

TIDMMECP

COMPANY REGISTRATION NUMBER 3802853

Mechan Controls plc

Directors' ReportAnd Financial Statements

For the Year Ended 31 December 2010

MECHAN CONTROLS PLCCHAIRMAN'S STATEMENTFOR THE YEAR ENDED 31 DECEMBER 2010

The Directors are pleased to announce our final results for 2010. You will see from the key performance indicators in the directors' report that:

- Consolidated turnover has increased by 11% on last year.
- Consolidated profits before tax have increased by 20% on last year.

We are still expanding organically and geographically. Further acquisitions currently being sought, would repeat another quantum leap in earnings. However, with or without an acquisition, we expect to achieve double digit earnings growth in the current year.

Needless to say, the Directors are delighted with the results in the current business climate.

In the light of this excellent increase in profits, the directors are pleased to announce an increase in the final dividend of 20% to GBP25,200 (2009 GBP21,000).

Mr W Boardman - Chairman

Date: 5 April 2011

## MECHAN CONTROLS PLC THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors have pleasure in presenting their report and the financial statements of the group for the year ended 31 December 2010.

**PRINCIPAL ACTIVITIES AND BUSINESS REVIEW** Mechan's principal activity continues to be the research & development in, and manufacture of, electronic safety switches, control units and monitoring devices to provide the safeguarding of personnel and machinery, whilst its subsidiary, Nirvana Engineering (Stafford) Limited's principal activity is to provide manufactured structures for the safe and secure storage of back up power systems within a niche market sector.

The group's key performance indicators for the year were as follows:

### GROUP KEY PERFORMANCE INDICATORS

	2010	2009
	GBP	GBP
Turnover	2,824,740	2,549,520
Gross Profit	1,417,906	1,345,695
Operating Profit	530,014	464,895
Profit before taxation	506,382	421,468
Profit after taxation	360,830	300,754
Shareholders' Funds	1,780,406	1,453,076
Earnings per share	18.04p	15.04p
Dividends per share	1.68p	1.20p
Net Assets per share	89.02p	72.65p

The directors wish to highlight that after tax earnings per share have increased 20% from 15.04p in 2009 to 18.04p in 2010.

**ENVIRONMENT**The group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities. Initiatives designed to minimise the group's impact on the environment includes the safe disposal of waste and reducing energy consumption.

**FUTURE DEVELOPMENTS**The group continues to develop its relationship with its key customers and support them with a flow of new products through our research and development efforts. Our business model of a global network is in place and requires support in the form of new products, keen prices and responsive services. The group continues to expand its global network with various strategic partners. This network has a value in itself and the more products that are passed through, the greater that value becomes.

We again have exceeded our first quarter growth targets for the current year. Despite these trying times with lower interest charges we expect profits to increase during the current year by double digit figures. The group will continue to diligently seek further bolt on opportunities.

**RESULTS AND DIVIDENDS**The profit for the year, after taxation, amounted to GBP360,830. Particulars of dividends paid are detailed in note 10 to the financial statements.

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**The group's operations expose it to a variety of financial risks that include the effects of changes in price risk, liquidity risk and credit risk.

The group's principal financial instruments comprise cash deposits, bank loans and invoice discount financing together with trade debtors and trade creditors arising directly from trading.

Price risk

There is always pressure on prices in what is a competitive and international market. Movement in exchange rates can make a difference of 10% to prices. However, prices are raised appropriately in line with customer expectation, competition and the cost of living index. This has not lead to a loss of customers in the past. During the year the fall in the pound has generally been beneficial.

#### Liquidity risk

As part of our acquisition financing, the group now uses invoice discounting plus a core 4 year senior term loan and a commercial mortgage on the Skelmersdale building. We are in the happy position that all our banking covenants for each of these facilities are being met after the first thirty six months.

#### Credit risk

We operate normal credit terms and this is specified in some cases in the distribution agreement. The group only has one customer which causes a problem by taking longer than appropriate and in this case deliveries are put on stop until the credit taken is brought below the agreed level. This is monitored closely.

As a result of the foregoing, the directors are satisfied with the results of the group for the year and expect the general level of activity and profitability to increase in the forthcoming year.

**RESEARCH AND DEVELOPMENT**The range of switches has more than trebled since the company was acquired 10 years ago. This has been achieved as a result of our extensive and intensive research and development efforts. We have now entered a period of product consolidation with a greater focus on pushing our existing products through our distribution pipeline.

Nirvana has developed two new products which are currently being patented and will probably be ready by the second half of 2011. All new lines of potential development are

investigated by the company in order to support its customer base. These new products will enhance our efforts to penetrate further into export markets.

**DIRECTORS**The directors who served the company during the year were as follows:

Mr W Boardman - Managing Director  
Mr M M Farrah - Technical Director  
Mr P K Knowles - Sales & Marketing Director  
Mr J Faulkner - Non Executive Director  
Mr R Parkinson  
Mr R W Shaw

**MARKET VALUE OF INTERESTS IN LAND**The directors consider that the market value of Mechan's land and buildings as at 31 December 2010 was GBP165,000. The net book value of the land and buildings in the financial statements is GBP63,842.

**POLICY ON THE PAYMENT OF CREDITORS**It is the group's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the company and its suppliers, providing that all terms and conditions have been complied with. The company had 52 days purchases outstanding as at 31 December 2010, based on trade creditors outstanding at that date and purchases made during the year.

**DISABLED EMPLOYEES**It is group policy that disabled people should have the same consideration as others for job opportunities. Depending on their skills and abilities, they enjoy the same career prospects as other employees and the same scope for realising their potential.

**EMPLOYEE INVOLVEMENT**During the year, the policy of providing employees with information about the group has been continued through regular meetings in which employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Starting in January 2011 we took on our first apprentice at Mechan Controls Plc as part of the government encouraged programme. We are very pleased to participate in this scheme

and proud to make a contribution in what in recent years has become a much neglected area.

**DIRECTORS' RESPONSIBILITIES**The directors are responsible for preparing 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 the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable and prudent;

- state whether applicable UK Accounting Standards have been followed,

subject to any material departures disclosed and explained in the

financial statements;

- 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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

-- there is no relevant audit information of which the group's auditor is

unaware; and

-- the directors have taken all steps that they ought to have taken to

April 13, 2011 02:00 ET (06:00 GMT)

make themselves aware of any relevant audit information and to

establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and documentation of financial statements may differ from legislation in other jurisdictions.

AUDITORRSM Tenon Audit Limited are deemed to be re-appointed under section 489 of the Companies Act 2006.

Signed on behalf of the directors

Mr R Parkinson Company Secretary

Approved by the directors on 5. April 2011 .....

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MECHAN CONTROLS PLC  
(continued)

## FOR THE YEAR ENDED 31 DECEMBER 2010

We have audited the financial statements of Mechan Controls Plc for the year ended 31 December 2010 which comprises the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group and Parent Company Reconciliation of Movements in Shareholders' Funds and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Section 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORAs explained more fully in the Directors' Responsibilities Statement set out on pages 5 to 6, the directors are responsible for the preparation of the Annual Report, financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTSAn audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the group's annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTSIn 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 December 2010 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.

**OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**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 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.

Christopher Moss (Senior Statutory Auditor) For and on behalf of RSM Tenon Audit  
Limited Statutory Auditor Sumner House St. Thomas's Road Chorley Lancashire PR7 1HP

Date: 5 April 2011

MECHAN CONTROLS PLC GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31  
DECEMBER 2010

2009		2010
		GBP
GBP		
TURNOVER	2	
Continuing operations		2,824,740
2,549,520		
=====		=====
Group Turnover		2,824,740
2,549,520		
Cost of sales	3	(1,406,834)
(1,203,825)		
-----		-----
GROSS PROFIT		1,417,906
1,345,695		
Net operating expenses	3	887,892
880,800		
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GROUP OPERATING PROFIT:	4	530,014
464,895		
Interest receivable and similar income		531
1		
Interest payable and similar charges	7	(24,163)
(43,428)		
-----		-----
PROFIT ON ORDINARY ACTIVITIES		506,382
421,468		

BEFORE TAXATION		
Tax on profit on ordinary activities	8	145,552
120,714		
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PROFIT FOR THE FINANCIAL YEAR	9	360,830
300,754		
Earnings per share (pence)		
=====		
Basic	11	18.04
15.04		

All of the activities of the group are classed as continuing.

The group has no recognised gains or losses other than the results for the year as set out above.

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss Account.

#### MECHAN CONTROLS PLC GROUP BALANCE SHEET AS AT 31 DECEMBER 2010

2009	2010	
Note		GBP
GBP		
FIXED ASSETS		
Intangible assets	12	1,079,887
1,162,878		
Tangible assets	13	145,957
153,500		
		-----
CURRENT ASSETS		1,225,844
1,316,378		
Stocks	15	266,902
272,482		
Debtors	16	698,408
528,520		
Cash at bank		345,852
161,915		
		-----

		1,311,162
962,917		
CREDITORS: Amounts falling	17	602,445
502,546		
due within one year	-----	
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NET CURRENT ASSETS		708,717
460,371		
	-----	
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TOTAL ASSETS LESS CURRENT LIABILITIES		1,934,561
1,776,749		
CREDITORS: Amounts falling due	18	135,754
306,163		
after more than one year		
PROVISIONS FOR LIABILITIES		
Deferred taxation	21	18,401
17,510		
	-----	
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		1,780,406
1,453,076		
	=====	
=====		
CAPITAL AND RESERVES		
Called-up equity share capital	24	50,000
50,000		
Share premium account	25	653,000
653,000		
Profit and loss account	25	1,077,406
750,076		
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SHAREHOLDERS' FUNDS	25	1,780,406
1,453,076		

These financial statements were approved by the directors and authorised for issue on 5 April 2011, and are signed on their behalf by:  
Mr W Boardman - Managing Director.

(END) Dow Jones Newswires

April 13, 2011 02:00 ET (06:00 GMT)