2,103,883	
Total equity		<u><u>4,706,639</u></u>		<u><u>4,100,450</u></u>	

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



J J Dignan
Director

Company Registration No. 00591930

Dynamic EMS Limited

Statement of changes in equity

For the year ended 31 December 2019

	Notes	Share capital £	Revaluation reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2018		1,505,603	494,099	2,051,771	4,051,473
Year ended 31 December 2018:					
Profit for the year		-	-	123,644	123,644
Other comprehensive income:					
Tax relating to other comprehensive income		-	15,341	-	15,341
Total comprehensive income for the year		-	15,341	123,644	138,985
Dividends	9	-	-	(90,008)	(90,008)
Transfers		-	(18,476)	18,476	-
Balance at 31 December 2018		1,505,603	490,964	2,103,883	4,100,450
Year ended 31 December 2019:					
Profit for the year		-	-	410,871	410,871
Other comprehensive income:					
Revaluation of tangible fixed assets		-	335,933	-	335,933
Tax relating to other comprehensive income		-	(52,482)	-	(52,482)
Total comprehensive income for the year		-	283,451	410,871	694,322
Dividends	9	-	-	(88,133)	(88,133)
Transfers		-	(27,216)	27,216	-
Balance at 31 December 2019		<u>1,505,603</u>	<u>747,199</u>	<u>2,453,837</u>	<u>4,706,639</u>

1 Accounting policies

Company information

Dynamic EMS Limited is a private company limited by shares incorporated in England and Wales. The registered office is Winterhill House, Station Approach, Marlow, SL7 1NT.

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 on the historical cost convention, modified to include the revaluation of freehold properties. 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 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': 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 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Kaydanic Solutions Limited. These consolidated financial statements are available from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have considered the impact of the Covid-19 pandemic and consider it appropriate to prepare the financial statements on a going concern basis of preparation for the reasons as set out in the Strategic Report.

1.3 Turnover

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.

Dynamic EMS Limited

Notes to the financial statements (continued)

for the year ended 31 December 2019

1 Accounting policies (continued)

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:

Land and buildings freehold	over 25 years
Equipment	over 5 - 10 years

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 credited or charged to profit or loss.

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). 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.

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. Net realisable value is based on estimated normal selling price less further costs expected to be incurred on 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, 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.

1.8 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.

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. The impairment loss 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.

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 company 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.

Notes to the financial statements (continued)

for the year ended 31 December 2019

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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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.

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 operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

1.13 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 leases asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the company'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.

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 valuation

In arriving at the valuation of stock it may be necessary for management to make an assessment over the carrying value of stock items and where applicable apply a provision to amend this carrying value to a more accurate level. These provisions are arrived at using management's knowledge and understanding of the business and the industry in which it operates and focuses on potentially obsolete or old items for which the full value may no longer be recoverable.

Dynamic EMS Limited**Notes to the financial statements (continued)****for the year ended 31 December 2019****3 Turnover and other revenue**

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

	2019 £	2018 £
Turnover analysed by class of business		
Product Sales	9,754,846	9,382,601
Foreign exchange movements	27,037	106,856
	<u>9,781,883</u>	<u>9,489,457</u>

	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	9,087,272	9,063,107
Other	694,611	426,350
	<u>9,781,883</u>	<u>9,489,457</u>

4 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	12,570	12,000
Depreciation of owned tangible fixed assets	74,895	66,346
Depreciation of tangible fixed assets held under finance leases	4,233	2,116
Operating lease charges	17,091	25,315
	<u>108,789</u>	<u>105,877</u>

5 Employees

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

	2019 Number	2018 Number
Production	71	70
Administration and marketing	16	16
	<u>87</u>	<u>86</u>

Dynamic EMS Limited**Notes to the financial statements (continued)****for the year ended 31 December 2019****5 Employees (continued)**

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	1,857,133	1,850,490
Social security costs	151,415	153,096
Pension costs	122,005	130,401
	<u>2,130,553</u>	<u>2,133,987</u>

Included above are total termination payments of £7,163 (2018: £19,000).

6 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	211,234	197,814
Company pension contributions to defined contribution schemes	45,018	92,089
	<u>256,252</u>	<u>289,903</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2018 - 3).

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

	2019 £	2018 £
Remuneration for qualifying services	85,439	38,161
Company pension contributions to defined contribution schemes	2,509	88,445
	<u>88,948</u>	<u>126,606</u>

7 Interest payable and similar expenses

	2019 £	2018 £
Interest on invoice finance arrangements	19,555	26,719
Interest on finance leases and hire purchase contracts	844	211
	<u>20,399</u>	<u>26,930</u>

Dynamic EMS Limited

Notes to the financial statements (continued)

for the year ended 31 December 2019

8 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	83,331	8,432
Adjustments in respect of prior periods	-	(42,399)
Total current tax	<u>83,331</u>	<u>(33,967)</u>
Deferred tax		
Origination and reversal of timing differences	15,410	9,432
Changes in tax rates	-	1,500
Total deferred tax	<u>15,410</u>	<u>10,932</u>
Total tax charge/(credit)	<u>98,741</u>	<u>(23,035)</u>

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

	2019 £	2018 £
Profit before taxation	<u>509,612</u>	<u>100,609</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2018: 19%)	96,826	19,116
Tax effect of expenses that are not deductible in determining taxable profit	343	380
Adjustments in respect of prior years	-	2,039
Effect of change in corporation tax rate	-	1,500
Group relief	(3,140)	(3,710)
Permanent capital allowances in excess of depreciation	(1,813)	(2,786)
Depreciation on assets not qualifying for tax allowances	6,525	4,864
Under/(over) provided in prior years	-	(44,438)
Taxation charge/(credit) for the year	<u>98,741</u>	<u>(23,035)</u>

In addition to the amount charged/(credited) to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2019 £	2018 £
Deferred tax arising on:		
Revaluation of property	<u>52,482</u>	<u>(15,341)</u>

Dynamic EMS Limited

Notes to the financial statements (continued)

for the year ended 31 December 2019

9 Dividends

	2019 £	2018 £
Interim paid	88,133	90,008

10 Tangible fixed assets

	Land and buildings freehold £	Equipment £	Total £
Cost or valuation			
At 1 January 2019	975,000	3,798,195	4,773,195
Additions	-	91,179	91,179
Disposals	-	(689,233)	(689,233)
Revaluation	225,000	-	225,000
At 31 December 2019	1,200,000	3,200,141	4,400,141
Depreciation and impairment			
At 1 January 2019	102,400	3,704,441	3,806,841
Depreciation charged in the year	34,340	44,788	79,128
Eliminated in respect of disposals	-	(689,233)	(689,233)
Revaluation	(110,933)	-	(110,933)
At 31 December 2019	25,807	3,059,996	3,085,803
Carrying amount			
At 31 December 2019	1,174,193	140,145	1,314,338
At 31 December 2018	872,600	93,754	966,354

No depreciation is provided in respect of freehold land, which is valued at:

	2019 £	2018 £
Freehold	400,000	335,000

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

	2019 £	2018 £
Equipment	14,814	19,047

Dynamic EMS Limited**Notes to the financial statements (continued)****for the year ended 31 December 2019****10 Tangible fixed assets (continued)**

The freehold land and buildings were valued at £1,200,000 at 14 May 2019 by DM Hall, independent valuers not connected with the company on the basis of market value. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties. The directors are not aware of any subsequent material change in the value of freehold land and buildings on a depreciated replacement cost basis.

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

	2019 £	2018 £
Cost	846,980	846,980
Accumulated depreciation	(573,027)	(565,903)
Carrying value	<u>273,953</u>	<u>281,077</u>

11 Stocks

	2019 £	2018 £
Raw materials and consumables	1,201,840	1,160,817
Work in progress	355,904	281,159
	<u>1,557,744</u>	<u>1,441,976</u>

12 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	1,962,714	2,367,552
Amounts owed by group undertakings	2,277,918	2,214,388
Prepayments and accrued income	36,041	17,794
	<u>4,276,673</u>	<u>4,599,734</u>
Deferred tax asset (note 18)	-	1,373
	<u>4,276,673</u>	<u>4,601,107</u>

Included in trade debtors are factored debts of £364,122 (2018: £835,490). Any advances made under this facility are secured against the invoice financed debts to the extent that they are unpaid.

Dynamic EMS Limited

Notes to the financial statements (continued)

for the year ended 31 December 2019

13 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Bank loans and overdrafts	15	364,122	835,490
Obligations under finance leases	16	7,054	7,055
Trade creditors		1,535,772	1,493,690
Corporation tax		83,331	8,432
Other taxation and social security		185,203	279,734
Accruals and deferred income		137,660	208,784
		<u>2,313,142</u>	<u>2,833,185</u>

14 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Obligations under finance leases	16	<u>5,291</u>	<u>12,345</u>

15 Loans and overdrafts

	2019 £	2018 £
Bank overdrafts	<u>364,122</u>	<u>835,490</u>
Payable within one year	<u>364,122</u>	<u>835,490</u>

Bank loans and overdrafts are secured by debenture and standard security over the assets of the company. They include £364,122 (2018: £835,490) of debts drawn against factored debts.

16 Finance lease obligations

	2019 £	2018 £
Future minimum lease payments due under finance leases:		
Within one year	7,054	7,055
In two to five years	5,291	12,345
	<u>12,345</u>	<u>19,400</u>

Finance lease payments represent rentals payable by the company 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.

Dynamic EMS Limited

Notes to the financial statements (continued)

for the year ended 31 December 2019

17 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	18	167,078	100,559

18 Deferred taxation

	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
Balances:				
ACAs	14,037	-	-	1,373
Revaluations	153,041	100,559	-	-
	167,078	100,559	-	1,373

Movements in the year:	2019 £
Liability at 1 January 2019	99,186
Charge to profit or loss	15,410
Charge to equity	52,482
Liability at 31 December 2019	167,078

19 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	122,005	130,401

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.

20 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
2,983,206 Ordinary shares of 50p each	1,491,603	1,491,603
14,000 Unclassified shares of £1 each	14,000	14,000
	1,505,603	1,505,603

Dynamic EMS Limited

Notes to the financial statements (continued)

for the year ended 31 December 2019

21 Financial commitments, guarantees and contingent liabilities

A guarantee for £416,462 (2018: £456,960) has been provided to the company's bankers in respect of its ultimate parent undertaking, Kaydanic Solutions Limited, in respect of loan funding.

22 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:

	2019 £	2018 £
Within one year	21,666	27,574
Between two and five years	14,384	23,667
	<u>36,050</u>	<u>51,241</u>

23 Ultimate controlling party

The company is a wholly owned subsidiary of HW Manufacturing Limited which is a wholly owned subsidiary of Kaydanic Solutions Limited.

The ultimate controlling party is J Dignan.

The smallest and largest groups into which the entity is included within group consolidated accounts is Kaydanic Solutions Limited. These are available from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.