

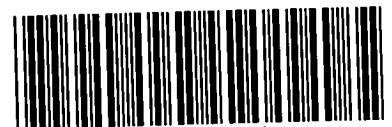
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Company Registration No. 03196642 (England and Wales)

**EAST MIDLANDS INSTRUMENT COMPANY
LIMITED**

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MAY 2017**

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EAST MIDLANDS INSTRUMENT COMPANY LIMITED

COMPANY INFORMATION

Directors	E K Lovely D S Bingham M P Bingham K P Bingham K Hewling J Willcock
Secretary	K P Bingham
Company number	03196642
Registered office	Laughton Lane Morton Gainsborough Lincolnshire DN21 3ET
Auditor	RSM UK Audit LLP Chartered Accountants 2 Whitehall Quay Leeds LS1 4HG

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2017

The directors present the strategic report for the year ended 31 May 2017.

Review of the business

The company is a wholly owned subsidiary of East Midlands Holdings Ltd.

The company's principal activities are the manufacture of electrical panels, wiring looms & kits at its head office workshops and electrical, control and instrumentation installations from feasibility through to commissioning on customer premises. The company operates mainly in the UK and Ireland in the power generation, power networks & rail industries. There have not been any significant changes in the company's principal activities in the year under review.

The company enjoys business with a wide range of Blue Chip customers examples are Mitsubishi, Siemens, Drax Power, EDF and GE. Customers such as the above greatly assist in the long term prosperity of the business, in terms of 'on time payments' giving good accuracy for cash flow and recurring orders allowing the company to invest and plan with confidence.

The company delivers a significant portion of its works using its own highly experienced in house workforce. This covers all aspects of delivery from design, through to installation, commissioning and post warranty support. In the majority of cases the company uses its supply base to augment its in house capabilities for reasons of capacity. Where supply lines are utilised, the company has long standing and well proven relationships with a number of carefully chosen suppliers to allow the company the right options in optimising its delivery in terms of risk management and profit optimisation.

As shown in the company's income statement on page 6, the company's sales have increased by 2.96% over the prior year however profit after tax has improved by 269%. This was achieved by securing contracts in familiar market sectors which achieve higher margins.

The statement of financial position on page 7 of the financial statements shows that the company's financial position at the year-end is, in both net assets and cash terms, is consistent with the prior year after the payment of £251k of dividends.

The company expects to increase turnover and profitability further over the next year.

An exception report is produced for all of the above and discussed at Directors meetings.

Risks and uncertainties

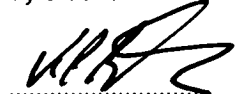
Competitive pressure in the UK is a continuing risk for the company, which could result in it losing sales to its key customers. The company manages this risk by providing added value services to its customers, having fast response times not only in supplying products but in handling all customer queries,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

The company treats health and safety with the highest priority and implements a safety culture through all areas achieving OHSAS18001 which is a recognised safety standard. This along with the ISO 14001:2004/ISO 9001:2008 (Environmental/Quality Standards) ensures the company is able to successfully qualify for larger contracts which have this requirement.

Future developments

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.

By order of the board



K P Bingham

Secretary

15 August 2017

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2017

The directors present their annual report and financial statements for the year ended 31 May 2017.

Principal activities

The company's principal activities are the manufacture, maintenance and installation of electrical and instrument control systems and assemblies, design engineering, commissioning and warranty cover typically for the power generation, power networks, rail transport and petrochemical industries.

Directors

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

E K Lovely
D S Bingham
M P Bingham
K P Bingham
K Hewling
J Willcock

Results and dividends

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £251,000. The directors do not recommend payment of a further dividend.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors 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.

Going concern

Having considered the company's working capital requirements the directors have prepared cash flow forecasts. On the basis of these forecasts and considering agreed banking facilities, the directors consider that the company will be able to meet its liabilities as they fall due. The directors believe that it is therefore reasonable to prepare financial statements on a going concern basis.

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

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.

Liquidity risk

Management control and monitor the company's cash flow on a regular basis, including forecasting future cash flows.

Currency risk

As the company does little business outside the UK, currency risk is not a significant issue in risk management.

Price risk

The company uses a range of suppliers for each area of provision to ensure that market prices for purchases are achieved and also conducts various enquiry reviews prior to submission of quotes to ensure bids are competitive. Management control and monitor the company's cash flow on a regular basis, including forecasting future cash flows.

Credit risk

The company mainly trades with long standing customers, the nature of these relationships assist management in controlling its credit risk in addition to the existing credit management processes which includes monitoring credit ratings and the issue of warning letters once accounts become overdue.

By order of the board



K P Bingham

Secretary

15 August 2017

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MAY 2017

The directors are responsible for preparing the Strategic Report and the Directors' 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.

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

Opinion on financial statements

We have audited the financial statements on pages 6 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2017 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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, based on the work undertaken in the course of our audit, the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the Strategic Report or 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.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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.

RSM UK Audit LLP

Daniel Varley (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

2 Whitehall Quay

Leeds

LS1 4HG

16 August 2017

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

INCOME STATEMENT


FOR THE YEAR ENDED 31 MAY 2017

		2017	2016
	Notes	£	as restated £
Turnover	4	11,331,645	11,005,377
Cost of sales		(9,244,936)	(9,123,811)
Gross profit		2,086,709	1,881,566
Distribution costs		(212,939)	(207,494)
Administrative expenses		(1,710,054)	(1,636,282)
Other operating income		83,176	77,641
Exceptional administrative expenses	5	-	(40,184)
Operating profit	6	246,892	75,247
Interest receivable and similar income	9	1	5
Interest payable and similar expenses	10	(13,884)	(13,073)
Profit before taxation		233,009	62,179
Taxation	11	(34,118)	(8,209)
Profit for the financial year	23	198,891	53,970

EAST MIDLANDS INSTRUMENT COMPANY LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 MAY 2017**

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	13		595,851		615,372
Current assets					
Stocks	14	426,120		255,236	
Debtors	15	3,818,443		4,030,996	
Cash at bank and in hand		1,034		971	
		<u>4,245,597</u>		<u>4,287,203</u>	
Creditors: amounts falling due within one year	16	<u>(3,922,875)</u>		<u>(3,906,394)</u>	
Net current assets			<u>322,722</u>		<u>380,809</u>
Total assets less current liabilities			<u>918,573</u>		<u>996,181</u>
Creditors: amounts falling due after more than one year	17		(26,264)		(46,942)
Provisions for liabilities	19		(68,668)		(73,489)
Net assets			<u>823,641</u>		<u>875,750</u>
Capital and reserves					
Called up share capital	22	150,000		150,000	
Revaluation reserve	23	186,725		191,183	
Profit and loss reserves	23	486,916		534,567	
Total equity			<u>823,641</u>		<u>875,750</u>

The financial statements were approved by the board of directors and authorised for issue on 15 August 2017 and are signed on its behalf by:



K P Bingham
Director

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2017

	Notes	Share capital £	Revaluation reserve £	Profit and loss reserves £	Total £
As restated for the period ended 31 May 2016:					
Balance at 1 June 2015		150,000	195,641	733,805	1,079,446
Year ended 31 May 2016:					
Profit and total comprehensive income for the year		-	-	53,970	53,970
Dividends	12	-	-	(257,666)	(257,666)
Transfers		-	(4,458)	4,458	-
Balance at 31 May 2016		150,000	191,183	534,567	875,750
Year ended 31 May 2017:					
Profit and total comprehensive income for the year		-	-	198,891	198,891
Dividends	12	-	-	(251,000)	(251,000)
Transfers		-	(4,458)	4,458	-
Balance at 31 May 2017		150,000	186,725	486,916	823,641

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2017

1 Accounting policies

Company information

East Midlands Instrument Company Limited is a private company limited by shares and is registered, domiciled and incorporated in England and Wales. The registered office is Laughton Lane, Morton, Gainsborough, Lincolnshire, DN21 3ET.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

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.

Reduced disclosures

In accordance with FRS 102, the company has taken advantage of the 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' & 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 EMIC Group Limited. The consolidated financial statements of EMIC Group Limited are available from the Registrar of Companies, Crown Way, Cardiff, CF14 3UZ.

Going concern

Having considered the company's working capital requirements the directors have prepared cash flow forecasts. On the basis of these forecasts and considering agreed banking facilities, the directors consider that the company will be able to meet its liabilities as they fall due. The directors believe that it is therefore reasonable to prepare financial statements on a going concern basis.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Turnover arising on short term maintenance is recognised on completion of works.

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

1 Accounting policies (Continued)

Turnover (Continued)

Long term contracts are assessed on a contract by contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Turnover is ascertained in a manner appropriate to the stage of completion of the contract, and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty. 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, turnover is recognised only to the extent of the expenses recognised that are recoverable.

The amount by which turnover exceeds payments on accounts is classified as "gross amounts due from contract customers" and included in debtors; to the extent that payments on account exceed relevant turnover and long term contract balances, the excess is included as a creditor. The amount of long term contracts, at cost net of amounts transferred to cost of sales, less provision for foreseeable losses and payments on account not matched with turnover, is included within stocks.

Other income

Grant income

Income from government grants is recognised when the associated performance conditions are met and is presented within other operating income.

Insurance claims receivable

Income from insurance claims relating to directors who are on long-term sick is recognised over the period the income relates to.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% straight line basis
Plant and machinery	15% straight line basis
Fixtures, fittings and equipment	15% straight line basis
Motor vehicles	25% straight line basis

Freehold land is not depreciated.

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.

Impairment of fixed assets

At each reporting 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).

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

1 Accounting policies (Continued)

Impairment of fixed assets (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value.

Work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal.

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.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, 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.

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 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.

Basic financial assets

Basic financial assets, which include trade receivables 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 financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

1 Accounting policies (Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the 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.

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 trade and other payables, bank loans and loans from fellow group companies, 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.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

For assets measured using the revaluation model, deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

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.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income 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 lease asset are consumed.

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

1 Accounting policies (Continued)

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Dividends

Dividends are recognised as liabilities once they are no longer at the discretion of the company.

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.

Carrying value of amounts due from contract customers

The company makes an estimate of the amounts recoverable on contracts. In determining the carrying value at the reporting date, the directors consider factors including the stage of completion and the levels of costs to complete. See note 15 for the carrying value of amounts due from contract customers.

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

3 Prior period adjustment

In the comparative income statement, £541,380 of wages and salary costs (£486,280 wages & salaries and £55,100 social security costs) have been reclassified from administrative expenses to cost of sales.

These wages and salary costs relate to employees who are directly involved in the company's revenue generation and therefore the directors have deemed it appropriate that these costs be treated as direct costs of the company rather than administrative expenses.

As a result of the reclassification, both operating profit and profit for the financial year in the comparative income statement remain unchanged. The comparative statement of financial position also remains unchanged.

Changes to the income statement

	Period ended 31 May 2016		
	As previously reported	Adjustment	As restated
	£	£	£
Cost of sales	(8,582,431)	(541,380)	(9,123,811)
Administrative expenses	(2,177,662)	541,380	(1,636,282)
	<u> </u>	<u> </u>	<u> </u>
Profit for the financial period	53,970	-	53,970
	<u> </u>	<u> </u>	<u> </u>

4 Turnover and other revenue

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

	2017 £	2016 £
Turnover analysed by class of business		
Manufacture, maintenance and installation of electrical and instrument control systems	11,331,645	11,005,377
	<u> </u>	<u> </u>
Other revenue		
Interest income	1	5
Grants received	710	710
Insurance claims receivable	82,466	76,931
	<u> </u>	<u> </u>

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

5 Exceptional costs

	2017	2016
	£	£
Exceptional administrative expenses	-	40,184

The £nil (2016 - £40,184) exceptional administrative expense includes £nil (2016 - £40,184) relating to redundancy costs.

6 Operating profit

	2017	2016
	£	£
Operating profit for the year is stated after charging/(crediting):		
Government grants	(710)	(710)
Fees payable to the company's auditor for the audit of the company's financial statements	15,250	14,000
Depreciation of owned tangible fixed assets	23,247	22,374
Loss on disposal of tangible fixed assets	85	1
Operating lease charges	178,578	173,087

7 Employees

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

	2017	2016
	Number	Number
Production staff	105	121
Administrative staff	17	18
	122	139

Their aggregate remuneration comprised:

	2017	2016
	£	£
Wages and salaries	4,304,914	4,504,569
Social security costs	442,397	549,888
Pension costs	94,193	71,065
	4,841,504	5,125,522

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

8 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	360,206	328,786
Company pension contributions to defined contribution schemes	39,589	39,589
	<u>399,795</u>	<u>368,375</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2016 - 5).

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

Remuneration for qualifying services	<u>87,653</u>	<u>84,493</u>
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9 Interest receivable and similar income

	2017 £	2016 £
Interest income		
Interest on bank deposits	<u>1</u>	<u>5</u>

10 Interest payable and similar expenses

	2017 £	2016 £
Interest on bank overdrafts and loans	<u>13,884</u>	<u>13,073</u>

11 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	43,233	10,347
Adjustments in respect of prior periods	(4,294)	11
Total current tax	<u>38,939</u>	<u>10,358</u>
Deferred tax		
Origination and reversal of timing differences	(738)	(960)
Changes in tax rates	(4,083)	(3,309)
Adjustment in respect of prior periods	-	2,120
Total deferred tax	<u>(4,821)</u>	<u>(2,149)</u>
Total tax charge	<u>34,118</u>	<u>8,209</u>

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

11 Taxation (Continued)

The tax rate for the current period is lower than the prior period due to changes in the UK Corporation tax rate which decreased from 20% to 19% from 1 April 2017. Deferred tax is provided for at 17% (2016 - 18%).

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2017 £	2016 £
Profit before taxation	233,009	62,179
Expected tax charge based on the standard rate of corporation tax in the UK of 19.83% (2016: 20.00%)	46,212	12,436
Tax effect of expenses that are not deductible in determining taxable profit	3,913	4,708
Tax effect of income not taxable in determining taxable profit	(141)	(142)
Adjustments in respect of prior years	(4,294)	2,131
Effect of change in corporation tax rate	(3,928)	(3,355)
Group relief	(9,174)	(9,689)
Fixed asset differences	2,102	2,120
Adjustment to brought forward values	(884)	-
Deferred tax not recognised	312	-
Taxation for the year	34,118	8,209

12 Dividends

	2017 per share	2016 per share	2017 £	2016 £
Ordinary shares				
Final paid	0.48	-	71,333	-
Interim paid	1.20	1.72	179,667	257,666
	<u>1.68</u>	<u>1.72</u>	<u>251,000</u>	<u>257,666</u>

On 28 June and 28 July 2017, the company paid dividends of £16,333 and £16,333 to shareholders. These are interim dividends in relation to the year ended 31 May 2018 and therefore were not recognised as a liability at 31 May 2017.

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

13 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures, Motor vehicles fittings and equipment		Total
	£	£	£	£	£
Cost or valuation					
At 1 June 2016	600,000	340,433	180,225	23,400	1,144,058
Additions	-	3,811	-	-	3,811
Disposals	-	(159,795)	(39,525)	(23,400)	(222,720)
At 31 May 2017	600,000	184,449	140,700	-	925,149
Depreciation and impairment					
At 1 June 2016	21,200	314,970	169,118	23,398	528,686
Depreciation charged in the year	10,600	6,733	5,914	-	23,247
Eliminated in respect of disposals	-	(159,756)	(39,481)	(23,398)	(222,635)
At 31 May 2017	31,800	161,947	135,551	-	329,298
Carrying amount					
At 31 May 2017	568,200	22,502	5,149	-	595,851
At 31 May 2016	578,800	25,463	11,107	2	615,372

Land and buildings with a carrying amount of £568,200 at 31 May 2017 were revalued at 20 October 2014 by PPH Commercial, Chartered Surveyors, 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 company has elected to use the previous UK GAAP valuation of the freehold land and buildings as the deemed cost on transition to FRS 102. The items are being depreciated from the date of transition (1 June 2014) in accordance with the company's accounting policies.

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:

	2017 £	2016 £
Cost	558,758	558,758
Accumulated depreciation	(222,846)	(211,671)
Carrying value	335,912	347,087

Included within freehold land and buildings is £60,000 of land which is not depreciated.

The bank has a fixed charge over the assets of the company as security on the loans detailed in note 18.

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

14 Stocks

	2017 £	2016 £
Raw materials and consumables	196,837	131,180
Work in progress	229,283	124,056
	<u>426,120</u>	<u>255,236</u>

15 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	1,940,394	2,263,551
Gross amounts due from contract customers	1,664,440	1,748,148
Amounts owed by group undertakings	196,000	-
Prepayments and accrued income	17,609	19,297
	<u>3,818,443</u>	<u>4,030,996</u>

16 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	18	1,445,245	1,541,955
Payments received on account		164,360	228,242
Trade creditors		1,385,723	1,412,697
Amounts due to group undertakings		359,551	249,677
Corporation tax		43,233	10,358
Other taxation and social security		410,590	381,577
Other creditors		1,010	710
Accruals and deferred income		113,163	81,178
		<u>3,922,875</u>	<u>3,906,394</u>

17 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	18	-	19,968
Other creditors		26,264	26,974
		<u>26,264</u>	<u>46,942</u>

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

18 Borrowings

	2017 £	2016 £
Bank loans	1,339,032	1,428,006
Bank overdrafts	106,213	133,917
	<u>1,445,245</u>	<u>1,561,923</u>
Payable within one year	1,445,245	1,541,955
Payable after one year	-	19,968
	<u>-</u>	<u>19,968</u>

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

19 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	20	68,668	73,489
		<u>68,668</u>	<u>73,489</u>

20 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2017 £	Liabilities 2016 £
Balances:		
Accelerated capital allowances	29,922	32,311
Revaluations	39,210	41,178
Short term timing differences	(464)	-
	<u>68,668</u>	<u>73,489</u>
Movements in the year:		2017 £
Liability at 1 June 2016		73,489
Credit to profit or loss		(4,821)
Liability at 31 May 2017		<u>68,668</u>

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

21 Retirement benefit schemes

	2017	2016
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	94,193	71,065

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.

At the year end contributions of £3,000 (2016 - £10,239) were outstanding and are included in accruals.

22 Share capital

	2017	2016
	£	£
Ordinary share capital		
Issued and fully paid		
150,000 Ordinary shares of £1 each	150,000	150,000

Ordinary share rights

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

23 Reserves

Revaluation reserve

The cumulative revaluation gains and losses in respect of land and buildings, except revaluation gains and losses recognised in profit or loss.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

24 Financial commitments, guarantees and contingent liabilities

The company has given a cross guarantee in favour of Yorkshire Bank in respect of all monies owing by East Midlands Holdings Limited. There is no further liability arising as a result of this cross guarantee at the year end.

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

25 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company for certain of its properties, motor vehicles and plant and machinery. Leases are negotiated for an average term of 4 years.

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:

	2017	2016
	£	£
Within one year	140,191	131,009
Between one and five years	175,450	78,644
	<u>315,641</u>	<u>209,653</u>

26 Controlling party

By virtue of its 100% shareholding in the company, East Midlands Holdings Limited, a company registered in England, is considered to be the immediate parent company.

By virtue of its 100% shareholding in the East Midlands Holdings Limited, EMIC Group Limited, a company registered in England, is considered to be the ultimate parent company.

The smallest and largest group for which consolidated financial statements are prepared is that headed by EMIC Group Limited. Copies of EMIC Group Limited financial statements are available from the Registrar of Companies, Crown Way, Cardiff, CF14 3UZ.