

Mechan Controls plc

Directors' Report and
Financial Statements

For the Year Ended
31 December 2014

MECHAN CONTROLS PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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MECHAN CONTROLS PLC

OFFICERS AND PROFESSIONAL ADVISERS COMPANY INFORMATION

The board of directors	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
Company secretary	Mrs J Elms
Registered number	03802853
Registered office	14/16 Seddon Place Stanley Industrial Estate Skelmersdale WN8 8EB
Accountant	Montpelier Professional (Lancs) Limited Charter House Pittman Way Fulwood Preston Lancashire PR2 9ZD
Auditor	Baker Tilly UK Audit LLP Statutory Auditor 3 Hardman Street Manchester M3 3HF
Bankers	National Westminster Bank Plc 35 Fishergate Preston PR1 2AD
Solicitors	Marsden Rawsthorn Faraday Court Faraday Drive Fulwood Preston PR2 9NB

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 £100,000 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.

MECHAN CONTROLS PLC

DIRECTORS' REPORT *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2014

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

A handwritten signature in dark ink, appearing to be 'W. Boardman', written in a cursive style.

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 £475,781 (2013: 228,486). Particulars of dividends paid are detailed in note 10 to the financial statements.

MECHAN CONTROLS PLC

STRATEGIC REPORT *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2014

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

GROUP KEY PERFORMANCE INDICATORS

	2014 £	2013 £
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

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 £165,000. The net book value of land and buildings in the financial statements is £57,290.

MECHAN CONTROLS PLC

STRATEGIC REPORT *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2014

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

A handwritten signature in dark ink, appearing to be 'W. Boardman', followed by a large, stylized flourish or bracket-like mark.

Mr W Boardman
Managing Director

Approved by the directors on 11 May 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MECHAN CONTROLS PLC
FOR THE YEAR ENDED 31 DECEMBER 2014

We have audited the group and parent company financial statements (the "financial statements") on pages 11 to 33. 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 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 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the 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 statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

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 2014 and of the group's 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

FOR THE YEAR ENDED 31 DECEMBER 2014

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.



Graham Bond FCA (Senior Statutory Auditor)
For and on behalf of Baker Tilly UK audit LLP
Statutory Auditor
3 Hardman Street
Manchester
M3 3HF

Date:

13/5/15

MECHAN CONTROLS PLC
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

		Note	2014 £	2013 £
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.

The notes on pages 16 to 33 form part of these financial statements.

MECHAN CONTROLS PLC
GROUP BALANCE SHEET
FOR THE 31 DECEMBER 2014

	Note	2014 £	£	2013 £	£
FIXED ASSETS					
Intangible assets	12		1,341,750		1,469,253
Tangible assets	13		172,093		174,536
			<u>1,513,843</u>		<u>1,643,789</u>
CURRENT ASSETS					
Stocks	15	568,447		498,260	
Debtors	16	893,994		832,803	
Cash at bank and in hand		472,193		206,656	
		<u>1,934,634</u>		<u>1,537,719</u>	
CREDITORS: Amounts falling due within one year	17	585,298		699,434	
NET CURRENT ASSETS			<u>1,349,336</u>		<u>838,285</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,863,179</u>		<u>2,482,074</u>
CREDITORS: Amounts falling due after more than one year	18		617		49,983
PROVISIONS FOR LIABILITIES					
Deferred taxation	22		22,128		23,478
			<u>2,840,434</u>		<u>2,408,613</u>
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		<u>2,840,434</u>		<u>2,408,613</u>

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



.....
Mr W Boardman - Managing Director
Director

Company Registration Number: 03802853

The notes on pages 16 to 33 form part of these financial statements.

MECHAN CONTROLS PLC
COMPANY BALANCE SHEET
FOR THE 31 DECEMBER 2014

	Note	2014 £	£	2013 £	£
FIXED ASSETS					
Intangible assets	12		233,875		277,824
Tangible assets	13		84,410		79,165
Investments	14		2,497,161		2,497,161
			<u>2,815,446</u>		<u>2,854,150</u>
CURRENT ASSETS					
Stocks	15	240,613		207,723	
Debtors	16	521,142		493,201	
Cash at bank		83,224		26,402	
			<u>844,979</u>	<u>727,326</u>	
CREDITORS: Amounts falling due within one year	17	224,597		363,494	
NET CURRENT ASSETS			<u>620,382</u>		<u>363,832</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,435,828</u>		<u>3,217,982</u>
CREDITORS: Amounts falling due after more than one year	18		2,012,947		1,993,605
PROVISIONS FOR LIABILITIES					
Deferred taxation	22		4,058		2,468
			<u>1,418,823</u>		<u>1,221,909</u>
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		715,823		518,909
SHAREHOLDERS' FUNDS			<u>1,418,823</u>		<u>1,221,909</u>

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



.....
Mr W Boardman - Managing Director
Director

Company Registration Number: 03802853

The notes on pages 16 to 33 form part of these financial statements.

MECHAN CONTROLS PLC

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014		2013	
	£	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES		621,836		650,012
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	3,018		231	
Interest paid	7,347		(31,907)	
Interest element of hire purchase	(636)		(828)	
NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		9,729		(32,504)
TAXATION		(103,031)		(118,877)
CAPITAL EXPENDITURE				
Payments to acquire tangible fixed assets	(43,938)		(27,172)	
Receipts from sale of fixed assets	—		2,600	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(43,938)		(24,572)
EQUITY DIVIDENDS PAID		(43,960)		(37,700)
CASH INFLOW BEFORE FINANCING		440,636		436,359
FINANCING				
Repayment of bank loans	(168,740)		(269,020)	
Net (outflow)/inflow from invoice discounting	(4,794)		15,683	
Capital element of hire purchase	(1,565)		(1,438)	
Repayment of directors' loans	—		(100,000)	
NET CASH OUTFLOW FROM FINANCING		(175,099)		(354,775)
INCREASE IN CASH		265,537		81,584

The notes on pages 16 to 33 form part of these financial statements.

MECHAN CONTROLS PLC**GROUP CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2014****RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2014 £	2013 £
Operating profit	623,694	358,752
Amortisation	127,503	127,503
Depreciation	46,381	48,952
Profit on disposal of fixed assets	–	(78)
(Decrease)/Increase in stocks	(70,187)	31,086
(Decrease)/Increase in debtors	(63,863)	101,901
Decrease in creditors	(41,692)	(18,104)
Net cash inflow from operating activities	<u>621,836</u>	<u>650,012</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2014 £	2013 £
Increase in cash in the period	265,537	81,584
Net cash outflow from bank loans	168,740	269,020
Net cash outflow/(inflow) from invoice discounting	4,794	(15,683)
Cash outflow in respect of hire purchase	1,565	1,438
Cash outflow from directors' loans	–	100,000
Change in net debt resulting from cash flows	440,636	436,359
Invoice discounting reclassified as debt	–	(7,434)
Movement in net debt in the period	440,636	428,925
Net debt at 1 January 2014	(33,387)	(462,312)
Net funds/(debt) at 31 December 2014	<u>407,249</u>	<u>(33,387)</u>

ANALYSIS OF CHANGES IN NET (DEBT) FUNDS

	At 1 Jan 2014 £	Cash flows £	Other changes £	At 31 Dec 2014 £
Net cash:				
Cash in hand and at bank	206,656	265,537	–	472,193
Debt:				
Debt due within 1 year	(166,880)	168,740	(46,500)	(44,640)
Debt due after 1 year	(46,500)	–	46,500	–
Hire purchase agreements	(3,546)	1,565	–	(1,981)
Invoice discounting	(23,117)	4,794	–	(18,323)
	<u>(240,043)</u>	<u>175,099</u>	<u>–</u>	<u>(64,944)</u>
Total	<u>(33,387)</u>	<u>440,636</u>	<u>–</u>	<u>407,249</u>

The notes on pages 16 to 33 form part of these financial statements.

MECHAN CONTROLS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill calculated being the difference between the fair value of consideration given and fair value of net assets acquired on consolidation, is capitalised and amortised over its estimated useful life up to a maximum of 20 years. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Turnover

The turnover shown in the profit and loss account represents the invoice value of goods and services provided during the year, exclusive of value added tax. Turnover on sales of safety switches, control and monitoring units and the sale of manufactured structures for safe and secure storage of backup systems and the sale of manufactured machinery to the mining industry is recognised in the accounts on the despatch of the goods to the customer. Income from the hire and repair of specialist equipment for pipe services, ancillary to pipe laying, is recognised in the accounts in the period to which the service relates.

Research and development

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

Development expenditure is also written off, except where the directors are satisfied as to the innovative nature and technical, commercial and financial viability of clearly defined projects whose outcome can be assessed with reasonable certainty. In such cases, the identifiable expenditure is carried forward and once production commences, amortisation is charged over the period during which the company is expected to benefit.

Patents

Patents are capitalised at cost.

Goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life up to a maximum of 20 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if events and circumstances emerge that indicate that the carrying value may not be recoverable.

1. ACCOUNTING POLICIES *(continued)***Development costs**

Development expenditure is written off, except where the directors are satisfied as to the innovative nature and technical, commercial and financial viability of clearly defined projects whose outcome can be assessed with reasonable certainty. In such cases, the identifiable expenditure is carried forward and once production commences, amortisation is charged over the period during which the company is expected to benefit.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill	-	20 Years Straight Line
Development Costs	-	Over 15-20 years
Patents	-	Over the life of the patent

Fixed assets

All fixed assets are recorded at cost together with any incidental expenses of acquisition.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	- 2%	Straight Line
Plant & Machinery and fixtures and fittings	- 25%	Reducing Balance
Equipment for Research & Development	- 25%	Reducing Balance
Other assets	- 25% – 33.3%	Straight Line
Website Design	- 33.3%	Straight Line
Short Leasehold Property	- 10%	Straight Line\ length of lease

Stocks

Raw materials and stocks of packaging and parts are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost is calculated on a first in first out basis. Net realisable value represents the amount recoverable on eventual sale less any costs incurred.

Work in progress

The work in progress is valued on the basis of attributable direct materials and labour depending on the stage reached in the production process. No element of profit is included in the valuation of work in progress.

Direct overheads and labour costs are absorbed into stock and work in progress based on the total direct labour hours utilised in the year. Any work in progress not considered recoverable is written off at the point it becomes irrecoverable and the reclaimable parts of the project are placed back into stock, time spent is written off to the profit and loss.

MECHAN CONTROLS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES *(continued)*

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value.

The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit. Non - Monetary assets and liabilities are measured at historical foreign currency rates and are not retranslated.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

1. ACCOUNTING POLICIES *(continued)*

Going concern

The accounts have been prepared on a going concern basis. Having carried out a detailed review of the company's resources, the directors are confident that the company has sufficient cash flows to meet its liabilities as they fall due for at least one year from the date of approval of the accounts.

Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the results from ordinary activities.

MECHAN CONTROLS PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. TURNOVER AND SEGMENTAL ANALYSIS

Area of activity	Safety switch production		Safe and secure storage of backup power systems		Contracting, sale, hire and repair of specialist pipe services ancillary to pipe laying for the mining industry		Total
	2014	2013	2014	2013	2014	2013	
TURNOVER							
Continuing operations:							
Sales to third parties	<u>1,346,681</u>	<u>1,294,380</u>	<u>1,688,310</u>	<u>1,639,548</u>	<u>909,751</u>	<u>665,865</u>	<u>3,944,742</u>
							<u>3,599,793</u>
OPERATING PROFIT							
Segment profit:							
Continuing operations	<u>297,450</u>	<u>283,022</u>	<u>334,393</u>	<u>276,881</u>	<u>(8,149)</u>	<u>(201,151)</u>	<u>623,694</u>
							<u>358,752</u>
Operating profit							
Net interest and income from Investments							<u>11,161</u>
							<u>(30,682)</u>
Profit on ordinary activities before taxation							<u>634,180</u>
							<u>327,170</u>
NET ASSETS							
Net assets by segment:							
Continuing operations	<u>1,656,197</u>	<u>1,459,285</u>	<u>1,493,669</u>	<u>1,242,241</u>	<u>(309,432)</u>	<u>(292,913)</u>	<u>2,840,434</u>
							<u>2,408,613</u>

2. TURNOVER AND SEGMENTAL ANALYSIS *(continued)*

Geographical activity	UK	USA	Europe	Total
	£	£	£	2014
TURNOVER				
Continuing operations:				
Sales to third parties	<u>3,184,762</u>	<u>491,561</u>	<u>268,419</u>	<u>3,944,742</u>
OPERATING PROFIT				
Segment profit:				
Continuing operations	<u>450,783</u>	<u>114,544</u>	<u>58,367</u>	<u>623,694</u>
Operating profit				623,694
Net interest and income from Investments				10,486
Profit on ordinary activities Before taxation				<u>634,180</u>
Geographical activity	UK	USA	Europe	Total
	£	£	£	2013
TURNOVER				
Continuing operations:				
Sales to third parties	<u>2,909,572</u>	<u>513,041</u>	<u>177,180</u>	<u>3,599,793</u>
OPERATING PROFIT				
Segment profit:				
Continuing operations	<u>204,805</u>	<u>116,815</u>	<u>37,132</u>	<u>358,752</u>
Operating profit				358,752
Net interest and income from Investments				(31,582)
Profit on ordinary activities Before taxation				<u>327,170</u>

There are no material differences when comparing turnover by destination to turnover by origin.

MECHAN CONTROLS PLC**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2014****3. COST OF SALES AND NET OPERATING EXPENSES - CONTINUING OPERATIONS**

	2014 £	2013 £
Cost of sales	<u>1,997,726</u>	<u>1,804,345</u>
Distribution costs	181,301	242,870
Administrative expenses	1,142,696	1,194,726
Other operating income	(675)	(900)
Net operating expenses	<u>1,323,322</u>	<u>1,436,696</u>

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2014 £	2013 £
Amortisation of government grants re fixed assets	(70)	(94)
Amortisation of goodwill	103,728	103,728
Amortisation of other intangible fixed assets	23,775	23,775
Research and Development expenditure written off	100,001	96,661
Depreciation of owned fixed assets	45,218	47,400
Depreciation of assets held under hire purchase agreements	1,163	1,551
(Profit)/Loss on disposal of fixed assets	-	(78)
Operating lease costs:		
- Land and Buildings	95,792	97,093
- Other	11,187	8,823
Net loss/(profit) on foreign currency translation	2,325	119
Auditor's remuneration – audit of the financial statements :		
:- Mechan Controls PLC	9,300	9,000
:- Nirvana Engineering (Stafford) Limited	6,650	6,500
:- PJO Industrial Limited & PJO Group Limited	4,650	4,500
Auditor's remuneration – other services:		
:- Nirvana Engineering (Stafford) Limited	-	326
Hire of Plant and Equipment	<u>8,832</u>	<u>4,808</u>

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the group during the financial year amounted to:

	2014 No	2013 No
Number of production staff	30	27
Number of administrative staff	5	6
Number of management staff	9	8
	<u>44</u>	<u>41</u>

5. PARTICULARS OF EMPLOYEES (continued)

The aggregate payroll costs of the above were:

	2014 £	2013 £
Wages and salaries	1,127,842	1,160,279
Social security costs	80,070	81,400
Other pension costs	5,834	5,834
	<u>1,213,746</u>	<u>1,247,513</u>

6. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were:

	2014 £	2013 £
Remuneration receivable	316,664	287,788
Value of company pension contributions to money purchase schemes	1,687	1,687
	<u>318,351</u>	<u>289,475</u>

Remuneration of highest paid director:

	2014 £	2013 £
Total remuneration (excluding pension contributions)	74,073	74,887
Value of company pension contributions to money purchase schemes	1,687	1,687
	<u>75,760</u>	<u>76,574</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2014 No	2013 No
Money purchase schemes	<u>1</u>	<u>1</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £	2013 £
Interest payable on bank borrowing	(17,904)	19,670
Finance charges	636	828
Other similar charges payable	9,800	11,315
	<u>(7,468)</u>	<u>31,813</u>

The interest payable includes £25,550 compensation from the bank in relation to a mis-sold interest rate hedge and results in negative interest charge in the year.

8. TAXATION ON ORDINARY ACTIVITIES**(a) Analysis of charge in the year**

	2014 £	2013 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 21% (2013 - 23%)	159,749	103,030
Under provision in prior year	-	3
Total current tax (Note 8(b))	<u>157,749</u>	<u>103,033</u>
Deferred tax:		
Origination and reversal of timing differences (note 22)		
Capital allowances	(1,350)	(4,349)
Tax on profit on ordinary activities	<u>158,399</u>	<u>98,684</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 21% (2013 - 23%).

	2014 £	2014 £
Profit on ordinary activities before taxation	<u>634,180</u>	<u>327,170</u>
Profit on ordinary activities by the standard rate of tax	133,178	75,249
Expenses not deductible for tax purposes	29,360	31,742
Capital allowances for period in excess of depreciation	(691)	3,437
Research and development relief	(3,808)	(4,170)
Differences in tax rates	1,710	(3,228)
Under provision of corporation tax prior year	-	3
Total current tax (note 8(a))	<u>159,749</u>	<u>103,033</u>

(c) Factors that may affect future tax charges

The main rate of corporation tax is 21% effective from 1 April 2014 and will be applied to the company's results as appropriate.

From 1 April 2015 the main rate of corporation tax has been further reduced to 20%.

9. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the financial statements of the parent company was £240,874 (2013 - loss £44,022).

MECHAN CONTROLS PLC**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2014****10. DIVIDENDS****Equity dividends**

	2014 £	2013 £
Paid during the year:		
Equity dividends on ordinary shares	<u>43,960</u>	<u>37,700</u>

For the year ended 31 December 2014 there is a proposed dividend declared after the year end and not provided in the accounts of £37,800, an increase of 50% on the 2013 final dividend of £25,200.

11. EARNINGS PER SHARE

Earnings per share has been calculated on the net profit on ordinary activities after taxation of £475,781 (2013: £228,486) using the average number of ordinary shares in issue during the year of 2,000,000 (2013: 2,000,000).

12. INTANGIBLE FIXED ASSETS**Group**

	Goodwill £	Patents & Development Costs £	Total £
COST			
At 1 January 2014 and 31 December 2014	<u>2,074,650</u>	<u>273,582</u>	<u>2,348,232</u>
AMORTISATION			
At 1 January 2014	742,106	136,873	878,979
Charge for the year	103,728	23,775	127,503
At 31 December 2014	<u>845,834</u>	<u>160,648</u>	<u>1,006,482</u>
NET BOOK VALUE			
At 31 December 2014	<u>1,228,816</u>	<u>112,934</u>	<u>1,341,750</u>
At 31 December 2013	<u>1,332,544</u>	<u>136,709</u>	<u>1,469,253</u>

12. INTANGIBLE FIXED ASSETS *(continued)***Company**

	Goodwill	Patents & Development Costs	Total
	£	£	£
COST			
At 1 January 2014 and 31 December 2014	<u>637,232</u>	<u>199,638</u>	<u>836,870</u>
AMORTISATION			
At 1 January 2014	446,068	112,978	559,046
Charge for the year	31,862	12,087	43,949
At 31 December 2014	<u>477,930</u>	<u>125,065</u>	<u>602,995</u>
NET BOOK VALUE			
At 31 December 2014	<u>159,302</u>	<u>74,573</u>	<u>233,875</u>
At 31 December 2013	<u>191,164</u>	<u>86,660</u>	<u>277,824</u>

13. TANGIBLE FIXED ASSETS**Group**

	Freehold Property £	Leasehold Property £	Equipment for Research & Development £	Fixtures & Fittings & Plant & Machinery £	Other Assets £	Total £
COST						
At 1 Jan 2014	81,900	3,959	19,979	605,027	105,328	816,193
Additions	—	10,138	—	17,849	15,951	43,938
At 31 Dec 2014	<u>81,900</u>	<u>14,097</u>	<u>19,979</u>	<u>622,876</u>	<u>121,279</u>	<u>860,131</u>
DEPRECIATION						
At 1 Jan 2014	22,972	3,333	18,639	518,119	78,594	641,657
Charge for the year	1,638	1,103	339	31,042	12,259	46,381
At 31 Dec 2014	<u>24,610</u>	<u>4,436</u>	<u>18,978</u>	<u>549,161</u>	<u>90,853</u>	<u>688,038</u>
NET BOOK VALUE						
At 31 Dec 2014	<u>57,290</u>	<u>9,661</u>	<u>1,001</u>	<u>73,715</u>	<u>30,426</u>	<u>172,093</u>
At 31 Dec 2013	<u>58,928</u>	<u>626</u>	<u>1,340</u>	<u>86,908</u>	<u>26,734</u>	<u>174,536</u>

Hire purchase agreements

Included within the net book value of £172,093 is £3,489 (2013 - £4,652) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £1,163 (2013 - £1,551).

MECHAN CONTROLS PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

13. TANGIBLE FIXED ASSETS *(continued)*

Company	Freehold Property £	Equipment for Research & Development £	Fixtures & Fittings & Plant & Machinery £	Computer Equipment £	Website design £	Total £
COST						
At 1 Jan 2014	81,900	19,979	130,180	42,396	4,100	278,555
Additions	—	—	14,389	1,594	2,813	18,796
At 31 Dec 2014	81,900	19,979	144,569	43,990	6,913	297,351
DEPRECIATION						
At 1 Jan 2014	22,972	18,639	114,040	39,639	4,100	199,390
Charge for the year	1,638	339	7,646	2,990	938	13,551
At 31 Dec 2014	24,610	18,978	121,686	42,629	5,038	212,941
NET BOOK VALUE						
At 31 Dec 2014	57,290	1,001	22,883	1,361	1,875	84,410
At 31 Dec 2013	58,928	1,340	16,140	2,757	—	79,165

14. INVESTMENTS

Company	Group companies £
COST & NET BOOK VALUE	
At 1 January 2014 and 31 December 2014	2,497,161

Subsidiary undertakings	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Nirvana Engineering (Stafford) Limited	England	Ordinary shares	100%	To provide manufactured structures for the safe and secure storage of back up power systems.
PJO Industrial Limited	England	Ordinary shares	100%	To provide contracting, sale, hire and repair of specialist equipment for pipe services ancillary to pipe laying, and the sale and service of equipment in the mining industry.
PJO Group Limited	England	Ordinary shares	100%	A dormant holding company for PJO Industrial Limited.

All of the above named subsidiary companies have been included in the consolidated accounts of Mechan Controls PLC.

MECHAN CONTROLS PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

15. STOCKS

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Raw materials	513,267	432,993	220,033	183,580
Work in progress	34,600	41,124	-	-
Finished goods	20,580	24,143	20,580	24,143
	<u>568,447</u>	<u>498,260</u>	<u>240,613</u>	<u>207,723</u>

16. DEBTORS

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade debtors	820,637	755,079	182,966	206,382
Amounts owed by group undertakings	-	-	313,727	281,701
Other debtors	36,966	41,040	19,383	-
Directors current accounts	242	84	-	-
Prepayments and accrued income	36,149	36,600	5,066	5,118
	<u>893,994</u>	<u>832,803</u>	<u>521,142</u>	<u>493,201</u>

The debtors above include the following amounts falling due after more than one year:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Amounts owed by group undertakings	<u>-</u>	<u>-</u>	<u>313,727</u>	<u>281,701</u>

17. CREDITORS: Amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Bank loans and overdrafts	45,002	166,880	44,640	166,880
Trade creditors	190,728	223,748	74,940	61,769
Hire purchase agreements	1,688	1,564	-	-
Directors' loan accounts	48	48	-	-
Other creditors including taxation and social security:				
Corporation tax	159,748	103,031	70,870	65,971
PAYE and social security	38,555	44,541	9,749	10,385
VAT	43,764	38,463	5,144	8,264
Other creditors	55,612	65,059	-	23,486
Accruals and deferred income	50,153	56,100	19,254	26,739
	<u>585,298</u>	<u>699,434</u>	<u>224,597</u>	<u>363,494</u>

Group

Amounts due by the group to RBS Invoice Factors Limited of £18,323 (2013: £23,117) are secured by a debenture dated 30 November 2011.

MECHAN CONTROLS PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

17. CREDITORS: Amounts falling due within one year (continued)

Company

Amounts due to the company by RBS Invoice Factors Limited of £19,383 (2013: (£21,409)) are secured by a debenture dated 30 November 2011.

Amounts due to the factoring company are secured on the group's book debts.

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Bank loans (note 19)	44,640	166,880	44,640	166,880
Other creditors	55,061	23,117	-	21,409
Hire purchase agreements	1,688	1,564	-	-
	<u>101,389</u>	<u>191,561</u>	<u>44,640</u>	<u>188,289</u>

18. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Bank loans	-	46,500	-	46,500
Payments received on account	166	1,290	-	-
Amounts owed to group undertakings	-	-	2,012,789	1,946,894
Hire purchase agreements	293	1,982	-	-
Accruals and deferred income	158	211	158	211
	<u>617</u>	<u>49,983</u>	<u>2,012,947</u>	<u>1,993,605</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Bank loans (note 19)	-	46,500	-	46,500
Hire purchase agreements	293	1,982	-	-
	<u>293</u>	<u>48,482</u>	<u>-</u>	<u>46,500</u>

19. CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Amounts repayable:				
In one year or less or on demand	44,640	166,880	44,640	166,880
In more than one year but not more than two years	<u>—</u>	<u>46,500</u>	<u>—</u>	<u>46,500</u>
	<u>44,640</u>	<u>213,380</u>	<u>44,640</u>	<u>213,380</u>

The group's bank borrowings are secured by:

- An unlimited inter company composite guarantee with accession between the parent company Mechan Controls PLC and all the UK subsidiary companies. The parent company liability is £Nil, (2013: £Nil).
- Debentures incorporating full, fixed and floating charges over all group UK assets and undertakings.
- A first legal charge over all freehold and long leasehold properties.
- Assignment over key insurance policies.

20. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Amounts payable within 1 year	1,688	1,564	-	-
Amounts payable between 2 to 5 years	293	1,982	-	-
	<u>1,981</u>	<u>3,546</u>	<u>-</u>	<u>-</u>

21. PENSIONS

The group operates a defined contribution pension scheme on behalf of certain employees. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions are paid based upon the recommendations of a qualified actuary. The annual commitment under this scheme is for contributions of £5,834 (2013: £5,834).

MECHAN CONTROLS PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

22. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Provision brought forward	23,478	27,827	2,468	3,846
Increase/(Decrease) in provision	(1,350)	(4,349)	1,590	(1,378)
Provision carried forward	<u>22,128</u>	<u>23,478</u>	<u>4,058</u>	<u>2,468</u>

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Group	2014		2013	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>22,128</u>	<u>-</u>	<u>23,478</u>	<u>-</u>

The company's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Company	2014		2013	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>4,058</u>	<u>-</u>	<u>2,468</u>	<u>-</u>

23. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2014 the group had annual commitments under non-cancellable operating leases as set out below.

Group	2014		2013	
	Land and buildings	Other items	Land and buildings	Other items
	£	£	£	£
Operating leases which expire:				
Within 1 year	-	2,206	97,000	3,536
Within 2 to 5 years	<u>97,093</u>	<u>3,536</u>	<u>97,000</u>	<u>8,823</u>
	<u>97,093</u>	<u>5,742</u>	<u>97,000</u>	<u>12,359</u>

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as set out below.

Company	2014	2013
	Other items	Other items
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>3,536</u>	<u>8,823</u>

MECHAN CONTROLS PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

24. RELATED PARTY TRANSACTIONS

The company was under the control of Mr W Boardman throughout the current and previous year. Mr W Boardman is the managing director and majority shareholder.

During the year the company paid dividends to the directors as follows:

	2014	2013
	£	£
Mr W Boardman	22,255	19,541
Mr M Farrah	2,462	2,111
Mr P Knowles	6,154	5,278
Mr J Faulkner	1,352	1,131
Mr R Parkinson	-	1,383

25. SHARE CAPITAL

Allotted, called up and fully paid:

	2014		2013	
	No	£	No	£
2,000,000 Ordinary shares of £0.025 each	2,000,000	50,000	2,000,000	50,000

26. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

Group	Share capital	Share premium account	Profit and loss account	Total share-holders' funds
	£	£	£	£
As at 1 January 2013	50,000	653,000	1,514,826	2,217,826
Profit for the year	-	-	228,487	228,487
Equity dividends	-	-	(37,700)	(37,700)
As at 1 January 2014	50,000	653,000	1,705,613	2,408,613
Profit for the year	-	-	475,781	475,781
Equity dividends	-	-	(43,960)	(43,960)
As at 31 December 2014	50,000	653,000	2,137,434	2,840,434
Company	Share capital	Share premium account	Profit and loss account	Total share-holders' funds
	£	£	£	£
As at 1 January 2013	50,000	653,000	600,631	1,303,631
Loss for the year	-	-	(44,022)	(44,022)
Equity dividends	-	-	(37,700)	(37,700)
As at 1 January 2014	50,000	653,000	518,909	1,221,909
Profit for the year	-	-	240,874	240,874
Equity dividends	-	-	(43,960)	(43,960)
As at 31 December 2014	50,000	653,000	715,823	1,418,823

27. FINANCIAL INSTRUMENTS

The group's use of financial instruments is not extensive and hence its exposure to risk is limited.

Credit risk

The group's trade debtors which fall outside the usual credit terms but which are still considered recoverable, only account for 12% of the total balance outstanding at the year end. Hence credit risk is not considered to be significant.

Liquidity risk

The group has a strong net current assets position of £1,349,336 with access to a bank overdraft facility should it be needed and hence liquidity risk is considered low. The cash always remains in or around the target zone set by the directors and hence cashflow risk is considered low.

Market risk

The group has bank loans of £44,640 and is therefore at risk from interest rate rises. However, in the current economic climate interest rates are very unlikely to rise and the group does not envisage any problems with the loan repayments.

Of the group's turnover, 21.88% is generated abroad. Hence, the group is at risk from exchange rate changes. These are monitored and prices would be adjusted if felt appropriate.

Currency risk

The group does not hedge against its foreign currency risk.