

Company Registration No. 03196642 (England and Wales)

**EAST MIDLANDS INSTRUMENT COMPANY  
LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2019**

WEDNESDAY



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# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	E K Lovely K P Bingham
<b>Secretary</b>	K P Bingham
<b>Company number</b>	03196642
<b>Registered office</b>	Laughton Lane Morton Gainsborough Lincolnshire DN21 3ET
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants Central Square 5th Floor 29 Wellington Street Leeds LS1 4DL

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# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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

#### **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 8, the company's sales have decreased by a small amount (8.6%) over the prior 7 month period (when compared on a pro-rata basis). This is due to the company re-focusing on core business and de-risking all areas of activity. This has resulted in profit after tax reducing to £121,262. The company continues to focus on its core business and capabilities targeting contracts in familiar market sectors which achieve higher margins and has subsequently built up a substantial pipeline for the future. In view of this pipeline the company intends to expand its workshop capabilities and continues to re-structure its operations to facilitate these requirements.

The statement of financial position on page 9 of the financial statements shows that the company's total net assets have increased substantially to £207,132 at the year end with movements in debtors and creditors reflective of company activity.

Prior to Covid the company expected turnover to slightly increase over the next accounting period with profitability improving further as cost savings are implemented and therefore an improvement in the statement of financial position in terms of net assets.

#### **Key performance indicators (KPIs)**

Given the nature of the group's business, the key financial KPIs related to the following:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Turnover	9,487,978	6,059,678
Profit after tax	121,262	150,085
Net Assets	207,132	85,870

Management consider the results of these to be satisfactory.

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **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.

### **Impact of Covid-19**

Covid-19 impacted the business at its outset in March 2020 with orders been deferred and some ongoing contracts ceasing, to be planned for completion at a later date. We were also impacted by the implementation of Covid-19 procedures which caused some inefficiency which impacts performance. Whilst this will affect turnover and profitability in the short term, the contracts are still live and the company pipeline strong we therefore when we return to normality turnover and subsequent profits will be solid.

### **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



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K P Bingham

**Secretary**

21.12.20

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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

In the prior period, the directors elected to change their accounting date from 31 May to 31 December 2018. Therefore, the comparative figures are for a period of 7 months to 31 December 2018 and are not directly comparable with the current year.

#### **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  
K P Bingham

#### **Results and dividends**

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

No ordinary dividends were paid. The directors do not recommend payment of a final 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. It has done so in respect of future developments.

#### **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, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **Going concern**

The statement of financial position shows net assets of £207,132 (2018 - £85,870) and net current liabilities of £356,588 (2018 - £458,579). The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on page 1. The directors have prepared cash flow forecasts which show the company operating within its agreed banking facilities.

Covid-19 impacted the business at its outset in March 2020 with orders been deferred and some ongoing contracts ceasing, to be planned for completion at a later date. We were also impacted by the implementation of Covid-19 procedures which caused some inefficiency which impacts performance. Whilst this will affect turnover and profitability in the short term, the contracts are still live and the company pipeline strong we therefore when we return to normality turnover and subsequent profits will be solid.

After making enquires, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

### **Financial instruments**

#### *Liquidity risk*

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, supplier finance and invoice discounting.

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

21.12.20

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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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**

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### **Opinion**

We have audited the financial statements of East Midlands Instrument Company Limited (the 'company') for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Financial Position, 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;
- 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 the 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.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST MIDLANDS INSTRUMENT COMPANY LIMITED (CONTINUED)**

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### **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 set out on page 5, 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.

### **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.

*RSM UK Audit LLP*

Daniel Varley (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Central Square  
5th Floor  
29 Wellington Street  
Leeds  
LS1 4DL  
*22 December 2020*

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **INCOME STATEMENT**

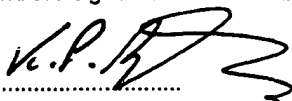
**FOR THE YEAR ENDED 31 DECEMBER 2019**

		<b>Year ended 31 December 2019 £</b>	<b>Period ended 31 December 2018 £</b>
	<b>Notes</b>		
<b>Turnover</b>	<b>3</b>	9,487,978	6,059,678
<b>Cost of sales</b>		(7,817,167)	(4,884,480)
<b>Gross profit</b>		1,670,811	1,175,198
Distribution costs		(163,370)	(120,237)
Administrative expenses		(1,459,643)	(913,475)
Other operating income		117,032	49,362
<b>Operating profit</b>	<b>6</b>	164,830	190,848
Interest receivable and similar income	<b>7</b>	1	1
Interest payable and similar expenses	<b>8</b>	(15,450)	(8,012)
<b>Profit before taxation</b>		149,381	182,837
Tax on profit	<b>9</b>	(28,119)	(32,752)
<b>Profit for the financial year</b>		121,262	150,085

**EAST MIDLANDS INSTRUMENT COMPANY LIMITED****STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2019**

	Notes	31 December 2019		31 December 2018	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	10		598,087		569,589
<b>Current assets</b>					
Stocks	11	395,455		468,731	
Debtors	12	3,380,196		3,038,750	
Cash at bank and in hand		141,650		1,175	
		3,917,301		3,508,656	
<b>Creditors: amounts falling due within one year</b>	13	(4,273,889)		(3,967,235)	
<b>Net current liabilities</b>			(356,588)		(458,579)
<b>Total assets less current liabilities</b>			241,499		111,010
<b>Creditors: amounts falling due after more than one year</b>	14		(24,430)		(25,140)
<b>Provisions for liabilities</b>	16		(9,937)		-
<b>Net assets</b>			207,132		85,870
<b>Capital and reserves</b>					
Called up share capital	19		150,000		150,000
Revaluation reserve	20		175,208		179,666
Profit and loss reserves	20		(118,076)		(243,796)
<b>Total equity</b>			207,132		85,870

The financial statements were approved by the board of directors and authorised for issue on 21.12.20 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 DECEMBER 2019**

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£
<b>Balance at 1 June 2018</b>	150,000	182,267	(396,482)	(64,215)
<b>Period ended 31 December 2018:</b>				
Profit and total comprehensive income for the period	-	-	150,085	150,085
Transfers	-	(2,601)	2,601	-
<b>Balance at 31 December 2018</b>	150,000	179,666	(243,796)	85,870
<b>Year ended 31 December 2019:</b>				
Profit and total comprehensive income for the year	-	-	121,262	121,262
Transfers	-	(4,458)	4,458	-
<b>Balance at 31 December 2019</b>	150,000	175,208	(118,076)	207,132

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **1 Accounting policies**

#### **Company information**

East Midlands Instrument Company Limited ("the company") is a private company limited by shares and is registered 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.

In the prior period, the directors elected to change their accounting date from 31 May to 31 December 2018. Therefore, the comparative figures are for a period of 7 months to 31 December 2018 and are not directly comparable with the current year.

The financial statements have been prepared with the application of the FRS 102 Triennial Review 2017 amendments in full. There is no impact on the current or comparative figures as a result of the amendments and as such no transitional adjustments have been made.

#### **Reduced disclosures**

In accordance with FRS 102, the company has taken advantage of the 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' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument
- 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.

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **1 Accounting policies (Continued)**

##### **Going concern**

The statement of financial position shows net assets of £207,132 (2018 - £85,870) and net current liabilities of £356,588 (2018 - £458,579). The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on page 1. The directors have prepared cash flow forecasts which show the company operating within its agreed banking facilities.

Covid-19 impacted the business at its outset in March 2020 with orders been deferred and some ongoing contracts ceasing, to be planned for completion at a later date. We were also impacted by the implementation of Covid-19 procedures which caused some inefficiency which impacts performance. Whilst this will affect turnover and profitability in the short term, the contracts are still live and the company pipeline strong we therefore when we return to normality turnover and subsequent profits will be solid.

After making enquires, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

##### **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.

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

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 and classified as "payments received on account". 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 former directors who are on long-term sick is recognised over the period the income relates to.

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **1 Accounting policies (Continued)**

##### **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% - 20% straight line basis
Plant and machinery	15% straight line basis
Fixtures, fittings and equipment	15% 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 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).

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 stated at the lower of cost and estimated selling price less costs to complete and sell.

Work in progress includes overheads appropriate to the stage of manufacture.

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.

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **1 Accounting policies (Continued)**

##### **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 debtors, gross amounts owed by contract customers, amounts owed by group undertakings 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.

##### **Impairment of financial assets**

Financial assets 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 creditors, bank loans and overdrafts, other borrowings and amounts due to group undertakings, 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.



# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **1 Accounting policies (Continued)**

##### ***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.

##### **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. 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.

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **1 Accounting policies (Continued)**

##### **Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

##### **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. The directors do not consider there to be any key sources of judgement.

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **2 Judgements and key sources of estimation uncertainty (Continued)**

#### **Key sources of estimation uncertainty**

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

#### ***Impairment of debtors***

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 12 for the net carrying amount of the debtors.

#### ***Useful economic lives of tangible fixed assets***

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the tangible fixed assets and note 1 for the useful economic lives for each class of asset.

#### ***Carrying value of gross amounts due from contract customers***

The company makes an estimate of the gross 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 12 for the carrying value of amounts due from contract customers.

#### ***Impairment of stock***

The company manufactures electrical and instrument control systems and is subject to an ever changing economic environment and customer demands. As a result it is necessary to consider the recoverability of the cost of stock and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around the future usage of raw materials. See note 11 for the net carrying amount of the stock.

### **3 Turnover and other revenue**

An analysis of the company's turnover, all derived in the United Kingdom, is as follows:

	<b>Year ended 31 December 2019 £</b>	<b>Period ended 31 December 2018 £</b>
<b>Turnover analysed by class of business</b>		
Manufacture, maintenance and installation of electrical and instrument control systems	<b>9,487,978</b>	<b>6,059,678</b>

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **3 Turnover and other revenue (Continued)**

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Other revenue		
Interest income	1	1
Grants received	23,190	414
Insurance claims receivable	93,842	48,948
	<u>93,842</u>	<u>48,948</u>

#### **4 Employees**

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

	Year ended 31 December 2019 Number	Period ended 31 December 2018 Number
Production staff	94	98
Administrative staff	12	12
	<u>106</u>	<u>110</u>

Their aggregate remuneration comprised:

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Wages and salaries	3,989,842	2,349,017
Social security costs	400,228	248,583
Pension costs	94,887	53,491
	<u>4,484,957</u>	<u>2,651,091</u>

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **5 Directors' remuneration**

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Remuneration for qualifying services	211,842	113,050
Company pension contributions to defined contribution schemes	19,464	19,379
	<u>231,306</u>	<u>132,429</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018 - 4).

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

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Remuneration for qualifying services	139,749	43,671
Company pension contributions to defined contribution schemes	12,228	-
	<u>151,977</u>	<u>43,671</u>

#### **6 Operating profit**

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Operating profit for the year is stated after charging/(crediting):		
Government grants	(23,190)	(414)
Fees payable to the company's auditor for the audit of the company's financial statements	24,500	16,000
Depreciation of owned tangible fixed assets	21,315	11,236
Operating lease charges	<u>168,408</u>	<u>125,147</u>

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **7 Interest receivable and similar income**

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
<b>Interest income</b>		
Interest on bank deposits	1	1

#### **8 Interest payable and similar expenses**

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Interest on bank overdrafts and loans	15,450	8,012

#### **9 Taxation**

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
<b>Deferred tax</b>		
Origination and reversal of timing differences	28,119	32,752

#### **Factors that may affect future tax charge**

Legislation to reduce the main rate of corporation tax rate from 19% to 17% from 1 April 2020 has been substantively enacted before the year end. The deferred tax balances within these financial statements have been reassessed to reflect these rate reductions and the period in which any related timing differences are expected to reverse.

In his Budget in March 2020, the Chancellor announced that the rate of corporation tax would remain at 19% from 1 April 2020 rather than the rate of 17% which had previously been substantively enacted. As a result of this change there may be an additional deferred tax charge in future periods.

# EAST MIDLANDS INSTRUMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 9 Taxation (Continued)

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:

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Profit before taxation	149,381	182,837
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	28,382	34,739
Tax effect of expenses that are not deductible in determining taxable profit	413	1,998
Gains not taxable	-	(79)
Effect of change in corporation tax rate	(3,308)	(3,853)
Fixed asset differences	2,632	1,175
Adjustment to brought forward values	-	(1,341)
Other permanent differences	-	113
Taxation charge for the year	28,119	32,752

#### 10 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2019	600,000	191,887	140,700	932,587
Additions	25,484	19,103	5,226	49,813
At 31 December 2019	625,484	210,990	145,926	982,400
<b>Depreciation and impairment</b>				
At 1 January 2019	48,583	173,715	140,700	362,998
Depreciation charged in the year	13,851	6,419	1,045	21,315
At 31 December 2019	62,434	180,134	141,745	384,313
<b>Carrying amount</b>				
At 31 December 2019	563,050	30,856	4,181	598,087
At 31 December 2018	551,417	18,172	-	569,589

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **10 Tangible fixed assets (Continued)**

Land and buildings with a carrying amount of £563,050 at 31 December 2019 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:

	<b>31 December 2019 £</b>	<b>31 December 2018 £</b>
Cost	584,242	558,758
Accumulated depreciation	(254,966)	(240,540)
Carrying value	<u>329,276</u>	<u>318,218</u>

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

The bank has a fixed and floating charge over the assets of the company as security on the loans detailed in note 15.

#### **11 Stocks**

	<b>31 December 2019 £</b>	<b>31 December 2018 £</b>
Raw materials and consumables	313,446	185,968
Work in progress	82,009	282,763
	<u>395,455</u>	<u>468,731</u>



# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

### **12 Debtors**

	31 December 2019	31 December 2018
	£	£
<b>Amounts falling due within one year:</b>		
Trade debtors	2,076,751	1,887,364
Gross amounts owed by contract customers	744,686	630,650
Corporation tax recoverable	43,233	43,233
Amounts owed by group undertakings	464,271	438,021
Prepayments and accrued income	51,255	21,300
	<u>3,380,196</u>	<u>3,020,568</u>
Deferred tax asset (note 17)	-	18,182
	<u>3,380,196</u>	<u>3,038,750</u>

### **13 Creditors: amounts falling due within one year**

		31 December 2019	31 December 2018
	Notes	£	£
Bank loans and overdrafts	15	1,553,391	1,137,229
Other borrowings	15	49,983	-
Payments received on account		454,575	538,579
Trade creditors		1,111,019	1,081,468
Amounts due to group undertakings		517,424	517,424
Other taxation and social security		480,103	598,331
Other creditors		1,010	1,010
Accruals and deferred income		106,384	93,194
		<u>4,273,889</u>	<u>3,967,235</u>

### **14 Creditors: amounts falling due after more than one year**

	31 December 2019	31 December 2018
	£	£
Other creditors	24,430	25,140
	<u>24,430</u>	<u>25,140</u>

Other creditors falling due after more than one year of £24,430 (2018 - £25,140) relates to deferred government grant income. £710 is released to the income statement per annum meaning that £21,590 (2018 - £22,300) will be released after more than 5 years from the reporting date.

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

### **15 Borrowings**

	<b>31 December 2019 £</b>	<b>31 December 2018 £</b>
Bank loans	1,553,391	1,134,720
Bank overdrafts	-	2,509
Other loans	49,983	-
	<u>1,603,374</u>	<u>1,137,229</u>
Payable within one year	<u>1,603,374</u>	<u>1,137,229</u>

Included in bank loans are amounts totalling £1,553,391 (2018 - £1,134,720) secured against debt to which invoice finance facilities relate. The bank has a fixed and floating charge over the assets of the company as security on the loans.

Included in other loans are amounts totalling £49,983 (2018 - £nil) which is due for repayment in January 2020.

### **16 Provisions for liabilities**

	<b>Notes</b>	<b>2019 £</b>	<b>2018 £</b>
Deferred tax liabilities	17	<u>9,937</u>	<u>-</u>

### **17 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:

	<b>31 December 2019 £</b>	<b>31 December 2018 £</b>
<b>Balances:</b>		
Accelerated capital allowances	63,123	59,792
Tax losses	(52,305)	(77,092)
Short term timing differences	(881)	(882)
	<u>9,937</u>	<u>(18,182)</u>

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **17 Deferred taxation (Continued)**

	Year ended 31 December 2019 £
<b>Movements in the year:</b>	
Liability/(Asset) at 1 January 2019	(18,182)
Charge to profit or loss	28,119
Liability at 31 December 2019	<u>9,937</u>

#### **18 Retirement benefit schemes**

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>94,887</u>	<u>53,491</u>

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 £9,164 (2018 - £9,164) were outstanding and are included in accruals.

#### **19 Share capital**

	31 December 2019 £	31 December 2018 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
150,000 Ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>
	<u>150,000</u>	<u>150,000</u>

#### *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.

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **20 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.

### **21 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:

	31 December 2019 £	31 December 2018 £
Within one year	131,898	122,864
Between one and five years	93,758	135,860
	<u>225,656</u>	<u>258,724</u>

### **22 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.

### **23 Related party transactions**

During the year, the company paid £59,853 (2018 - £22,306) to an immediate family member of the majority shareholder, for consultancy fees. At the year end, £4,300 was outstanding (2018 - £4,294).

### **24 Ultimate 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.

# **EAST MIDLANDS INSTRUMENT COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **25 Events after the reporting date**

On January 30, 2020, the World Health Organisation declared the coronavirus outbreak (Covid-19) a Public Health Emergency of International Concern and on March 10, 2020, declared Covid-19 a pandemic. A significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which the company operates, resulting in an economic downturn that could affect demand for services in a variety of industries. The extent to which Covid-19 may impact the company's results in the future will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of Covid-19 and actions taken to contain Covid-19 or its impact among others.

Covid-19 impacted the business at its outset in March 2020 with orders been deferred and some ongoing contracts ceasing, to be planned for completion at a later date. We were also impacted by the implementation of Covid-19 procedures which caused some inefficiency which impacts performance. Whilst this will affect turnover and profitability in the short term, the contracts are still live and the company pipeline strong we therefore when we return to normality turnover and subsequent profits will be solid.