

TENON AUDIT LIMITED

COMPANY REGISTRATION NUMBER 3802853

Mechan Controls Plc

Directors' Report And Financial Statements

For the Year Ended 31 December 2007

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2007.

DIRECTORS

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

Mr W Boardman - Managing Director
Mr M F Farrah - Technical Director
Mr P K Knowles - Sales & Marketing Director
Mr J Faulkner - Non Executive Director
Mr R Parkinson

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £78,228. Particulars of dividends paid are detailed below and in note 8 to the financial statements.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company's principal activity is the research & development in and manufacture of electronic safety switches, control units and monitoring devices to provide the safeguarding of personnel and machinery. The company's key performance indicators for the year were as follows:

KEY PERFORMANCE INDICATORS

2007	2006	Increase
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	GBP	GBP	GBP
Turnover	775,841	683,893	91,948
Gross Profit	434,387	389,079	45,308
Operating Profit	95,125	87,806	7,319
Profit before taxation	97,597	88,010	9,587
Profit after taxation	78,228	70,630	7,598
Dividends Paid	15,264	13,550	1,714
Shareholders' Funds	1,025,286	962,322	62,964
Earnings per share	3.9p	3.5p	0.4p
Dividends per share	0.76p	0.68p	0.08p
Net assets per share	51.3p	48.1p	3.2p

The year saw a pleasing increase in turnover of 13.4% on the previous year. The gross margin remained fairly consistent with the previous year at 56%. Once again this is due to the increase in discounts given to enable the company to establish itself in new markets. The company should continue to see a comfortable growth in the current year.

The directors wish to highlight that the earnings per share has increased from 3.5 pence in 2006 to 3.9 pence in 2007.

ENVIRONMENT

The company 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 company's activities. Initiatives designed to minimise the company's impact on the environment include the safe disposal of waste and reducing energy consumption.

FUTURE DEVELOPMENTS

The company 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 company 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.

In the last year we obtained UL (Underwriters Laboratory) approval for a number of products aimed at the US market. This was done in record time and with lower than anticipated cost and was a magnificent achievement. Mabruk Farrah, our Technical director is to be particularly congratulated.

The home market appears to be shrinking but despite this the company has increased its UK market share by 1% (2006: 11%).

On 1 March 2008 the company acquired 100% of the share capital of Nirvana Engineering (Stafford) Limited, a company some three times larger than Mechan Controls Plc. It is projected that even after acquisition and reorganisation costs it will substantially enhance earnings for the current year. The company will continue to diligently seek out further bolt on opportunities.

RESEARCH AND DEVELOPMENT

The range of switches has more than trebled since the company was acquired in October 1999. This has been achieved as a result of extensive research and development by our two leading experts in the field, Mabruk Farrah (Technical Director) and Matthew Bagley (Chief Development Engineer). A constant research and development effort is necessary to retain a leading edge in this hi-tech field.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company'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 company's principal financial instruments comprise cash deposits and a bank loan together with trade debtors and trade creditors arising directly from trading.

Price risk

There is always pressure on prices in what is a competitive and international market. Movement in exchange rates can make a difference of 10% to prices. However, prices are raised appropriately in line with customer expectation, competition and the cost of living index. This has not lead to a loss of customers in the past.

Liquidity risk

The company has a very small bank loan which at 31 December 2007, is more than covered by a cash surplus on deposit at the bank. The company has an overdraft facility should it be needed. 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.

Credit risk

We operate normal credit terms and this is specified in some cases in the distribution agreement. The company 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 for the year and expect the general level of activity and profitability to increase in the forthcoming year.

MARKET VALUE OF INTERESTS IN LAND

The directors consider that the market value of interests in land and buildings as at 31 December 2007 is £160,000. The net book value of land and buildings in the financial statements is £68,756.

POLICY ON THE PAYMENT OF CREDITORS

It is the company'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 2007, based on the 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 of the profit or loss of the company for that period. 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 company 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 company 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 company 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 company'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.

POST BALANCE SHEET EVENT

On 12 March 2008, it was announced that the company had completed contractual arrangements to acquire 100% of the share capital of a Midlands based company called Nirvana Engineering (Stafford) Limited. The company provides manufactured structures for the safe and secure storage of back up power systems within a niche market sector. The directors consider this to be a significant first step to expand their operations.

AUDITORS

The auditors, Tenon Audit Limited, who were appointed during the year will be proposed for reappointment 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 27 May 2008.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MECHAN CONTROLS PLC

FOR THE YEAR ENDED 31 DECEMBER 2007

We have audited the financial statements of Mechan Controls Plc for the year ended 31 December 2007 on pages 8 to 20, which have been prepared on the basis of the accounting policies set out on pages 12 to 13.

This report is made solely to the company's members, 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 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

The directors' responsibilities for preparing 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.

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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 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
company's affairs as at 31 December 2007 and of its
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 is
consistent with the
financial statements.

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

Date: 27 May 2008

PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31 DECEMBER
2006

2007

GBP

GBP

TURNOVER
683,893

775,841

Cost of sales
294,814

341,454

GROSS PROFIT	434,387	
389,079		
Administrative expenses	339,262	
301,273		
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OPERATING PROFIT	95,125	
87,806		
Interest receivable and similar	4,671	
2,571		
income		
Interest payable and similar	(2,199)	
(2,367)		
charges		
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PROFIT ON ORDINARY ACTIVITIES	97,597	
88,010		
BEFORE TAXATION		
Tax on profit on ordinary	19,369	
17,380		
activities		
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PROFIT FOR THE FINANCIAL YEAR	78,228	
70,630		
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=====		
Earnings per share (pence)	3.9	
3.5		

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

BALANCE SHEET AS AT 31 DECEMBER
2006

2007

GBP

GBP

FIXED ASSETS

Intangible assets

544,198

574,996

Tangible assets

125,347

132,595

669,545

707,591

CURRENT ASSETS

Stocks

182,405

183,137

Debtors

179,445

119,109

Cash at bank

139,577

89,696

501,427

391,942

CREDITORS: Amounts

falling due within one
year

123,354

107,486

NET CURRENT ASSETS

378,073

284,456

TOTAL ASSETS LESS CURRENT

1,047,618

992,047

LIABILITIES

CREDITORS: Amounts

19,159

26,680

falling due after more
than one year

1,028,459

965,367

PROVISIONS FOR LIABILITIES

Deferred taxation

3,173

3,045

	1,025,286	
962,322		
	=====	
=====		
CAPITAL AND RESERVES		
Called-up equity share	50,000	
50,000		
capital		
Share premium account	653,000	
653,000		
Profit and loss account	322,286	
259,322		
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SHAREHOLDERS' FUNDS	1,025,286	
962,322		
	=====	
=====		

These financial statements were approved by the directors and were authorised for issue on the 27 May 2008 and are signed on their behalf by:

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Mr W Boardman - Managing Director
Director