

Company MECHAN CONTROLS PLC
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Headline Final Results Mechan Controls PLC announces final results

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TENON AUDIT LIMITED

COMPANY REGISTRATION NUMBER 3802853

Mechan Controls Plc

Directors' Report
And Financial Statements

For the Year Ended 31 December 2008

I am pleased to announce our final results for 2008 which for the first time include 10 months trading from our acquisition of Nirvana Engineering (Stafford) Limited in March 2008. You will see from the key performance indicators in the directors' report that:

- Consolidated turnover has almost trebled with an increase of 190% on last year.
- Consolidated earnings (EBITDA) before interest, tax, depreciation and amortisation have nearly trebled with an increase of 176%.
- Consolidated profits before tax, likewise, almost trebled with an increase of 166%.

In the current year the turnover of the combined companies is 30% up, after the first quarter, when compared to last year. This is partly due to a "one off" project that has enhanced our trading in the first half. We accept that this quantum leap in turnover and profit growth will inevitably plateau in the second half of the year; however we still expect to see double digit earnings growth going forward.

We are still expanding organically and geographically. Further acquisitions currently being sought, would repeat another quantum leap in earnings. However, with or without an acquisition, we expect to achieve double digit earnings growth in the current year.

Needless to say, the Directors are delighted with the results and the timely acquisition of Nirvana.

As a result of the acquisition Mechan now has an associated company for corporation tax purposes. As Nirvana is paying corporation tax at the marginal rate of tax, this has increased the group tax rate from 19.75% last year to 26.3% this year.

In the light of this excellent increase in profits, the directors are pleased to announce an increase in the final dividend of more than 50% to £14,000 (2007:£9,000).

Mr W Boardman - Chairman

Date: 26 May 2009

The directors have pleasure in presenting their report and the financial statements of the group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Mechan's principal activity continues to be the research & development in, and manufacture of, electronic safety switches, control units and monitoring devices to provide the safeguarding of personnel and machinery, whilst Nirvana Engineering, it's newly acquired subsidiary, provides manufactured structures for the safe and secure storage of back up power systems within a niche market sector.

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

GROUP KEY PERFORMANCE INDICATORS

	2008	2007
	£	£
Turnover	2,261,422	775,841
Gross Profit	1,084,772	434,387
EBITDA	444,917	160,949
Operating Profit	322,972	95,125
Profit before taxation	259,771	97,597
Profit after taxation	168,037	78,228
Shareholders Funds	1,176,322	1,025,286
Earnings per share	8.4p	3.9p
Dividends per share	0.85p	0.76p
Net Assets per share	58.8p	51.3p

On the 1st March 2008 the company acquired the entire share capital of Nirvana Engineering (Stafford) Limited. This has been a huge success with Nirvana's contribution for the 10 months almost trebling Mechan's turnover and increasing it's operating profit by a factor of 3.4 times.

The group should see a comfortable growth in the next year with a full 12 months contribution from Nirvana.

The directors wish to highlight that after tax earnings per share have increased 115% from 3.9p in 2007 to 8.4p in 2008.

The group now pays tax at a higher marginal rate of 28% as against 20%, hence

the less than pro rata increase in earnings per share (2.16 times) compared to the higher pro rata increase in profits before tax (2.66 times).

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 include the safe disposal of waste and reducing energy consumption.

FUTURE DEVELOPMENTS

The group continues to develop its relationship with its key customers and support them with a flow of new products through our research and development efforts. Our business model of a global network is in place and requires support in the form of new products, keen prices and responsive services. The group continues to expand its global network with various strategic partners. This network has a value in itself and the more products that are passed through, the greater that value becomes.

We have exceeded our first quarter growth targets for the current year with order intake up by 30% year on year. Despite these trying times and with a full year of Nirvana included, and with lower interest charges and a quieter second half we nevertheless expect profits to increase during the current year by double digit figures. The group will continue to diligently seek further bolt on opportunities.

RESULTS AND DIVIDENDS

The group profit for the year, after taxation, amounted to £168,037. Particulars of dividends paid are detailed in note 10 to the financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's operations expose it to a variety of financial risks that include the effects of changes in price risk, liquidity risk and credit risk.

The group's principal financial instruments comprise cash deposits, bank loans and invoice discount financing together with trade debtors and trade creditors arising directly from trading.

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. This has not lead to a loss of customers in the past. During the year the fall in the strength of the pound has generally been beneficial.

Liquidity risk

As part of our acquisition financing, the group now uses invoice discounting plus a core 4 year senior term loan and a commercial mortgage on the Skelmersdale building. We are in the happy position that all our banking covenants for each of these facilities are being met after the first twelve months.

Credit risk

We operate normal credit terms and this is specified in some cases in the distribution agreement. The group only has one customer which causes a problem by taking longer than appropriate and in this case deliveries are put on stop until the credit taken is brought below the agreed level. This is monitored closely.

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

RESEARCH AND DEVELOPMENT

The range of switches has more than trebled since the company was acquired 10 years ago. This has been achieved as a result of our extensive and intensive research and development efforts. Our American distributor and biggest customer asked for and got 6 new products in the last year alone. A constant R & D effort is necessary to retain a leading edge in Mechan's hi-tech field.

The same is true for Nirvana; whilst only owning the company for 10 months we already have two new product prototypes under development which will probably be ready by the second half of 2009. These new products will enhance our efforts to

penetrate further into export markets.

THE DIRECTORS AND THEIR INTERESTS

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £0.025 each	
	At 31 December 2008	At 1 January 2008 or later date of appointment
Mr W Boardman - Managing Director	1,013,000	1,013,000
	150,000	150,000
Mr M F Farrah - Technical Director	300,000	300,000
Mr P K Knowles - Sales & Marketing Director	100,000	100,000
Mr J Faulkner - Non Executive Director	113,300	113,300
Mr R Parkinson	-	-
Mr R W Shaw (Appointed 1 November 2008)	=====	=====

MARKET VALUE OF INTERESTS IN LAND

The directors consider that the market value of interests in land and buildings as at 31 December 2008 was £150,000. The net book value of land and buildings in the financial statements is £67,118.

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 2008, based on trade creditors outstanding at that date and purchases made during the year.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- * there is no relevant audit information of which the group's auditor is unaware; and
- * the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

DONATIONS

During the year the company made the following contributions:

	2008	2007
	£	£
Charitable donations	713	100

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AUDITOR

A resolution to re-appoint Tenon Audit Limited as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the directors

Mr R Parkinson
Company Secretary

Approved by the directors on 26 May 2009

We have audited the group and parent company financial statements ("the financial statements") of Mechan Controls Plc for the year ended 31 December 2008 on pages 9 to 30, which have been prepared on the basis of the accounting policies set out on pages 14 to 16.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- * the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2008 and of the group's profit for the year then ended;
- * the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- * the information given in the Directors' Report and Chairman's Statement are consistent with the financial statements.

Tenon Audit Limited
Registered Auditor
88 - 96 Market Street West
Preston
PR1 2EU

Date: 26 May 2009

TURNOVER		
Continuing operations	858,484	775,841
Acquisitions	1,402,938	-
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	2,261,422	775,841
Group Turnover	2,261,422	775,841
Cost of sales	(1,176,650)	(341,454)
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GROSS PROFIT	1,084,772	434,387
Net operating expenses	761,800	339,262
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OPERATING PROFIT:		
Continuing operations	74,881	95,125
Acquisitions	248,091	-
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GROUP OPERATING PROFIT	322,972	95,125

Interest receivable and similar income	3,021	4,671
Interest payable and similar charges	(66,222)	(2,199)
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PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	259,771	97,597
Tax on profit on ordinary activities	91,734	19,369
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PROFIT FOR THE FINANCIAL YEAR	168,037	78,228
	=====	=====
Earnings per share(pence)	8.4p	3.9p

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 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

FIXED ASSETS

Intangible assets	1,247,600	544,198
Tangible assets	178,289	125,347
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	1,425,889	669,545

CURRENT ASSETS

Stocks	291,934	182,405
Debtors	498,713	179,445
Cash at bank	22,057	139,577
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	812,704	501,427

CREDITORS: Amounts falling due within one year	567,811	123,354
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NET CURRENT ASSETS	244,893	378,073
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TOTAL ASSETS LESS CURRENT LIABILITIES	1,670,782	1,047,618
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CREDITORS: Amounts falling due after more than one year	476,629	19,159
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	1,194,153	1,028,459

PROVISIONS FOR LIABILITIES

Deferred taxation	17,831	3,173
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	1,176,322	1,025,286
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CAPITAL AND RESERVES

Called-up equity share capital	50,000	50,000
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Share premium account	653,000	653,000
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Profit and loss account	473,322	322,286
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SHAREHOLDERS' FUNDS	1,176,322	1,025,286
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These financial statements were approved by the directors and authorised for

issue on 26 May 2009, and are signed on their behalf by:

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 Mr W Boardman - Managing Director
 Director