

COMPANY REGISTRATION NUMBER: 03802853

Mechan Controls Plc

Financial Statements

For the year ended

31 December 2015

Mechan Controls Plc

Financial Statements

Year ended 31 December 2015

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Mechan Controls Plc

Officers and Professional Advisers

The board of directors

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 W Shaw
Mr J O' Grady

Company secretary

Mrs J Elms

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

RSM UK Audit LLP
Chartered Accountants & statutory auditor
20 Chapel Street
Liverpool
L3 9AG

Bankers

National Westminster Bank Plc
35 Fishergate
Preston
PR1 2AD

Solicitors

Marsden Rawsthorn
Faraday Court
Faraday Drive
Fulwood
Preston
PR2 9NB

Mechan Controls Plc

Strategic Report

Year ended 31 December 2015

The directors present the Strategic Report of the audited financial statements of Mechan Controls Plc for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES OF THE GROUP

The group consists of four companies:

- Mechan Controls Plc ("Mechan")
- Nirvana Engineering (Stafford) Limited ("Nirvana")
- PJO Industrial Limited ("PJO")
- PJO Group Limited ("PJO Group")

Mechan's principal activity during the year continued to be the research in, and manufacture and product enhancement of, electronic safety switches, control units and monitoring devices to provide the safeguarding of personnel and machinery.

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

Nirvana's principal activity continued to be the provision of manufactured structures for the safe and secure storage of backup power systems within a niche market sector.

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

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

FAIR REVIEW OF THE BUSINESS

The group's results for the year show that turnover has decreased by 3.93% on the prior year to £3,789,421. The gross profit margin has remained at 49.36% in 2015. Operating profit margin has decreased from 15.77% to 10.97% this year. The fall in operating profit is the result of a decrease in turnover in PJO and Nirvana and a bad debt written off in PJO.

At the year end the group had net current assets of £1,701,841 and continues to meet its liabilities as they fall due. The balance sheet shows a total net asset position of £3,182,261 at 31 December 2015.

Mechan's market continues to grow worldwide partly due to constantly updated and refined international safety standards and legislation which continues to drive demand. This is likely to continue to be the case particularly in developing markets and the Third World. Turnover increased by 6.68% to £1,436,632. Gross profit improved slightly to 56.25%, with the operating profit margin remaining fairly constant.

Nirvana's results for the year show that turnover has decreased by 4.10% on the prior year to £1,619,131. The gross profit margin has increased slightly from 49.3% in 2014 to 50% in 2015. Operating profit margin for the company has decreased slightly from 19.18% to 19.4% this year.

The directors of Nirvana are satisfied with the company's trading performance for the year and its position at the balance sheet date.

PJO's results for the year show that turnover has decreased by 19.36% on the prior year to £733,657. It has been a difficult year due to the downturn in the mining industry with the closure of the last pits in England in the last twelve months. This resulted in a large bad debt of £59,853 and a write down of stock and work in progress of £42,630 which is reflected in the financial statements and contributes to the operating loss of £173,286.

Mechan Controls Plc

Strategic Report

Year ended 31 December 2015

The directors of PJO are disappointed with the company's trading performance for the year and its position at the balance sheet date, but are hopeful, that interest in mining equipment from Russia, India and Turkey will reverse this position in the near future.

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

KEY PERFORMANCE INDICATORS

The directors consider the following key performance indicators in the management of the group.

Financial Summary:

GROUP KEY PERFORMANCE INDICATORS

	2015 £	2014 £
Turnover	3,789,421	3,944,742
Gross Profit	1,870,323	1,947,014
Gross Profit %	49.4%	49.4%
Profit Before Taxation	410,987	632,416
Net Current Assets	1,701,841	1,349,336
Shareholders' Funds	3,182,261	2,941,116
Earnings Per Share	14.87p	23.70p
Dividends Per share	2.83p	2.20p

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

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, invoice discount financing together with trade debtors and trade creditors arising directly from trading.

Exchange risk

There is always pressure on prices in what is a competitive and international market. Movement in exchange rates can make a difference to prices. However, prices are raised appropriately in line with customer expectation, competition and the cost of living index.

Liquidity Risk

The group now uses invoice discounting. We are in the position that all our facility terms are being comfortably met.

Mechan Controls Plc

Strategic Report

Year ended 31 December 2015

Credit risk

We operate normal credit terms and this is specified in some cases in the distribution agreement. Despite strict credit control systems and trading with reputable long standing customers there is a risk of non-payment of debtors.

This report was approved by the board of directors on 31 May 2016 and signed on behalf of the board by:



Mr W Boardman
Managing Director

Approved by the Directors on 31 May 2016

Mechan Controls Plc

Directors Report

Year ended 31 December 2015

The directors present their report and the financial statements of the group for the year ended 31 December 2015.

Directors

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

Mr W Boardman
Mr M F Farrah
Mr P K Knowles
Mr J Faulkner
Mr R W Shaw
Mr J O'Grady

Results and dividends

The group's trading profit for the year after taxation was £297,394 (2014: £474,018).

Particulars of dividends paid are detailed in note 14 to the financial statements.

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.

Nirvana continues to develop its relationship with its key customers and is supporting them with two products which were granted patents in 2013. The business model is to retain the market leadership in the UK and by introducing new products to be able to progressively move into Europe and the USA.

Since the major battery manufacturers are the same on each continent and are known to us and us to them, the key to progress is new product development.

PJO continues to develop its relationship with its key customers whilst seeking new business opportunities and developing new relationships in both current and new markets. The original plans on acquisition included the development of an overseas sales strategy; this is now well in hand and looking extremely promising in both Russia and Turkey.

Research and development

The Mechan 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 enhancing and pushing our existing products through our distribution pipeline.

In the past Nirvana has developed two new products for which patents have been 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 patented products will enhance our efforts to penetrate further into export markets.

PJO investigates all new lines of potential development in order to support its customer base. Any future new products will enhance our efforts to penetrate further into other markets.

Mechan Controls Plc

Directors Report *(continued)*

Year ended 31 December 2015

Research and development *(continued)*

PJO is continuing a programme to refine and develop its big ticket capital equipment particularly in light of customer requirements including an overseas request for equipment for low seam development.

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.

Policy on the payment of creditors

It is the group's policy that payments to suppliers are made in accordance with terms and conditions agreed between the group and its suppliers, provided that all terms and conditions have been complied with. The group had 38 days purchases outstanding as at 31st December 2015, based on the trade creditors outstanding at that date and purchases made during the year.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 group and the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 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 group's 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)*

Year ended 31 December 2015

Disclosure of information in the strategic report

The information required by schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the separate Strategic Report in accordance with section 414C (11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Auditor

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

- so far as they are aware, there is no relevant audit information of which the group's auditor is unaware; and
- they have 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 group's auditor is aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 31 May 2016 and signed on behalf of the board by:



Mr W Boardman
Director

Mechan Controls Plc

Independent Auditor's Report to the Shareholders of Mechan Controls Plc *(continued)*

Year ended 31 December 2015

We have audited the financial statements for the year ended 31 December 2015 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group and Parent Company Statement of Changes in Equity, the Group and Parent Cash Flow Statement and related notes 1 to 32. 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), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Group'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 Group'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 Group 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 page 6, 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 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 Councils' 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 affairs as at 31 December 2015 and of its 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 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.

Mechan Controls Plc

Independent Auditor's Report to the Shareholders of Mechan Controls Plc *(continued)*

Year ended 31 December 2015

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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
RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP)
Chartered accountant & Statutory Auditor
20 Chapel Street
Liverpool
L3 9AG

2 June 2016

Mechan Controls Plc

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	Note	2015 £	2014 £
TURNOVER	3	3,789,421	3,944,742
Cost of sales (including exceptional stock write down – see note 6)	4	1,919,098	1,997,728
GROSS PROFIT		1,870,323	1,947,014
Distribution costs		149,480	181,300
Administrative expenses:			
Before exceptional item		1,245,665	1,144,458
Exceptional bad debt	6	59,853	–
Total Administrative expenses		1,305,518	1,144,458
Other operating income	7	415,325	621,256
		357	675
Operating Profit before exceptional items		518,165	621,931
Exceptional items	6	(102,483)	–
OPERATING PROFIT		415,682	621,931
Interest receivable and similar income	8	3,094	3,018
Interest payable and similar charges	9	(7,789)	7,467
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	410,987	632,416
Taxation on profit on ordinary activities	12	113,593	158,398
PROFIT FOR THE FINANCIAL YEAR		297,394	474,018
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		297,394	474,018
OTHER COMPREHENSIVE INCOME (NET OF TAX)			
Deferred tax on revalued land and buildings	12	311	475
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		297,705	474,493
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		297,705	474,493
Earnings per share (pence)			
Basic & Diluted	15	14.87p	23.70p

All the activities of the group are continuing operations.

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

Consolidated Statement of Financial Position

31 December 2015

	Note	2015 £	2014 £
FIXED ASSETS			
Intangible assets	16		
Tangible assets	17	1,233,166	1,350,425
		<u>278,975</u>	<u>272,726</u>
		1,512,141	1,623,151
CURRENT ASSETS			
Stocks	19	521,760	568,447
Debtors	20	818,705	893,994
Cash at bank and in hand		813,439	472,193
		<u>2,153,904</u>	<u>1,934,634</u>
CREDITORS: amounts falling due within one year	21	452,063	585,298
NET CURRENT ASSETS		1,701,841	1,349,336
TOTAL ASSETS LESS CURRENT LIABILITIES		3,213,982	2,972,487
CREDITORS: amounts falling due after more than one year	22	119	617
PROVISIONS FOR LIABILITIES	25	31,602	30,754
NET ASSETS		<u>3,182,261</u>	<u>2,941,116</u>
CAPITAL AND RESERVES			
Called up share capital	28	50,000	50,000
Share premium account	29	653,000	653,000
Revaluation reserve	29	99,232	100,683
Profit and loss account	29	2,380,029	2,137,433
TOTAL EQUITY		<u>3,182,261</u>	<u>2,941,116</u>

These financial statements were approved by the board of directors and authorised for issue on 31 May 2016, and are signed on behalf of the board by:



Mr W Boardman
Director

Company registration number: 03802853

Mechan Controls Plc

Company Statement of Financial Position

31 December 2015

	Note	2015 £	2014 £
FIXED ASSETS			
Intangible assets	16	191,280	235,750
Tangible assets	17	204,769	191,845
Investments	18	2,497,161	2,497,161
		<u>2,893,210</u>	<u>2,924,756</u>
CURRENT ASSETS			
Stocks	19	248,347	240,613
Debtors	20	581,376	521,142
Cash at bank and in hand		199,105	83,224
		<u>1,028,828</u>	<u>844,979</u>
CREDITORS: amounts falling due within one year	21	2,205,111	2,237,386
NET CURRENT LIABILITIES		<u>(1,176,283)</u>	<u>(1,392,407)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,716,927</u>	<u>1,532,349</u>
CREDITORS: amounts falling due after more than one year	22	119	158
PROVISIONS FOR LIABILITIES	25	13,853	12,685
NET ASSETS		<u>1,702,955</u>	<u>1,519,506</u>
CAPITAL AND RESERVES			
Called up share capital	28	50,000	50,000
Share premium account	29	653,000	653,000
Revaluation reserve	29	99,232	100,683
Profit and loss account	29	900,723	715,823
TOTAL EQUITY		<u>1,702,955</u>	<u>1,519,506</u>

These financial statements were approved by the board of directors and authorised for issue on 31 May 2016 and are signed on behalf of the board by:



Mr W Boardman
Director

Company registration number: 03802853

Mechan Controls Plc

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Called up share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 2014	50,000	653,000	101,970	1,705,613	2,510,583
Profit for the year	—	—	—	474,018	474,018
Other comprehensive income net of tax:					
Reclassification from revaluation reserve to profit and loss account	—	—	(1,762)	1,762	—
Deferred tax on revalued buildings	—	—	475	—	475
Total comprehensive income for the year	—	—	(1,287)	475,780	474,493
Transactions with owners					
Dividends paid 14	—	—	—	(43,960)	(43,960)
Total transactions with owners	—	—	—	(43,960)	(43,960)
At 31 December 2014	<u>50,000</u>	<u>653,000</u>	<u>100,683</u>	<u>2,137,433</u>	<u>2,941,116</u>
Profit for the year	—	—	—	297,394	297,394
Other comprehensive income net of tax:					
Reclassification from revaluation reserve to profit and loss account	—	—	(1,762)	1,762	—
Deferred tax on revalued buildings	—	—	311	—	311
Total comprehensive income for the year	—	—	(1,451)	299,156	297,705
Transactions with owners					
Dividends paid 14	—	—	—	(56,560)	(56,560)
Total transactions with owners	—	—	—	(56,560)	(56,560)
At 31 December 2015	<u>50,000</u>	<u>653,000</u>	<u>99,232</u>	<u>2,380,029</u>	<u>3,182,261</u>

Mechan Controls Plc

Company Statement of Changes in Equity

Year ended 31 December 2015

	Called up share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 2014	50,000	653,000	101,970	518,909	1,323,879
Profit for the year	—	—	—	239,112	239,112
Other comprehensive income net of tax:					
Reclassification from revaluation reserve to profit and loss account	—	—	(1,762)	1,762	—
Deferred tax on revalued buildings	—	—	475	—	475
Total comprehensive income for the year	—	—	(1,287)	240,874	239,587
Transactions with owners					
Dividends paid 14	—	—	—	(43,960)	(43,960)
Total transactions with owners	—	—	—	(43,960)	(43,960)
At 31 December 2014	50,000	653,000	100,683	715,823	1,519,506
Profit for the year	—	—	—	239,698	239,698
Other comprehensive income net of tax:					
Reclassification from revaluation reserve to profit and loss account	—	—	(1,762)	1,762	—
Deferred tax on revalued buildings	—	—	311	—	311
Total comprehensive income for the year	—	—	(1,451)	241,460	240,009
Transactions with owners					
Dividends paid 14	—	—	—	(56,560)	(56,560)
Total transactions with owners	—	—	—	(56,560)	(56,560)
At 31 December 2015	50,000	653,000	99,232	900,723	1,702,955

Mechan Controls Plc

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	2015 £	2014 £
Cash flows from operating activities		
Profit for the financial year	297,394	474,018
<i>Adjustments for:</i>		
Depreciation of tangible assets	39,886	48,145
Amortisation of intangible assets	127,384	127,503
Interest receivable	(3,094)	(3,018)
Interest payable	7,789	(7,467)
Taxation on ordinary activities	113,593	158,399
<i>Changes in:</i>		
Stocks	46,687	(70,187)
Trade and other debtors	54,356	(63,863)
Trade and other creditors	(9,951)	(41,693)
Cash generated from operations	674,044	621,837
Tax paid	(160,288)	(103,031)
Net cash generated from operating activities	513,756	518,806
Cash flows from investing activities		
Purchase of tangible assets	(46,133)	(43,938)
Purchase of intangible assets	(10,125)	—
Interest receivable	3,094	3,018
Net cash used in investing activities	(53,164)	(40,920)
Cash flows from financing activities		
Loan advanced	13,053	—
Repayments of borrowings	(44,640)	(168,740)
Net outflow from invoice discounting	(12,080)	(4,794)
Payments of hire purchase liabilities	(11,161)	(1,565)
Interest paid	(7,958)	6,710
Dividends paid	(56,560)	(43,960)
Net cash used in financing activities	(119,346)	(212,349)
Net increase in cash and cash equivalents	341,246	265,537
Cash and cash equivalents at beginning of year	472,193	206,656
Cash and cash equivalents at end of year	813,439	472,193
Cash and cash equivalents		
Cash and cash equivalents comprise the following:		
	2015 £	2014 £
Cash at bank and in hand	813,439	472,193

Mechan Controls Plc

Company Statement of Cash Flows

Year ended 31 December 2015

	2015 £	2014 £
Cash flows from operating activities		
Profit for the financial year	239,698	239,112
<i>Adjustments for:</i>		
Depreciation of tangible assets	14,504	15,313
Amortisation of intangible assets	45,095	43,949
Interest receivable	(2,025)	(2,003)
Interest payable	3,647	(13,881)
Taxation on ordinary activities	64,895	72,460
<i>Changes in:</i>		
Stocks	(7,734)	(32,890)
Trade and other debtors	(71,891)	(8,558)
Trade and other creditors	17,011	66,451
Cash generated from operations	303,200	379,953
Tax paid	(71,511)	(65,971)
Net cash generated from operating activities	231,689	313,982
Cash flows from investing activities		
Purchase of tangible assets	(27,428)	(18,795)
Purchase of intangible assets	(625)	—
Interest receivable	2,025	2,003
Net cash used in investing activities	(26,028)	(16,792)
Cash flows from financing activities		
Loan advanced	13,053	—
Repayments of borrowings	(44,640)	(168,740)
Net outflow from invoice discounting	11,657	(40,792)
Payments of hire purchase liabilities	(9,474)	—
Interest paid	(3,816)	13,124
Dividends paid	(56,560)	(43,960)
Net cash used in financing activities	(89,780)	(240,368)
Net increase in cash and cash equivalents	115,881	56,822
Cash and cash equivalents at beginning of year	83,224	26,402
Cash and cash equivalents at end of year	199,105	83,224
Cash and cash equivalents		
Cash and cash equivalents comprise the following:		
	2015 £	2014 £
Cash at bank and in hand	199,105	83,224

Mechan Controls Plc

Notes to the Financial Statements

Year ended 31 December 2015

1. Accounting policies

General information

Mechan Controls Plc ('the Company') is a public limited company domiciled and incorporated in England.

The address of the Company's registered office and principal place of business is 14-16 Seddon Place, Stanley Industrial Estate, Skelmersdale, Lancashire, WN8 8EB.

The group's principal activities are detailed in the Strategic Report. The nature of the group's operations are detailed in the Strategic Report.

This is the first set of financial statements prepared by Mechan Controls Plc in accordance with accounting standards issued by The Financial Reporting Council, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102 (July 2015)').

Accounting convention

The group transitioned from previous UK GAAP to FRS 102 as at 1 January 2014. Details of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 32.

The financial statements have been prepared in accordance with FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS102') and the requirements of the Companies Act 2006, including the provisions of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 and under the going concern basis and historical costs basis modified to include certain financial instruments at fair value.

Monetary amounts in these financial statements are rounded to the nearest whole £1, except where otherwise indicated.

Company statement of comprehensive income

As permitted by s408 Companies Act 2006, the company has not presented its own statement of comprehensive income.

Basis of consolidation

Mechan Controls Plc is the ultimate parent company of:

Nirvana Engineering (Stafford) Limited
PJO Industrial Limited
PJO Group Limited

The consolidated financial statements incorporate those of Mechan Controls plc and all of its subsidiaries. All financial statements are made up to 31 December 2015.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Mechan Controls Plc

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

1. Accounting policies *(continued)*

The individual subsidiary's results included in the consolidated financial statements of Mechan Controls Plc are available from the registered office.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

The cost of a business combination is the fair value at the acquisition date, of the assets given, equity instruments issued and liabilities incurred or assumed, plus directly attributable costs.

The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The significant accounting policies adopted by the group and applied consistently in the preparation of these financial statements are as follows:

Going concern

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

Functional and presentational currencies

The financial statements are prepared in Sterling, which is the functional currency of the Group.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for the sale of goods and services provided in the ordinary course of business. Turnover is shown net of Value Added Tax. Turnover on sales of safety switches, control and monitoring units and the sale of manufactured structures for the safe and secure storage of backup systems and machinery to the mining industry are recognised in the accounts on the despatch of the goods to the customer at which point the customer pays for and takes ownership of the goods. Turnover from the sale, hire and repair of specialist equipment for pipe services, ancillary to pipe laying is recognised in the accounts in the period in which the service relates.

Income tax and deferred tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current period. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Mechan Controls Plc

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

1. Accounting policies *(continued)*

Deferred tax is recognised in full in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Current or deferred taxation assets and liabilities are not discounted.

Foreign currencies

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All transaction differences are taken to the income statement.

Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments are charged to the income statement over the lease term on a straight-line basis.

Finance leases

An asset and corresponding liability are recognised for leasing agreements that transfer to the group substantially all of the risks and rewards incidental to ownership ('finance leases'). The amount capitalised is the fair value of the leased asset, or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Intangible assets

Patents

Patents are capitalised at cost and amortised on a straight line basis over the life of the patent, which is 20 years.

System software development & website costs

System software and website costs are initially measured at purchase cost. Cost includes original purchase price of the assets and the costs attributable to bringing the asset to its working condition for its intended use.

Amortisation is calculated so as to write off the cost less any estimated residual value, over the expected useful economic life as follows:

System software costs – 10% straight line
Website design – 33.3% Straight line

Mechan Controls Plc

Notes to the Financial Statements (continued)

Year ended 31 December 2015

1. Accounting policies (continued)

Goodwill

Positive goodwill arising on acquisition of a business combination represents the excess of cost of acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities. It is recognised as an asset at cost and amortised on a straight line basis over its expected useful life of twenty years.

This estimate is based on a variety of factors, such as the expected use of the acquired business and the expected life of the products to which the goodwill is attributed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Development costs

The group capitalises development expenditure as an intangible asset when it is able to demonstrate:

- (i) the technical feasibility of completing the development so the intangible asset will be available for use or sale,
- (ii) its intention to complete the development and use or sell the asset
- (iii) the probability that the asset will generate future economic benefits.

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.

Capitalised development expenditure is initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses. In determining the amounts to be capitalised management makes assumptions, based on past experience, regarding the expected future cash generation of the assets and the expected period of benefit.

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

Development Costs – 10 - 20% straight line

Tangible assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

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

Freehold Property	- 2%	Straight Line
Short Leasehold Property	- 10%	Straight Line/length of lease
Plant & Machinery	- 25%	Reducing Balance
Fixtures & Fittings & Equipment	- 25%	Reducing Balance
Motor Vehicles	- 25%	Reducing Balance
Computer Equipment	- 25%	Straight Line

Mechan Controls Plc

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

1. Accounting policies *(continued)*

Impairment of fixed assets

Assets not carried at fair value are reviewed for impairment at each reporting date or whenever circumstances indicate that the carrying amount may not be recoverable. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly.

The recoverable amount is the higher of an assets fair value less costs to sell and value in use. Value in use is defined as the present value or the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk free rate and the risks inherent in the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

If the recoverable amount of the asset (or assets cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount.

An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal or an impairment loss is recognised in the income statement.

Investments

Investments in subsidiary undertakings are shown at historical cost less provision for impairment in value.

Interests in subsidiaries are assessed for impairment at each reporting date. Any impairment losses are recognised immediately in profit or loss.

Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to sell, on a first in first out basis.

Provisions for faulty stock are recognised at cost against stock.

Work in progress

The work in progress is valued on the basis of attributable direct materials, labour and overheads 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 based on the total direct labour hours utilised in the year. This hourly rate is then allocated to the stock value according to the job cards used to produce each item of stock.

Mechan Controls Plc

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

1. Accounting policies *(continued)*

At the end of the reporting period stocks and work in progress are assessed for impairment and any impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or are capitalised as an intangible fixed asset or a tangible fixed asset.

The holiday year for Mechan, Nirvana and PJO ends at the reporting date and employees are not entitled to carry forward unused holiday.

Provisions

Provisions are recognised when the entity has a present obligation as a result of a past event. It is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation.

Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Defined contribution plans

The amount charged to profit or loss is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Research

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and other highly liquid investments with original maturities of three months or less.

Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" to all of its financial instruments.

Financial assets and liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Mechan Controls Plc

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

1. Accounting policies *(continued)*

Financial assets

Trade and other debtors including amounts due from group companies are recognised initially at transaction price (including transaction costs) unless a financing arrangement exists in which case they are measured at the present value of future receipts discounted at a market rate.

Subsequently they are measured at amortised cost less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. All movements in the level of provision required are recognised in the profit and loss.

Financial liabilities

Trade and other creditors including amounts due to group companies are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled. Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Derecognition of financial assets and liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Dividends are recognised as liabilities in the period in which the dividends are approved and are no longer at the discretion of the group.

Segmental reporting

Financial information is reported to the board of directors on a product group by product group basis as the board believes each product group offering exposes the Group to differing risks and rewards. This is due to significant variations in the target market for each product. The board also reviews the net assets by product category.

The profit or loss and net assets reported to the board are measured on the same basis as amounts recognised in the financial statements, as set out in the accounting policies.

The product groups and geographical locations reported separately to the board are as follows:

Mechan Controls Plc

Notes to the Financial Statements

Year ended 31 December 2015

1. Accounting policies (continued)

Safety switch production

Mechan manufactures electronic safety switches, control units and monitoring devices in the UK to provide the safeguarding of personnel and machinery. The product is sold in the UK and exported to the USA, Europe and the rest of the world.

Safe and secure storage of backup power systems

Nirvana manufactures structures for the safe and secure storage of backup power systems in the UK. The product is sold in the UK and exported to Europe.

Specialist pipe services

PJO provides contracting, sale, hire and repair of specialist equipment for pipe services ancillary to pipe laying and sale and servicing of equipment to the mining industry. The product is sold in the UK and the rest of the world.

2. Critical accounting judgements and estimates

In the preparation of the financial statements, the group has to make estimates and assumptions concerning the future. The resulting accounting estimates and assumptions used may differ to the actual outcome. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and judgements are continually evaluated. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

Stock and work in progress

As a result of the decline in UK mining, Mechan has had to review the valuation of PJO stock and work in progress. Where necessary, provisions are made. Calculation of these provisions require judgements to be made, which include forecast consumer demand, competitive and economic environment and stock loss trends (Note 19).

Impairment of investment in subsidiary

As a result of the falling mining revenue in PJO Industrial Limited and the bad debt attributable to the closure of Hatfield Colliery, Mechan has had to consider whether its investment in PJO has been impaired (Note 18). The calculation of value in use required the estimation of future growth rate and operating cash flow. In addition the selection of an appropriate discount rate requires judgement in order to calculate the net present value of those cash flows.

Impairment of goodwill relating to subsidiary

As a result of the falling mining revenue in PJO Industrial Limited and the bad debt attributable to the closure of Hatfield Colliery, Mechan has had to consider whether its goodwill relating to PJO has been impaired (Note 16). The calculation of value in use required the estimation of future growth rate and operating cash flow. In addition the selection of an appropriate discount rate

Mechan Controls Plc

Notes to the Financial Statements

Year ended 31 December 2015

1. Accounting policies (continued)

requires judgement in order to calculate the net present value of those cash flows.

Notes to the Financial Statements (continued)

3. Turnover and segmental analysis

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Mechan Controls Plc

Notes to the Financial Statements (continued)

Year ended 31 December 2015

3. Turnover and segmental analysis (continued)

Geographical activity 2015	UK	USA	Rest of World	Total
	£	£	£	2015
Turnover				
Continuing operations:				
Sales to third parties	<u>2,786,042</u>	<u>578,973</u>	<u>424,406</u>	<u>3,789,421</u>
Operating profit				
Segment profit:				
Continuing operations	<u>195,343</u>	<u>130,073</u>	<u>90,266</u>	<u>415,682</u>
Net interest and income from Investments				<u>(4,695)</u>
Profit on ordinary activities Before taxation				<u>410,987</u>
Geographical activity 2014	UK	USA	Rest of World	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>449,020</u>	<u>114,544</u>	<u>58,367</u>	<u>621,931</u>
Net interest and income from Investments				<u>10,485</u>
Profit on ordinary activities Before taxation				<u>632,416</u>

Mechan Controls Plc

Notes to the Financial Statements (continued)

Year ended 31 December 2015

4. Cost of sales and net operating expenses

	2015 £	2014 £
Cost of sales (including exceptional stock write down of £42,900)	<u>1,919,098</u>	<u>1,997,728</u>
Distribution costs	149,480	181,300
Administrative expenses	1,245,935	1,144,458
Other operating income	(357)	(675)
Exceptional item	59,583	-
Net operating expenses	<u>1,454,641</u>	<u>1,325,083</u>

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2015 £	2014 £
Amortisation of goodwill	103,728	103,728
Amortisation of intangible assets	23,656	23,775
Depreciation of tangible fixed assets	39,014	45,218
Depreciation of assets held under hire purchase	872	1,163
Exchange (gain)/loss	4,013	2,325
Operating lease rentals	100,404	95,792
Research and development expenditure	<u>105,637</u>	<u>100,001</u>

	2015 £	2014 £
Fees payable for the audit of the financial statements:		
-Mechan Controls Plc	12,300	9,300
-Nirvana Engineering (Stafford) Limited	7,300	6,650
-PJO Industrial Limited	5,800	4,650
	<u>25,400</u>	<u>20,600</u>

6. Exceptional items

Recognised in arriving at operating profit:

	2015 £	2014 £
Stock write down	42,630	-
Bad debt	59,853	-
	<u>102,483</u>	<u>-</u>

The stock write down relates to the downturn in the mining industry.

The bad debt relates to the closure of Hatfield Colliery.

The effect of these adjustments is to reduce the liability for current tax by £20,812.

Mechan Controls Plc

Notes to the Financial Statements (continued)

Year ended 31 December 2015

7. Other operating income

	2015	2014
	£	£
Other operating income	<u>357</u>	<u>675</u>

8. Interest receivable

	2015	2014
	£	£
Bank interest receivable and similar income	<u>3,094</u>	<u>3,018</u>
	<u>3,094</u>	<u>3,018</u>

9. Interest payable

	2015	2014
	£	£
Interest on banks loans and overdrafts	377	(17,903)
Interest on finance leases and hire purchase contracts	763	636
Factoring interest payable and similar charges	<u>6,649</u>	<u>9,800</u>
	<u>7,789</u>	<u>(7,467)</u>

The interest payable in 2014 included £25,500 compensation received from the bank in relation to a mis-sold interest rate hedge and results in a negative interest charge in the prior year.

10. Employees

The average number of persons employed by the group during the year, including the directors, amounted to:

	2015	2014
	No	No
Production staff	29	28
Distribution staff	1	2
Administrative staff	5	5
Management staff	<u>10</u>	<u>9</u>
	<u>45</u>	<u>44</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2015	2014
	£	£
Wages and salaries	1,170,093	1,127,842
Social security costs	77,770	80,070
Other pension costs	<u>6,083</u>	<u>5,834</u>
	<u>1,253,946</u>	<u>1,213,746</u>

Mechan Controls Plc

Notes to the Financial Statements (continued)

Year ended 31 December 2015

11. Directors

The directors aggregate remuneration in respect of qualifying services was:

	2015	2014
	£	£
Emoluments	294,897	316,664
Company contributions to defined contribution pension plans	2,040	1,687
	<u>296,937</u>	<u>318,351</u>

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

	2015	2014
	No	No
Defined contribution plans	<u>1</u>	<u>1</u>

Remuneration of the highest paid director in respect of qualifying services:

	2015	2014
	£	£
Emoluments	<u>72,446</u>	<u>74,073</u>

12. Taxation

Major components of tax expense

	2015	2014
	£	£
Current tax:		
UK corporation tax	111,896	159,749
Adjustments in respect of prior periods	539	—
Total current tax	<u>112,435</u>	<u>159,749</u>
Deferred tax:		
Origination and reversal of temporary differences	1,158	(1,351)
Total tax on profit on ordinary activities	<u>113,593</u>	<u>158,398</u>

Group relief

The financial statements have been prepared based on the assumption that there will be no payments made for group relief surrendered.

Mechan Controls Plc

Notes to the Financial Statements (continued)

Year ended 31 December 2015

12. Taxation (continued)

Reconciliation of tax expense

The tax assessed is higher than the standard rate of corporation tax in the UK of 20.2% (2014: 21%).

	2015 £	2014 £
Profit on ordinary activities before taxation	410,987	632,416
Profit on ordinary activities by rate of tax	83,019	132,807
Effects of:		
Expenses not deductible for tax purposes	19,958	29,730
Research and development relief	(3,662)	(3,808)
Differences in tax rates	14,474	1,710
Other temporary differences	(735)	(2,041)
Adjustment to tax charge in respect of previous year	539	—
Total tax expense on profit on ordinary activities	113,593	158,398

Tax included in other comprehensive income:

	2015 £	2014 £
Deferred tax on property revaluation	311	475
Total tax credit	311	475

Factors that may affect future tax expense

The main rate of corporation tax is 20% effective from 1 April 2015 and will be applied to the company's results as appropriate.

13. Profit for the year of the parent company

The profit for the financial year of the parent company was £239,698 (2014: £239,112).

Mechan Controls Plc

Notes to the Financial Statements (continued)

Year ended 31 December 2015

14. Dividends

	2015 £	2014 £
Ordinary:		
Interim paid – 0.938p (2014: 0.938p)	18,760	18,760
Final paid – 1.89p in relation to 2014 (2014: 1.26p in relation to 2013)	37,800	25,200
	<u>56,560</u>	<u>43,960</u>

On 29 May 2015, a final dividend of 1.89 pence (2014: 1.26 pence) per share was paid to shareholders. This dividend was not recognised as a liability at 31 December 2014. In respect of the current year, the directors propose that a final dividend of 2.27 pence per share be paid to the shareholders in 2016. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend for 2015 is payable to all shareholders on the Register of Members in April 2016. The total estimated dividend to be paid is £45,400.

15. Earnings per share

Basic and diluted earnings per share has been calculated on the net profit on ordinary activities after taxation of £297,394 (2014: £474,018) using the average number of ordinary shares in issue during the year of 2,000,000 (2014: 2,000,000).

16. Intangible assets

Group	Goodwill £	Development costs £	Patents £	Software development & Website costs £	Total £
Cost					
At 1 January 2015	2,074,650	124,534	199,638	17,063	2,415,885
Additions	–	–	–	10,125	10,125
At 31 December 2015	<u>2,074,650</u>	<u>124,534</u>	<u>199,638</u>	<u>27,188</u>	<u>2,426,010</u>
Amortisation					
At 1 January 2015	845,834	86,173	125,065	8,388	1,065,460
Charge for the year	103,728	8,458	12,087	3,111	127,384
At 31 December 2015	<u>949,562</u>	<u>94,631</u>	<u>137,152</u>	<u>11,499</u>	<u>1,192,844</u>
Carrying amount					
At 31 December 2015	<u>1,125,088</u>	<u>29,903</u>	<u>62,486</u>	<u>15,689</u>	<u>1,233,166</u>
At 31 December 2014	<u>1,228,816</u>	<u>38,361</u>	<u>74,573</u>	<u>8,675</u>	<u>1,350,425</u>

Mechan Controls Plc

Notes to the Financial Statements (continued)

Year ended 31 December 2015

16. Intangible assets (continued)

Company	Goodwill £	Patents £	Software development & Website costs £	Total £
Cost				
At 1 January 2015	637,232	199,638	6,913	843,783
Additions	—	—	625	625
At 31 December 2015	637,232	199,638	7,538	844,408
Amortisation				
At 1 January 2015	477,930	125,065	5,038	608,033
Charge for the year	31,862	12,087	1,146	45,095
At 31 December 2015	509,792	137,152	6,184	653,128
Carrying amount				
At 31 December 2015	127,440	62,486	1,354	191,280
At 31 December 2014	159,302	74,573	1,875	235,750

17. Tangible assets

Group	Freehold property £	Leasehold property £	Plant & machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost						
At 1 Jan 2015	170,000	14,097	487,769	234,341	24,960	931,167
Additions	—	10,491	8,216	16,639	10,789	46,135
At 31 Dec 2015	170,000	24,588	495,985	250,980	35,749	977,302
Depreciation						
At 1 Jan 2015	3,400	4,436	429,681	207,506	13,418	658,441
Charge for the year	3,400	2,152	19,472	10,628	4,234	39,886
At 31 Dec 2015	6,800	6,588	449,153	218,134	17,652	698,327
Carrying amount						
At 31 Dec 2015	163,200	18,000	46,832	32,846	18,097	278,975
At 31 Dec 2014	166,600	9,661	58,088	26,835	11,542	272,726

Security against land and buildings

The group has pledged fixed assets having a net book value of £278,975 as part of an unlimited inter-company composite guarantee by way of a full fixed and floating charge.

Mechan Controls Plc

Notes to the Financial Statements (continued)

Year ended 31 December 2015

17. Tangible assets (continued)

Hire purchase agreements

Included within the net book value of £278,975 is £2,617 (2014 - £3,489) relating to assets held under hire purchase agreements which are secured against the specific assets. The depreciation charged to the financial statements in the year in respect of such assets amounted to £872 (2014 - £1,163).

Company	Freehold property £	Plant & machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 Jan 2015	170,000	19,979	188,559	—	378,538
Additions	—	—	16,639	10,789	27,428
At 31 Dec 2015	170,000	19,979	205,198	10,789	405,966
Depreciation					
At 1 Jan 2015	3,400	18,978	164,315	—	186,693
Charge for the year	3,400	257	9,498	1,349	14,504
At 31 Dec 2015	6,800	19,235	173,813	1,349	201,197
Carrying amount					
At 31 Dec 2015	163,200	744	31,385	9,440	204,769
At 31 Dec 2014	166,600	1,001	24,244	—	191,845

On 18 March 2016 Allied Surveyors & Valuers Ltd valued the freehold property on an open market basis in accordance with the RICS manual at £170,000. The directors consider this to be an appropriate valuation to be applied at 1 January 2014.

At the date of transition to FRS 102, the freehold land and buildings were revalued to deemed cost of £170,000. The comparable historical cost and depreciation values are as follows:

	2015
	£
Historical cost	81,900
Depreciation:	
At 1 January 2015	1,638
Charge for year	1,638
At 31 December 2015	3,276
Net historical cost value:	
At 31 December 2015	78,624
At 31 December 2014	80,262

Mechan Controls Plc

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

18. Investments

Group

The group has no investments.

Company

Cost & Net Book Value
At 1 Jan 2015 and 31 Dec 2015

Shares in
group
undertakings
£

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 (continued)

Year ended 31 December 2015

19. Stocks

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Raw materials	479,045	513,267	227,179	220,033
Work in progress	21,547	34,600	–	–
Finished goods	21,168	20,580	21,168	20,580
	<u>521,760</u>	<u>568,447</u>	<u>248,347</u>	<u>240,613</u>

Group

Stock of £1,207,028 (2014: £1,344,798) has been expensed in the year. Stock of £42,630 (2014: £nil) has been written down in the year in PJO Industrial Limited.

No stock write downs have been reversed during the current or preceding period.

Company

No stock write downs have been reversed during the current or preceding period.

20. Debtors

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Trade debtors	749,367	820,637	221,376	182,966
Amounts owed by group undertakings	–	–	341,227	313,727
Prepayments and accrued income	42,764	36,149	11,047	5,066
Directors loan account	–	242	–	–
Other debtors	26,574	36,966	7,726	19,383
	<u>818,705</u>	<u>893,994</u>	<u>581,376</u>	<u>521,142</u>

The group has entered into a debt factoring agreement with RBS Invoice Finance Limited which covers £70,157 (2014: £233,405) of its trade debtors at the balance sheet date. Amounts due to the factoring company are secured on the related trade debtors and presented within debtors or creditors depending on the balance outstanding at the year end. As at 31 December 2015 £26,110 (2014: £55,061) was due by the company and included in other creditors.

As at 31 December 2015 an impairment loss of £59,853 (2014: £938) was recognised in respect of trade debtors due from customers known to be in financial difficulty.

Mechan Controls Plc

Notes to the Financial Statements (continued)

Year ended 31 December 2015

21. Creditors: amounts falling due within one year

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Bank loans and overdrafts	—	45,002	—	44,640
Trade creditors	147,755	190,728	73,355	74,940
Amounts owed to group undertakings	—	—	2,012,776	2,012,789
Accruals and deferred income	66,632	50,153	21,940	19,254
Corporation tax	111,897	159,748	62,775	70,870
Social security and other taxes	95,054	82,319	30,686	14,893
Obligations under finance leases and hire purchase contracts	3,873	1,688	3,579	—
Director loan accounts	28	48	—	—
Other creditors	26,824	55,612	—	—
	<u>452,063</u>	<u>585,298</u>	<u>2,205,111</u>	<u>2,237,386</u>

Amounts due to the factoring company are secured by a debenture dated 30 November 2011 in favour of RBS Invoice Finance Limited. At the 31 December 2015 the balance owing to the factoring company is £26,110 (2014: £55,061).

The bank loans are secured by:

An unlimited intercompany composite guarantee with accession between the parent company Mechan Controls Plc and all the UK subsidiary companies. The parent company liability is £Nil, (2014: £Nil).

Debentures incorporating full fixed and floating charges over all UK assets and undertakings.

A first legal charge over all freehold premises.

Assignment over key insurance policies.

The obligations under hire purchase contracts are secured against specific assets.

22. Creditors: amounts falling due after more than one year

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Payments received on account	—	166	—	—
Accruals and deferred income	119	158	119	158
Obligations under finance leases and hire purchase contracts	—	293	—	—
	<u>119</u>	<u>617</u>	<u>119</u>	<u>158</u>

Mechan Controls Plc

Notes to the Financial Statements (continued)

Year ended 31 December 2015

23. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Not later than 1 year	3,947	1,776	3,650	—
Later than 1 year and not later than 5 years	—	296	—	—
Less interest	(74)	(91)	(71)	—
	<u>3,873</u>	<u>1,981</u>	<u>3,579</u>	<u>—</u>

The obligations under hire purchase contracts are secured against specific assets.

24. Financial instruments

The carrying amount of the group and company's financial instruments at 31 December were:

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Financial assets:				
Debt instruments measured at amortised cost				
Cash	813,439	472,193	199,105	83,224
Debtors	775,941	857,845	570,329	516,076
Total	<u>1,589,380</u>	<u>1,330,038</u>	<u>769,434</u>	<u>599,300</u>
	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Financial liabilities:				
Measured at amortised cost:				
Trade creditors	147,755	190,728	73,355	74,940
Accruals	66,751	50,201	21,940	19,254
Other creditors	26,824	55,612	—	—
Amounts owed to group undertakings	—	—	2,012,776	2,012,789
Hire purchase	3,873	1,981	3,579	—
Total	<u>245,203</u>	<u>298,522</u>	<u>2,111,650</u>	<u>2,106,983</u>

Mechan Controls Plc

Notes to the Financial Statements (continued)

Year ended 31 December 2015

25. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Included in provisions (note 26)	31,602	30,754	13,853	12,685

The deferred tax provision consists of the tax effect of timing differences in respect of:

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Accelerated capital allowances	23,294	22,128	5,537	4,058
Pension benefit obligations	(8)	—	—	—
Property revaluations	8,316	8,626	8,316	8,627
	31,602	30,754	13,853	12,685

26. Provisions

	Group	Company
	Deferred tax	Deferred tax
	(note 25)	(note 25)
	£	£
At 1 January 2015	30,754	12,685
Additions	1,159	1,479
Property revaluations	(311)	(311)
At 31 December 2015	31,602	13,853

27. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £6,083 (2014: £5,834).

28. Called up share capital

Issued, called up and fully paid

	2015		2014	
	No	£	No	£
Ordinary shares of £0.025 each	2,000,000	50,000	2,000,000	50,000

29. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Revaluation reserve - This reserve records the value of asset revaluations and fair value movements on assets recognised in other comprehensive income.

Profit and loss account - This reserve records retained earnings and accumulated losses.

30. Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Not later than 1 year	100,496	98,567	4,763	1,470
Later than 1 year and not later than 5 years	112,893	197,802	1,984	—
	<u>213,389</u>	<u>296,369</u>	<u>6,747</u>	<u>1,470</u>

31. 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:

	2015	2014
	£	£
Mr W Boardman	28,633	22,255
Mr M Farrah	3,167	2,462
Mr P Knowles	7,918	6,154
Mr J Faulkner	1,739	1,352

Key management personnel include all persons that have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the group was £330,940 (2014: £371,596) and to the parent company only was £139,423 (2014: £178,143).

The group has taken advantage of the exemptions provided by FRS 102 paragraph 33.1A from disclosing transactions and balances with other group companies.

32. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The group and the company transitioned to FRS 102 on 1 January 2014.

The following transitional adjustments were made:

- Freehold property was revalued to a deemed cost basis
- Website design and system software costs were reclassified from tangible assets to intangible assets
- Amounts owed to/by group undertakings were reclassified from being due more than one year to being due within one year

A summary of the transitional adjustments required in equity or profit or loss for the year are detailed below.

Reconciliation of equity at 1 January 2014

	Group £	Company £
Equity shareholders' funds at 1 January 2014 under previous UK GAAP	2,408,613	1,221,909
Property revaluations	111,072	111,072
Deferred tax on property revaluations	(9,102)	(9,102)
Equity shareholders' funds at 1 January 2014 under FRS 102	<u>2,510,583</u>	<u>1,323,879</u>

Reconciliation of equity at 31 December 2014

	Group £	Company £
Equity shareholders' funds at 31 December 2014 under previous UK GAAP	2,840,433	1,418,823
Property revaluations	111,072	111,072
Deferred tax on property revaluations	(8,627)	(8,627)
Additional depreciation on revaluation	(1,762)	(1,762)
Equity shareholders' funds at 31 December 2014 under FRS 102	<u>2,941,116</u>	<u>1,519,506</u>

The transition to FRS 102 had the following effect on the group's profit or loss for the year:

	Year ended 31 December 2014 £
Profit as previously stated under UK GAAP	475,780
Depreciation on revalued land and buildings	(1,762)
Profit reported under FRS 102	<u>474,018</u>