

Company Registration No. 03196642 (England and Wales)

**EAST MIDLANDS INSTRUMENT COMPANY
LIMITED**

**REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 DECEMBER 2018**



EAST MIDLANDS INSTRUMENT COMPANY LIMITED

COMPANY INFORMATION

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

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2018

The directors present the strategic report for the period ended 31 December 2018.

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.

The company accounting period now reflects the calendar year and therefore this financial year is a 7-month accounting period. As shown in the company's income statement on page 8, the company's sales have decreased by 22% over the prior period (when compared on a pro-rata basis). This is due to a significant contract in the prior period reaching a conclusion. Gross margins and profit after tax however have substantially increased due to the focus on core business and re-structure of the company overheads. The company continues to focus on its core business and capabilities targeting contracts in familiar market sectors which achieve higher margins. Profit after tax for the period includes one off costs in the year of £39,946 relating to restructuring and a customer claim.

The statement of financial position on page 9 of the financial statements shows that the company's financial position is consistent with the prior year in terms of total net assets with movements in debtors and creditors reflective of company activity at the new period end.

The company expects 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.

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.

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

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

21.6.19.

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the period ended 31 December 2018.

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

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 period 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

(Resigned 6 July 2018)

(Resigned 31 July 2018)

Results and dividends

The results for the period 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 period. 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.

Going concern

The statement of financial position shows net assets of £85,870. 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. After making enquires, the directors have a reasonable expectation that the company and group have 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.

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

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, overdraft 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

21.6.19.

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2018

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

We have audited the financial statements of East Midlands Instrument Company Limited (the 'company') for the period ended 31 December 2018 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 2018 and of its profit for the period 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 period 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)

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
21 June 2019

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

INCOME STATEMENT

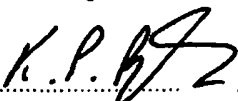
FOR THE PERIOD ENDED 31 DECEMBER 2018

		Period ended 31 December 2018 £	Year ended 31 May 2018 £
	Notes		
Turnover	3	6,059,678	12,709,676
Cost of sales		(4,884,480)	(11,749,557)
Gross profit		1,175,198	960,119
Distribution costs		(120,237)	(199,468)
Administrative expenses		(913,475)	(1,724,073)
Other operating income		49,362	81,268
Operating profit/(loss)	6	190,848	(882,154)
Interest receivable and similar income	7	1	-
Interest payable and similar expenses	8	(8,012)	(7,865)
Profit/(loss) before taxation		182,837	(890,019)
Tax on profit/(loss)	9	(32,752)	162,835
Profit/(loss) for the financial period		150,085	(727,184)

EAST MIDLANDS INSTRUMENT COMPANY LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

	Notes	31 December 2018		31 May 2018	
		£	£	£	£
Fixed assets					
Tangible assets	11		569,589		580,825
Current assets					
Stocks	12	468,731		531,011	
Debtors	13	3,038,750		3,453,707	
Cash at bank and in hand		1,175		1,049	
		<u>3,508,656</u>		<u>3,985,767</u>	
Creditors: amounts falling due within one year	14	<u>(3,967,235)</u>		<u>(4,605,253)</u>	
Net current liabilities			<u>(458,579)</u>		<u>(619,486)</u>
Total assets less current liabilities			111,010		(38,661)
Creditors: amounts falling due after more than one year	15		(25,140)		(25,554)
Net assets/(liabilities)			<u>85,870</u>		<u>(64,215)</u>
Capital and reserves					
Called up share capital	19		150,000		150,000
Revaluation reserve	20		179,666		182,267
Profit and loss reserves	20		<u>(243,796)</u>		<u>(396,482)</u>
Total equity			<u>85,870</u>		<u>(64,215)</u>

The financial statements were approved by the board of directors and authorised for issue on 21.6.19.
and are signed on its behalf by:


K P Bingham
Director

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018

	Notes	Share capital £	Revaluation reserve £	Profit and loss reserves £	Total £
Balance at 1 June 2017		150,000	186,725	486,916	823,641
Period ended 31 May 2018:					
Loss and total comprehensive income for the period		-	-	(727,184)	(727,184)
Dividends	10	-	-	(160,672)	(160,672)
Transfers		-	(4,458)	4,458	-
Balance at 31 May 2018		150,000	182,267	(396,482)	(64,215)
Period ended 31 December 2018:					
Profit and total comprehensive income for the period		-	-	150,085	150,085
Transfers		-	(2,601)	2,601	-
Balance at 31 December 2018		150,000	179,666	(243,796)	85,870

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

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.

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

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.

Going concern

The statement of financial position shows net assets of £85,870. 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. After making enquires, the directors have a reasonable expectation that the company and group have 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.

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

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 former 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

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).

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

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 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.

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.

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

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 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.

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.

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

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. 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 leased 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.

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

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.

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 13 for the carrying value of amounts due from contract customers.

3 Turnover and other revenue

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

	Period ended 31 December 2018 £	Year ended 31 May 2018 £
Turnover analysed by class of business		
Manufacture, maintenance and installation of electrical and instrument control systems	6,059,678	12,709,676
	<u>6,059,678</u>	<u>12,709,676</u>
	Period ended 31 December 2018 £	Year ended 31 May 2018 £
Other revenue		
Interest income	1	-
Grants received	414	710
Insurance claims receivable	48,948	80,558
	<u>48,948</u>	<u>80,558</u>

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

4 Employees

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

	Period ended 31 December 2018 Number	Year ended 31 May 2018 Number
Production staff	98	102
Administrative staff	12	17
	<u>110</u>	<u>119</u>

Their aggregate remuneration comprised:

	Period ended 31 December 2018 £	Year ended 31 May 2018 £
Wages and salaries	2,349,017	4,573,883
Social security costs	248,583	473,605
Pension costs	53,491	90,946
	<u>2,651,091</u>	<u>5,138,434</u>

5 Directors' remuneration

	Period ended 31 December 2018 £	Year ended 31 May 2018 £
Remuneration for qualifying services	113,050	377,670
Company pension contributions to defined contribution schemes	19,379	40,563
	<u>132,429</u>	<u>418,233</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (May 2018 - 5).

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

5 Directors' remuneration (Continued)

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

	Period ended 31 December 2018 £	Year ended 31 May 2018 £
Remuneration for qualifying services	n/a	98,009

As total directors' remuneration was less than £200,000 in the current period, no disclosure is provided for that period.

6 Operating profit/(loss)

	Period ended 31 December 2018 £	Year ended 31 May 2018 £
Operating profit/(loss) for the period is stated after charging/(crediting):		
Government grants	(414)	(710)
Fees payable to the company's auditor for the audit of the company's financial statements	16,000	16,000
Depreciation of owned tangible fixed assets	11,236	22,464
Operating lease charges	125,147	274,841

7 Interest receivable and similar income

	Period ended 31 December 2018 £	Year ended 31 May 2018 £
Interest income		
Interest on bank deposits	1	-

8 Interest payable and similar expenses

	Period ended 31 December 2018 £	Year ended 31 May 2018 £
Interest on bank overdrafts and loans	8,012	7,865

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

9 Taxation

	Period ended 31 December 2018 £	Year ended 31 May 2018 £
Current tax		
UK corporation tax on profits for the current period	-	(43,233)
Deferred tax		
Origination and reversal of timing differences	32,752	(119,602)
Total tax charge/(credit)	32,752	(162,835)

Deferred tax is provided for at 17% (May 2018 - 17%).

The total tax charge/(credit) for the period included in the income statement can be reconciled to the profit/(loss) before tax multiplied by the standard rate of tax as follows:

	Period ended 31 December 2018 £	Year ended 31 May 2018 £
Profit/(loss) before taxation	182,837	(890,019)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	34,739	(169,104)
Tax effect of expenses that are not deductible in determining taxable profit	1,998	435
Tax effect of income not taxable in determining taxable profit	-	(135)
Gains not taxable	(79)	-
Unutilised tax losses carried forward	-	41,418
Adjustments in respect of prior years	-	(43,233)
Effect of change in corporation tax rate	(3,853)	14,071
Fixed asset differences	1,175	2,014
Adjustment to brought forward values	(1,341)	(8,346)
Other permanent differences	113	45
Taxation charge/(credit) for the period	32,752	(162,835)

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

10 Dividends

	Period ended 31 December 2018 per share	Year ended 31 May 2018 per share	Period ended 31 December 2018 £	Year ended 31 May 2018 £
Ordinary shares				
Interim paid	-	1.07	-	160,672

11 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
Cost or valuation				
At 1 June 2018 and 31 December 2018	600,000	191,887	140,700	932,587
Depreciation and impairment				
At 1 June 2018	42,400	170,566	138,796	351,762
Depreciation charged in the period	6,183	3,149	1,904	11,236
At 31 December 2018	48,583	173,715	140,700	362,998
Carrying amount				
At 31 December 2018	551,417	18,172	-	569,589
At 31 May 2018	557,600	21,321	1,904	580,825

Land and buildings with a carrying amount of £551,417 at 31 December 2018 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:

	31 December 2018 £	31 May 2018 £
Cost	558,758	558,758
Accumulated depreciation	(240,540)	(234,021)
Carrying value	318,218	324,737

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

11 Tangible fixed assets (Continued)

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 16.

12 Stocks

	31 December 2018 £	31 May 2018 £
Raw materials and consumables	185,968	166,871
Work in progress	282,763	364,140
	<u>468,731</u>	<u>531,011</u>

13 Debtors

	31 December 2018 £	31 May 2018 £
Amounts falling due within one year:		
Trade debtors	1,887,364	1,613,767
Gross amounts owed by contract customers	630,650	1,342,031
Corporation tax recoverable	43,233	43,233
Amounts owed by group undertakings	438,021	392,701
Prepayments and accrued income	21,300	11,041
	<u>3,020,568</u>	<u>3,402,773</u>
Deferred tax asset (note 17)	18,182	50,934
	<u>3,038,750</u>	<u>3,453,707</u>

14 Creditors: amounts falling due within one year

	Notes	31 December 2018 £	31 May 2018 £
Bank loans and overdrafts	16	1,137,229	1,197,444
Payments received on account		538,579	189,458
Trade creditors		1,081,468	1,912,261
Amounts due to group undertakings		517,424	517,424
Other taxation and social security		598,331	671,449
Other creditors		1,010	1,010
Accruals and deferred income		93,194	116,207
		<u>3,967,235</u>	<u>4,605,253</u>

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

15 Creditors: amounts falling due after more than one year

	31 December 2018 £	31 May 2018 £
Other creditors	25,140	25,554

16 Borrowings

	31 December 2018 £	31 May 2018 £
Bank loans	1,134,720	1,197,444
Bank overdrafts	2,509	-
	<u>1,137,229</u>	<u>1,197,444</u>
Payable within one year	<u>1,137,229</u>	<u>1,197,444</u>

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

Included in bank loans are amounts totalling £1,134,720 (May 2018 - £1,197,444) secured against debt to which invoice finance facilities relate.

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:

	Liabilities/ (Assets) 31 December 2018 £	Liabilities/ (Assets) 31 May 2018 £
Balances:		
Accelerated capital allowances	59,792	61,546
Tax losses	(77,092)	(110,752)
Short term timing differences	(882)	(1,728)
	<u>(18,182)</u>	<u>(50,934)</u>

EAST MIDLANDS INSTRUMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2018

17 Deferred taxation (Continued)

	Period ended 31 December 2018 £
Movements in the period:	
Liability/(Asset) at 1 June 2018	(50,934)
Charge to profit or loss	32,752
Liability/(Asset) at 31 December 2018	<u>(18,182)</u>

18 Retirement benefit schemes

	Period ended 31 December 2018 £	Year ended 31 May 2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>53,491</u>	<u>90,946</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 period end contributions of £9,164 (May 2018 - £10,164) were outstanding and are included in accruals.

19 Share capital

	31 December 2018 £	31 May 2018 £
Ordinary share capital		
Issued and fully paid		
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 PERIOD ENDED 31 DECEMBER 2018

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 2018 £	31 May 2018 £
Within one year	122,864	108,397
Between one and five years	135,860	149,652
	<u>258,724</u>	<u>258,049</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 period, the company paid £22,306 (May 2018 - £nil) to an immediate family member of the majority shareholder, for consultancy fees. At the period end, £4,294 was outstanding (May 2018 - £nil).

24 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.