

CO'S HOUSE

Company Registration No. 3196642

East Midlands Instrument Company Limited

STATUTORY FINANCIAL STATEMENTS

for the year ended

31 May 2006

AMENDED

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COMPANIES HOUSE

East Midlands Instrument Company Limited

DIRECTORS AND PROFESSIONAL ADVISERS

DIRECTORS

K Bingham
S Watson
R Hind

SECRETARY

K Bingham

REGISTERED OFFICE

Laughton Lane
Morton
Gainsborough
Lincolnshire
DN21 3ET

AUDITORS

Baker Tilly
2 Whitehall Quay
Leeds
LS1 4HG

BANKERS

Yorkshire Bank
19 St Sepulchre Gate
Doncaster
DN1 1SJ

East Midlands Instrument Company Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of East Midlands Instrument Company Limited for the year ended 31 May 2006.

PRINCIPAL ACTIVITIES

The company's principal activities are the manufacture and installation of electrical and instrument control systems and assemblies, within the UK, typically for the power generation, water reclamation and supply, rail transport and petrochemical industries. Installation, fusion splicing and testing of fibre optic cabling. General fabrication and sheet metal work (including CNC punching and machining) of steel (including stainless steel) and aluminium. Associated welding controls, for high integrity applications or when requested by the customer. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

REVIEW OF THE BUSINESS

A successful trading year for the Company in a difficult market place. Sales and profits have reduced from the previous year due to the declining manufacturing market and the imminent completion of a significant contract.

The new management team have responded well to the challenge and are confident of maintaining order intake and profit levels in the forthcoming year. Major sales efforts have been introduced to ensure the Company is successful in securing profitable contracts which will be implemented efficiently through the Company's existing procedures.

The Company is able to respond to customer demands and is well placed for significant growth.

RISKS AND UNCERTAINTIES

Competitive pressure in the UK is a continuing risk for the company, which could result in it losing sales to its key competitors. The company manages this risk by providing added value services to its customers, having fast response times not only in supplying products but in handling all customer queries, and by maintaining strong relationships with customers.

KEY PERFORMANCE INDICATORS

Key performance indicators used by the management of the company concentrate on the sales invoiced, cost base and cash flow generation of the business.

East Midlands Instrument Co. Ltd operates on a divisional and departmental basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business.

FINANCIAL INSTRUMENTS

The nature of the Company's business is such that most sales are either completed in a short period of time or are of a bespoke nature where manufacture and/or installation takes place over a period of time. Where this is the case stage payments appropriate to the period of manufacture/installation are arranged on a contract by contract basis. As a general policy independent credit checks are regularly carried out on customers. Occasionally individual contracts can be of such a size that the timing of stage payments can cause significant variations in the level of funds.

The Company is financed by a mixture of loans, overdraft and invoice discounting.

East Midlands Instrument Company Limited

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The profit after taxation for the year was £221,080 (2005: £318,428).

Dividends paid on ordinary shares during the year were £66,000 (2005: £695,884)

DIRECTORS

The following directors held office during the year:

K Bingham
S Watson
R Hind

DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The Company is a wholly owned subsidiary and the interests of group directors are disclosed in the financial statements of the parent company, East Midlands Holdings Limited.

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

By order of the board



K Bingham
Secretary

7 February 2007

East Midlands Instrument Company Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the directors to prepare financial statements for each financial year which 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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgments and estimates that are reasonable and prudent;
- c. 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 proper accounting records that 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 1985. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EAST MIDLANDS INSTRUMENT COMPANY LIMITED

We have audited the financial statements on pages 6 to 21.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 May 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly
BAKER TILLY
Registered Auditor
Chartered Accountants
Leeds

7 February 2007

East Midlands Instrument Company Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 May 2006

	<i>Notes</i>	2006 £	2005 £
TURNOVER	1	9,248,050	9,578,675
Cost of sales		(7,282,594)	(7,211,227)
Gross profit		1,965,456	2,367,448
Distribution costs		(174,283)	(184,028)
Administrative expenses		(1,441,097)	(1,518,113)
Exceptional item	3	-	(112,830)
OPERATING PROFIT	2	350,076	552,477
Interest receivable	4	1,123	1,005
Interest payable	5	(70,829)	(65,552)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		280,370	487,930
Taxation	7	(59,290)	(169,502)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18	221,080	318,428

The operating profit for the year arises from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.


East Midlands Instrument Company Limited

BALANCE SHEET

31 May 2006

	Notes	2006 £	2005 £
FIXED ASSETS			
Tangible assets	9	906,828	717,872
Investments	10	800,000	800,000
		<u>1,706,828</u>	<u>1,517,872</u>
CURRENT ASSETS			
Stocks	11	623,519	649,246
Debtors	12	1,900,808	1,827,938
Cash at bank and in hand		179	36,166
		<u>2,524,506</u>	<u>2,513,350</u>
CREDITORS: Amounts falling due within one year	13	(1,982,012)	(1,994,046)
NET CURRENT ASSETS		<u>542,494</u>	<u>519,304</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,249,322	2,037,176
CREDITORS: Amounts falling due after more than one year	14	(1,460,469)	(1,598,590)
		<u>788,853</u>	<u>438,586</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	15	(38,132)	(39,053)
		<u>750,721</u>	<u>399,533</u>
CAPITAL AND RESERVES			
Called up equity share capital	16	150,000	150,000
Revaluation reserve	17	196,108	-
Profit and loss account	18	404,613	249,533
SHAREHOLDERS' FUNDS	19	<u>750,721</u>	<u>399,533</u>

The financial statements on pages 6 to 21 were approved by the board of directors and authorised for issue on 7 February 2007 and are signed on its behalf by:


K Bingham Director

East Midlands Instrument Company Limited

CASH FLOW STATEMENT for the year ended 31 May 2006

	Notes	2006 £	2005 £
Cash flow from operating activities	20a	490,549	942,543
Returns on investments and servicing of finance	20b	(69,706)	(64,547)
Taxation		(160,438)	(145,078)
Capital expenditure and financial investment	20b	(44,670)	(25,112)
		<u>215,735</u>	<u>707,806</u>
Equity dividends paid		(66,000)	(695,884)
CASH INFLOW BEFORE FINANCING		149,735	11,922
Financing	20b	(13,201)	29,100
INCREASE IN CASH IN THE PERIOD		<u>136,534</u>	<u>41,022</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		2006 £	2005 £
Increase in cash in the period	20c	136,534	41,022
Net cash inflow from bank loans		(57,029)	(88,972)
Net cash outflow in respect of hire purchase		70,230	59,872
New finance leases		(29,920)	(92,268)
Change in net debt		119,815	(80,346)
Net debt at 1 June 2005		<u>(2,135,256)</u>	<u>(2,054,910)</u>
Net debt at 31 May 2006		<u>(2,015,441)</u>	<u>(2,135,256)</u>

East Midlands Instrument Company Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold properties in accordance with applicable accounting standards.

CONSOLIDATION

The company was, at the end of the year, a wholly owned subsidiary of another company incorporated in the United Kingdom. As a result, the company, in accordance with section 228 of the Companies Act 1985, is not required to produce and has not published consolidated accounts. The parent entity's accounts therefore present information about it as an individual undertaking and not as a group.

TANGIBLE FIXED ASSETS

Fixed assets include properties valued by Chartered Surveyors on an existing use open market value basis, in accordance Statement of Assets Valuation Practice No. 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors. Other fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Freehold property	2%
Plant and machinery	15%
Fixtures, fittings and equipment	15%
Motor vehicles	25%

STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling prices less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow moving items.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lesser.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

East Midlands Instrument Company Limited

ACCOUNTING POLICIES

PENSION CONTRIBUTIONS

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

GOVERNMENT GRANTS

Government grants on capital expenditure are released to revenue by equal annual amounts over the expected useful life of the assets to which they relate.

East Midlands Instrument Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2006

1 TURNOVER

The company's turnover and profit before taxation were all derived from its principal activity.

An analysis of turnover is given below:

	2006 £	2005 £
United Kingdom	9,248,050	9,578,675

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Operating profit is stated after charging/(crediting)

Government grant releases	(710)	(710)
Depreciation – owned assets	42,740	58,686
– assets held under HP	39,002	18,288
Auditors' remuneration		
- as auditors	11,500	9,750
- other services	2,825	41,840
Operating lease rentals		
- plant and machinery	144,449	130,285
- land and buildings	14,758	20,894

3 EXCEPTIONAL COSTS

This relates to costs incurred in the year ended 31 May 2005 as a result of the share buy back in East Midlands Holdings Limited. Further details are disclosed in that company's accounts.

4 INTEREST RECEIVABLE

	2006 £	2005 £
Interest receivable	1,123	1,005

5 INTEREST PAYABLE

	2006 £	2005 £
Interest payable on bank borrowing	58,953	53,029
Finance charges	8,115	7,362
Other similar charges payable	3,761	5,161
	70,829	65,552

East Midlands Instrument Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2006

6	EMPLOYEES	2006 No.	2005 No.
	The average monthly number of persons (including directors) employed by the company during the year was:		
	Production staff	128	129
	Administrative staff	34	33
		<u>162</u>	<u>162</u>
		2006 £	2005 £
	Staff costs for above persons:		
	Wages and salaries	3,830,898	3,596,511
	Social security costs	392,745	355,684
	Pension costs	97,990	90,475
		<u>4,321,633</u>	<u>4,042,670</u>
	DIRECTORS' EMOLUMENTS	2006 £	2005 £
	The directors' aggregate emoluments in respect of qualifying services were:		
	Emoluments receivable	128,364	117,938
	Value of company pension contributions to money purchase schemes	31,800	47,728
		<u>160,164</u>	<u>165,666</u>
	The number of directors who are accruing benefits under company pension schemes were as follows:	2006 No	2005 No
	Money purchase schemes	<u>3</u>	<u>6</u>

East Midlands Instrument Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2006

7	TAXATION	2006 £	2005 £
	Corporation tax:		
	Current tax	60,599	160,438
	Prior year	(388)	388
	Deferred taxation:		
	Current year	(921)	6,829
	Prior year	-	1,847
		<u>59,290</u>	<u>169,502</u>
	Tax on profit on ordinary activities		

Factors affecting the tax charge for the period:

The tax charge assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006 £	2005 £
Profit on ordinary activities before tax	280,370	487,930
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005: 30%)	84,111	146,379
Effects of:		
Expenses not deductible for tax purposes	8,264	45,202
Depreciation in excess of capital allowances	877	(7,704)
Smaller companies rate relief	(32,698)	(24,314)
Other short term timing differences	45	875
	<u>60,599</u>	<u>160,438</u>
Current tax charge for the period		

8	DIVIDENDS	2006 £	2005 £
	The following dividends have been paid in respect of the year:		
	Dividend paid on ordinary shares	66,000	695,884

East Midlands Instrument Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2006

9 TANGIBLE FIXED ASSETS

	<i>Land and buildings</i> £	<i>Plant and machinery</i> £	<i>Fixtures, fittings and equipment</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Cost					
At 1 June 2005	513,023	725,061	209,898	21,735	1,469,717
Additions	19,084	18,883	18,723	17,900	74,590
Revaluation	86,977	-	-	-	86,977
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 2006	619,084	743,944	228,621	39,635	1,631,284
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 June 2005	100,080	498,536	131,956	21,273	751,845
Charge for the year	9,051	55,164	16,696	831	81,742
Revaluation	(109,131)	-	-	-	(109,131)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 2006	-	553,700	148,652	22,104	724,456
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 May 2006	619,084	190,244	79,969	17,531	906,828
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 2005	412,943	226,525	77,942	462	717,872
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Revaluation

Land and buildings were valued as at 11 February 2005 by Chappell & Co, Chartered Surveyors, on an open market basis at £600,000.

Hire purchase agreements

Included within the net book value of £906,828 is £218,275 (2005: £127,777) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £39,002 (2005: £18,288).

East Midlands Instrument Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2006

10 FIXED ASSET INVESTMENTS

*Investments
other than
loans
£*

Cost
At 1 June 2005 and 31 May 2006 800,000

Net book value
At 31 May 2006 800,000

At 31 May 2005 800,000

Investments shown above relate to 100% of the issued share capital of East Midlands Instrument Company (1996) Limited, the company's only subsidiary.

11 STOCKS

2006 2005
£ £

Raw materials 7,408 7,470
Work in progress 616,111 641,776

623,519 649,246

12 DEBTORS

2006 2005
£ £

Trade debtors 1,612,400 1,796,419
Prepayments and accrued income 288,408 31,519

1,900,808 1,827,938

East Midlands Instrument Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2006

13	CREDITORS: Amounts falling due within one year	2006 £	2005 £
	Bank loans and overdrafts	402,037	428,494
	Amounts owed to group undertakings	45,752	45,752
	Trade creditors	887,480	766,978
	Hire purchase agreements	66,668	65,261
	Corporation tax	60,599	160,826
	Other taxation and social security	312,786	315,790
	Other creditors	113,796	93,684
	Accruals and deferred income	92,894	117,261
		<u>1,982,012</u>	<u>1,994,046</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company.

	2006 £	2005 £
Bank loans and overdrafts	349,537	375,994
Hire purchase agreements	66,668	65,261
	<u>416,205</u>	<u>441,235</u>

14	CREDITORS: Amounts falling due in more than one year	2006 £	2005 £
	Bank loans and overdrafts	610,037	699,072
	Amounts owed to group undertakings	800,000	800,000
	Hire purchase agreements	13,886	55,603
	Other creditors	36,546	43,915
		<u>1,460,469</u>	<u>1,598,590</u>
		2006 £	2005 £

Amounts repayable by instalments falling due:

In more than one but not more than two years	130,518	160,184
In more than two but not more than five years	295,429	1,097,991
In more than five years	1,034,522	340,415
	<u>1,460,469</u>	<u>1,598,590</u>

East Midlands Instrument Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2006

14 CREDITORS: Amounts falling due in more than one year (*continued*)

The following liabilities disclosed under creditors falling due after more than one year are secured by the company.

	2006 £	2005 £
Bank loans and overdrafts	592,537	384,067
Hire purchase agreement	13,886	55,603
	<u>606,423</u>	<u>439,670</u>

In 2004 the company took out a term loan of £420,000 to be repaid over 10 years, the interest rate accruing on this loan is 1.765% above base rate.

A second loan was taken out in 2004 to fund the share buy back for £330,000. This is to be repaid over 10 years and is accruing interest at a rate of 7.135%.

The bank has a fixed charge over the assets of the company as security on the loans.

15 DEFERED TAXATION

	2006 £	2005 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	39,053	30,377
Adjustment in respect of prior years	-	1,847
Increase in provision	(921)	6,829
	<u>38,132</u>	<u>39,053</u>
(Decrease)/provision carried forward		

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2006 £	2005 £
Accelerated capital allowances	39,663	40,540
Short term timing differences	(1,531)	(1,487)
	<u>38,132</u>	<u>39,053</u>

East Midlands Instrument Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2006

16	SHARE CAPITAL	2006 £	2005 £
	Authorised:		
	150,000 ordinary shares of £1 each	150,000	150,000
	Allotted, issued and fully paid:		
	150,000 ordinary shares of £1 each	150,000	150,000
17	REVALUATION RESERVE		2006 £
	Revaluation in the year (note 9)		196,108
	31 May 2006		196,108
18	PROFIT AND LOSS ACCOUNT	2006 £	2005 £
	1 June 2005	249,533	626,989
	Profit for the year	221,080	318,428
	Dividends	(66,000)	(695,884)
	31 May 2006	404,613	249,533
19	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2006 £	2005 £
	Profit for the financial year	221,080	318,428
	Dividends	(66,000)	(695,884)
	Revaluation reserve	196,108	-
		351,188	(377,456)
	Opening shareholders' equity funds	399,533	776,989
	Closing shareholders' equity funds	750,721	399,533

East Midlands Instrument Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2006

20	CASH FLOWS	2006 £	2005 £
a	Reconciliation of operating profit to net cash inflow from operating activities		
	Operating profit	350,076	552,477
	Depreciation	81,742	76,974
	(Increase)/decrease in stocks	25,727	171,805
	(Increase)/decrease in debtors	(72,870)	363,699
	Increase/(decrease) in creditors	105,874	(222,412)
	Net cash flow from operating activities	490,549	942,543
		2006 £	2005 £
b	Analysis of cash flows for headings netted in the cash flow		
	Returns on investments and servicing of finance		
	Interest received	1,123	1,005
	Interest paid	(62,714)	(58,190)
	Interest element of finance lease rental payments	(8,115)	(7,362)
	Net cash outflow from returns on investments and servicing of finance	(69,706)	(64,547)
	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	(44,670)	(25,112)
	Net cash outflow from capital expenditure and financial investment	(44,670)	(25,112)
		2006 £	2005 £
	Financing		
	Increase in bank borrowing	57,029	43,220
	Increase in inter company debt	-	45,752
	Capital element of finance lease rental payments	(70,230)	(59,872)
		(13,201)	29,100

East Midlands Instrument Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2006

19 CASH FLOWS *(continued)*

c	Analysis of changes in net debt	At 31 May 2005 £	Cash flows £	Other non-cash changes £	At 31 May 2006 £
	Net cash				
	Cash in hand and at bank	36,166	(35,987)	-	179
	Overdrafts	(193,742)	172,521	-	(21,221)
		<u>(157,576)</u>	<u>136,534</u>	<u>-</u>	<u>(21,042)</u>
	Debt				
	Debt due within 1 year	(313,829)	(153,433)	-	(467,262)
	Debt due after 1 year	(1,542,987)	96,404	-	(1,446,583)
	Hire purchase agreements	(120,864)	70,230	(29,920)	(80,554)
		<u>(1,977,680)</u>	<u>13,201</u>	<u>(29,920)</u>	<u>(1,994,399)</u>
	Net debt	<u>(2,135,256)</u>	<u>149,735</u>	<u>(29,920)</u>	<u>(2,015,441)</u>

21 COMMITMENTS UNDER OPERATING LEASES

At 31 May 2006 the company had annual commitments under non-cancellable operating leases as follows:

	2006 £	2005 £
Plant and machinery		
expiring within one year	47,919	24,195
expiring between one and two years	17,681	-
expiring between two and five years	112,108	109,776
Land and buildings		
expiring within one year	-	20,964
expiring between two and five years	14,148	-
	<u>191,856</u>	<u>154,935</u>

East Midlands Instrument Company Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2006

22 CAPITAL COMMITMENTS

There were no capital commitments at the year end.

23 CONTINGENCIES

The company has given a cross guarantee in favour of Yorkshire Bank in respect of all monies owing by East Midlands Instrument Company (1996) Limited and East Midlands Holdings Limited.

24 ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of East Midlands Holdings Limited, a company registered in England.