Registered number: 09238300

FLO-MECH HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2019

FLO-MECH HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Mr Alan J Elderkin Mrs Patricia M Elderkin
Registered number	09238300
Registered office	1 The Forum Minerva Business Park Lynch Wood Peterborough PE2 6FT
Independent auditors	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors 1 The Forum Minerva Business Park Lynch Wood Peterborough PE2 6FT

FLO-MECH HOLDINGS LIMITED

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 OCTOBER 2019

Introduction

The directors have pleasure in presenting the Group's Strategic report and the financial statements of the Group for the year ended 31 October 2019.

Principal activities

The principal activities of the Group during the year were designing, selling and installing plant used in commercial food processing.

Business review

The directors remain confident that their philosophy of providing excellent customer care through a high level of professional service and support, will continue to contribute to their success in what is a difficult and competitive trading environment.

Mindful of this and to support the Group's core business activity, the Group has invested heavily in development of its product range and further increased its research and development activities towards this end.

It is worthy of note that in recent years the Group has increased it's liquidity in the form of cash held as a deliberate strategy to mitigate any risk from either it's foreseeable risks or any unforeseen set of circumstances.

Firstly, as the Group's turnover has increased, so has the need to ensure that sufficient liquidity/working capital exists to service and support this business growth.

One important factor and consideration which supports this strategy, is that a number of our major (global) customers have introduced more restrictive commercial terms resulting in longer payment terms in their own attempts to improve cash flows and liquidity and sustainability in what is a very competitive marketplace. Due to the nature of many of our contract based projects this means the Group incurs costs and pays it's suppliers often 90 days, or even longer, before the customer pays it's related stage payment/invoice, ie the supplier demands payment for goods to be incorporated into other equipment upon their delivery or at the point of delivery and this could be 30 days before shipping of the equipment by the Group to their customer, who then pays more commonly now on 90 days terms.

Secondly, other factors have had an impact on the Group's accounts, such as Brexit and, at the time of submission of these accounts, the COVID-19 pandemic.

Both of these events have had an impact on the Group's performance – Brexit putting pressure on imports/export costs as well as a negative affect on foreign exchange – both of which directly impact on cash holdings and, of course, COVID-19, causing business interruption globally.

Whilst obviously an unforeseen set of circumstances, the COVID-19 pandemic, has seen and will see many companies struggle with the business and financial impact of such an event and demonstrates the need for strong reserves.

The Group has always taken the stance that with sufficient liquid assets, namely cash at bank, it would be best placed to ensure business continuity and retain it's important and experienced workforce both through foreseeable and unforeseen difficult times and this is proving to be a prudent strategy in these current, unprecedented times.

Principal risks and uncertainties

The Group strategy has focused on providing excellent customer service to its customer base. To this end customer support teams have been developed to ensure the Group achieves the high performance standards demanded by the management. This policy likewise follows through to the customer base, as whilst the Group has a broad range of customers which it services, the management have taken a positive decision to ensure that the selection of projects undertaken within a given trading period is fairly matched with the resources available to achieve the internally demanded standards. As such the Group has a firm policy not to accept all contracts offered to them if, in the opinion of the management, that accepting all contracts offered means that performance standards may be compromised.

The Group's specific risks in connection with financial instruments are set out below:

The Group uses financial instruments such as cash, debtors and creditors in order to raise finance for the Group's operations. The existence of these instruments exposes the Group to financial risks which are detailed below:

Interest rate risk
The Group is exposed to interest rate fluctuations on its cash holdings. The Group reviews its banking facilities on a monthly basis.

Credit risk
The principal credit risk for the Group arises from its trade debtors. In order to manage credit risk, the directors set limits for customers based on a combination of payment history and third party credit reference. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt aging and collection history.

Liquidity risk
The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet its foreseeable needs and to invest cash assets safely and profitably.

Foreign exchange risk
The Group's risk to foreign currency exposures arises from overseas contracts which are priced and paid using foreign currencies. Where considered appropriate the Group will enter into foreign exchange currency contracts to mitigate this risk.

Future developments

As mentioned in the Business review, management has a strong product development programme under way which they believe will continue to provide a significant contribution towards activity and profit levels in the future.

The Group's Technical Department now has a dedicated Research & Development and Energy & Sustainability section which includes the recently formed Innovations Committee whose members include the Group's Chief Executive Officer, Managing Director, Technical and Engineering Directors – demonstrating the importance placed on this aspect of the Group's business and their belief of its growing importance to their ongoing success. To further emphasise this, the Group has also invested heavily during the period in IT equipment, particularly software and equipment used exclusively for Research and Development purposes, to support this area of their business activity.

Financial key performance indicators

The directors believe the financial key performance indicators for this business are turnover and profit on ordinary activities before tax, as disclosed in these financial statements.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2019

This report was approved by the board and signed on its behalf.

Alan. J. Elderkin
....
Mr Alan J Elderkin
Director

Date: 04/05/20

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2019

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

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments 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 Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £2,002,682 (2018: £1,546,490).

Particulars of dividends paid are detailed in note 13 to the financial statements.

Directors

The directors who served during the year were:

Mr Alan J Elderkin
Mrs Patricia M Elderkin

Matters covered in the strategic report

Details concerning principal activities, business review, principal risks and uncertainties (including financial instruments), future developments and financial key performance indicators (KPIs) are included in the Strategic Report.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditors

Under section 487(2) of the Companies Act 2006, MHA MacIntyre Hudson will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf.

Alan. J. Elderkin
....
Mr Alan J Elderkin
Director

Date: 4/05/20

1 The Forum
Minerva Business Park
Lynch Wood
Peterborough
PE2 6FT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF FLO-MECH HOLDINGS LIMITED

Opinion

We have audited the financial statements of Flo-Mech Holdings Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 October 2019, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, 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 Financial Reporting Standard 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 Group's and of the parent Company's affairs as at 31 October 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Opinion 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 Group 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 Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF FLO-MECH HOLDINGS LIMITED (CONTINUED)

Auditors' 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 Auditors' 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' 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 Auditors' 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.

Andrew Moyser FCCA FCA (Senior Statutory Auditor)

10/05/20

for and on behalf of
MHA MacIntyre Hudson

Chartered Accountants
Statutory Auditors

1 The Forum
Minerva Business Park
Lynch Wood
Peterborough
PE2 6FT
Date:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 OCTOBER 2019

	Note	2019 £	2018 £
Turnover	4	**29,396,067**	23,438,272
Cost of sales		**(21,085,743)**	(16,258,209)
Gross profit		**8,310,324**	7,180,063
Administrative expenses		**(4,803,872)**	(4,473,808)
Operating profit	5	**3,506,452**	2,706,255
Interest receivable and similar income	9	**69,489**	40,638
Interest payable and expenses		**(866)**	-
Profit before taxation		**3,575,075**	2,746,893
Tax on profit	11	**(505,994)**	(374,501)
Profit for the financial year		**3,069,081**	2,372,392
Profit for the year attributable to:			
Non-controlling interests		**1,066,399**	825,902
Owners of the parent Company		**2,002,682**	1,546,490
		3,069,081	2,372,392

All amounts relate to continuing operations.

There were no recognised gains and losses for 2019 or 2018 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2019 (2018: £NIL).

The notes on pages 16 to 36 form part of these financial statements.

FLO-MECH HOLDINGS LIMITED
REGISTERED NUMBER: 09238300

CONSOLIDATED BALANCE SHEET
AS AT 31 OCTOBER 2019

	Note		2019 £		2018 £
Fixed assets					
Tangible assets	14		**79,586**		81,492
Current assets					
Stocks	16	**520,379**		286,980	
Debtors: amounts falling due within one year	17	**7,925,061**		10,324,022	
Current asset investments	18	**3,447,795**		2,421,124	
Cash at bank and in hand	19	**10,690,028**		7,469,790	
		22,583,263		20,501,916	
Creditors: amounts falling due within one year	20	**(9,718,730)**		(10,522,523)	
Net current assets			**12,864,533**		9,979,393
Total assets less current liabilities			**12,944,119**		10,060,885
Provisions for liabilities					
Deferred taxation	22	**(3,320)**		(2,067)	
Other provisions	23	**(1,251,100)**		(857,800)	
			(1,254,420)		(859,867)
Net assets			**11,689,699**		9,201,018
Capital and reserves					
Called up share capital	27		**100**		100
Share premium account	28		**3,349,900**		3,349,900
Merger reserve	28		**(3,308,106)**		(3,308,106)
Profit and loss account	28		**8,763,837**		6,816,555
Equity attributable to owners of the parent Company			**8,805,731**		6,858,449
Non-controlling interests			**2,883,968**		2,342,569
			11,689,699		9,201,018

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Alan J Elderkin
....
Mr Alan J Elderkin
Director
Date: 4/05/20

The notes on pages 16 to 36 form part of these financial statements.

COMPANY BALANCE SHEET
AS AT 31 OCTOBER 2019

	Note		2019 £		2018 £
Fixed assets					
Investments	15		**3,450,000**		3,450,000
Current assets					
Current asset investments	18	**3,447,795**		2,421,124	
Cash at bank and in hand	19	**11,579**		91,339	
		3,459,374		2,512,463	
Creditors: amounts falling due within one year	20	**(9,584)**		(4,499)	
Net current assets			**3,449,790**		2,507,964
Total assets less current liabilities			**6,899,790**		5,957,964
Net assets			**6,899,790**		5,957,964
Capital and reserves					
Called up share capital	27		**100**		100
Share premium account	28		**3,349,900**		3,349,900
Profit and loss account brought forward		**2,607,964**		1,684,292	
Profit for the year		**997,226**		987,672	
Dividends paid		**(55,400)**		(64,000)	
Profit and loss account carried forward			**3,549,790**		2,607,964
			6,899,790		5,957,964

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Alan J Elderkin
....
Mr Alan J Elderkin
Director

Date: 4/05/20

The notes on pages 16 to 36 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2019

	Share capital	Share premium account	Merger reserve	Profit and loss account	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	£	£	£	£	£	£	£
At 1 November 2018	100	3,349,900	(3,308,106)	6,816,555	6,858,449	2,342,569	9,201,018
Comprehensive income for the year							
Profit for the year	-	-	-	2,002,682	2,002,682	1,066,399	3,069,081
Total comprehensive income for the year	-	-	-	2,002,682	2,002,682	1,066,399	3,069,081
Dividends: Equity capital	-	-	-	(55,400)	(55,400)	-	(55,400)
Dividend paid to non-controlling interests	-	-	-	-	-	(525,000)	(525,000)
Total transactions with owners	-	-	-	(55,400)	(55,400)	(525,000)	(580,400)
At 31 October 2019	100	3,349,900	(3,308,106)	8,763,837	8,805,731	2,883,968	11,689,699

The notes on pages 16 to 36 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2018

	Share capital	Share premium account	Other reserves	Profit and loss account	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	£	£	£	£	£	£	£
At 1 November 2017	**100**	**3,349,900**	**(3,308,106)**	**5,334,065**	**5,375,959**	**2,041,667**	**7,417,626**
Comprehensive income for the year							
Profit for the year	-	-	-	1,546,490	1,546,490	825,902	2,372,392
Total comprehensive income for the year	-	-	-	1,546,490	1,546,490	825,902	2,372,392
Dividends: Equity capital	-	-	-	(64,000)	(64,000)	-	(64,000)
Dividends paid to non-controlling interests	-	-	-	-	-	(525,000)	(525,000)
Total transactions with owners	-	-	-	(64,000)	(64,000)	(525,000)	(589,000)
At 31 October 2018	**100**	**3,349,900**	**(3,308,106)**	**6,816,555**	**6,858,449**	**2,342,569**	**9,201,018**

The notes on pages 16 to 36 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2019

	Share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 November 2017	100	3,349,900	1,684,292	5,034,292
Comprehensive income for the year				
Profit for the year	-	-	987,672	987,672
Total comprehensive income for the year	-	-	987,672	987,672
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(64,000)	(64,000)
At 1 November 2018	100	3,349,900	2,607,964	5,957,964
Comprehensive income for the year				
Profit for the year	-	-	997,226	997,226
Total comprehensive income for the year	-	-	997,226	997,226
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(55,400)	(55,400)
At 31 October 2019	100	3,349,900	3,549,790	6,899,790

The notes on pages 16 to 36 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 OCTOBER 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	**3,069,081**	2,372,392
Adjustments for:		
Depreciation of tangible assets	**37,168**	31,936
Interest received	**(69,489)**	(40,638)
Taxation charge	**505,994**	374,501
(Increase)/decrease in stocks	**(233,399)**	219,051
Decrease in debtors	**2,398,961**	300,472
(Decrease)/increase in creditors	**(856,378)**	469,353
Increase in provisions	**393,300**	249,600
Corporation tax paid	**(452,156)**	(447,259)
Net cash generated from operating activities	**4,793,082**	3,529,408
Cash flows from investing activities		
Purchase of tangible fixed assets	**(35,262)**	(18,778)
Movement on funds placed on term deposits	**(1,026,671)**	(1,415,124)
Interest received	**69,489**	40,638
Net cash from investing activities	**(992,444)**	(1,393,264)
Cash flows from financing activities		
Dividends paid	**(55,400)**	(64,000)
Dividends paid to non controlling interests	**(525,000)**	(525,000)
Net cash used in financing activities	**(580,400)**	(589,000)
Net increase in cash and cash equivalents	**3,220,238**	1,547,144
Cash and cash equivalents at beginning of year	**7,469,790**	5,922,646
Cash and cash equivalents at the end of year	**10,690,028**	7,469,790
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**10,690,028**	7,469,790
	10,690,028	7,469,790

The notes on pages 16 to 36 form part of these financial statements.

1. General information

Flo-Mech Holdings Limited ("the Company") and its subsidiaries ("the Group") are private companies limited by shares, incorporated in England and Wales under the Companies Act.

The registered number and the address of the registered office is given in the Company information.

The nature of the Group's operations and its principal activities are set out in the Group strategic report on page 1.

The functional and presentational currency of the Group and Company is pounds sterling (£), rounded to the nearest whole pound.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2. Accounting policies (continued)

2.2 Basis of consolidation

The financial statements consolidate the accounts of Flo-Mech Holdings Limited and all of its subsidiary undertakings ("subsidiaries").

Flo-Mech Holdings Limited was incorporated on 29 September 2014. On 1 November 2014 the company acquired 60% of the shares of subsidiary Flo-Mech. Limited via a share for share exchange of Mr Alan J Elderkin's shareholding.

This share for share exchange was accounted for using merger accounting principles in the previous financial statements prepared under old UK GAAP, although it did not satisfy all the conditions required under the previous financial reporting standards and legislation (see below).

Schedule 6 of the Accounting Regulations for Large and Medium-Sized Companies (S.I. 2008/410) and FRS 6 'Acquisition and Mergers' required acquisition accounting to be adopted where all the conditions laid down for merger accounting were not satisfied. Under the share for share exchange, not all of the conditions were satisfied because only 60% of the shares in the subsidiary Flo-Mech. Limited were acquired by the Company (Flo-Mech Holdings Limited) on 1 November 2014. This breached one of the conditions to apply merger accounting in the Companies Act being that 'at least 90% of the nominal value of the shares in the undertaking acquired is held by or on behalf of the parent company and its subsidiary undertakings'.

However, in the opinion of the directors, the share for share exchange on 1 November 2014 was a group reconstruction rather than an acquisition, since the minority shareholders of the subsidiary Flo-Mech. Limited were the same as prior to the share for share exchange and the rights of each shareholder, relative to the others, were unchanged and no minority interest in the net assets of the Group was altered. Therefore, the directors consider that to record the share for share exchange as an acquisition by the Company, attributing fair values to the assets and liabilities of the subsidiary Flo-Mech. Limited would have failed to give a true and fair view of the Group's results and financial position.

Accordingly, having regard to the overriding requirement under section 393 of Companies Act 2006 for the financial statements to give a true and fair view of the Group's results and financial position, the directors adopted merger accounting principles in drawing up the financial statements. The directors considered that it is not practicable to quantify the effect of this departure from the Companies Act 2006 requirements.

Upon transitioning to FRS 102 the directors concluded that the share for share exchange constituted a group reconstruction in accordance with paragraph 19.27 of FRS 102 and that it was possible and appropriate in the circumstances to apply the merger accounting method to the business combination which took place after transition date. As a result, no transitional adjustments arose from the combination. The share for share exchange constitutes a group reconstruction under FRS 102 even if the amended legal requirements in Schedule 6 of the Accounting Regulations for Large and Medium-Sized Companies (S.I. 2008/410) were not effective as at the date of the combination (1 November 2014). As mentioned above, the directors maintain that, in accordance with the overriding requirement under section 393 of Companies Act 2006 for the financial statements to give a true and fair view of the Group's results and financial position, merger accounting principles should be used in drawing up the financial statements.

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Where the success of a project can be reasonably assessed, revenue is recognised to reflect the fair value of the Group's partial performance to date. Revenue recognised in excess of invoiced amounts is included within 'Amounts recoverable on contracts', with accrued costs being included within 'Accruals and deferred income'. Where revenue recognised is less than invoiced amounts, the balance is included within as 'Payments received on account'.

2.4 Research and development

Research and development expenditure is written off in the year in which it is incurred.

2.5 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Group assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Motor vehicles	-	25% straight line
Office equipment	-	10% straight line
Computer equipment	-	25% straight line
Engineers equipment	-	10% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted averagebasis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2. Accounting policies (continued)

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.13 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

2.14 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2. Accounting policies (continued)

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Research and development tax credits are recognised in the year in which they are incurred and are matched against the related claim.

2.16 Foreign currency translation

Functional and presentation currency

The Group and Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

2. Accounting policies (continued)

2.17 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Consolidated Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

2. Accounting policies (continued)

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

In accordance with FRS 102, the Group provides for warranty costs. The contract terms for plant and machinery installed by the Group generally incorporates a warranty term of 12 months. Warranty provisions are based on detailed workings and assessments carried out by the Group's senior engineers, in respect of contracts still under warranty at the year end.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The following are the critical estimations that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key source of estimation uncertainty – Warranty provision

The contract terms for plant and machinery installed by the Group generally incorporates a warranty term of 12 months. The closing warranty provision is based on detailed workings and assessments carried out by the Group's senior engineers, in respect of contracts still under warranty at the year end. As such the warranty provision requires management's best estimation of the likely costs to be incurred based on a combination of past history of warranty costs and known or projected issues that may need rectifying.

Key source of estimation uncertainty - Determining residual values and useful economic lives of property, plant and equipment

The Group depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgment is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value, management aim to assess the amount that the Group would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

Key source of estimation uncertainty - Recoverability of receivables

The Group establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability, the directors consider factors such as the aging of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

Key source of estimation uncertainty - Research and development tax relief

The Company claims research and development tax credits and applies judgments in allocation of costs and apportionment of staff time to attract an enhanced relief.

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Services	**27,027,409**	21,525,840
Goods	**2,368,658**	1,912,432
	29,396,067	23,438,272

The analysis of turnover by geographical market required by paragraph 68 (5) of schedule 1 of the Large and Medium-Sized Companies & Groups (Accounts and Reports) Regulations 2008 has not been provided as, in the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Group.

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	**37,168**	31,937
Other operating lease rentals: land and buildings	**75,137**	75,100
Other operating lease rentals: other operating leases	**145,059**	139,776
Defined contribution pension cost	**88,532**	65,469
Exchange differences	**63,605**	(32,161)

6. Auditor's remuneration

	2019 £	2018 £
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	**23,250**	22,650

Fees payable to the Group's auditor in respect of:

	2019 £	2018 £
Taxation compliance services	**6,000**	5,500
Other services relating to taxation	**5,000**	3,000
	11,000	8,500

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2019 £	Group 2018 £
Wages and salaries	**3,806,010**	3,523,078
Social security costs	**487,361**	469,197
Cost of defined contribution scheme	**88,532**	65,469
	4,381,903	4,057,744

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Engineering	**23**	21
Office and management	**27**	27
	50	48

The Company has no employees other than the directors, who did not receive any remuneration *(2018 - £NIL)* from the parent company.

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	**621,160**	457,919

During the year retirement benefits were accruing to no directors (2018: NIL) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £387,817 (2018: £280,638).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2018 - £NIL).

9. Interest receivable

	2019 £	2018 £
Bank and other interest receivable	**69,489**	40,638

10. Interest payable and similar expenses

	2019 £	2018 £
Other interest payable	**866**	-

11. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	**504,093**	377,095
Adjustments in respect of previous periods	**648**	-
Total current tax	**504,741**	377,095
Deferred tax		
Origination and reversal of timing differences	**1,253**	(2,594)
Total deferred tax	**1,253**	(2,594)
Taxation on profit on ordinary activities	**505,994**	374,501

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	**3,575,075**	2,746,893
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**679,265**	521,910
Effects of:		
Expenses not deductible for tax purposes	**2,905**	3,037
Depreciation (exceeded by) / in excess of capital allowances	**(1,111)**	872
Adjustments to tax charge in respect of prior periods	**648**	-
Origination and reversal of deferred tax timing differences	**1,253**	(2,594)
Adjustment in research and development tax credit leading to an decrease in the tax charge	**(176,966)**	(148,724)
Total tax charge for the year	**505,994**	374,501

Factors that may affect future tax charges

The Finance Act 2017 provides for the main rate of corporation tax to be reduced from 19% to 17% from 1 April 2020. The 17% rate had been substantively enacted at the Balance Sheet date however the government has subsequently announced that the rate is due to remain at 19%, however this has not been substantively enacted. As a result, the rate of 17% has been applied in the measurement of the Company's deferred tax liabilities as at 31 October 2019.

12. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £997,226 (2018: £987,672).

13. Dividends

	2019 £	2018 £
Company		
Dividends paid on Ordinary A shares	**55,400**	64,000

14. Tangible fixed assets

Group

	Motor vehicles £	Office equipment £	Computer equipment £	Engineers equipment £	Total £
Cost					
At 1 November 2018	23,000	81,368	60,226	28,989	193,583
Additions	34,048	-	1,030	184	35,262
Disposals	-	-	(12,827)	-	(12,827)
At 31 October 2019	57,048	81,368	48,429	29,173	216,018
Depreciation					
At 1 November 2018	11,500	49,784	38,063	12,744	112,091
Charge for the year on owned assets	14,262	8,137	11,852	2,917	37,168
Disposals	-	-	(12,827)	-	(12,827)
At 31 October 2019	25,762	57,921	37,088	15,661	136,432
Net book value					
At 31 October 2019	31,286	23,447	11,341	13,512	79,586
At 31 October 2018	11,500	31,584	22,163	16,245	81,492

15. Fixed asset investments

Company

	Investments in subsidiary companies £
Valuation	
At 1 November 2018	**3,450,000**
At 31 October 2019	**3,450,000**
Net book value	
At 31 October 2019	**3,450,000**
At 31 October 2018	3,450,000

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Principal activity	Class of shares	Holding
Flo-Mech. Limited	Designing, selling and installing plant used in commercial food processing.	Ordinary	65%

The registered address of Flo-Mech. Limited is Flo-Mech House, Paxton Road, Orton Goldhay, Peterborough, PE2 5YA.

Flo-Mech. Limited is incorporated in England & Wales.

16. Stocks

	Group 2019 £	Group 2018 £	**Company 2019 £**	Company 2018 £
Raw materials and consumables	**368,404**	271,420	-	-
Work in progress	**151,975**	15,560	-	-
	520,379	286,980	-	-

Stock recognised in cost of sales during the year as an expense was £1,411,711 (2018: £1,267,587).

17. Debtors

	Group 2019 £	Group 2018 £	**Company 2019 £**	Company 2018 £
Trade debtors	**5,888,895**	8,283,139	-	-
Other debtors	**-**	263,304	-	-
Prepayments and accrued income	**77,561**	217,610	-	-
Amounts recoverable on contracts	**1,958,605**	1,559,969	-	-
	7,925,061	10,324,022	-	-

An impairment loss of £740 (2018: £349) has been recognised in administration expenses in relation to trade debtors.

18. Current asset investments

	Group 2019 £	Group 2018 £	**Company 2019 £**	Company 2018 £
Funds placed on term deposits	**3,447,795**	2,421,124	**3,447,795**	2,421,124

19. Cash and cash equivalents

	Group 2019 £	Group 2018 £	**Company 2019 £**	Company 2018 £
Cash at bank and in hand	**10,690,028**	7,469,790	**11,579**	91,339

20. Creditors: Amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Payments received on account	**3,676,253**	4,596,887	**-**	-
Trade creditors	**2,839,284**	3,148,706	**-**	-
Amounts owed to group undertakings	**-**	-	**4,370**	1,526
Corporation tax	**279,687**	227,102	**5,214**	2,973
Other taxation and social security	**764,048**	605,097	**-**	-
Accruals and deferred income	**2,159,458**	1,944,731	**-**	-
	9,718,730	10,522,523	**9,584**	4,499

Amounts owed to group undertakings are unsecured, are interest free and are repayable on demand.

21. Financial instruments

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Financial assets				
Financial assets measured at amortised cost	**11,304,422**	12,424,414	**3,447,795**	2,421,124
Financial liabilities				
Financial liabilities measured at amortised cost	**(4,998,742)**	(5,093,437)	**(4,370)**	(1,526)

Financial assets measured at amortised cost comprise the following items:
- Funds placed on term deposits
- Trade debtors
- Amounts recoverable on contracts
- Accrued income

Financial liabilities measured at amortised cost comprise the following items:
- Trade creditors
- Amounts owed to group undertakings (Company only)
- Accruals

22. Deferred taxation

Group

	2019 £	2018 £
At beginning of year	**2,067**	4,661
Charged to profit or loss	**1,253**	(2,594)
At end of year	**3,320**	2,067

The provision for deferred taxation is made up as follows:

	Group 2019 £	Group 2018 £
Accelerated capital allowances	**3,320**	3,881
Short term timing differences	**-**	(1,814)
	3,320	2,067

23. Provisions

Group

	Warranty Provision £
At 1 November 2018	**857,800**
Charged to profit or loss	**1,229,829**
Utilised in year	**(836,529)**
At 31 October 2019	**1,251,100**

Warranty Provision

The contract terms for plant and machinery installed by the Group generally incorporates a warranty term of 12 months. The closing warranty provision is based on detailed workings and assessments carried out by the Group's senior engineers, in respect of contracts still under warranty at the year end.

24. Pension commitments

The Group operates two defined contribution pension schemes. One is a self administered pension scheme for some of the directors of Flo-Mech. Limited, its subsidiary, and the other is a group personal pension scheme for its employees and other directors. The assets of the schemes are held separately from those of the Group in independently administered funds.

The pension cost charge represents contributions payable by the Group to the fund and amounted to £88,532 (2018: £65,469).

Contributions totalling £nil (2018: £10,676) were payable to the fund at the Balance Sheet date and are included within accruals and deferred income falling due within one year.

25. Commitments under operating leases

At 31 October 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	Group 2018 £
Land and buildings		
Not later than 1 year	**75,000**	75,000
Later than 1 year and not later than 5 years	**300,000**	300,000
Later than 5 years	**1,275,000**	1,350,000
	1,650,000	1,725,000

	Group 2019 £	Group 2018 £
Other		
Not later than 1 year	**155,739**	110,016
Later than 1 year and not later than 5 years	**226,040**	134,326
	381,779	244,342

26. Related party transactions

Dividends totalling £975,000 (2018: £975,000) were received by the Company from Flo-Mech. Limited a trading subsidiary who at the Balance sheet date was owned 65% by the Company.

Furthermore, dividends totalling £525,000 (2018: £525,000) were paid to minority interests of the Group by Flo-Mech. Limited during the year.

At the year end, the Company had a balance owing to Flo-Mech. Limited totalling £4,370 (2018: £1,526) and is included in amounts owed to group undertakings.

Directors and other shareholders of the Company were paid dividends of £55,400 (2018: £64,000) during the year.

During the year the subsidiary Flo-Mech. Limited paid rent amounting to £75,137 (2018: £75,100) to Flo-Mech No. 2 Pension Scheme. The pension scheme has trustees in common with directors of the Group.

The total remuneration for key management personnel for the year, including directors, totalled £689,535 (2018: £524,684).

27. Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
95 Ordinary shares of £1.00 each	**95**	95
5 Ordinary A shares of £1.00 each	**5**	5
	100	100

The Company has two classes of ordinary shares.

Each ordinary share has equal voting rights, including repayment of capital in the event of winding up. The ordinary A shares are entitled to such dividends as the directors determine whilst the ordinary shares have rights to participate in a dividend.

28. Reserves

Share premium account

Share premium reserve represents the premium arising on issue of equity shares, net of issue expenses.

Merger Reserve

Flo-Mech Holdings Limited merged with Flo-Mech. Limited on 1 November 2014 and has accounted for the combination using merger accounting. The consideration was satisfied by the issue of 100 equity shares with a nominal value of £1 each. The fair value of the consideration was £3,350,000 based on the market price of Flo-Mech. Limited's shares at 1 November 2014. No significant adjustments were necessary to the assets and liabilities of Flo-Mech. Limited which have been recorded at their book values immediately prior to the merger and no adjustments were made to the net assets of Flo-Mech Holdings Limited. The book value of net assets of Flo-Mech Holdings Limited and Flo-Mech. Limited at the date of the combination were £1 and £3,855,615 respectively. The difference of £3,349,900 arising between the nominal value of shares issued of £100 and the market value of Flo-Mech. Limited's shares acquired has been credited to share premium account.

Profit and loss account

The profit and loss account represents cumulative profit or losses, net of dividends paid and other adjustments.

29. Controlling party

The Group was under the control of Mr Alan J Elderkin throughout the current period and previous year.