

DJ MECP Trading Statement

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Mechan Controls plc - Chairman's Report

Financial Statement for the Twelve Months Ended 31st December 2013

The Directors of Mechan Controls plc are pleased to announce the group's financial results for the 12 months trading period ending 31st December 2013.

The Group's turnover compared to the same period last year is down by 11.75% from GBP4,078,929 to GBP3,599,793 mostly due to the loss of contracts at PJO Industrial Limited and PJO Group. Group profit before tax is down by 6.3% from GBP349,210 to GBP327,170

It is significant that this compares favourably with our interim results, at which point profit before tax was down year on year by 28%. Therefore the reduction in profit of 6.3% for the year, represents a significant recovery in the second half of the financial year.

PJO are suppliers to the UK mining industry through UK Coal. UK coal experienced a catastrophic event due to a fire in February 2013 at the Daw Mill Mine in Warwickshire, and this subsequently led to the shutting down of the mine. This had the knock on effect in turn of rendering UK Coal insolvent. UK Coal was put into administration on 9th July 2013 and a week later placed into liquidation.

The impact of the above was that many suppliers to UK coal were left with large bad debts, and many have been driven into liquidation. Whilst this has not been the case for PJO, it has had to absorb a large write off of monies due from UK coal (GBP43,000). This write off was included in the trading performance for the first half of the year.

The above has masked an otherwise excellent twelve months from the rest of the group, namely Mechan Controls with profits up 130% and Nirvana, profits up 11.4%.

PJO however has survived and after major staff and overhead reduction is now, in the current year, thriving and in profit.

The future of the UK Coal deep mines is also not necessarily terminal. The two deep mines, Kellingley & Thorsby have had to be rescued by a government consortium (April'14) on an eighteen

months winding down scheme. However private industry has taken an interest (as participants in the recent rescue) and there may be a scheme afoot for acquiring the two mines after eighteen months.

PJO has continued to explore global export opportunities and we are absolutely delighted to announce that this has now born fruit. PJO has won a contract to supply a GBP100,000 drilling machine to Severstal Industries of Russia. This is PJO's first overseas contract.

The machine is destined for a coal mine in Verkuta City, Northern Siberia. The company, Severstal, has many such sites. The machine is for delivery in August this year and this maybe, just maybe, the entry at last of PJO into the international export market.

To paraphrase the line from the famous song, 'There's an awful lot of coffee in Brazil' - 'there's an awful lot of coal in Siberia'.

Group trading conditions in the current half of the year are much improved, and with the restructuring of costs now behind us, record profits are in prospect. We are confident that the business will continue to grow organically and resume it's historical 'year on year' growth pattern.

In the light of this the Directors are pleased to maintain the final dividend at 1.26 pence per share.

The Directors accept responsibility for this report.

Wilf Boardman

Chairman

Mechan Controls plc

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