# Tricorn Group plc

*Worldwide* ***pipe solutions***

Annual Report and Accounts **2008**

**Tricorn Group plc**

Spring Lane, Malvern Link, Malvern, Worcestershire WR14 1DA **T** 01684 569956 **F** 01684 892337

www.tricorn.uk.com

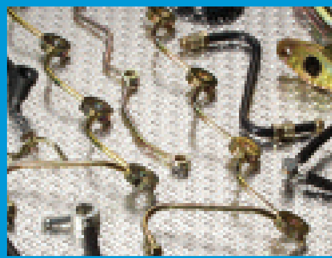
# Our **Group**

AIM listed in 2001 Tricorn Group plc is the holding company for a group of companies that develop and manufacture pipe solutions to a growing and increasingly international customer base.

# Key **Market** Sectors

The customer base includes major blue chip companies with world-wide activities operating in key market sectors including:-



### Power Generation

Manipulated tubular assemblies in steel, plastic and plastic/steel hybrids for major diesel engine, generator set and radiator manufacturers

### Aerospace

Rigid tube assemblies in stainless steel, titanium for civil jet engines, military jet engines, aircraft fuselage and landing gear applications

### Off Highway

Tubular assemblies and fabrications for off highway applications including earth moving vehicles, diesel engines and fuel sender sub-systems

### Automotive

Niche Automotive Premier 4X4 vehicles, fuel sender systems and passenger vehicles

# Our **Subsidiaries**

MTC

### Malvern Tubular Components Limited

MTC is a specialist manufacturer of manipulated tubular assemblies supplying blue chip companies involved in power generation. This includes diesel engine, generator set and radiator manufacture.

***www.mtc.uk.com***

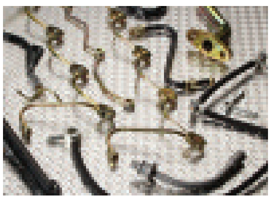
RMDG AEROSPACE

### RMDG Aerospace Limited

Acquired in June 2006 the company supplies specialised rigid pipe assemblies to meet the demanding needs of the aerospace sector.
Its products are found in a wide range of aircraft and are recognised for their excellence worldwide.

***www.rmdg.co.uk***

MAXPOWER AUTOMOTIVE LIMITED

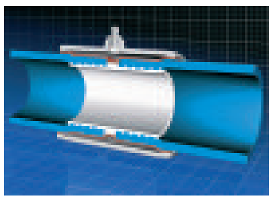


### Maxpower Automotive Limited

Acquired in June 2007 the business manufactures a wide range of tubular assemblies in ferrous, non ferrous and nylon materials primarily for off highway and niche automotive applications.

***www.maxaut.co.uk***

REDMAN FITTINGS LIMITED



### Redman Fittings Limited

The business develops and supplies major OEM's with bespoke jointing systems for multi-layer polyethylene pipe systems. The innovative jointing system is patented worldwide and continues to attract considerable interest.

***www.redmanfittings.com***

# Year in brief

- Record results
- Operating profit* up 59.1% to £1,661k
- Adjusted earnings per share up 57.4% to 3.51p
- Revenues up 86.9% to £20,829k

*before amortisation, share based charge and restructuring costs

pipe solutions

# Contents

# Chairman's Statement

**"We continue to move forward with the successful execution of our strategy"**

The year ended 31 March 2008 has again seen record results for the Group as we continue to move forward with the successful execution of our strategy to expand organically and through acquisition.

Revenues were up 86.9% to £20,829K (2007: £11,147K), operating profit (before intangible asset amortisation and share based charges) grew 59.1% to £1,661k (2007: £1,044k) and adjusted basic earnings per share rose to 3.51p (2007: 2.23p).

Malvern Tubular Components made good progress in the year and demand for its products increased particularly through the latter part of the period. The year ended with revenues up 12.6% and with an encouraging outlook.

At Redman Fittings capacity was added as demand increased substantially through the year. Its patented jointing system is gaining greater market acceptance and this is expected to continue over the medium to longer term. However in the short term we expect the weaker housing market will lead to some softening in demand.

The improved operational performance at RMDG Aerospace has enabled it to strengthen its relationship with its customers and the business is well positioned to gain market share. Transfer of component sourcing to lower cost countries has been slower than anticipated but the business started to contribute to Group profits in the second half and this is expected to accelerate in the current financial year.

We acquired Maxpower Automotive in June 2007, which further strengthened the Group's position as a pipe solutions provider. Good progress has been made in improving operational performance and in establishing sources of components from low cost countries. We remain on track to deliver significant benefits from this activity in 2008.

The outlook for the Group remains encouraging. The majority of our customers are operating in markets that remain strong. We continue to move component spend to low cost countries and we remain focused on improving our operational efficiency.

We will continue to look for acquisitions that fit our business model and where Tricorn expertise can add significant value.

It was with great regret we reported the passing away of Steve Cooper in October 2007 following a period of prolonged ill health. Steve had been Chief Executive since 2002 and a friend and colleague for much longer. On behalf of the Board and all at Tricorn I would like to record our deepest gratitude for the substantial contribution Steve made in shaping the Group as it is today. Our thoughts remain with his widow and family.

Finally I would like to thank our employees, customers, suppliers and shareholders for their continued support.

*N C Paul*
Chairman
16 June 2008

# Company Information

| | |
|---|---|
| **Company registration number:** | 1999619 |
| **Registered office:** | Spring Lane<br>Malvern Link<br>Malvern<br>Worcestershire<br>WR14 1DA |
| **Directors:** | Nicholas Campbell Paul (Chairman and Non-Executive Director)<br>Michael Ian Welburn (Chief Executive Officer)<br>Noel Silverthorne (Technical Director)<br>Roger Allsop (Non-Executive Director)<br>Jeffrey Rubins F.C.A. (Non-Executive Director) |
| **Secretary:** | Michael Greensmith |
| **Nominated Adviser and Nominated Broker:** | Collins Stewart Limited<br>9th Floor<br>88 Wood Street<br>London<br>EC2V 7QR |
| **Registrars:** | Neville Registrars Limited<br>Neville House<br>18 Laurel Lane<br>Halesowen<br>West Midlands<br>B63 3DA |
| **Bankers:** | Bank of Scotland<br>55 Temple Row<br>Birmingham<br>B2 5LS |
| **Solicitors:** | Orme & Slade Limited<br>National Westminster Bank Chambers<br>The Homend<br>Ledbury<br>Herefordshire<br>HR8 1AB |
| **Auditors:** | Grant Thornton UK LLP<br>Registered Auditors<br>Chartered Accountants<br>Enterprise House<br>115 Edmund Street<br>Birmingham<br>B3 2HJ |

# Report of the Directors

The Directors present their annual report together with the audited financial statements for the Group for the year ended 31 March 2008.

**Principal activity**
Tricorn Group plc is the parent company of a group of specialist engineering subsidiaries whose activities incorporate high precision tube manipulation, systems engineering and specialist fittings.

**Adoption of International Financial Reporting Standards**
The Group is reporting under International Financial Reporting Standards (IFRS) for the first time. Previously the Group results have been reported under UK GAAP. The effect of this change has been detailed in note 30 to the statutory accounts. The results for Tricorn Group plc the Company continue to be reported under UK GAAP.

**Business review**
A review of the progress of the Group during the year and its prospects for the future are included in the Chairman's report. There was a profit for the year after taxation amounting to £799k (2007: £500k). The Directors do not recommend the payment of a dividend.

**Financial risks and management**
The Group's principal financial instruments comprise a bank loan, an invoice discounting facility, hire purchase and finance lease contracts, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations. The Group does not enter into derivative transactions.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, commodity price risk, foreign currency risk, and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk
The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities. The Group finances specific large plant acquisitions via hire purchase or finance lease contracts. An interest rate swap has been entered into during the year to mitigate interest rate fluctuations on the bank loan.

Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of deposits, overdrafts, invoice discounting and finance lease and hire purchase contracts. Money on deposit is held on treasury reserve, partly to finance working capital and also to help finance future acquisitions.

Commodity price risk
The Group's exposure to the price of steel is high, therefore selling prices are monitored regularly to reduce the impact of such risk and opportunities to reduce material costs are explored constantly. The Group has partly responded to this risk by sourcing materials in low cost countries. The Company would also look to recharge any increased cost of commodities to customers.

Foreign currency risk
Certain purchases are made in foreign currencies, but the Group's sales are all within the United Kingdom and consequently the Group is not significantly exposed to currency risk. The Group does not hedge any transactions, and foreign exchange differences on retranslation of foreign currency assets and liabilities are taken to the income statement account of the Group.

Credit risk
The Group trades with only recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit vetting procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

### Directors
The present membership of the Board is set out below.

N C Paul
J Rubins
R Allsop
M I Welburn
N Silverthorne

### Share capital
Details of the Company's share capital, including the number of shares issued in the period under review, are given in note 25 to the financial statements. The Group's policy for managing capital and financing to support the activities of the Group is detailed in note 23 to the financial statements.

### Substantial shareholdings
The only interests in excess of 3% of the issued share capital of the Company, which have been notified as at 2 June 2008, were as follows:

| | Ordinary shares of 10 pence each Number | Percentage of capital % |
|---|---|---|
| R Allsop | **11,220,000** | **33.98** |
| Hargreave Hale Limited | **6,619,000** | **20.05** |
| Gartmore Investment Limited | **3,122,692** | **9.46** |
| J Rubins | **1,500,000** | **4.54** |
| Rock Nominees Limited (account 500112) | **1,370,150** | **4.15** |
| J Cooper | **1,200,000** | **3.63** |
| Apollo Nominees Limited | **1,075,000** | **3.26** |

### Health and safety
The Group recognises its responsibility to ensure that its employees work in as safe a working environment as possible. Checks are implemented to ensure our clients comply with Health and Safety legislation.

### Payment to suppliers
It is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts and pay suppliers according to agreed terms and conditions, provided that the supplier meets those terms and conditions. The Group does not have a standard or code which deals specifically with the payment of suppliers.

Group trade payables at the year end amount to 76 days of average supplies (2007: 61 days). The Company trade payables are 60 days (2007: 80 days).

### Directors' responsibilities for the Group financial statements
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union (IFRSs).

# Report of the Directors continued

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss 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 IFRSs 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, for safeguarding the assets of the Group and 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 auditors are 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 auditors are aware of that information.

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.

**Auditors**
Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

On behalf of the Board

**M I Welburn**
*Director*

16 June 2008

# Corporate Governance

The Group has, since admission to AIM in December 2001, applied principles of corporate governance commensurate with its size.

**Directors**

The Directors support the concept of an effective Board leading and controlling the Group. The Board is responsible for approving the Group's policy and strategy. It meets on a regular basis and has a schedule of matters specifically reserved to it for decision. Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Company Secretary and independent professional advice at the Company's expense.

The Board consists of two executive Directors, who hold the key operational positions in the Group and three non-executive Directors, who bring a breadth of experience and knowledge. This provides a balance whereby the Board's decision making cannot be dominated by an individual. The Chairman of the Board is N C Paul and the other non-executive Directors are R Allsop and J Rubins. The Board approve the strategic decisions of the Group. The Group's business is run on a day to day basis by M I Welburn and N Silverthorne with M I Welburn having overall responsibility as the Chief Executive.

**Relations with shareholders**

The Group values the views of its shareholders and recognises their interest in the Group's strategy and performance. The Annual General Meeting will be used to communicate with private investors and they are encouraged to participate. The Directors will be available to answer questions. Separate resolutions will be proposed on each issue so that they can be given proper consideration and there will be a resolution to approve the annual report and accounts.

**Internal control**

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' investment and the Group's assets and for reviewing its effectiveness. The system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

An audit committee has been established comprising the non-executive Directors, chaired by J Rubins, which meets at least twice per annum and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on as well as meeting the auditors and reviewing any reports from the auditors regarding accounts and internal control systems.

The Board has considered the need for an internal audit function but has decided the size of the Group does not justify it at present. However, it will keep the decision under annual review.

**Board structure**

The key features of the Group's system of governance are as follows:

- the Group is headed by an effective Board, which leads and controls the Group;
- there is a clear division of responsibilities in running the Board and running the Group's business;
- the Board includes a balance of executive and non-executive Directors; and
- the Board receives and reviews on a timely basis financial and operating information appropriate to be able to discharge its duties.

**Going concern**

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

# Corporate Governance continued

**Directors' remuneration**
The Board recognises that Directors' remuneration is of legitimate concern to the shareholders and is committed to following current best practice. The Group operates within a competitive environment, performance depends on the individual contributions of the Directors and employees and it believes in rewarding vision and innovation.

**Policy on executive Directors' remuneration**
Detail of individual Directors' remuneration is set out in note 5 to the financial statements. The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain directors of the calibre necessary to maintain the Group's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary, and reflects the Directors' responsibilities. A separate remuneration committee has been established comprising the non-executive Directors and is chaired by R Allsop.

**Basic annual salary**
The Remuneration Committee reviews each Executive Director's basic salary annually. In deciding upon appropriate levels of remuneration the Board believes that the Group should offer levels of base pay reflecting individual responsibilities and commensurate with similar jobs in other business sectors.

**Annual bonus payments, benefits and pension arrangements**
M I Welburn receives a performance related bonus through Tricorn Group plc.

N Silverthorne shares in a performance related bonus arrangement within Malvern Tubular Components Limited.

M I Welburn and N Silverthorne benefit from the provision of private medical insurance, the provision of Company cars and participate in a contributory pension scheme.

R Allsop, N C Paul and J Rubins receive no benefits in kind.

**Notice periods**
M I Welburn and N Silverthorne have service agreements with the Group which are terminable on not less than 12 months notice given by either party to the other at any time.

N C Paul, R Allsop and J Rubins have letters of appointment with the Company which are terminable upon 6 months' written notice being given by either party.

**Share option incentives**

The Company has adopted a number of individual unapproved and enterprise management scheme share option agreements to motivate and retain key personnel of the Group.

At 31 March 2008 the following options were held by the Directors:

| | At beginning of period Number | Lapsed during the year Number | Granted during the year Number | Exercised during the year Number | **At end of year Number** | Exercise price £ |
|---|---|---|---|---|---|---|
| **Unapproved share options** | | | | | | |
| N C Paul | 200,000 | – | – | – | **200,000** | 0.30 |
| J Rubins | 100,000 | – | – | – | **100,000** | 0.30 |
| M I Welburn | 306,339 | – | – | – | **306,339** | 0.1775 |
| M I Welburn | – | – | 375,000 | – | **375,000** | 0.40 |
| S Cooper | 929,578 | – | – | (929,578) | **–** | 0.1775 |
| **Enterprise management scheme (EMI) options** | | | | | | |
| M I Welburn | 750,000 | – | – | – | **750,000** | 0.10 |
| N Silverthorne | 200,000 | – | – | – | **200,000** | 0.10 |
| N Silverthorne | 150,000 | – | – | – | **150,000** | 0.20 |
| M I Welburn | 193,661 | – | – | – | **193,661** | 0.1775 |
| S Cooper | 1,000,000 | – | – | (1,000,000) | **–** | 0.10 |
| S Cooper | 70,422 | – | – | (70,422) | **–** | 0.1775 |

**Unapproved share options**

N C Paul's and J Rubins' options are exercisable between 1 January 2002 and 31 December 2009. The unapproved share options granted on 30 November 2006, over 306,339 shares for M I Welburn are to be exercisable at 17.75p per share once the mid-market price has been maintained at 30p per share or greater for ten consecutive working days – this has been attained. The unapproved options granted over 375,000 shares for M I Welburn are exercisable at 40p per share between 30 November 2007 and 29 November 2014.

As at 31 March 2008 all of the unapproved share options have vested.

**EMI options**

M I Welburn has three separate EMI share options. The first option is over 500,000 ordinary shares which is exercisable at 10p per share after 12 months continuous employment and will remain in force for ten years. The second option over 250,000 shares is to be exercisable at 10p per share once the mid-market price has been maintained at 20p per share or greater for ten consecutive working days. The third option, granted on 27 July 2006 over 193,661 shares is to be exercisable at 17.75p per share once the mid-market price has been maintained at 30p per share or greater for ten consecutive working days. All subsequent share disposals will be limited to one third of the option in any given year without prior Board approval.

N Silverthorne was granted an EMI option on his appointment as a Director of the Company, effective 1 December 2004. This option is over 200,000 ordinary 10p shares and will remain in force for ten years. He also had 150,000 EMI options prior to his appointment as a Director which are exercisable at 20p per share. None of the options has performance conditions attached to them.

The exercise periods for share options were set by the Remuneration Committee in order to incentivise and retain key executives. The market price of the Company's shares at 31 March 2008 was 34.0p and the range during the year was 22.25p to 44.5p.

As at 31 March 2008 all of the EMI options have vested.

# Report of the Independent Auditors

## to the members of Tricorn Group plc

We have audited the Group financial statements of Tricorn Group plc for the year ended 31 March 2008 which comprise the Group income statement, the Group statement of changes in equity, the Group balance sheet, the Group cash flow statement and notes 1 to 31. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Parent Company financial statements of Tricorn Group plc for the year ended 31 March 2008.

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 auditors**

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities for the Group financial statements.

Our responsibility is to audit the Group 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 Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement which is cross referred from the Business Review section of the Directors Report.

In addition we report to you if, in our opinion, 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 Group financial statements. The other information comprises only the Chairman's Statement, the Report of the Directors and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group 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 Group financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group'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 Group 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 Group financial statements.

**Opinion**

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

**Separate opinion in relation to IFRSs**

As explained in Note 2 to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended.

**GRANT THORNTON UK LLP**
Registered Auditors
Chartered Accountants
Birmingham

16 June 2008

# Group Income Statement

for the year ended 31 March 2008

| | Note | 2008 £'000 | 2007 £'000 |
|---|---|---|---|
| **Revenue** | 3 | **20,829** | 11,147 |
| Cost of sales | | **(14,584)** | (6,787) |
| **Gross profit** | | **6,245** | 4,360 |
| Distribution costs | | **(912)** | (451) |
| Administration costs | | **(3,672)** | (2,865) |
| **Operating profit before amortisation, share based remuneration and restructuring costs** | 3 | **1,661** | 1,044 |
| Amortisation | 12 | **(94)** | (19) |
| Share based charge | 6 | **(335)** | (52) |
| Restructuring costs | | **–** | (120) |
| **Operating profit** | 3/4 | **1,232** | 853 |
| Finance income | 8 | **10** | 11 |
| Finance costs | 8 | **(269)** | (129) |
| **Profit before tax** | | **973** | 735 |
| Income tax expense | 9 | **(174)** | (235) |
| **Profit for the year** | 3 | **799** | 500 |
| **Attributable to:** | | | |
| Equity holders of the Parent | | **799** | 500 |
| **Earnings per share:** | | | |
| Basic earnings per share | 10 | **2.56** | 1.61 |
| Diluted earnings per share | 10 | **2.27** | 1.47 |

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

The accompanying accounting policies and notes form an integral part of these financial statements.

# Group Statement of Changes in Equity

for the year ended 31 March 2008

| | *Share capital £'000* | *Share premium £'000* | *Merger reserve £'000* | *Share based payment reserve £'000* | *Profit and loss account £'000* | *Total £'000* |
|---|---|---|---|---|---|---|
| **Balance at 1 April 2006** | 3,102 | 1,371 | 1,388 | – | (3,731) | 2,130 |
| Profit for the year | – | – | – | – | 500 | 500 |
| Total recognised income for the year | – | – | – | – | 500 | 500 |
| Share based charge | – | – | – | 52 | – | 52 |
| **Balance at 31 March 2007** | **3,102** | **1,371** | **1,388** | **52** | **(3,231)** | **2,682** |
| Profit for the year | – | – | – | – | 799 | 799 |
| Total recognised income for the year | – | – | – | – | 799 | 799 |
| Share based charge | – | – | – | 335 | – | 335 |
| Share based charge exercised in year | – | – | – | (194) | 194 | – |
| Issue of new shares | 200 | 77 | – | – | – | 277 |
| **Balance at 31 March 2008** | **3,302** | **1,448** | **1,388** | **193** | **(2,238)** | **4,093** |

The accompanying accounting policies and notes form an integral part of these financial statements.

# Group Balance Sheet

at 31 March 2008

| | Note | 2008 £'000 | 2007 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non current** | | | |
| Goodwill | 11 | **591** | 200 |
| Other intangible assets | 12 | **1,029** | 361 |
| Property, plant and equipment | 13 | **1,414** | 839 |
| | | **3,034** | 1,400 |
| **Current** | | | |
| Inventories | 15 | **3,547** | 2,359 |
| Trade and other receivables | 16 | **5,728** | 3,446 |
| Cash and cash equivalents | 17 | **397** | 35 |
| | | **9,672** | 5,840 |
| **Total assets** | | **12,706** | 7,240 |
| **Liabilities** | | | |
| **Current** | | | |
| Trade and other payables | 19 | **(4,709)** | (2,406) |
| Borrowings | 20 | **(2,180)** | (1,798) |
| Corporation tax | | **(273)** | (135) |
| | | **(7,162)** | (4,339) |
| **Non-current** | | | |
| Borrowings | 20 | **(1,087)** | (70) |
| Deferred tax | 18 | **(364)** | (149) |
| | | **(1,451)** | (219) |
| **Total liabilities** | | **(8,613)** | (4,558) |
| **Net assets** | | **4,093** | 2,682 |
| **Equity** | | | |
| Share capital | 25 | **3,302** | 3,102 |
| Share premium account | | **1,448** | 1,371 |
| Merger reserve | | **1,388** | 1,388 |
| Share based charge reserve | | **193** | 52 |
| Profit and loss account | | **(2,238)** | (3,231) |
| **Total equity** | | **4,093** | 2,682 |

The financial statements were approved by the Board of Directors on 16 June 2008.

**M I Welburn**
*Director*

The accompanying accounting policies and notes form an integral part of these financial statements.

# Group Cash Flow Statement

for the year ended 31 March 2008

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit after taxation | **799** | 500 |
| Adjustment for: | | |
| Depreciation | **344** | 207 |
| Interest charge in income statement | **259** | 118 |
| Profit on sale of plant and equipment | **(2)** | (17) |
| Amortisation charge | **94** | 19 |
| Share based charge | **335** | 52 |
| Taxation expense recognised in income statement | **174** | 235 |
| Increase in trade and other receivables | **(918)** | (134) |
| Increase in trade payables, other payables and accruals | **1,064** | 82 |
| Increase in inventories | **(685)** | (553) |
| Cash generated from operations | **1,464** | 509 |
| Interest paid | **(257)** | (129) |
| Income taxes paid | **(208)** | (11) |
| **Net cash from operating activities** | **999** | 369 |
| **Cash flows from investing activities** | | |
| Acquisition of subsidiaries | **(1,537)** | (2,016) |
| Cash/(overdraft) acquired from acquisition | **28** | (485) |
| Purchase of plant and equipment | **(148)** | (254) |
| Proceeds from sale of plant and equipment | **2** | 32 |
| Interest received | **10** | 11 |
| **Net cash used in investing activities** | **(1,645)** | (2,712) |
| **Cash flows from financing activities** | | |
| Issue of ordinary share capital | **100** | – |
| (Repayment)/receipt of short term borrowings | **(244)** | 1,389 |
| Proceeds from bank borrowing | **1,400** | – |
| Fees in relation to bank borrowings | **(37)** | – |
| Repayment of bank borrowings | **(100)** | – |
| Payment of finance lease liabilities | **(111)** | (10) |
| **Net cash used in financing activities** | **1,008** | 1,379 |
| **Net increase/(decrease) in cash and cash equivalents** | **362** | (964) |
| **Cash and cash equivalents at beginning of year** | **35** | 999 |
| **Cash and cash equivalents at end of year** | **397** | 35 |

The accompanying accounting policies and notes form an integral part of these financial statements.

# Notes to the Financial Statements

for the year ended 31 March 2008

**1 General information**

Tricorn Group plc and subsidiaries' (the 'Group') principal activities include the development and manufacturing of pipe solutions to a growing and increasingly international customer base.

The Group's customer base includes major blue chip companies with world-wide activities in key market sectors, including Pipefittings, Power Generation, Aerospace, Off Highway, and Automotive. The products supplied to the last four sectors share common means of production and are classified as 'Tube Manipulation'. Refer to note 3 for further information about Tricorn Group's operating segments.

Tricorn Group plc is the Group's ultimate Parent Company. It is incorporated and domiciled in the United Kingdom. The address of Tricorn Group plc's registered office, which is also its principal place of business, is Spring Lane, Malvern, Worcestershire, United Kingdom. Tricorn Group plc's shares are listed on the Alternative Investment Market of the London Stock Exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 16 June 2008. Amendments to the financial statements are not permitted after they have been approved.

**2 Accounting policies**

**Basis of preparation**

These consolidated financial statements have been prepared under the required measurement bases specified under International Financial Reporting Standards (IFRS) and in accordance with applicable IFRS as adopted by the European Union and IFRS as issued by the International Accounting Standards Board.

Tricorn Group plc's consolidated financial statements were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) until 31 March 2007. The date of transition to IFRS was 1 April 2006. The comparative figures in respect of 2007 have been restated to reflect changes in accounting policies as a result of adoption of IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in the reconciliation schedules, presented and explained in note 30.

**Overall considerations**

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The accounting estimates and assumptions are consistent with the Group's latest approved budget forecast where applicable. Judgements are based on the information available at each balance sheet date. All estimates are based on the best information available to management.

**Standards and interpretations not yet applied by the Group**

The following new Standards and Interpretations, which are yet to become mandatory, have not been applied in the Group's financial statements.

- IAS 1 Presentation of Financial Statements (revised 2007) – effective from 1 January 2009
- IAS 23 Borrowing Costs (revised 2007) – effective from 1 January 2009
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) – effective from 1 July 2009
- IFRS 3 Business Combinations (Revised 2008) – effective from 1 July 2009
- IFRS 8 Operating Segments – effective from 1 January 2009
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation – effective from 1 January 2009
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations – effective from 1 January 2009
- IFRIC 12 Service Concession Arrangements – effective from 1 January 2008
- IFRIC 13 Customer Loyalty Programmes – effective from 1 July 2008
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirement and its Interaction – effective from 1 January 2009

Based on the Group's current operations and accounting policies, management does not expect material impacts on the Group's financial statements when the standards and interpretations become effective.

**2 Accounting policies *(continued)***

**Significant accounting estimates and judgements**

Certain estimates and judgements need to be made by the Directors of the Group which affect the results and position of the Group as reported in the financial statements. Estimates and judgements are required for example as at the reporting date not all liabilities have been settled and certain assets/liabilities are recorded at fair value which requires a number of estimates and assumptions to be made.

The major area for estimation within the financial statements is as follows:

- valuation of the carrying value of intangible assets.

The Directors have reviewed the acquisition of Maxpower Automotive Limited and RMDG Aerospace Limited, which led to the recognition of intangible assets, in detail and taken professional advice to arrive at the fair value of intangible assets acquired, namely brand names and customer relationships.

The major areas for judgements within the financial statements are as follows:

- useful economic life of the intangible assets recognised on consolidation.

The useful economic life over which the acquired intangible assets are amortised represents the Directors' judgement of the period over which these brands and customer relationships will provide benefit to the Group.

**Consolidation and investments in subsidiaries**

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through voting rights. The consolidated financial statements of the Group incorporate the financial statements of the Parent Company as well as those entities controlled by the Group by full consolidation.

In addition, acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the basis for subsequent measurement in accordance with the Group accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**Business combinations completed prior to date of transition to IFRS**

The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to the date of transition to IFRS.

Accordingly the classification of the combination (acquisition, reverse acquisition or merger) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax and minority interest are adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

**Revenue recognition**

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts. Revenue is recognised upon the performance of services or transfer of risk to the customer.

The Group recognises revenue when persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the fee fixed and determinable; and collectability is reasonably assured. Amounts received are recognised immediately as revenue where there are no substantial risks, there are no ongoing performance obligations and amounts received are not refundable. Amounts are deferred over an appropriate period where these conditions are not met.

# Notes to the Financial Statements

continued

**2 Accounting policies *(continued)***

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Cost of work in progress and finished goods includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity.

Provisions are made against inventories where there is evidence that the carrying amount has fallen below recoverable amount.

**Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

**Impairment**

The Group's goodwill is subject to annual impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual intangible assets or cash-generating units that include goodwill with an indefinite useful life are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

**Intangible assets acquired as part of a business combination**

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the Group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the Group are not reliably measurable. Where the individual fair value of the complementary assets are reliably measurable, the Group recognises them as a single asset provided the individual assets have similar useful lives.

**Intangible amortisation**

Intangible assets are amortised over the following periods:

| | |
|---|---|
| – Brand name | 15 years |
| – Customer relationships | 5 years |

**Foreign currencies**

These financial statements are presented in UK Sterling which is the currency of the Group.

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with through the income statement.

**Plant and equipment**

Plant and equipment and motor vehicles are carried at acquisition cost less subsequent depreciation and impairment losses. Depreciation is charged on these assets on a straight line basis over the estimated useful economic life of each asset.

The useful lives of plant, equipment and motor vehicles can be summarised as follows:

| | |
|---|---|
| Plant and equipment | 3 to 10 years |
| Motor vehicles | 5 years |

## 2 Accounting policies *(continued)*

**Leases**

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Subsequent accounting for assets held under finance lease agreements, i.e. depreciation methods and useful lives, correspond to those applied to comparable acquired assets. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs. Finance charges represent a constant periodic rate of interest on the outstanding balance of the finance lease liability.

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis. Associated costs, such as maintenance and insurance, are expensed as incurred. The Group does not act as a lessor.

**Taxation**

Current income tax assets and/or liabilities comprise those obligations to, or claim from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognised in conjunction with the initial recognition of goodwill on acquisitions. This applies also to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

**Employee benefits**

**Defined contribution pension scheme**

Pensions to employees are provided through contributions to individual personal pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of personal pension plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

**Other employee benefits**

Short-term employee benefits, including holiday entitlement are included in current pension and other employee obligations at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

**Financial assets**

The Group's financial assets include cash, cash equivalents and trade and other receivables.

All financial assets are recognised when the entity becomes party to the contractual provisions of an instrument. All financial assets are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortised cost using the effective interest rate.

# Notes to the Financial Statements

continued

**2 Accounting policies *(continued)***

Interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows. No general provisions are made against trade receivables.

**Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand and overdrafts as well as short term highly liquid investments such as bank deposits.

**Equity**

Share capital is determined using the nominal value of shares that have been issued.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The other reserve comprises a merger reserve.

The profit and loss account includes all current and prior period results as disclosed in the income statement.

**Share based employee remuneration**

All share-based payment arrangements are recognised in the consolidated financial statements. The Group operates equity-settled share-based remuneration plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based remuneration is ultimately recognised as an expense in the income statement with a corresponding credit to the share based payment reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment is made to the expense recognised in prior periods if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

**Financial liabilities**

The Group's financial liabilities include trade and other payables, bank borrowings, invoice discounting facilities and finance lease and hire purchase agreements.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "finance cost" in the income statement. Financial liabilities are initially recognised at fair value and subsequently measured at amortised costs using the effective interest rate.

**Derivative contracts**

Derivatives, such as interest rate swap contracts, are recognised at fair value through the income statement. The derivative is revalued to fair value at each reporting period with the income statement charge/credit being disclosed in finance income/costs and the asset/liability being separately shown in the notes to the balance sheet.

**Research costs**

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

3 **Segmental reporting**

The Group operates two main business segments:

- Tube Manipulation: the activities undertaken by Tube Manipulation comprise the supply of steel, plastic, titanium, and hybrid tube fabrications and fittings for, amongst other areas, diesel engine, generator set, jet engine and niche automotive applications.
- Pipefittings: the Pipefittings sector produces innovative jointing systems for polyethylene pipes, typically within the utility industry.

| These activities may be analysed as follows: | ***Tube manipulation £'000*** | ***Pipefittings £'000*** | ***Total £'000*** |
|---|---|---|---|
| **Year to 31 March 2008** | | | |
| **Revenue** | **18,164** | **2,665** | **20,829** |
| **Operating profit** | **994** | **667** | **1,661** |
| **Amortisation** | | | **(94)** |
| **Share based charge** | | | **(335)** |
| **Finance charge net** | | | **(259)** |
| **Tax charge** | | | **(174)** |
| **Profit for the year** | | | **799** |
| Year to 31 March 2007 | | | |
| Revenue | 10,566 | 581 | 11,147 |
| Operating profit | 744 | 300 | 1,044 |
| Amortisation | | | (19) |
| Share based charge | | | (52) |
| Restructuring costs | | | (120) |
| Finance charge net | | | (118) |
| Tax charge | | | (235) |
| Profit for the year | | | 500 |

Further information on the segments is given below:

| | | | |
|---|---|---|---|
| **31 March 2008** | | | |
| **Segment assets** | **11,399** | **858** | **12,257** |
| **Unallocated assets** | | | **449** |
| **Consolidated total assets** | | | **12,706** |
| **Segment liabilities** | **5,608** | **703** | **6,311** |
| **Unallocated liabilities** | | | **2,302** |
| **Consolidated total liabilities** | | | **8,613** |
| **Capital expenditure** | **177** | **66** | **243** |
| **Depreciation** | **332** | **12** | **344** |
| **Amortisation** | **94** | **–** | **94** |
| 31 March 2007 | | | |
| Segment assets | 6,814 | 324 | 7,138 |
| Unallocated assets | | | 102 |
| Consolidated total assets | | | 7,240 |
| Segment liabilities | 3,905 | 178 | 4,083 |
| Unallocated liabilities | | | 475 |
| Consolidated total liabilities | | | 4,558 |
| Capital expenditure | 254 | – | 254 |
| Depreciation | 195 | 12 | 207 |
| Amortisation | 19 | – | 19 |

# Notes to the Financial Statements

continued

**3 Segmental reporting *(continued)***

Segment details by geographic segments are as follows:

| | ***United Kingdom £'000*** | ***Europe £'000*** | ***Rest of the World £'000*** | ***Total £'000*** |
|---|---|---|---|---|
| **31 March 2008** | | | | |
| **Revenue** | **16,919** | **2,744** | **1,166** | **20,829** |
| **Assets** | **12,706** | **–** | **–** | **12,706** |
| **Liabilities** | **(8,613)** | **–** | **–** | **(8,613)** |
| **Net assets** | **4,093** | **–** | **–** | **4,093** |
| **Capital additions** | **243** | **–** | **–** | **243** |
| 31 March 2007 | | | | |
| Revenue | 8,556 | 1,691 | 900 | 11,147 |
| Assets | 7,240 | – | – | 7,240 |
| Liabilities | (4,558) | – | – | (4,558) |
| Net assets | 2,682 | – | – | 2,682 |
| Capital additions | 254 | – | – | 254 |

**4 Profit on ordinary activities before taxation**

The profit on ordinary activities before taxation is stated after charging/(crediting):

| | ***2008 £'000*** | 2007 £'000 |
|---|---|---|
| **Auditors' remuneration:** | | |
| Audit of Parent and Group consolidation | **14** | 11 |
| Audit of Group subsidiaries | **33** | 21 |
| Non-audit services | | |
| Corporate taxation | | |
| Tax advisory | **11** | 26 |
| | **3** | 11 |
| **Operating lease charges:** | | |
| Land and buildings | | |
| Plant and equipment | | |
| Motor vehicles | **232** | 218 |
| | **10** | 3 |
| | **48** | 36 |
| **Depreciation and amortisation:** | | |
| Intangible assets | **94** | 19 |
| Plant and equipment – owned | **292** | 192 |
| Plant and equipment – leased | **52** | 15 |
| Profit on sale of plant and equipment | **(2)** | (17) |

During the year the auditors also received remuneration of £52,000 (2007: £26,000) in respect of transaction support services. This cost was borne by the Parent Company.

## 5 Directors emoluments

| | **Basic £'000** | **Bonus £'000** | **Benefits in kind £'000** | **Pension £'000** | **2008 Total £'000** | Basic £'000 | Bonus £'000 | Benefits in kind £'000 | Pension £'000 | 2007 Total £'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| N C Paul | **25** | **–** | **–** | **–** | **25** | 23 | – | – | – | 23 |
| J Rubins | **12** | **–** | **–** | **–** | **12** | 11 | – | – | – | 11 |
| R Allsop | **15** | **–** | **–** | **–** | **15** | 15 | – | – | – | 15 |
| S W Cooper | **82** | **–** | **–** | **–** | **82** | 123 | – | – | – | 123 |
| M I Welburn | **111** | **32** | **11** | **8** | **162** | 87 | 26 | 8 | 6 | 127 |
| N Silverthorne | **54** | **16** | **6** | **4** | **80** | 52 | 16 | 5 | 4 | 77 |
| | **299** | **48** | **17** | **12** | **376** | 311 | 42 | 13 | 10 | 376 |

## 6 Employee costs

| | **2008 Number** | 2007 Number |
|---|---|---|
| The average number of persons (including Directors) employed by the Group during the year was: | | |
| Production | **228** | 120 |
| Sales, distribution and administration | **50** | 36 |
| | **278** | 156 |

| | **2008 £'000** | 2007 £'000 |
|---|---|---|
| Staff costs during the year were as follows: | | |
| Wages and salaries | **5,391** | 3,278 |
| Social security costs | **483** | 323 |
| Other pension costs | **164** | 137 |
| Share based charge | **335** | 52 |
| | **6,373** | 3,790 |

# Notes to the Financial Statements

continued

**7 Share based employee remuneration**

There are 2 share based remuneration schemes in operation:

- Approved Enterprise Management Incentive (EMI) scheme
- Unapproved share options.

| | At 31 March 2007 No. of shares | Granted in year No. of shares | Exercised in year No. of shares | Lapsed in year No. of shares | **At 31 March 2008 No. of shares** | Exercise price pence | Life remaining on options at 31 March 2008 months |
|---|---|---|---|---|---|---|---|
| **Enterprise Management Incentive (EMI) scheme** | | | | | | | |
| April 2002 – May 2007 | 210,000 | – | – | – | **210,000** | 20 | 2 |
| June 2005 – August 2013 | 100,000 | – | – | – | **100,000** | 10 | 65 |
| December 2004 – July 2012 | 200,000 | – | – | – | **200,000** | 10 | 52 |
| November 2004 – June 2012 | 1,750,000 | – | 1,000,000 | – | **750,000** | 10 | 52 |
| July 2006 – November 2015 | 264,083 | – | 70,422 | – | **193,661** | 17.75 | 82 |
| | 2,524,083 | – | 1,070,422 | – | **1,453,661** | | |

The weighted average exercise price of the EMI Scheme at 31 March 2008 was 12.5p (2007: 11.6p). All options were available for exercise at 31 March 2008 (2007: 1,933,334).

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Unapproved share options** | | | | | | | |
| January 2002 – December 2009 | 300,000 | – | – | – | **300,000** | 30 | 21 |
| November 2006 – June 2013 | 1,235,917 | – | 929,578 | – | **306,339** | 17.75 | 63 |
| November 2007 – Nov 2014 | – | 375,000 | – | – | **375,000** | 40 | 80 |
| | 1,535,917 | 375,000 | 929,578 | – | **981,339** | | |
| **Total share options** | **4,060,000** | **375,000** | **2,000,000** | **–** | **2,435,000** | | |

The weighted average exercise price of the unapproved share options at 31 March 2008 was 30p (2007: 20.1p). All options were available for exercise at 31 March 2008 (2007: 300,000).

Share options are exercisable between values of 10p and 40p. The fair value of options granted was determined using the Black-Scholes valuation model. Significant inputs into the calculations were:

- exercise prices as detailed above
- options are expected to vest within two - three years of issue
- 20% (2007: 20%) volatility based on expected and historical share price
- a risk free interest rate of 5% (2007: 5%)
- an expected leavers rate is estimated for each option scheme and reviewed at each reporting date
- dividends in line with current levels

In total £335,000 of employee remuneration expense has been included in the consolidated income statement for 31 March 2008 (31 March 2007: £52,000) which gave rise to the share based payment reserve. No liabilities were recognised due to share based payment transactions.

All Group share options in existence at 31 March 2008 vested by the year end, which explains the rise in the share based charge for the year.

Of the £335,000 current year share based charge, £194,000 relates to S Cooper's options which vested at the time of his death. The weighted average exercise price of these options was 13.88p.

## 8 Finance income and expense

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Bank interest receivable | **10** | 11 |
| **Finance income** | **10** | 11 |
| Invoice discounting interest | **154** | 119 |
| Fair value charge for interest rate swap (note 24) | **12** | – |
| Effective interest charge on borrowings | **84** | – |
| Interest on hire purchase agreements and finance leases | **19** | 10 |
| **Finance expense** | **269** | 129 |

## 9 Taxation on profit on ordinary activities

The tax is based on the profit for the year and represents:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| UK corporation tax | **256** | 136 |
| Adjustments in respect of prior years | **(32)** | (12) |
| Current tax charge for the years | **224** | 124 |
| Deferred taxation (note 18) | **(50)** | 111 |
| Tax on profit on ordinary activities | **174** | 235 |

The tax assessed is different than the standard rate of corporation tax in the UK of 30% (2007: 30%). The differences are explained as follows:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Profit on ordinary activities before tax | **973** | 735 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007: 30%) | **292** | 221 |
| Effect of: | | |
| Expenses not deductible for tax purposes | **144** | (10) |
| Capital allowances in excess of depreciation | **8** | (7) |
| Unutilised tax losses | **(58)** | (83) |
| Other timing differences | **1** | 15 |
| Share options exercised | **(131)** | – |
| Adjustments in respect of prior years | **(32)** | (12) |
| | **224** | 124 |

At 31 March 2008 the Group had tax losses of £120,000 (2007: £254,000) to offset against future profits within the United Kingdom.

# Notes to the Financial Statements

continued

**10 Earnings per share**

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. Shares held in employee share trusts are treated as cancelled for the purposes of this calculation.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

| | ***Profit £'000*** | ***31 March 2008 Weighted average number of shares Number '000*** | ***Earnings per share pence*** |
|---|---|---|---|
| **Basic earnings per share** | **799** | **31,228** | **2.56p** |
| Dilutive shares | **–** | **3,977** | **–** |
| **Diluted earnings per share** | **799** | **35,205** | **2.27p** |

| | Profit £'000 | 31 March 2007 Weighted average number of shares Number '000 | Earnings per share pence |
|---|---|---|---|
| Basic earnings per share | 500 | 31,020 | 1.61p |
| Dilutive shares | – | 2,885 | – |
| Diluted earnings per share | 500 | 33,905 | 1.47p |

The Directors consider that the following adjusted earnings per share calculation is a more appropriate reflection of the Group performance.

| | ***Profit £'000*** | ***31 March 2008 Weighted average number of shares Number '000*** | ***Earnings per share pence*** |
|---|---|---|---|
| **Basic earnings per share** | **799** | **31,228** | **2.56p** |
| Amortisation of goodwill | **94** | **–** | **–** |
| Share based charge | **335** | **–** | **–** |
| Tax credit on share options exercised | **(131)** | **–** | **–** |
| **Adjusted earnings per share** | **1,097** | **31,228** | **3.51p** |
| Dilutive shares | **–** | **3,977** | **–** |
| **Diluted adjusted earnings per share** | **1,097** | **35,205** | **3.12p** |

### 10 Earnings per share *(continued)*

| | Profit £'000 | 31 March 2007 Weighted average number of shares Number '000 | Earnings per share pence |
|---|---|---|---|
| Basic earnings per share | 500 | 31,020 | 1.61p |
| Amortisation of goodwill | 19 | – | – |
| Share based charge | 52 | – | – |
| Restructuring costs | 120 | – | – |
| Adjusted earnings per share | 691 | 31,020 | 2.23p |
| Dilutive shares | – | 2,885 | – |
| Diluted adjusted earnings per share | 691 | 33,905 | 2.04p |

### 11 Goodwill

| | ***Total £'000*** |
|---|---|
| **Cost** | |
| At 1 April 2006 | 60 |
| Acquisition of RMDG Aerospace Limited | 140 |
| **At 1 April 2007** | 200 |
| Acquisition of Maxpower Automotive Limited (note 31) | 391 |
| **At 31 March 2008** | 591 |
| **Impairment** | |
| At 1 April 2006, 31 March 2007 and 31 March 2008 | – |
| **Net book value** | |
| At 1 April 2006 | 60 |
| At 31 March 2007 | 200 |
| **At 31 March 2008** | **591** |

Goodwill above relates to the following cash generating unit:

| | ***Date of acquisition*** | ***Original cost £'000*** |
|---|---|---|
| Redman Fittings Limited | June 1999 | 60 |
| RMDG Aerospace Limited | June 2006 | 140 |
| Maxpower Automotive Limited | June 2007 | 391 |
| | | **591** |

Goodwill arising on consolidation, represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and is tested annually for impairment.

The recoverable amount for the cash generating units was determined based on a value-in-use calculation, covering a detailed 5 year forecast, followed by an extrapolation of expected cash flow over the next 5 years at a growth rate of 5%, which represents a conservative long term average growth rate, and a discount rate of 9.3%. The growth rate used does not exceed the long term average growth rate for the market in which the Group operates. Management have used a forecast period of 10 years as they feel this represents the minimum period that the business model they have developed will be sustainable.

Apart from the considerations described in determining the value-in-use of the cash generating unit above, the Group management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

# Notes to the Financial Statements

continued

## 12 Intangible assets

| | Brand names £'000 | Customer contracts £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2006 | – | – | – |
| Acquisition of RMDG Aerospace Limited | 380 | – | 380 |
| At 1 April 2007 | 380 | – | 380 |
| Acquisition of Maxpower Automotive Limited | 450 | 312 | 762 |
| At 31 March 2008 | 830 | 312 | 1,142 |
| **Amortisation** | | | |
| At 1 April 2006 | – | – | – |
| Charge for the year | (19) | – | (19) |
| At 1 April 2007 | (19) | – | (19) |
| Charge for the year | (47) | (47) | (94) |
| At 31 March 2008 | (66) | (47) | (113) |
| **Net book value** | | | |
| At 1 April 2006 | – | – | – |
| At 31 March 2007 | 361 | – | 361 |
| At 31 March 2008 | 764 | 265 | 1,029 |

All intangible asset amortisation is included in the Group income statement under amortisation of intangibles as detailed on the face of the Group income statement.

## 13 Plant and equipment

| | Plant and equipment £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2006 | 2,848 | 63 | 2,911 |
| Additions | 243 | 11 | 254 |
| Acquisitions | 264 | – | 264 |
| Disposals | (118) | (34) | (152) |
| At 31 March 2007 | 3,237 | 40 | 3,277 |
| Additions | 243 | – | 243 |
| Acquisitions | 673 | 3 | 676 |
| Disposals | (14) | – | (14) |
| At 31 March 2008 | 4,139 | 43 | 4,182 |

**13 Plant and equipment *(continued)***

| | *Plant and equipment £'000* | *Motor vehicles £'000* | *Total £'000* |
|---|---|---|---|
| **Depreciation** | | | |
| At 1 April 2006 | 2,312 | 56 | 2,368 |
| Charge for the year | 195 | 12 | 207 |
| Disposals | (109) | (28) | (137) |
| At 31 March 2007 | 2,398 | 40 | 2,438 |
| Charge for the year | 342 | 2 | 344 |
| Disposals | (14) | – | (14) |
| At 31 March 2008 | 2,726 | 42 | 2,768 |
| **Net book value** | | | |
| At 1 April 2006 | 536 | 7 | 543 |
| At 31 March 2007 | 839 | – | 839 |
| **At 31 March 2008** | **1,413** | **1** | **1,414** |

The net book value of fixed assets includes £479,000 (2007: £129,000) in respect of assets held under finance leases and hire purchase contracts.

**14 Principal subsidiaries**

At 31 March 2008 the principal subsidiaries of the Group were as follows:

| **Name of subsidiary undertaking** | **Country of incorporation** | **Description of shares held** | **% of nominal value of shares held** | **Principal business activity** |
|---|---|---|---|---|
| MTC Holdings Limited | United Kingdom | Ordinary | 100 | Intermediate holding company |
| Malvern Tubular Components Limited | United Kingdom | Ordinary | 100 | Manufacturer of tubular components |
| Redman Fittings Limited | United Kingdom | Ordinary | 100 | Sales and marketing company for specialist pipe fittings |
| RMDG Aerospace Limited | United Kingdom | Ordinary | 100 | Manufacturer of aerospace fittings |
| Maxpower Automotive Limited | United Kingdom | Ordinary | 100 | Manufacturer of highway and automotive tubular and pipe components |
| Robert Morton DG Limited | United Kingdom | Ordinary | 100 | Dormant |
| ISSquared Limited | United Kingdom | Ordinary | 100 | Dormant |
| Searchwell Limited | United Kingdom | Ordinary | 100 | Dormant |
| Integrated Statistical Solutions Limited | United Kingdom | Ordinary | 100 | Dormant |

# Notes to the Financial Statements

continued

## 15 Inventories

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Raw materials | **1,679** | 834 |
| Work in progress | **1,346** | 1,137 |
| Finished goods | **522** | 388 |
| | **3,547** | 2,359 |

In the year to 31 March 2008, a total of £2,798,000 of inventory (2007: £1,997,000) was included in the income statement as an expense. This includes £65k resulting from a write down of inventories (2007: £105k write back of inventory provision).

## 16 Trade and other receivables

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Trade receivables | **5,238** | 3,212 |
| Other receivables | **313** | 55 |
| Prepayments and accrued income | **231** | 209 |
| Total | **5,782** | 3,476 |
| Impairment of trade and other receivables | **(54)** | (30) |
| | **5,728** | 3,446 |

Included within other receivables is £177,750 of unpaid share capital.

At the 31 March 2008, some of the unimpaired trade receivables are past their due date. The age of financial assets past due but not impaired, is as follows:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Not overdue | **4,347** | 2,515 |
| Not more than one month | **594** | 376 |
| Not more than two months | **116** | 57 |
| Not more than three months | **127** | 234 |
| | **5,184** | 3,182 |

Trade and other receivables are usually due within 30-60 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to trade and other receivables as the amounts recognised resemble a large number of receivables from various customers.

The fair value of these short term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

## 17 Cash and cash equivalents

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Cash and cash equivalents | **397** | 35 |
| | **397** | 35 |

Cash and cash equivalents consist of cash on hand and balances with banks only. At the year end £146,000 (2007: £33,000) of cash on hand and balances with banks were held by the subsidiary undertakings, however this balance is available for use by the Group.

## 18 Deferred taxation

The deferred tax included in the balance sheet arose in the following areas:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | ***2008*** | 2007 | ***2008*** | 2007 |
| | ***£'000*** | £'000 | ***£'000*** | £'000 |
| Intangible assets | **–** | – | **(308)** | (108) |
| Plant and equipment | **–** | – | **(110)** | (65) |
| Trade and other payables | **17** | 8 | **–** | – |
| Share based charge | **37** | 16 | **–** | – |
| | **54** | 24 | **(418)** | (173) |

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

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | ***2008*** | 2007 | ***2008*** | 2007 |
| | ***£'000*** | £'000 | ***£'000*** | £'000 |
| Balance brought forward | **24** | 8 | **(173)** | (63) |
| On acquisition | **–** | 131 | **(35)** | – |
| On recognition of intangible assets | **–** | – | **(230)** | (114) |
| Group income statement movement arising during the year | **30** | (115) | **20** | 4 |
| Balance carried forward | **54** | 24 | **(418)** | (173) |

As at 31 March 2008 the Group has unprovided deferred tax assets as follows:

| | **Unprovided** | Unprovided |
|---|---|---|
| | ***2008*** | 2007 |
| | ***£'000*** | £'000 |
| Accelerated capital allowances | **(21)** | (59) |
| Other timing differences | **(2)** | (13) |
| | **(23)** | (72) |
| Less: | | |
| Trading losses | **(129)** | (94) |
| | **(152)** | (166) |

The deferred tax asset is not recognised due to uncertainty over its recoverability.

## 19 Trade and other payables

| | ***2008*** | 2007 |
|---|---|---|
| | ***£'000*** | £'000 |
| Trade and other payables | **3,161** | 1,688 |
| Other taxation and social security | **779** | 276 |
| Accruals | **757** | 442 |
| Derivative instrument: interest rate swap (note 24) | **12** | – |
| | **4,709** | 2,406 |

Due to the short term duration of trade and other payables the carrying value in the balance sheet represents the fair value of the liabilities.

The derivative instrument represents a cap and collar interest rate swap agreement in place with the Group's bankers against the Group bank loan as detailed in note 24 to the financial statements.

# Notes to the Financial Statements

continued

## 20 Borrowings

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| **Current borrowings** | | |
| Bank borrowings | **292** | – |
| Invoice discounting facility | **1,760** | 1,763 |
| Hire purchase agreements and finance lease liabilities (note 21) | **128** | 35 |
| | **2,180** | 1,798 |
| **Non current borrowings** | | |
| Bank borrowings | **971** | – |
| Hire purchase agreements and finance lease liabilities (note 21) | **116** | 70 |
| | **1,087** | 70 |

The future contractual payments, including interest, for bank borrowings and invoice discounting facility are as follows:

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| **In one year or less or on demand** | | |
| Bank loan | **383** | – |
| Invoice discounting facility | **1,760** | 1,763 |
| **In more than one year but not more than two years:** | | |
| Bank loan | **361** | – |
| **In more than two years but not more than three years:** | | |
| Bank loan | **339** | – |
| **In more than three years but not more than four years:** | | |
| Bank loan | **317** | – |
| **In more than four years but not more than five years:** | | |
| Bank loan | **101** | – |
| | **3,261** | 1,763 |

**Bank loan**

The Group obtained a £1,400,000 bank borrowing in the year, repayable over 5 years. Interest is charged at 2.25% over bank base rate. The borrowings are recorded in the balance sheet with interest charged at an effective rate over the life of the borrowings. The bank borrowings are secured against the assets of the Group.

**Hire purchase agreements and finance lease liabilities**

The hire purchase agreements and finance lease liabilities are secured against the assets to which they relate.

**Invoice discounting facility**

The invoice discounting facility is secured against the trade receivables to which it relates. Interest is paid at 1.6% over bank base rate per annum.

**21 Hire purchase agreements and finance lease liabilities**

The commitments under hire purchase agreements and finance lease liabilities are as follows:

| | Within 1 year | Within 1-2 years | Within 2-5 years | Total |
|---|---|---|---|---|
| **31 March 2008** | | | | |
| **Payments** | **149** | **104** | **31** | **284** |
| **Discounting** | **(21)** | **(15)** | **(4)** | **(40)** |
| | **128** | **89** | **27** | **244** |
| 31 March 2007 | | | | |
| Payments | 41 | 61 | 23 | 125 |
| Discounting | (6) | (10) | (4) | (20) |
| | 35 | 51 | 19 | 105 |

**22 Financial instruments**

The Group uses financial instruments comprising cash and short term deposits, a bank loan, invoice discounting and hire purchase agreements and finance leases. The Group has items such as trade receivables and trade payables that arise directly from its operations.

**Trade and other receivables and trade and other payables**

The Group manages its trade receivables to ensure that credit risk is minimised by avoiding concentration with any one customer. All trade receivables have set credit terms which are monitored. See note 16 for details of the ageing profile.

The Group works to ensure that it receives acceptable trading terms from its suppliers. The invoice discounting facility provides immediate funds on approved trade receivables.

**Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of deposits, overdrafts, invoice discounting and finance lease and hire purchase contracts. Money on deposit is held on treasury reserve, partly to finance working capital and also to help finance future acquisitions.

**Interest rate risk**

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities. The Group finances specific large plant acquisitions via hire purchase or finance lease contracts. The Group pays interest on:

- bank loan at 2.25% over base rate
- invoice discounting at 1.6% over base rate
- finance leases at 3.0% to 3.5% over base rate

The exposure to interest rate risk on its bank loan is reduced by the use of an interest rate cap and collar arrangement (see note 24).

If the Group's interest rates were to rise/fall by 20% then the interest charge within the financial statements would increase/decrease by £49,000 (2007: £24,000) and the charge would be £308,000/£210,000 (2007: £142,000/£94,000).

**Foreign currency risk**

Certain purchases are made in foreign currencies, but the Group's sales are all within the United Kingdom and consequently the Group is not significantly exposed to currency risk. The Group does normally hedge transactions, but there were no foreign currency hedges in force as at 31 March 2008. Foreign exchange differences on retranslation of foreign currency assets and liabilities are taken to the profit and loss account of the Group.

If the US Dollar were to fall/rise by 10% on the closing rate and average annual rate at 31 March 2008 then Group profits would rise/fall by £115k at 31 March 2008 (2007: £72k).

# Notes to the Financial Statements

continued

**22 Financial instruments *(continued)***

**Commodity price risk**

The Group's exposure to the price of steel is high, therefore selling prices are monitored regularly to reduce the impact of such risk and opportunities to reduce material costs are explored constantly. The Group has partly responded to this risk by sourcing materials in low cost countries. In addition, any increases in the cost of steel would be passed onto customers.

If steel prices were to fall/rise by 10% on the closing year end price, and the Company was unable to pass the increase onto customers, then Group profits would rise/fall by £102k at 31 March 2008 (2007: £57k ).

**Financial assets and liabilities**

The IAS 39 categories of financial assets included in the balance sheet and the headings in which they are included are as follows:

| | ***2008 £'000*** | 2007 £'000 |
|---|---|---|
| Loans and other receivables | **6,125** | 3,481 |
| **Total assets** | **6,125** | 3,481 |

The financial assets are included in the balance sheet in the following headings

| | ***2008 £'000*** | 2007 £'000 |
|---|---|---|
| **Current assets** | | |
| Trade and other receivables | **5,728** | 3,446 |
| Cash and cash equivalents | **397** | 35 |
| | **6,125** | 3,481 |

The IAS 39 categories of financial liabilities included in the balance sheet and the headings in which they are included are as follows:

| | ***2008 £'000*** | 2007 £'000 |
|---|---|---|
| Non financial liabilities | **273** | 135 |
| Financial liabilities held for trading and carried at fair value through the income statement | **12** | – |
| Financial liabilities measured at amortised cost | **7,964** | 4,274 |
| **Total liabilities** | **8,249** | 4,409 |

The financial liabilities are included in the balance sheet in the following headings

| | ***2008 £'000*** | 2007 £'000 |
|---|---|---|
| **Current liabilities** | | |
| Trade and other payables | **4,709** | 2,406 |
| Corporation tax | **273** | 135 |
| Borrowings | **2,180** | 1,798 |
| **Non current liabilities** | | |
| Borrowings | **1,087** | 70 |
| | **8,249** | 4,409 |

**23 Capital management policies procedures**

The Group's capital management objectives are:

- To ensure that the Group can continue as a going concern
- To ensure the Group has adequate resource to support the strategy of the Group
- To provide a return to the Group's shareholders.

The Group's capital equals total equity less cash and cash equivalents. The Group's financing includes total equity plus borrowings. The Borrowings have been taken out to provide working capital for the Group.

**24 Derivatives**

In February 2008, the Group entered into an interest rate swap agreement with its bankers against its bank loan. Under the agreement, the interest payable by the Group under the loan cannot exceed 6.0% or drop below 4.4% of the bank loan balance. The fair value of this derivative has been assessed as at the 31 March 2008 and is £12,000. The derivative is classified as fair value through the income statement and is recorded in the income statement under finance costs (note 8) and within the balance sheet under current liabilities (note 19).

**25 Share capital**

| | ***2008*** | 2007 |
|---|---|---|
| | ***£'000*** | £'000 |
| Authorised | | |
| 100,000,000 ordinary shares of 10 pence each | **10,000** | 10,000 |
| Allotted, issued and fully paid | | |
| 33,020,000 (2007: 31,020,000) ordinary shares of 10 pence each | **3,302** | 3,102 |

All 10 pence ordinary shares carry the same voting rights and rights to discretionary dividends.

During the year 2,000,000 10p ordinary shares were issued following exercise under the option schemes of the Company as detailed below:

- On 5 February 2008 1,000,000 10p ordinary shares were issued at par leading to an increase in share capital of £100,000
- On 10 March 2008 1,000,000 10p ordinary shares were issued at a price per share of 17.75p leading to an increase in share capital of £100,000 and share premium of £77,500.

**26 Contingent liabilities**

There were no contingent liabilities at 31 March 2008 or 31 March 2007.

**27 Capital commitments**

There were no capital commitments at 31 March 2008 or 31 March 2007.

# Notes to the Financial Statements

continued

**28 Leasing commitments**

The Group's aggregate minimum operating lease payments for the remaining lives of the leases are as follows:

| | ***2008 Land and buildings £'000*** | 2007 Land and buildings £'000 | ***2008 Other £'000*** | 2007 Other £'000 |
|---|---|---|---|---|
| In one year or less | **–** | 30 | **19** | – |
| One to five years | **–** | 189 | **274** | 117 |
| Greater than five years | **4,628** | 1,458 | **–** | – |
| | **4,628** | 1,677 | **293** | 117 |

**29 Transactions with related parties**

There are no transactions with related parties.

**30 Transition to international financial reporting standards**

The transition from previous UK GAAP to IFRS has been made in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards.

The following reconciliations and explanatory notes thereto describe the effects of the transition for the transition date to IFRS, 1 April 2006 and the year to 31 March 2007. All explanations should be read in conjunction with the IFRS accounting policies of Tricorn Group plc.

The reconciliation of the Group's equity reported under previous GAAP to its equity under IFRS as at 1 April 2006 and 31 March 2007 may be summarised as follows:

| | 1 April 2006 £'000 | 31 March 2007 £'000 |
|---|---|---|
| **UK GAAP equity shareholders' funds** | 2,130 | 2,766 |
| Reversal of goodwill amortisation on RMDG Aerospace Limited | – | 45 |
| Reversal of goodwill amortisation on acquisition prior to IFRS transition | – | 15 |
| Amortisation of intangible assets | – | (19) |
| Release of deferred tax recognised on fair value adjustments | – | (131) |
| Release of deferred tax recognised on intangible assets | – | 6 |
| **IFRS equity shareholders' funds** | 2,130 | 2,682 |
| **Total adjustment to equity** | – | (84) |

There are no adjustments to the balance sheet as at 1 April 2006 for the transition to IFRS. The re-measurement of balance sheet items as at 31 March 2007 may be summarised as follows:

| **Reconciliation as at 31 March 2007** | **UK GAAP £'000** | **Effect of transition £'000** | **IFRS £'000** |
|---|---|---|---|
| Goodwill | 537 | (337) | **200** |
| Other intangible assets | – | 361 | **361** |
| Deferred tax | (41) | (108) | **(149)** |
| Profit and loss account | (3,147) | (84) | **(3,231)** |

## 30 Transition to international financial reporting standards *(continued)*

Profit and loss reported under UK GAAP for the year ended 31 March 2007 is reconciled to IFRS as follows:

| **Reconciliation for the year ended 31 March 2007** | **UK GAAP £'000** | **Effect of transition £'000** | **IFRS £'000** |
|---|---|---|---|
| **Revenue** | 11,147 | – | **11,147** |
| Cost of sales | (6,787) | – | **(6,787)** |
| **Gross profit** | 4,360 | – | **4,360** |
| Administrative expenses | (3,488) | – | **(3,488)** |
| Amortisation of goodwill and intangibles | (60) | 41 | **(19)** |
| **Operating result** | 812 | 41 | **853** |
| Finance costs | (118) | – | **(118)** |
| **Result for the year before taxation** | 694 | 41 | **735** |
| Tax income | (110) | (125) | **(235)** |
| **Net result for the year** | 584 | (84) | **500** |

The Group has modified its former balance sheet and income statement structure on transition to IFRS. The main changes may be summarised as follows:

a) The Group acquired RMDG Aerospace Limited (formerly Robert Morton Holdings Limited) on 12 June 2006. Application of IFRS 3 to this business combination resulted in identification of an intangible asset, being the Company's brand name. Under IFRS this has been recognised separately in the balance sheet at its fair value at the date of the combination and is being amortised over a 15 year period. Under UK GAAP this intangible asset was subsumed within goodwill. The result of this adjustment is to decrease goodwill and increase intangible assets by £380,000 at the date of the combination. At 31 March 2007 the value of intangible assets, before amortisation, was increased by £380,000. The value of goodwill, before amortisation at 31 March 2007 was reduced by £380,000.

   This adjustment also resulted in the recognition of a deferred tax liability on the difference between the tax base of the intangible asset and the accounting base at the Company's corporation tax rate of 30%. A deferred tax provision of £114,000 was recognised on acquisition with a corresponding increase to goodwill. The deferred tax provision at 31 March 2007 was increased by £114,000 from the UK GAAP figures.

   The brand names valued at £380,000 are amortised over 15 years, the Directors estimate of their useful life. This has resulted in £19,000 amortisation being charged in the year to 31 March 2007. Deferred taxation has been released of £6,000 over the same period so as to release the credit for deferred taxation set up on acquisition of the brand.

b) Goodwill recognised by the Group on acquisition of RMDG Aerospace Limited under UK GAAP was amortised over a period of 10 years. Under IFRS goodwill is not amortised, but tested annually for impairment. The goodwill amortisation charge recognised in accordance with UK GAAP in the year to 31 March 2007 of £45,000 was reversed.

c) Goodwill amortisation charged of £15,000 in the year to 31 March 2007 was written back for acquisitions prior to 1 April 2006.

d) Under FRS 19 deferred tax was recognised only on timing differences; in contrast IAS 12 "Income Taxes" requires the recognition of deferred tax on all temporary differences. Certain fair value adjustments were made to the acquisition balance sheet of RMDG Aerospace Limited on acquisition of £436,000. Deferred tax was not recognised on these temporary differences under UK GAAP. The recognition of deferred tax on these temporary timing differences leads to a deferred tax asset of £131,000 in the acquisition balance sheet of RMDG Aerospace Limited and a reduction in goodwill at that date. The deferred tax asset was released through the period to 31 March 2007, with a release of £131,000 in the year to 31 March 2007 resulting in a tax charge in that year which did not exist under UK GAAP.

# Notes to the Financial Statements

continued

**30 Transition to international financial reporting standards *(continued)***

**Explanation of material adjustments to the cash flow statement**

Application of IFRS has resulted in reclassification of certain items in the cash flow statement as follows:

(i) under UK GAAP, payments to acquire property, plant and equipment were classified as part of 'Capital expenditure and financial investment'. Under IFRS, payments to acquire property, plant and equipment have been classified as part of 'Investing activities'.

(ii) income taxes paid during 2007 are classified as operating cash flows under IFRS, but were included in a separate category of tax cash flows under previous GAAP.

(iii) under UK GAAP, movements on treasury deposits were reported separately under the management of liquid resources within the cash flow statement. Under IFRS, treasury deposits form part of cash and cash equivalents and as such no movements on these items are reported.

There are no other material differences between the cash flow statement presented under IFRS and the cash flow statement presented under UK GAAP.

**31 Business combination**

On 26 June 2007 Tricorn Group plc acquired 100% of the issued share capital of Maxpower Automotive Limited, a Company incorporated in the United Kingdom. The total cost of acquisition includes the following components:

| | **£'000** |
|---|---|
| Cash | 1,350 |
| Contingent consideration | 200 |
| Professional fees | 187 |
| | 1,737 |

The contingent consideration is payable one year from the date of acquisition based on Maxpower Automotive Limited achieving earnings above an agreed figure.

The amounts recognised for each class of the acquiree's assets, liabilities and contingent liabilities recognised at the acquisition date are as follows:

| | **Carrying amount £'000** | **Adjustments £'000** | **Provisional fair value £'000** |
|---|---|---|---|
| Intangible assets | 762 | – | 762 |
| Plant and equipment | 676 | – | 676 |
| Inventories | 503 | – | 503 |
| Trade and other receivables | 1,187 | – | 1,187 |
| Cash and cash equivalents | 28 | – | 28 |
| **Total assets** | 3,156 | – | 3,156 |
| Trade and other payables | (1,029) | – | (1,029) |
| Current tax | (122) | – | (122) |
| Finance lease and hire purchase liability | (154) | – | (154) |
| Invoice discounting | (241) | – | (241) |
| Deferred tax | (264) | – | (264) |
| **Total liabilities** | (1,810) | – | (1,810) |
| **Net assets** | **1,346** | **–** | **1,346** |
| Fair value of purchase consideration | | | 1,737 |
| Goodwill | | | **391** |

The goodwill that arose on the combination can be attributed to the synergies expected to be derived from the combination and the value of the workforce of Maxpower Automotive Limited which cannot be recognised as an intangible asset under IAS 38 "Intangible Assets".

Since the acquisition Maxpower Automotive Limited has contributed £104,000 to the Group profit for the period to 31 March 2008.

Had the acquisition occurred on 1 April 2007 the revenue and profit for the Group for the period to 31 March 2008 would have been £22,524,000 and £869,000 respectively.

# Tricorn Group plc

## Company Statutory Annual Report
## Under UK GAAP

for the year ended 31 March 2008

Company number 1999619

## Contents

# Company Statement of Directors' Responsibilities

for the year ended 31 March 2008

The Directors are responsible for preparing the Company only financial statements ("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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Report of the Independent Auditor

to the members of Tricorn Group Plc

We have audited the Parent Company financial statements of Tricorn Group plc for the year ended 31 March 2008 which comprise the balance sheet and notes 1 to 15. These Parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Tricorn Group plc for the year ended 31 March 2008.

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 Annual Report and the Parent Company financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Parent Company 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 Parent Company financial statements give a true and fair view and whether the Parent Company financial statements have been 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 other information contained in the Annual Report and consider whether it is consistent with the audited Parent Company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Parent Company 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 Parent Company financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Parent Company 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 Parent Company 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 Parent Company financial statements.

**Opinion**

In our opinion:

- the Parent Company 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 March 2008;
- the Parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

**GRANT THORNTON UK LLP**

Registered Auditor
Chartered Accountants
Birmingham

16 June 2008

# Company Balance Sheet

at 31 March 2008

| | Note | **2008 £'000** | 2007 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | *7* | **6,196** | 4,459 |
| **Current assets** | | | |
| Debtors: amounts due within one year | *8* | **1,953** | 1,286 |
| Cash at bank and in hand | | **251** | 2 |
| | | **2,204** | 1,288 |
| **Creditors:** amounts falling due within one year | *9* | **(2,512)** | (1,462) |
| **Net current liabilities** | | **(308)** | (174) |
| **Total assets less current liabilities** | | **5,888** | 4,285 |
| **Creditors:** amounts falling due after more than one year | *10* | **(971)** | – |
| | | **4,917** | 4,285 |
| **Capital and reserves** | | | |
| Called up share capital | *11* | **3,302** | 3,102 |
| Share premium account | *12* | **1,448** | 1,371 |
| Share based charge reserve | *12* | **193** | 52 |
| Merger reserve | *12* | **1,592** | 1,592 |
| Profit and loss account | *12* | **(1,618)** | (1,832) |
| **Shareholders' funds** | | **4,917** | 4,285 |

The financial statements were approved by the Board of Directors on 16 June 2008.

**M I Welburn**
*Director*

The accompanying accounting policies and notes form an integral part of these financial statements.

# Notes to the Financial Statements

for the year ended 31 March 2008

**1 Basis of preparation**

The separate financial statements of the Company have been prepared under the historical cost convention and in accordance with UK accounting standards.

The principal accounting policies of the Company are that of a holding company which has remained unchanged from the previous year.

**2 Accounting policies**

**Investments**

Investments held by the Company are included at cost less amounts written off. Where the consideration for the acquisition of a subsidiary undertaking includes shares in the Company to which the provisions of Section 131 of the Companies Act 1985 apply, cost represents the nominal value of shares issued together with the fair value of any additional consideration given and costs.

**Financial instruments**

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

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

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

**Deferred taxation**

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date.

**Share based payments**

All share-based payment arrangements are recognised in the Parent Company's financial statements. The Company operates equity-settled share-based remuneration plans for remuneration of employees of its subsidiaries. Options are issued by the Parent to the employees of its subsidiaries. As such, the charge for the share based remuneration is recognised in the Parent Company profit and loss account.

All employee services received in exchange for the grant of any share-based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to the share based payment reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment is made to the expense recognised in prior periods if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

**Related party transactions**

In accordance with FRS 8, Related party transactions, the Company is exempt from disclosing transactions with all its 100% owned subsidiaries.

# Notes to the Financial Statements

continued

**3 Profit/loss for the financial year**

The Company has taken advantage of section 230 (4) of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The Company's profit for the year was £20,000 (2007: £11,000 loss).

Auditor's remuneration incurred by the Company during the year for audit services totalled £19,000 (2007: £12,000), and for tax compliance services totalled £3,000 (2007: £3,000).

**4 Directors and employees remuneration**

Staff costs during the year were as follows:

| | ***2008 £'000*** | 2007 £'000 |
|---|---|---|
| Wages and salaries | **709** | 628 |
| Social security costs | **48** | 40 |
| Other pension costs | **21** | 10 |
| Share based charge | **335** | 52 |
| | **1,113** | 730 |

The average number of persons (including Directors) employed by the Company during the year was 6 (2007: 6).

**5 Directors emoluments**

| | ***2008*** | | | | | 2007 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | ***Basic £'000*** | ***Bonus £'000*** | ***Benefits in kind £'000*** | ***Pension £'000*** | ***Total £'000*** | Basic £'000 | Bonus £'000 | Benefits in kind £'000 | Pension £'000 | Total £'000 |
| N C Paul | **25** | **–** | **–** | **–** | **25** | 23 | – | – | – | 23 |
| J Rubins | **12** | **–** | **–** | **–** | **12** | 11 | – | – | – | 11 |
| R Allsop | **15** | **–** | **–** | **–** | **15** | 15 | – | – | – | 15 |
| S W Cooper | **82** | **–** | **–** | **–** | **82** | 123 | – | – | – | 123 |
| M I Welburn | **111** | **32** | **11** | **8** | **162** | 87 | 26 | 8 | 6 | 127 |
| N Silverthorne | **54** | **16** | **6** | **4** | **80** | 52 | 16 | 5 | 4 | 77 |
| | **299** | **48** | **17** | **12** | **376** | 311 | 42 | 13 | 10 | 376 |

## 6 Share based employee remuneration

There are 2 share based remuneration schemes in operation:

- Approved Enterprise Management Incentive (EMI) scheme
- Unapproved share options:

| | At 31 March 2007 | Granted in year | Exercised in year | Lapsed in year | **At 31 March 2008** | Exercise price | Life remaining on options at 31 March 2008 |
|---|---|---|---|---|---|---|---|
| | No. of shares | No. of shares | No. of shares | No. of shares | **No. of shares** | pence | months |
| **Enterprise Management Incentive (EMI) scheme** | | | | | | | |
| April 2002 – May 2007 | 210,000 | – | – | – | **210,000** | 20 | 2 |
| June 2005 – August 2013 | 100,000 | – | – | – | **100,000** | 10 | 65 |
| December 2004 – July 2012 | 200,000 | – | – | – | **200,000** | 10 | 52 |
| November 2004 – June 2012 | 1,750,000 | – | 1,000,000 | – | **750,000** | 10 | 52 |
| July 2006 – November 2015 | 264,083 | – | 70,422 | – | **193,661** | 17.75 | 82 |
| | 2,524,083 | – | 1,070,422 | – | **1,453,661** | | |

The weighted average exercise price of the EMI Scheme at 31 March 2008 was 12.5p (2007: 11.6p). All were available for exercise at 31 March 2008 (2007: 1,933,334).

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Unapproved share options** | | | | | | | |
| January 2002 – December 2009 | 300,000 | – | – | – | **300,000** | 30 | 21 |
| November 2006 – June 2013 | 1,235,917 | – | 929,578 | – | **306,339** | 17.75 | 63 |
| November 2007 – Nov 2014 | – | 375,000 | – | – | **375,000** | 40 | 80 |
| | 1,535,917 | 375,000 | 929,578 | – | **981,339** | | |
| **Total share options** | **4,060,000** | **375,000** | **2,000,000** | **–** | **2,435,000** | | |

The weighted average exercise price of the unapproved share options at 31 March 2008 was 30p (2007: 20.1p). All were available for exercise at 31 March 2008 (2007: 300,000).

Share options are exercisable between values of 10p and 40p. The fair value of options granted was determined using the Black-Scholes valuation model. Significant inputs into the calculations were:

- exercise prices as detailed above
- options are expect to vest within two – three years of issue
- 20% (2007: 20%) volatility based on expected and historical share price
- a risk free interest rate of 5% (2007: 5%)
- an expected leavers rate is estimated for each option scheme and reviewed at each reporting date
- dividends in line with current levels

In total £335,000 of employee remuneration expense has been included in the consolidated income statement for 31 March 2008 (31 March 2007: £52,000) which gave rise to the share based payment reserve. No liabilities were recognised due to share based payment transactions.

All Group share options in existence at 31 March 2008 vested by the year end, which explains the rise in the share based charge for the year.

Of the £335,000 current year share based charge, £194,000 relates to S Cooper's options which vested at the time of his death. The weighted average exercise price of these options was 13.88p.

# Notes to the Financial Statements

continued

**7 Fixed asset investments**

| | Total £'000 |
|---|---|
| **Cost** | |
| At 1 April 2007 | 5,741 |
| Acquisition of Maxpower | 1,737 |
| At 31 March 2008 | 7,478 |
| **Impairment** | |
| At 1 April 2007 and 31 March 2008 | (1,282) |
| **Net book value** | |
| **At 31 March 2008** | **6,196** |
| At 31 March 2007 | 4,459 |

During the year the Company acquired 100% of the issued share capital of Maxpower Automotive Limited for consideration of £1,550,000 plus professional fees of £187,000.

At 31 March 2008 the Company holds 100% of the ordinary share capital of the following subsidiaries:

| Name of subsidiary undertaking | Country of incorporation | Description of shares held | % of nominal value of shares held | Principal business activity |
|---|---|---|---|---|
| MTC Holdings Limited | United Kingdom | Ordinary | 100 | Intermediate holding company |
| Malvern Tubular Components Limited * | United Kingdom | Ordinary | 100 | Manufacturer of tubular components |
| Redman Fittings Limited | United Kingdom | Ordinary | 100 | Sales and marketing company for specialist pipe fittings |
| RMDG Aerospace Limited | United Kingdom | Ordinary | 100 | Manufacturer of aerospace fittings |
| Maxpower Automotive Limited | United Kingdom | Ordinary | 100 | Manufacturer of highway and automotive tubular and pipe components |
| Robert Morton DG Limited * | United Kingdom | Ordinary | 100 | Dormant |
| ISSquared Limited | United Kingdom | Ordinary | 100 | Dormant |
| Searchwell Limited | United Kingdom | Ordinary | 100 | Dormant |
| Integrated Statistical Solutions Limited | United Kingdom | Ordinary | 100 | Dormant |

* held by a subsidiary undertaking

## 8 Debtors

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Amounts owed by subsidiary undertakings | **1,546** | 1,170 |
| Other debtors | **328** | 54 |
| Prepayments and accrued income | **42** | 46 |
| Deferred tax | **37** | 16 |
| | **1,953** | 1,286 |

Included within other debtors is £177,750 of unpaid share capital.

## 9 Creditors: amounts due within one year

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Bank borrowings | **292** | – |
| Other creditors | **201** | 4 |
| Trade creditors | **54** | 62 |
| Amounts due to subsidiary undertakings | **1,775** | 1,271 |
| Other taxes and social security | **18** | 18 |
| Accruals and deferred income | **172** | 107 |
| | **2,512** | 1,462 |

## 10 Creditors: amounts falling due after more than one year

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Bank borrowings | **971** | – |
| | **971** | – |

Borrowings are repayable as follows:

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Within one year | | |
| – bank borrowings | **292** | – |
| After one and within two years | | |
| – bank borrowings | **292** | – |
| After two and within five years | | |
| – bank borrowings | **679** | – |
| | **1,263** | – |

The bank loan is secured against the assets of the Company and its subsidiaries. Interest is paid at base rate plus 2.25%.

# Notes to the Financial Statements

continued

**11 Share capital**

| | ***2008*** ***£'000*** | 2007 £'000 |
|---|---|---|
| Authorised | | |
| 100,000,000 ordinary shares of 10 pence each | **10,000** | 10,000 |
| Allotted, issued and fully paid | | |
| 33,020,000 (2007: 31,020,000) ordinary shares of 10 pence each | **3,302** | 3,102 |

All 10p ordinary share capital carry the same voting rights and rights to discretionary dividends.

During the year 2,000,000 ordinary shares of 10p each were issued under the option schemes of the Company as detailed below:

- On 5 February 2008 1,000,000 ordinary shares of 10p each were issued at par leading to an increase in share capital of £100,000
- On 10 March 2008 1,000,000 ordinary shares of 10p each were issued at a price per share of 17.75p leading to an increase in share capital of £100,000 and share premium of £77,500.

**12 Reserves**

| | **Share premium £'000** | **Merger reserve £'000** | **Share based payment reserve £'000** | **Profit and loss account £'000** |
|---|---|---|---|---|
| At 1 April 2007 | 1,371 | 1,592 | 52 | (1,832) |
| Retained profit for the year | – | – | – | 20 |
| Share based charge | – | – | 335 | – |
| Share option exercised in year | – | – | (194) | 265 |
| Issue of share capital | 77 | – | – | – |
| **At 31 March 2008** | **1,448** | **1,592** | **193** | **(1,618)** |

**13 Contingent liabilities**

The Company has given an unlimited guarantee against the bank borrowings of its subsidiaries. At 31 March 2008 the balances amounted to nil (2007: nil).

There were no further contingent liabilities at 31 March 2008 or 31 March 2007.

**14 Capital commitments**

There were no capital commitments at 31 March 2008 or at 31 March 2007.

**15 Related parties**

The Company has taken advantage of the exemption under FRS 8 from disclosure of related party transactions with other Group companies, on the grounds that they are wholly owned subsidiaries.

# Notice of Annual General Meeting

## Tricorn Group plc

**NOTICE IS HEREBY GIVEN** that the tenth annual general meeting of Tricorn Group plc (the "**Company**") will be held at Malvern Tubular Components Limited, Spring Lane, Malvern, Worcestershire, WR14 1DA on Thursday 18th September 2008 at 10.00 am, the business of which will be:

**ORDINARY BUSINESS**

1. To receive and consider the accounts for the financial year ended 31st March 2008, together with the reports of the directors and auditors.

2. To approve the Directors' Remuneration Report for the financial year ended 31st March 2008.

3. That Nicholas Campbell Paul (who retires by rotation) be re-elected as a director of the Company.

4. To resolve as an ordinary resolution that Grant Thornton UK LLP be and are hereby re-appointed as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the audit committee of the Company to determine their remuneration.

**SPECIAL BUSINESS**

5. To resolve as an ordinary resolution:

   "That in substitution for all existing and unexercised authorities and in ratification of all previous allotments, for the purposes of and pursuant to section 80 of the Companies Act 1985 (the "Act"), the directors of the Company be and they are hereby generally and unconditionally authorised and empowered to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to a nominal amount, when aggregated with the nominal amount of the share capital of the Company in issue, of £4,302,000 to such persons at such times and upon such terms and conditions as they may determine (subject always to the articles of association of the Company) provided that this authority and power shall, unless previously renewed, varied or revoked, expire at the conclusion of the next annual general meeting of the Company or 15 months from the date of the passing of this resolution (whichever is the earlier) and provided further that the directors of the Company may before the expiry of such period make any offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period, and the directors of the Company may then allot relevant securities pursuant to any such offer, agreement or arrangement as if the authority or power hereby conferred had not expired."

6. To resolve as a special resolution:

   "That, subject to the passing of the resolution numbered 5 in this notice, in substitution for all existing and unexercised authorities and powers, pursuant to section 95(1) of the Act the directors of the Company be and they are hereby authorized and empowered to allot equity securities (within the meaning of section 94 of the Act) pursuant to the general authority and power conferred by the resolution numbered 5 in this notice as if section 89(1) of the Act did not apply to any such allotment provided that this authority and power shall, unless previously renewed, varied or revoked, expire at the conclusion of the next annual general meeting of the Company or 15 months from the date of the passing of this resolution (whichever is the earlier), save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired and further all previous allotments of the Company be and are hereby ratified notwithstanding the provisions of section 89(1) of the Act or the provisions of the articles of association of the Company."

7. To resolve as a special resolution:

   "That the Articles of Association produced to the meeting and signed by the Chairman of the meeting for the purposes of identification be adopted as the Articles of Association in substitution for, and to the exclusion of, the existing Articles of Association with effect from the conclusion of the Annual General Meeting".

Registered Office:
Spring Lane
Malvern Link
Malvern
Worcestershire
WR14 1DA
Registered Number 1999619

By Order of the Board

**Michael Greensmith**
Secretary

Dated 31st July 2008

# Notice of Annual General Meeting

continued

**NOTES**:

(1) A member of the Company may appoint one or more proxies to attend and, on a poll, to vote instead of the member. A proxy of a member need not also be a member.

(2) The instrument appointing a proxy, and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited with the Company's Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA not less than 48 hours before the time for holding the meeting. A Form of Proxy accompanies this document for use by members.

(3) Completion of the Form of Proxy will not preclude a member from attending and voting in person.

(4) Any person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'nominated person') does not have the right to appoint a Proxy. However, a nominated person may, under an agreement between him and the shareholder by whom he was nominated, have a right to be appointed (or have someone else appointed) as a Proxy. If a nominated person has no such Proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the person holding the shares as to the exercise of voting rights.

(5) Any corporation which is a member of the Company may authorise a person (who need not be a member of the Company) to act as its representative to attend, speak and vote (on a show of hands or a poll) on its behalf.

(6) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that only those shareholders registered in the Register of Members of the Company as at 10.00 a.m. on 16th September 2008 (the "Specified Time") shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the relevant register of members (the "Register") for certificated or uncertificated shares of the Company after the Specified Time shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting. Should the Annual General Meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of shareholders to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Annual General Meeting. Should the Annual General Meeting be adjourned for a longer period, to be so entitled, shareholders must have been entered on the Register at the time which is 48 hours before the time fixed for the adjourned Annual General Meeting or, if the Company gives notice of the adjourned Annual General Meeting, at the time specified in the Notice.

(7) There are no directors' service contracts of more than one year's duration.

(8) Copies of Contracts of Service and letters of appointment (including indemnities) between any director and the Company or its subsidiaries are available for inspection at the registered office of the Company during normal business hours and will also be available for inspection at the place of the Annual General Meeting until the conclusion of the Annual General Meeting.

(9) CREST members who wish to appoint a Proxy or Proxies through the CREST electronic Proxy appointment service may do so for the AGM and any adjournment thereof by using the procedures described in the CREST manual. CREST personal members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a Proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCO's specifications and must contain the information required for such instructions, as described in the CREST manual. All messages relating to the appointment of a Proxy or an instruction to a previously appointed Proxy must be transmitted so as to be received by Neville Registrars Limited (ID 7RAII) no later than 10.00am on 16th September 2008. Normal system timings and limitations will apply in relation to the input of CREST Proxy Instructions. It is therefore the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable their CREST sponsor(s) or voting service provider(s) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(10) As at the date of this Notice there were 33,020,000 ordinary shares in issue, each with equal voting rights. Holders of ordinary shares are entitled to attend, speak and vote, either in person or by proxy, at general meetings of the Company. For further details relating to voting or participation rights of shareholders, please refer to the Company's articles of association, copies of which are available on our website at http://www.tricorn.uk.com.

# Shareholder Notes

## Shareholder Notes