RSM TENON AUDIT LIMITED

COMPANY REGISTRATION NUMBER 3802853

Mechan Controls Plc

Directors' Report
And Financial Statements

For the Year Ended 31 December 2009

The Directors are pleased to announce our final results for 2009 which for the first time include 12 months trading from our acquisition of Nirvana Engineering (Stafford) Limited in March 2008. You will see from the key performance indicators in the directors' report that:

- Consolidated turnover has increased by 13% on last year.

- Consolidated profits before tax have increased by 62% on last year.

In the current year the turnover of the combined companies is 15% up, after the first quarter, when compared to 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 and the timely acquisition of Nirvana.

In the light of this excellent increase in profits, the directors are pleased to announce an increase in the final dividend of 50% to £21,000 (2008 £14,000).

Mr W Boardman - Chairman

Date: 25 May 2010

The directors have pleasure in presenting their report and the financial statements of the group for the year ended 31 December 2009.

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 it's 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

	2009	2008
	£	£
Turnover	2,549,520	2,261,422
Gross Profit	1,345,695	1,084,772
Operating Profit	464,895	322,972
Profit before taxation	421,468	259,771
Profit after taxation	300,754	168,037
Shareholders Funds	1,453,076	1,176,322
Earnings per share	15.04p	8.4p
Dividends per share	1.20p	0.85p
Net Assets per share	72.65p	58.80p

The directors wish to highlight that after tax earnings per share have increased from 8.4p in 2008 to 15.04p in 2009.

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 have exceeded our first quarter growth targets for the current year with order intake up by 15% year on year. Despite these trying times with lower interest charges we nevertheless 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 £300,754. 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 twenty four 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. A constant R & D effort is necessary to retain a leading edge in Mechan's hi-tech field.

Nirvana has developed two new products which are currently being prototyped and patented and will probably be ready by the second half of 2010. 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 F 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 interests in land and buildings as at 31 December 2009 was £150,000. The net book value of land and buildings in the financial statements is £65,480.

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 group had 58 days purchases outstanding as at 31 December 2009, based on trade creditors outstanding at that date and purchases made during the year.

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 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.

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.

AUDITOR

Our auditors have changed their name to RSM Tenon Audit Limited and have signed the audit report in their new name.

RSM Tenon Audit Limited are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Signed on behalf of the directors

Mr R Parkinson
Company Secretary

Approved by the directors on 25 May 2010

We have audited the group and parent company financial statements ("the financial statements") of Mechan Controls Plc for the year ended 31 December 2009 set out on pages 9 to 31 which have been prepared on the basis of the accounting policies set out on pages 15 to 17. 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 Part 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 AUDITOR

As 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 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 STATEMENTS

An 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 the 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.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

* give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2009 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: 25 May 2010

TURNOVER	2				
Continuing operations		2,549,520		858,484	
Acquisitions		-		1,402,938	
		2,549,520		2,261,422	
Group Turnover			2,549,520		2,261,422
Cost of sales	3		(1,203,825)		(1,176,650)
GROSS PROFIT			1,345,695		1,084,772
Net operating expenses	3		880,800		761,800
OPERATING PROFIT:	4				
Continuing operations		464,895		74,881	
Acquisitions		-		248,091	
GROUP OPERATING PROFIT			464,895		322,972
Interest receivable			1		3,021
Interest payable and similar charges	7		(43,428)		(66,222)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			421,468		259,771
Tax on profit on ordinary activities	8		120,714		91,734

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PROFIT FOR THE FINANCIAL YEAR	9	300,754	168,037
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Earnings per share (pence)			
Basic	11	15.04	8.40
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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	1,162,878	1,247,600
Tangible assets	13	153,500	178,289
		--------	--------
		1,316,378	1,425,889
CURRENT ASSETS			
Stocks	15	272,482	291,934
Debtors	16	528,520	498,713
Cash at bank		161,915	22,057
		--------	--------
		962,917	812,704
CREDITORS: Amounts falling due within one year	17	502,546	567,811
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NET CURRENT ASSETS		460,371	244,893
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TOTAL ASSETS LESS CURRENT LIABILITIES		1,776,749	1,670,782
CREDITORS: Amounts falling due after more than one year	18	306,163	476,629
PROVISIONS FOR LIABILITIES			
Deferred taxation	21	17,510	17,831
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		1,453,076	1,176,322

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	750,076	473,322

SHAREHOLDERS' FUNDS	25	1,453,076	1,176,322
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These financial statements were approved by the directors and authorised for issue on 25 May 2010, and are signed on their behalf by:

Mr W Boardman - Managing Director