

DJ MECP Final Results

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COMPANY REGISTRATION NUMBER 03802853

Mechan Controls plc

Directors' Report and Financial Statements

For the Year Ended 31 December 2014

MECHAN CONTROLS PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors of Mechan Controls plc are pleased to announce the groups financial results for the 12 months trading period ending 31st December 2014.

The Groups turnover compared to last year is up by 9.6%, Group profits after tax are up more than double at plus 108.2%.

Each of the three companies in the group are trading at increased profits.

The major difference being our subsidiary PJO Industrial Limited, who in the previous year took a big bad debt hit with the falling into liquidation of UK Coal and made a loss.

After a year of draconian cost cutting and staff reductions, they are now profitable again.

As I said at the interims in June'14 "Trading conditions (PJO) are much improved with the restructuring costs now behind us, the benefits in front of us, and record profits in prospect"

This happily has come to pass with more than doubled group profits year on year, and the highest recorded profits, ever, by some 30%, in the 43 year history of the company.

Whilst the future of the UK coal industry remains uncertain, our mining supply company PJO in the last year sold a GBP100,000 boring machine to Russia for a deep mine in Vortuka, Siberia, delivered and paid for. When the Rouble recovers there should be more. Much more.

We also recently signed an exclusive agency agreement with Atalay of Turkey, a major manufacturer of mining equipment. They are also active throughout the Middle East and the countries of the former Soviet Union. Turkey are investing massively in their coal industry.

PJO is also in the pole position, through its test, calibration and repair division, for high value contracts with major utilities in the UK.

Group trading conditions in the current half year are ahead of this time last year. The group as a whole continues to expand in export markets with distributors and agents in 20 countries. We sell electronic products to the Japanese, we brand label for the mighty Honeywell & Omron and all of these products are produced in the industrial heartland of the United Kingdom - Lancashire, Staffordshire and Yorkshire. We look forward to another year of record profits.

In the light of this the Directors are pleased to increase our final dividend by 50% to 1.89 pence per share.

Mr W Boardman - Chairman

Date: 11 May 2015

MECHAN CONTROLS PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and the financial statements of the group for the year ended 31 December 2014.

DIRECTORS

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

Mr W Boardman - Chairman
 Mr M F Farrah - Technical Director
 Mr P K Knowles - Sales & Marketing Director
 Mr J Faulkner - Non Executive Director
 Mr R W Shaw
 Mr J O' Grady

STRATEGIC REPORT

The directors have considered the following within the Strategic Report:

Future Developments

Research and Development

Financial Risk Management Objectives and Policies

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors', Strategic Report, 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 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;

-- 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 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

AUDITOR

Baker Tilly UK Audit LLP has indicated its willingness to continue in office and in accordance with the Companies Act 2006 a resolution proposing the appointment of Baker Tilly UK Audit LLP as Auditor will be put to the members.

Each of the persons who is a director at the date of approval of this report confirm that:

-- so far as each director is aware, there is no relevant audit information of which the group's auditor is unaware; and

-- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Signed on behalf of the directors

Mr W Boardman
Managing Director
Approved by the directors on 11 May 2015

MECHAN CONTROLS PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Mechan Controls PLC's principal activity during the year continued 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. This market continues to grow world wide partly due to constantly updated and refined international safety standards and legislation continues to drive demand. This is likely to continue to be the case particularly in developing markets and the third World.

The principal activities of the subsidiaries of Mechan Controls PLC during the year were:-

Nirvana Engineering (Stafford) Limited's principal activity is to provide manufactured structures for the safe and secure storage of backup power systems within a niche market sector. This is again a growing international market with many power units required for telecoms in the developing and third world. This is an increasing growing section of the telecoms market. Commodity prices, particularly steel very much effect gross margins, happily steel prices have remained low and stable throughout 2014.

PJO Industrial Limited's principal activity during the period continued to be the contracting, sale, hire, and repair of specialist equipment for pipe services ancillary to pipe laying, together with the sale and servicing of equipment for the mining industry.

The turnover has increased in the year due to the sale of a mining machine to Russia in August 2014 and an increase in electrical sales. This has maintained the gross profit percentage. With the reduction in salaries and a careful control of costs and overheads the company has made an operating profit and a profit after taxation compared to losses in the previous year.

The company retains its mining customers and PJO continues to explore global export opportunities in Coal mining equipment supply and hopes for further sales in the forthcoming year.

PJO Industrial Limited now has strong links with agents in other countries such as Turkey and Syria for the sale of mining equipment.

PJO Group Limited was a dormant company during the year, holding 100% of the shares of PJO Industrial Limited.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to GBP475,781 (2013: 228,486). Particulars of dividends paid are detailed in note 10 to the financial statements.

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

GROUP KEY PERFORMANCE INDICATORS

	2014	2013
	GBP	GBP
Turnover	3,944,742	3,599,793
Gross Profit	1,947,016	1,795,448
Gross Profit %	49.4%	49.9%
Operating Profit	623,694	358,752
Profit before taxation	634,180	327,170
Profit after taxation	475,781	228,486
Net Current Assets	1,349,336	838,285
Shareholders' Funds	2,840,434	2,408,613
Earnings per share	23.79p	11.42p
Dividends per share	2.20p	1.89p
Net Assets per share	142.02p	120.43p

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

(MORE TO FOLLOW) Dow Jones Newswires

May 27, 2015 10:46 ET (14:46 GMT)

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.

PJO Industrial Limited has historically concentrated exclusively on the UK market. It is our intention to continue to use our established network of overseas contacts which again have been extended further to introduce PJO Industrial Limited's products, in particular the mining equipment, to that network and we would expect to see some further increased activity during the year. The company has recently signed an export agency agreement for Turkey and the Middle East.

The company continues to develop its relationship with its key customers including UK Coal PLC, the largest coal mining business in the UK. The original plans on acquisition included the development of an overseas sales strategy; this is now in hand and looking extremely promising, however these possibilities have not been factored into the projections for the year.

FINANCIAL INSTRUMENTS

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.

Liquidity risk

As part of our acquisition financing, the group continues to use invoice discounting. We are in the happy position that all our banking covenants for each of these facilities are being comfortably met after having been in place for five years.

Credit risk

We operate normal credit terms and this is specified in some cases in the distribution agreement. 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.

CURRENCY RISK

The Group does not hedge against its foreign currency risk.

RESEARCH AND DEVELOPMENT

The Mechan Controls PLC range of switches has more than trebled in the last 15 years. 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 Engineering (Stafford) Limited developed in the last four years two new products for which patents were granted. These products are now being presented in the market place and we are hoping for a successful return. 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.

PJO Industrial Limited is continuing a programme to refine and develop its capital equipment. In particular the company is responding to specific customer requirements including an overseas request for low seam development, and export expansion into Russia, Turkey and Norway.

MARKET VALUE OF INTERESTS IN LAND

The directors consider that the market value of interests in land and buildings as at 31 December 2014 was GBP165,000. The net book value of land and buildings in the financial statements is GBP57,290.

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 50 days purchases outstanding as at 31 December 2014, based on trade creditors outstanding at that date and purchases made during the year.

Signed on behalf of the directors

Mr W Boardman
Managing Director
Approved by the directors on 11 May 2015

MECHAN CONTROLS PLC

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 GBP	2013 GBP
Group Turnover	2	3,944,742	3,599,793
Cost of sales	3	(1,997,726)	(1,804,345)
GROSS PROFIT		1,947,016	1,795,448
Net operating expenses	3	(1,323,322)	(1,436,696)
GROUP OPERATING PROFIT	4	623,694	358,752
Interest receivable and similar income		3,018	231
Interest payable and similar charges	7	7,468	(31,813)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		634,180	327,170

Tax on profit on ordinary activities	8	(158,399)	(98,684)
PROFIT FOR THE FINANCIAL YEAR	9	475,781	228,486
Earnings per share (pence)			
Basic & Diluted	11	23.79p	11.42p

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.

FIXED ASSETS			
Intangible assets	12	1,341,750	1,469,253
Tangible assets	13	172,093	174,536
		1,513,843	1,643,789
CURRENT ASSETS			
Stocks	15	568,447	498,260
Debtors	16	893,994	832,803
Cash at bank and in hand		472,193	206,656
		1,934,634	1,537,719
CREDITORS: Amounts falling due within one year	17	585,298	699,434
NET CURRENT ASSETS		1,349,336	838,285
TOTAL ASSETS LESS CURRENT LIABILITIES		2,863,179	2,482,074
CREDITORS: Amounts falling due after more than one year	18	617	49,983
PROVISIONS FOR LIABILITIES			
Deferred taxation	22	22,128	23,478
		2,840,434	2,408,613
CAPITAL AND RESERVES			
Called-up equity share capital	25	50,000	50,000
Share premium account	26	653,000	653,000
Profit and loss account	26	2,137,434	1,705,613
SHAREHOLDERS' FUNDS	26	2,840,434	2,408,613

The financial information for the period ended 31 December 2014 was approved by the Board of directors on 11 May 2015. The financial information in this announcement does not constitute full accounts within the meaning of section 434 (3) of the Companies Act 2006 but is derived from the accounts for the period ended 31 December 2014. The financial information is prepared on the same basis as set out in the statutory accounts for the period ended 31 December 2014. Those accounts upon which the auditors issued an unqualified opinion, also had no statement under section 498(2) or (3) of the Companies Act 2006. The statutory accounts for the year ended 31 December 2014 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

These financial statements were approved by the directors and authorised for issue on 11 May 2015, and are signed on their behalf by:

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Mr W Boardman - Managing Director

Director

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