

COMPANY REGISTRATION NUMBER 03802853

Mechan Controls PLC

Directors' Report
And Financial Statements

For the Year Ended 31 December 2011

The Directors are pleased to announce our final results for 2011. You will see from the key performance indicators in the directors' report that:

- Consolidated turnover has increased by 3.8% on last year.
- Consolidated profits before tax have decreased by 21% on last year.

We are still expanding organically and geographically. On the 30 November 2011 PJO Group Limited and PJO Industrial Limited were acquired and incorporated into the group.

Notwithstanding the increase in shareholders funds the directors have decided to maintain the dividend at £25,200 (2010 £25,200).

Mr W Boardman - Chairman
Date: 28 May 2012

THE DIRECTORS' REPORT AS AT YEAR ENDED 31 DECEMBER 2011

The directors have pleasure in presenting their report and the financial statements of the group for the year ended 31 December 2011.

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 its subsidiary, Nirvana Engineering (Stafford) Limited's principal activity is to provide manufactured structures for the safe and secure storage of back up power systems within a niche market sector. Newly acquired PJO Industrial's principal activity during the period was the contracting, sale, hire, and repair of specialist equipment for pipe services ancillary to pipe laying, together with the sale and servicing of equipment for the mining industry. The group's key performance indicators for the year were as follows:

GROUP KEY PERFORMANCE INDICATORS

	2011	2010
	£	£
Turnover	2,933,193	2,824,740
Gross Profit	1,346,269	1,417,906
Gross Profit %	45.9%	50.1%
Operating profit	420,095	530,014
Profit before taxation	400,292	506,382
Profit after taxation	271,490	360,830
Shareholders funds	2,014,196	1,780,406
Earnings per share	13.57p	18.04p
Dividends per share	1.89p	1.68p
Net assets per share	100.71p	89.02p

On the 30th November 2011 the company acquired the share capital of PJO Industrial Limited and PJO Group Limited.

ENVIRONMENT

The group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities. Initiatives designed to minimise the group's impact on the environment includes the safe disposal of waste and reducing energy consumption.

FUTURE DEVELOPMENTS

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

PJO Industrial Limited has historically concentrated exclusively on the UK market. It is our intention to use our established network of overseas contacts to introduce PJO Industrial Limited's products, in particular the mining equipment, to that network and we would expect to see some increased activity during the second half of the year.

The first quarter of this year has been a period of consolidation following the acquisition of PJO Industrial Limited and PJO Group Limited and the subsequent costs of reorganisation, standardisation and integration in line with group standards has been undertaken. This will have some impact on the bottom line results. Second quarter performance should be unaffected by these issues, and we expect first half results to be in line with expectations.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £271,490. Particulars of dividends paid are detailed in note 10 to the financial statements.

FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Price risk

There is always pressure on prices in what is a competitive and international market. Movement in exchange rates can make a difference of 10% to prices. However, prices are raised appropriately in line with customer expectation, competition and the cost of living index.

Liquidity risk

As part of our new acquisition financing, the group continues to use invoice discounting plus acquired new financing of a 4 year term loan.

Credit risk

We operate normal credit terms and this is specified in some cases in the distribution agreement. This is monitored closely.

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

RESEARCH AND DEVELOPMENT

The Mechan Controls PLC range of switches has more than trebled in the last 10 years. This has been achieved as a result of our extensive and intensive research and development efforts. We have now entered a period of product consolidation with a greater focus on pushing our existing products through our distribution pipeline.

Nirvana has developed two new products which are currently patented were ready by the second half of 2011. All new lines of potential development are investigated by the company in order to support its customer base. These new products will enhance our efforts to penetrate further into export markets.

PJO is continuing a programme to refine and develop its capital equipment. In particular they are responding to specific customer requirements, which include demand for low seam development including an overseas requests for low seam development also.

DIRECTORS

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

Mr W Boardman - Managing Director

Mr M F Farrah - Technical Director

Mr P K Knowles - Sales & Marketing Director
Mr J Faulkner - Non Executive Director
Mr R Parkinson
Mr R W Shaw
Mr J A O' Grady (Appointed 30 November 2011)

MARKET VALUE OF INTERESTS IN LAND

The directors consider that the market value of interests in land and buildings as at 31 December 2011 was £165,000. The net book value of land and buildings in the financial statements is £62,204.

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 9.5 days purchases outstanding as at 31 December 2011, based on trade creditors outstanding at that date and purchases made during the year.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the group's auditor is unaware; and

- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the material and integrity of the corporate and financial information included on the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITOR

A resolution to appoint R S M Tenon Audit Limited as auditor of the company will be proposed at the forthcoming annual general meeting.

Signed on behalf of the directors

Mr R Parkinson
Company Secretary

Approved by the directors on 28 May 2012

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MECHAN CONTROLS PLC AS AT YEAR ENDED 31 DECEMBER 2011

We have audited the group and parent company financial statements ("the financial statements") of Mechan Controls PLC for the year ended 31 December 2011 which comprise the Group Profit and Loss Account, The Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on pages 5 to 6, the directors are responsible for the preparation of the Annual Report, financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable

law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2011 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Christopher Moss (Senior Statutory Auditor)
For And On Behalf Of

RSM Tenon Audit Limited
Statutory Auditor
Sumner House
St. Thomas's Road
Chorley
Lancashire
PR7 1HP
Date: 28 May 2012

GROUP PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2011

		2011	2010
	Note	£	£
Continuing Operations		2,858,505	2,824,740
Acquisitions		74,688	
GROUP TURNOVER	2	2,933,193	2,824,740
Cost of sales	3	<u>(1,586,924)</u>	<u>(1,406,834)</u>
GROSS PROFIT		1,346,269	1,417,906
Net operating Expenses	3	<u>926,174</u>	<u>887,892</u>
Continuing operations		464,055	530,014
Acquisitions		<u>(43,960)</u>	=
GROUP OPERATING PROFIT	4	420,095	530,014
Interest receivable and similar income		2,031	531
Interest payable and similar charges	7	<u>(21,834)</u>	<u>(24,163)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		400,292	506,382
Tax on profit on ordinary activities	8	<u>128,802</u>	<u>145,552</u>
PROFIT FOR FINANCIAL YEAR	9	<u>271,490</u>	<u>360,830</u>
Earnings per share			
Basic and diluted	11	<u>13.57p</u>	<u>18.04p</u>

All of the activities of the group are classed as continuing.
The group has no recognised gains or losses other than the results for the
year as set out above.

The company has taken advantage of section 408 of the Companies Act 2006
not to publish its own Profit and Loss Account.

GROUP BALANCE SHEET
YEAR ENDED 31 DECEMBER 2011

			2011		2010
	Note	£	£	£	£
FIXED ASSETS					
Intangible assets	12		1,702,626		1,079,887
Tangible assets	13		<u>236,880</u>		<u>145,957</u>
			1,939,506		1,225,844
CURRENT ASSETS					
Stocks	15	521,544		266,902	
Debtors	16	908,184		698,408	
Cash at bank and in hand		<u>357,154</u>		<u>345,852</u>	
		1,786,882		1,311,162	
CREDITORS: Amounts falling due within one year	17	<u>919,816</u>		<u>602,445</u>	
NET CURRENT ASSETS			<u>867,066</u>		<u>708,717</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,806,572		1,934,561
CREDITORS : Amounts falling due after more than one year	18		753,913		135,754
PROVISIONS FOR LIABILITIES					
Deferred taxation	21		<u>38,463</u>		<u>18,401</u>
			<u>2,014,196</u>		<u>1,780,406</u>
CAPITAL AND RESERVES					
Called up equity share capital	24		50,000		50,000
Share premium account	25		653,000		653,000
Profit and loss account	25		<u>1,311,196</u>		<u>1,077,406</u>
SHAREHOLDERS' FUNDS	25		<u>2,014,196</u>		<u>1,780,406</u>

These financial statements were approved by the directors and authorised for issue on 28 May 2012, and are signed on their behalf by:

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Mr W Boardman - Managing Director

Company Registration Number: 03802853

The Directors of the company accept full responsibility for this announcement.

