



Tricorn Group plc

**ANNUAL REPORT
AND ACCOUNTS 2011**

THE FUTURE OF **GLOBAL TUBULAR SOLUTIONS**





WELCOME TO **TRICORN GROUP PLC**

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.



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Our Markets



ENERGY

Fabricated tubular assemblies for diesel engines and radiator sets used in power generation, mining, oil and gas



TRANSPORTATION

Nylon, rigid and hybrid pipe assemblies for engines, brake systems, fuel sender sub systems used in both on and off highway applications



AEROSPACE

Rigid pipe assemblies for civil and military aerospace applications



UTILITIES

Patented jointing solution for multi layer and single layer pipe used in the water and gas markets



Highlights

Sales revenue

£21.764_m
(2010: £15.031m)

Operating profit*

£1.198_m
(2010: £0.425m)

Profit before tax*

£1.066_m
(2010: £0.288m)

Cash and equivalents

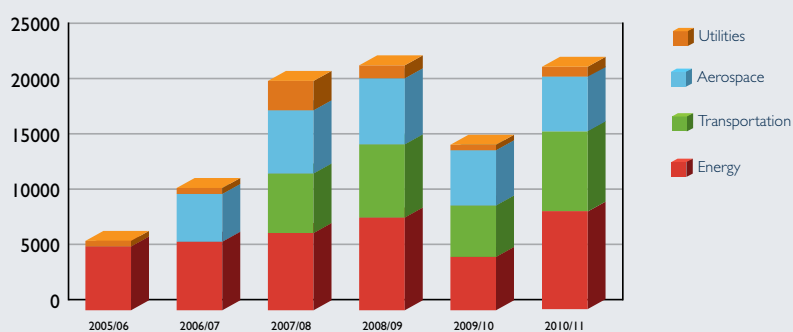
£1.612_m
(2010: £1.296m)

Net debt

£0.061_m
(2010: £0.841m)

* Operating profit and profit before tax are before intangible asset amortisation, share-based charges, interest rate swap and foreign exchange derivative valuation.

Revenue (£'000)



OUR **STRATEGY**

Tricorn's strategy is to grow and acquire engineering based businesses that supply blue chip OEM customers that in turn are focused on attractive end markets. These customers provide Tricorn with global reach and the benefits of being associated with growing markets.

Within Tricorn's businesses the focus is on the forming and fabrication of tubular assemblies to demanding specifications where double-digit EBITDA margins can be achieved.

To achieve these margins Tricorn's subsidiaries typically focus on the supply of niche pipe solutions where there is greater scope for generating added value rather than the higher volume less differentiated segments. The principal markets currently addressed are Energy (power generation, mining, oil and gas), Transportation (on and off highway applications), Aerospace (civil and military) and Utilities (water and gas markets).

Potential acquisitions are selected on the basis that Tricorn's management expertise can generate the added value to deliver the target margins within a two to four year period.

The key elements of Tricorn's approach are:

- ✓ **CREATING VALUE THROUGH COMPETITIVE DIFFERENTIAL**
- ✓ **DRIVING FOR OPERATIONAL EXCELLENCE**
- ✓ **IMPROVING MARGINS**
- ✓ **ORGANIC GROWTH**
- ✓ **SELECTIVE ACQUISITIONS**

CREATING VALUE THROUGH COMPETITIVE DIFFERENTIAL

Developed through close relationships with its customers and ensuring opportunities to deliver competitive advantage are understood. Tricorn looks to create value by enabling customers to increase revenues, reduce the cost of ownership and lower total acquisition costs.



DRIVING FOR OPERATIONAL EXCELLENCE

By ensuring products and services are globally competitive, and that class-leading quality and delivery performance is achieved.



IMPROVING MARGINS

Achieved through the implementation of lean manufacturing, investing in employee development, the sourcing of materials to low cost countries and the utilisation of group resources which include back office integration and management expertise.



ORGANIC GROWTH

Tricorn is committed to ensuring that it continues to deliver revenue growth through both the development of its existing customers and through securing new business.



With a high proportion of recurring revenues, close customer relationships and its focus on increasing market share within expanding sectors, Tricorn is well positioned to maximise its opportunities for growth.

SELECTIVE ACQUISITIONS

Where Tricorn's management expertise can generate sufficient added value.

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

Nick Paul and Mike Welburn



"Tricorn has made encouraging progress throughout the year with revenues across the Group up 45% and with a significant improvement in operating margins. The energy and transportation sectors have been the principal drivers for this, benefiting from market recovery and increasing market share.

Based on the progress we have made and our confidence in future prospects, the Board is recommending the payment of a maiden dividend of 0.1p per share as part of a longer term progressive dividend policy."

Nick Paul CBE, Non-executive Chairman

PERFORMANCE IN THE YEAR ENDED 31 MARCH 2011

We are pleased to report a very strong performance with encouraging progress Group wide. Revenue, operating profit margin* and earnings per share have all shown significant uplift on 2010.

Revenue grew by 45%, operating profit margin* increased by 95% and adjusted earnings per share was up 3.2 times to 2.57p.

At the same time we have remained focused on strengthening the balance sheet. Cash and cash equivalents were £1.612m at the year end and net debt has been reduced by 93% from £0.841 at 31 March 2010 to £0.061m at 31 March 2011

* Operating profit and profit before tax are before intangible asset amortisation, share-based charges, interest rate swap and foreign exchange derivative valuation.

Based on the progress we have made and our confidence in future prospects, the Board is recommending the payment of a maiden dividend of 0.1p per share as part of a longer term progressive dividend policy.

OPERATIONAL REVIEW

The Group operates four main business segments which are focused on the energy, transportation, aerospace and utilities sectors. The businesses serve a global blue chip OEM customer base, many of whom have major facilities in the UK and the rest of Europe. The final product is then shipped into world markets from these facilities which effectively extends the Group's global reach and reduces its dependency on the UK economy.

We have made encouraging progress throughout the year with Group revenues up 45% on 2010 and with a significant improvement in operating margins*. The energy and transportation segments have been the principal drivers for this benefiting from market recovery and increasing market share. Demand within the utilities segment also increased through the year albeit from a lower base. There was a modest improvement in aerospace performance through the second half of the year.



ENERGY

Our Malvern Tubular Components business specialises in fabricated and manipulated tubular assemblies for large diesel engines and radiator sets used within the energy sector; principally power generation, mining and oil and gas applications. We have made good progress through the year with revenue up 81% on the previous year. With demand remaining strong, we committed to significant investment in plant and equipment through the latter part of the financial year which will position us well for further growth. Looking forward, we expect this investment to continue at significantly higher levels than in recent years.



TRANSPORTATION

Maxpower Automotive is focused on nylon, rigid and hybrid tubular products for engines, braking systems and fuel sender sub-systems. Revenue increased 53% year on year as a result of more favourable market conditions and additional business secured. The focus on lean implementation has also progressed well and the improvement in operating margin has been very positive. Our development of the next generation of product fixtures that allow electronic verification of critical component characteristics has been extremely well received by customers and positions us well for new business opportunities.



AEROSPACE

RMDG Aerospace supplies rigid pipe assemblies used in a variety of applications within the aerospace sector. Revenues were broadly similar to the previous year but we have experienced some supply chain constraints coupled with higher material costs. The delay in being able to pass these increases on to our customers has put pressure on operating margins which we expect to address over the coming months.



UTILITIES

Redman Fittings holds worldwide patents on a unique method of joining polyethylene pipes. Its customers include major OEMs which are supplied with a branded version of the product which is then incorporated within their "barrier" pipe systems. These multi layer pipe systems are used within the water industry in brown field site developments providing advantages in performance and overall cost. Revenue increased 77% year on year reflecting higher levels of activity in this area. With increasing focus on soil contamination levels we are optimistic that this could stimulate further growth within the sector. The business continued to deliver double-digit segmental profit margins.



CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT continued

FINANCIAL REVIEW

The Group has delivered a strong set of results for the 2010/11 financial year. It has built on the positive results of 2009/10 and continued to focus on its key objectives to improve financial performance. As a result it has increased revenue, operating profit* and EPS*, as well as significantly improving the Group's net debt position.

This strong performance has resulted in the Board recommending the payment of a maiden dividend of 0.1p per share for the financial full year. This is part of a longer term progressive dividend policy.

INCOME STATEMENT

Compared to 2009/10, revenue for the financial year was up 45% to £21.764m (2010: £15.031m), driven predominantly by improvements in the energy and transportation sectors.

Gross margins were maintained at 32% despite lower aerospace margins. However, the Group continued to focus on controlling its administration costs, and was able to further reduce operational gearing to 22%. Resultant operating profit* was up 282% to £1.198m (2010: £0.425m). After deducting intangible asset amortisation, share based payment charges and charges relating to foreign exchange derivative contracts, operating profit was up 334% to £1.026m (2010: £0.307m).

Finance charges for the year were £0.099m (2010: £0.129m), although this included a credit relating to the interest rate swap valuation of £33k (2010: £8k). Despite the Group's lower level of net borrowings during the year, finance charges, excluding the interest rate swap valuation credit, were in line with last year at £0.132m (2010: £0.137m). This is a function of the interest rate cap and collar arrangement that the Group has in place over its borrowings.

The resultant unadjusted profit before tax was up 521% to £0.927m (2010: £0.178m). Basic EPS was up 4.8 times at 2.14p (2010: 0.45p) and, after adjusting for one-off costs, EPS was up 3.2 times at 2.57p (2010: 0.79p).

CASH FLOW

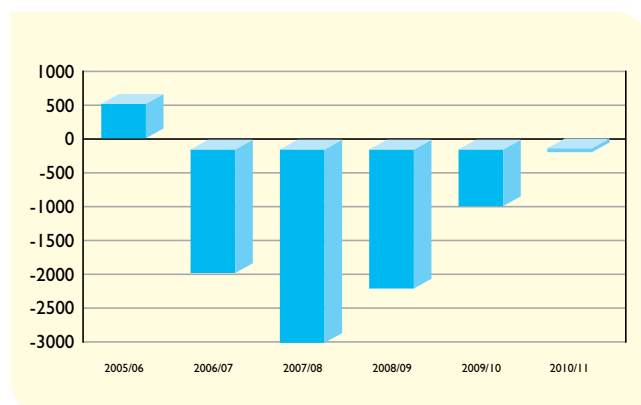
The Group's net cash flow from operating activities in the year was £0.968m (2010: £1.413m). This represents a solid profit to cash conversion.

Full year capital expenditure of £0.187m (2010: £0.135m) is lower than anticipated due to the timing of contract placements on major investments. However, at 31 March 2011, the Group had capital commitments in place of £0.524m for delivery during 2011/12.

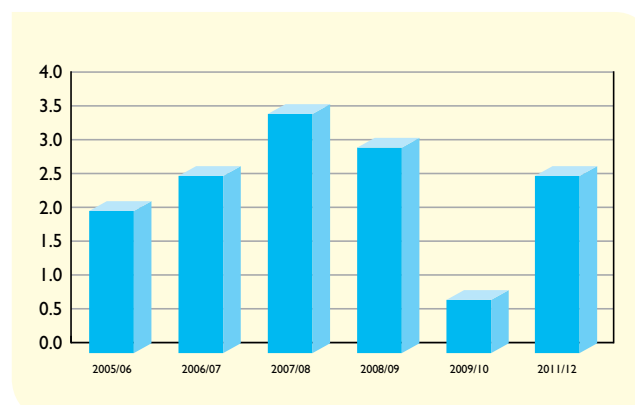
The Group continued to pay down its borrowings, with net debt reduced by 93% to £0.061m and increase its cash and equivalents during the year by 24% to £1.612m (2010: £1.296m).

* Operating profit and profit before tax are before intangible asset amortisation, share-based charges, interest rate swap and foreign exchange derivative valuation.

Net Debt (£'000)



Adjusted Earnings Per Share (pence)





BALANCE SHEET

Net working capital was in line with the half year result at £3.891m (2010: £3.586m). The increase over last year was driven predominantly by an increase in trade debtors, due to the increased trading volumes. However, the Group managed to maintain the lower inventory levels achieved last year against significantly higher volumes.

The Group's net debt at the year end was significantly reduced by £0.780m to £0.061m (2010: 0.841m). Gearing, measured as total debt to equity, at the year end stood at 1%, compared to 18% in 2010.

PEOPLE

We are deeply grateful for the energy, passion and skills of our people and we continue to invest in their development.

Following the launch of our Energise programme last year, around two thirds of our employees attended, or are attending, our training programmes that see participants attain a National Vocational Qualification in Business Improvement Techniques. This is proving a firm foundation for further operational improvement.

Nick Silverthorne, Group Technical Director left the Board at the end of May and we would like to acknowledge his contribution to the business over very many years. He will continue to support the Group on a part-time basis in a consultancy capacity.

I am also delighted to welcome David Leakey to the Board as Group Sales Director. David, who joins us from IMI plc, has extensive experience in OEM account development and will play a key role in the execution of the Group's organic growth plans.

OUTLOOK

We have been encouraged by the progress made in the year with the Group benefiting from its exposure to global markets, increased account penetration and continued focus on operational improvement. We accelerated our investment plans through the second half of the year and this higher level of investment will continue through the current year as we look to capitalise on the opportunities we are identifying. Alongside our drive for organic growth, the Group is continuing to consider potential acquisition opportunities.

Nick Paul CBE
Chairman
3 June 2011

Mike Welburn
Chief Executive
3 June 2011

BOARD OF DIRECTORS



EXECUTIVE DIRECTORS

Mike Welburn

Chief Executive Officer

Joined Tricorn in April 2003, appointed to the Board in March 2004 and as Chief Executive in November 2007. He had previously been with IMI plc for 18 years where he had held a number of senior roles within the Fluid Power Division. This included responsibility for European Operations and Global OEM Strategy.



Phil Lee

Group Finance Director

Joined Tricorn in January 2009 and appointed to the Board in February 2009. He had previously been at Rolls-Royce plc for nine years working in a number of roles including Finance Director of Distributed Generation Systems (part of the Rolls-Royce Energy Business). Prior to Rolls-Royce he had been with National Grid Plc.



David Leakey

Group Sales Director

For the past 27 years he has worked at Norgren Ltd, the Motion and Fluid Controls division of IMI Plc. He has most recently held the role of Global Sales Director in the Energy Sector, with responsibility for the global business development of the Company's products into the oil and gas markets. David has also held the position of Sales Director in Norgren's Life Sciences and Automotive Sectors.



NON-EXECUTIVE DIRECTORS

Nick Paul CBE

Non-executive Chairman

Appointed to the Board as non-executive Chairman in October 2001. Member of the Remuneration and Audit Committees and Chairman of the Nomination Committee. He has a wealth of international business experience and had previously been deputy Chief Executive of IMI plc. He has also been Chairman of the Regional Development Agency, Advantage West Midlands, Chairman of Midlands Expressway Limited, Chairman of the West Midlands CBI and non-executive Director of John Laing Homes plc and Sig plc.



Roger Allsop

Non-executive Director

Purchased MTC in 1984 and Chief Executive of Tricorn up to 2002 after which he became a non-executive Director. Chairman of the Audit and Remuneration Committees and a member of the Nomination Committee. He was previously managing director of Westwood Dawes plc and is currently a non-executive director of Netcall plc.

COMMITTEES

Audit Committee

Roger Allsop – Chairman
Nick Paul
Michael Greensmith – Secretary

Nomination Committee

Nick Paul – Chairman
Roger Allsop
Michael Greensmith – Secretary

Remuneration Committee

Roger Allsop – Chairman
Nick Paul
Michael Greensmith – Secretary

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 2011.

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.

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 and Chief Executive's statement. There was a profit for the year after taxation amounting to £0.687m (2010: £0.149m). As part of a longer term progressive dividend policy, the Board has recommended the payment of a maiden dividend of 0.1p per share.

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 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's 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 collar has been entered into to fix the interest rate on the Group's borrowings.

LIQUIDITY RISK

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits, bank loans, 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 Group also looks to recharge any increased cost of commodities to customers.

FOREIGN CURRENCY RISK

Certain purchases and sales are made in foreign currencies. In order to minimise the impact of currency movements the Group utilises short-term forward currency contracts. Foreign exchange differences on retranslation of foreign currency assets and liabilities are taken to the Group statement of comprehensive income.

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 considered significant.

OTHER NON-FINANCIAL RISKS

The Group supplies products to a large number of customers and works with a number of key suppliers. Successful management of this process is key to delivering the results of the Group. This is also underpinned by retention and training of our staff to ensure that our knowledge and skills are maintained.

REPORT OF THE DIRECTORS continued

DIRECTORS

The present membership of the Board is set out below.

N C Paul CBE

R Allsop

M I Welburn

P Lee

N Silverthorne (*Retired 31 May 2011*)

D Leakey (*Appointed 3 June 2011*)

SHARE CAPITAL

Details of the Company's share capital, 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 22 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 10 May 2011, were as follows:

	Ordinary shares of 10 pence each Number	Percentage of capital %
R Allsop	11,220,000	34.88
Hargreave Hale Limited	6,990,786	21.73
Personal Representatives of J Rubins	1,465,000	4.55
Rock Nominees Limited (account 501198)	1,370,150	4.26
Quilter Nominees Limited	1,025,000	3.19

HEALTH AND SAFETY

The Group recognises its responsibility to ensure that its employees work in as safe a working environment as possible. Checks are also implemented to ensure its 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 to 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 61 days of average supplies (2010: 62 days). The Company trade payables are 55 days (2010: 62 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 regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). Under company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group for that period. In preparing these Group 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 IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

In so far as the Directors are aware:

- there is no relevant audit information of which the Group's 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 489 of the Companies Act 2006.

On behalf of the Board



M I Welburn

Director

3 June 2011

CORPORATE GOVERNANCE

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 three executive Directors, who hold the key operational positions in the Group and two 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 CBE and the other non-executive Director is R Allsop. 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, P Lee and D Leakey, 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 which is chaired by R Allsop. The committee 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 the financial statements 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 reasonable balance between 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. Detailed cash flow forecasts have been prepared which highlight that the Group has sufficient cash headroom to support its activities. The forecasts also highlight that the financial covenants included in the bank loan agreement will be fully complied with. The key assumptions in these forecasts have been sensitised and no issues arise which lead to any concern regarding the operations or financing of the Group. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

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 which are commensurate with similar jobs in other business sectors.

ANNUAL BONUS PAYMENTS, BENEFITS AND PENSION ARRANGEMENTS

M I Welburn, P Lee and D Leakey participate in a performance related bonus arrangement through Tricorn Group plc.

M I Welburn, P Lee and D Leakey benefit from the provision of private medical insurance, the provision of company cars or car allowance and participate in a contributory pension scheme.

R Allsop and N C Paul CBE receive no bonus, pension or benefits in kind.

NOTICE PERIODS

M I Welburn has a service agreement with the Group which is terminable on not less than 12 months' written notice given by either party to the other at any time. P Lee has a service agreement with the Group which is terminable on not less than six months' written notice given by either party to the other at any time. D Leakey has a service agreement with the Group which is terminable on not less than three months' written notice given by either party to the other at any time.

N C Paul CBE and R Allsop have letters of appointment with the Group which are terminable upon six months' written notice being given by either party.

CORPORATE GOVERNANCE continued

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 2011 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 CBE	–	–	300,000	–	300,000	0.10
M I Welburn	306,339	(306,339)	–	–	–	0.1775
M I Welburn	375,000	(375,000)	–	–	–	0.40
M I Welburn	–	–	361,844	–	361,844	0.10
M I Welburn	–	–	1,000,000	–	1,000,000	0.10
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
P Lee	500,000	–	–	–	500,000	0.10
P Lee	–	–	921,000	–	921,000	0.10
M Welburn	–	–	1,263,156	–	1,263,156	0.10

UNAPPROVED SHARE OPTIONS

N C Paul's option was granted on 16 September 2010, has vested and will remain in force for ten years.

M I Welburn's existing unapproved option schemes lapsed in the year and were replaced by an unapproved share option granted on 16 September 2010, over 361,844 shares. This scheme has vested and is in force for ten years with an exercise price of 10p per share. The unapproved options over 1,000,000 shares for M I Welburn were granted under the Group's LTIP and vest in tranches of 200,000 shares once the share price has achieved the trigger points of 20p, 25p, 30p, 35p and 40p for ten consecutive trading days.

EMI OPTIONS

M I Welburn's existing EMI share options lapsed in the year and were replaced by one scheme for 1,263,156 shares, granted on 5 August 2010. This scheme has vested and is in force for ten years with an exercise price of 10p per share.

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 have performance conditions attached to them. All options have vested.

P Lee was granted an EMI option over 500,000 shares at 10p on 31 March 2009. The first 250,000 are exercisable after three months continuous employment. The second 250,000 are exercisable after a further 12 months continuous employment. This option is in force for ten years and does not have performance conditions attached to it. In addition a further 921,000 shares were granted on 5 August 2010, none of which have vested at 31 March 2011. These options vest in tranches of 184,200 shares once the share price has achieved the trigger points of 20p, 25p, 30p, 35p and 40p for ten consecutive trading days.

The exercise periods for share options were set by the Remuneration Committee in order to incentivise and retain key executives. All share disposals will be limited to one third of the option in any given year without prior Board approval. The market price of the Company's shares at 31 March 2011 was 18.5p (31 March 2010: 7.5p) and the range during the year was 6.7p to 21.7p (2010: 6.0p to 10.5p).

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 2011 which comprise the Group statement of comprehensive income, the Group statement of changes in equity, the Group statement of financial position, the Group statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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

As explained more fully in the Directors' Responsibilities statement set out on page 11, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

OTHER MATTER

We have reported separately on the Parent Company financial statements of Tricorn Group plc for the year ended 31 March 2011.

David Munton

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor; Chartered Accountants
Birmingham
3 June 2011

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
Revenue	3	21,764	15,031
Cost of sales		(14,845)	(10,193)
Gross profit		6,919	4,838
Distribution costs		(925)	(676)
Administration costs		(4,796)	(3,737)
Operating profit before intangible amortisation, fair value adjustments for foreign exchange contracts and share-based payment charges	3	1,198	425
Intangible asset amortisation	12	(117)	(118)
Share-based payment charge	6	(44)	–
Fair value charge relating to forward exchange contracts	24	(11)	–
Operating profit	3/4	1,026	307
Finance income	8	5	3
Finance costs	8	(104)	(132)
Profit before tax	3	927	178
Income tax expense	9	(240)	(29)
Profit for the year and total comprehensive income		687	149
Attributable to:			
Equity holders of the parent company		687	149
Earnings per share:			
Basic earnings per share	10	2.14p	0.45p
Diluted earnings per share	10	2.12p	0.45p

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

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

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2011

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Investment in own shares £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2009	3,302	1,448	1,388	193	–	(1,653)	4,678
Transactions with owners	–	–	–	–	(49)	–	(49)
Comprehensive income	–	–	–	–	–	149	149
Balance at 31 March 2010	3,302	1,448	1,388	193	(49)	(1,504)	4,778
Issue of new shares	2	–	–	–	–	–	2
Share-based charge	–	–	–	44	–	–	44
Total transactions with owners	2	–	–	44	–	–	46
Comprehensive income	–	–	–	–	–	687	687
Balance at 31 March 2011	3,304	1,448	1,388	237	(49)	(817)	5,511

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

GROUP STATEMENT OF FINANCIAL POSITION

at 31 March 2011

	Notes	2011 £'000	2010 £'000
Assets			
Non-current			
Goodwill	11	591	591
Intangible assets	12	676	793
Property, plant and equipment	13	1,040	1,126
		2,307	2,510
Current			
Inventories	15	3,087	3,107
Trade and other receivables	16	5,016	3,839
Cash and cash equivalents	17	1,612	1,296
		9,715	8,242
Total assets		12,022	10,752
Liabilities			
Current			
Trade and other payables	19	(4,212)	(3,360)
Financial liabilities at fair value through profit or loss	24	(82)	(104)
Borrowings	20	(1,578)	(1,734)
Corporation tax		(312)	(88)
		(6,184)	(5,286)
Non-current			
Borrowings	20	(95)	(403)
Deferred tax	18	(232)	(285)
		(327)	(688)
Total liabilities		(6,511)	(5,974)
Net assets		5,511	4,778
Equity			
Share capital	25	3,304	3,302
Share premium account		1,448	1,448
Merger reserve		1,388	1,388
Share-based payment reserve		237	193
Investment in own shares		(49)	(49)
Profit and loss account		(817)	(1,504)
Total equity		5,511	4,778

The financial statements were approved by the Board of Directors on 3 June 2011.


M I Welburn

Director

Company number: 1999619

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

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2011

	2011 £'000	2010 £'000
Cash flows from operating activities		
Profit after taxation	687	149
Adjustment for:		
Depreciation	326	392
Net finance costs in statement of comprehensive income	99	129
Amortisation charge	117	118
Share-based payment charge	44	–
Charge relating to foreign exchange derivative contract	11	–
Taxation expense recognised in statement of comprehensive income	240	29
Increase in trade and other receivables	(1,169)	(170)
Increase in trade payables and other payables	799	463
Decrease in inventories	20	710
Cash generated from operations	1,174	1,820
Interest paid	(137)	(140)
Income taxes paid	(69)	(267)
Net cash from operating activities	968	1,413
Cash flows from investing activities		
Purchase of own shares	–	(49)
Purchase of plant and equipment	(187)	(135)
Interest received	5	3
Net cash used in investing activities	(182)	(181)
Cash flows from financing activities		
Issue of ordinary share capital	2	–
Repayment of short-term borrowings	(119)	(232)
Repayment of bank borrowings	(300)	(300)
Payment of finance lease liabilities	(53)	(117)
Net cash used in financing activities	(470)	(649)
Net increase in cash and cash equivalents	316	583
Cash and cash equivalents at beginning of year	1,296	713
Cash and cash equivalents at end of year	1,612	1,296

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2011

1 GENERAL INFORMATION

Tricorn Group plc and subsidiaries' (the 'Group') principal activities comprise high precision tube manipulation, systems engineering and specialist fittings.

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.

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, WR14 1DA. 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 3 June 2011. 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.

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. Detailed cash flow forecasts have been prepared which highlight that the Group has sufficient cash headroom to support its activities. The forecasts also highlight that the financial covenants included in the bank loan agreements will be fully complied with. The key assumptions in these forecasts have been sensitised and no issues arise which lead to any concern regarding the operations or financing of the Group. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

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 reporting 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.

Standard or Interpretation		Effective for reporting periods starting on or after
IFRS 9	Financial Instruments	Effective for annual periods beginning on or after 1 January 2013
IAS 24	Related Party Disclosures (Revised 2009)	Effective for annual periods beginning on or after 1 January 2011
	Annual Improvements to IFRS issued May 2010	Effective for annual periods beginning on or after 1 June 2010 and 1 January 2011

2 ACCOUNTING POLICIES continued

Based on the Group's current business model and accounting policies, management does not expect material impacts on the Group's financial statements when the Standards and Interpretations become effective.

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 that 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 areas for estimation within the financial statements are as follows:

- performance of impairment reviews to assess the carrying value of goodwill (see note 11);
- valuation of interest rate collar (see note 24); and
- estimates of inventory recoverability. Management review ageing of inventory, movement levels throughout the year and forecast future usage levels to set an adequate inventory provision to cover obsolete inventory lines.

There are no major areas for judgements within the financial statements which are not covered by the accounting policies detailed below.

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.

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 Group statement of financial position 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, 1 April 2006.

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 is 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 sale price 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 through profit or loss and is not subsequently reversed.

Impairment

The Group's goodwill, intangible assets and property, plant and equipment are subject to 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.

Goodwill with an indefinite useful life is 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.

If the impairment is subsequently reversed, the carrying amount, except in the case of goodwill, is increased to the revised estimate of its recoverable amount, limited to the carrying value that would have been determined had no impairment been recognised previously. Impairment losses in respect of goodwill are not subsequently reversed.

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 names	15 years
Customer relationships	5 years

Foreign currencies

These financial statements are presented in UK Sterling which is the presentational 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 reporting date. Exchange differences are dealt with through profit or loss.

2 ACCOUNTING POLICIES continued

Property, plant and equipment

Property, plant and equipment are carried at acquisition cost less subsequent depreciation and impairment losses. Depreciation is charged on these assets, after adjusting for their residual values, on a straight-line basis over the estimated useful economic life of each asset.

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

Plant and equipment	3 to 10 years
Motor vehicles	5 years

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 and is then disclosed and accounted for as a finance lease 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 hire purchase and finance lease agreements, i.e. depreciation methods and useful lives, correspond to those applied to comparable acquired assets. The corresponding hire purchase and 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 hire purchase and 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 reporting 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 reporting date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income. 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 other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS continued

2 **ACCOUNTING POLICIES** continued

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 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.

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 asset's carrying amount and the present value of estimated future cash flows.

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. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. When the Company purchases its own shares, the consideration is deductible from equity attributable to the Company's equity holders until the shares are either cancelled or reissued. When this happens, any consideration received is included in equity attributable to equity holders. Treasury shares are held at cost.

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 merger reserve represents the difference between the issue price and the nominal value of shares issued as consideration for the acquisition of a subsidiary undertaking when the Company has taken advantage of merger relief.

All current and prior period results are taken to the profit and loss account as disclosed in the statement of comprehensive income.

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).

2 ACCOUNTING POLICIES continued

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 statement of comprehensive income. Financial liabilities are initially recognised at fair value and subsequently measured at amortised costs using the effective interest rate.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Provisions for liabilities

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group and they can be reliably estimated. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at balance sheet date and all future estimated cash flows are discounted to arrive at the present value of the provision.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective rate of interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Derivative contracts

All derivatives are recognised at fair value through profit or loss. The value of the derivative is reassessed at fair value at each reporting date.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

3 SEGMENTAL REPORTING

The Group operates four main business segments:

- Energy: manipulated tubular assemblies for use in power generation, oil and gas and marine sectors.
- Transportation: ferrous, non-ferrous and nylon material tubular assemblies for use in off highway, medical, and other such applications.
- Aerospace: specialised rigid pipe assemblies for use in the aerospace sector.
- Utilities: the pipefittings sector produces innovative jointing systems for polyethylene pipes, typically within the utility industry.

The financial information detailed below is frequently reviewed by the chief operating decision maker:

Year ended 31 March 2011	Energy £'000	Transportation £'000	Aerospace £'000	Utilities £'000	Unallocated £'000	Total £'000
Revenue						
– from external customers	8,792	7,155	4,935	882	–	21,764
– from other segments	–	–	–	–	–	–
Segment revenues	8,792	7,155	4,935	882	–	21,764
Operating profit/(loss) pre-amortisation, foreign exchange contracts and share-based payment charges	756	604	(283)	112	9	1,198
Intangibles amortisation	–	–	–	–	(117)	(117)
Share-based payment charge	–	–	–	–	(44)	(44)
Fair value charge relating to forward exchange contracts	–	–	–	–	(11)	(11)
Operating profit/(loss)	756	604	(283)	112	(163)	1,026
Net finance costs	(58)	(6)	(24)	(2)	(9)	(99)
Profit/(loss) before tax	698	598	(307)	110	(172)	927
Segmental assets	3,523	2,532	2,628	946	2,393	12,022
Other segment information:						
Capital expenditure	177	50	13	–	–	240
Depreciation	127	126	57	15	1	326

3 SEGMENTAL REPORTING continued

Year ended 31 March 2010	Energy £'000	Transportation £'000	Aerospace £'000	Utilities £'000	Unallocated £'000	Total £'000
Revenue						
– from external customers	4,849	4,671	5,014	497	–	15,031
– from other segments	–	–	–	–	–	–
Segment revenues	4,849	4,671	5,014	497	–	15,031
Operating profit pre-amortisation	96	52	128	53	96	425
Intangibles amortisation	–	–	–	–	(118)	(118)
Operating profit/(loss)	96	52	128	53	(22)	307
Net finance costs	(46)	(16)	(22)	(2)	(43)	(129)
Profit/(loss) before tax	50	36	106	51	(65)	178
Segmental assets	3,304	1,988	3,040	243	2,177	10,752
Other segment information:						
Capital expenditure	66	45	24	–	–	135
Depreciation	151	165	58	17	1	392

The Group's revenue from external customers and its geographic allocation of total assets may be summarised as follows:

	Year ended 31 March 2011		Year ended 31 March 2010	
	Revenue £'000	Assets £'000	Revenue £'000	Assets £'000
United Kingdom	15,733	12,022	10,925	10,752
Europe	3,732	–	3,217	–
Rest of World	2,299	–	889	–
	21,764	12,022	15,031	10,752

No single customer accounts for more than 10% of revenue.

NOTES TO THE FINANCIAL STATEMENTS continued

4 PROFIT BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging:

	2011 £'000	2010 £'000
Auditors' remuneration:		
Audit of parent and Group consolidation	13	12
Audit of Group subsidiaries	28	25
Non-audit services:		
Corporate taxation	13	11
Operating lease charges:		
Land and buildings	419	394
Plant and equipment	36	34
Motor vehicles	73	71
Depreciation and amortisation:		
Intangible assets	117	118
Property, plant and equipment – owned	254	315
Property, plant and equipment – leased	72	77

5 DIRECTORS' EMOLUMENTS

	2011						2010				
	Benefits					Total	Benefits				Total
	Basic	Bonus	in kind	National insurance	Pension		Basic	in kind	insurance	Pension	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
N C Paul CBE	25	–	–	–	–	25	25	–	–	–	25
R Allsop	10	–	–	–	–	10	10	–	–	–	10
M I Welburn*	120	36	18	14	8	196	118	17	14	8	157
P Lee*	90	27	14	11	6	148	90	15	11	6	122
N Silverthorne*	57	–	5	7	4	73	53	6	6	4	69
	302	63	37	32	18	452	296	38	31	18	383

Share-based payment charge by Director (note 6)

	2011 £'000	2010 £'000
M I Welburn*	21	–
P Lee*	5	–
N C Paul CBE	18	–
	44	–

*The executive Directors are classified as the key management personnel of the Group as defined in IAS 24 Related Party Disclosures.

6 EMPLOYEES COSTS

	2011 Number	2010 Number
The average number of persons (including Directors) employed by the Group during the year was:		
Production	247	196
Sales, distribution and administration	44	42
	291	238

Staff costs during the year were as follows:

	2011 £'000	2010 £'000
Wages and salaries	6,377	4,541
Social security costs	518	407
Other pension costs	158	158
Share-based payment charge	44	–
	7,097	5,106

7 SHARE-BASED EMPLOYEE REMUNERATION

There are three share-based remuneration schemes in operation:

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

	At 31 March 2010 No. of shares	Granted in year No. of shares	Exercised in year No. of shares	Lapsed in year No. of shares	At 31 March 2011 No. of shares	Exercise price Pence	Life remaining on options at 31 March 2011 Months
Enterprise Management Incentive (EMI) scheme							
April 2002 – April 2012	210,000	–	–	(50,000)	160,000	20	12
June 2005 – August 2013	25,000	–	(25,000)	–	–	–	–
December 2004 – July 2012	200,000	–	–	–	200,000	10	16
November 2004 – June 2012	750,000	–	–	(750,000)	–	–	–
July 2006 – November 2015	193,661	–	–	(193,661)	–	–	–
March 2009 – March 2019	500,000	–	–	–	500,000	10	96
December 2009 – December 2019	100,000	–	–	–	100,000	10	105
August 2010 – August 2020	–	2,184,156	–	–	2,184,156	10	113
	1,978,661	2,184,156	(25,000)	(993,661)	3,144,156		

The weighted average exercise price of the EMI Scheme at 31 March 2011 was 10.51p (2010: 11.25p). 2,223,156 options were available for exercise at 31 March 2011 (2010: 1,728,661).

NOTES TO THE FINANCIAL STATEMENTS continued

7 SHARE-BASED EMPLOYEE REMUNERATION continued

Unapproved share options

	At 31 March 2010 No. of shares	Granted in year No. of shares	Exercised in year No. of shares	Lapsed in year No. of shares	At 31 March 2011 No. of shares	Exercise price Pence	Life remaining on options at 31 March 2011 Months
November 2006 – June 2013	306,339	–	–	(306,339)	–	–	–
November 2007 – November 2014	375,000	–	–	(375,000)	–	–	–
September 2010 – September 2015	–	1,000,000	–	–	1,000,000	10	54
September 2010 – September 2020	–	661,844	–	–	661,844	10	114
	681,339	1,661,844	–	(681,339)	1,661,844		
Total share options	2,660,000	3,846,000	(25,000)	(1,675,000)	4,806,000		

The weighted average exercise price of the unapproved share options at 31 March 2011 was 10p (2010: 30p). 661,844 options were available for exercise at 31 March 2011 (2010: 681,339).

The approved and unapproved option schemes have been valued in the year by management using the Black–Scholes valuation model. Key inputs into the model are expected share price volatility of 60%, expected life of option of between three to five years and the expected risk free interest rates of 2.33%.

1,000,000 of the unapproved options and 921,000 of the approved EMI options issued in the year have performance criteria. These options vest in five equal tranches once the share price has achieved the trigger points of 20p, 25p, 30p, 35p and 40p for ten consecutive trading days.

8 FINANCE INCOME AND EXPENSE

	2011 £'000	2010 £'000
Bank interest receivable	5	3
Finance income	5	3
Invoice discounting interest	47	32
Fair value charge for interest rate collar (note 24)	(33)	(8)
Effective interest charge on borrowings	82	90
Interest on hire purchase agreements and finance leases	8	18
Finance expense	104	132

9 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

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

	2011 £'000	2010 £'000
UK corporation tax	293	43
Adjustments in respect of prior years	–	20
Current tax charge for the year	293	63
Deferred taxation (note 18)	(53)	(34)
Tax on profit on ordinary activities	240	29

The tax assessed is different than the standard rate of corporation tax in the UK of 28% (2010: 28%). The differences are explained as follows:

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	927	178
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010: 28%)	260	50
Effect of:		
Expenses not deductible for tax purposes	20	43
Capital allowances in excess of depreciation	13	42
Unutilised tax losses	–	(35)
Other temporary differences	–	(46)
Effects of other tax rates	–	(11)
Adjustments in respect of prior years	–	20
	293	63

At 31 March 2011 the Group had tax losses of £207,000 (2010: £207,000) 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.

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.

	31 March 2011		
	Profit	Weighted average number of shares	Earnings per share
	£'000	Number '000	Pence
Basic earnings per share	687	32,146	2.14
Dilutive shares		297	
Diluted earnings per share	687	32,443	2.12

	31 March 2010		
	Profit	Weighted average number of shares	Earnings per share
	£'000	Number '000	Pence
Basic earnings per share	149	32,979	0.45
Dilutive shares		—	
Diluted earnings per share	149	32,979	0.45

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

	31 March 2011		
	Profit	Weighted average number of shares	Earnings per share
	£'000	Number '000	Pence
Basic earnings per share	687	32,146	2.14
Amortisation of intangible asset	117		
Interest rate collar gain	(33)		
Share-based payment charge	44		
Charge relating to foreign exchange contract	11		
Adjusted earnings per share	826	32,146	2.57
Dilutive shares		297	
Diluted adjusted earnings per share	826	32,443	2.54

10 EARNINGS PER SHARE continued

	Profit £'000	31 March 2010 Weighted average number of shares Number '000	Earnings per share Pence
Basic earnings per share	149	32,979	0.45p
Amortisation	118		
Interest rate collar loss	(8)		
Adjusted earnings per share	259	32,979	0.79
Dilutive shares	—	—	—
Diluted adjusted earnings per share	259	32,979	0.79

11 GOODWILL

	Total £'000
Cost	
At 31 March 2009, 31 March 2010 and 31 March 2011	591
Impairment	
At 31 March 2009, 31 March 2010 and 31 March 2011	—
Net book value	
At 31 March 2009	591
At 31 March 2010	591
At 31 March 2011	591

Goodwill above relates to the following cash-generating units:

	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

NOTES TO THE FINANCIAL STATEMENTS continued

11 GOODWILL continued

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.

The Group tests annually for impairment, or more frequently if there are indicators that goodwill might be impaired.

The recoverable amounts of the cash-generating units (CGUs) are determined from value-in-use calculations, covering a detailed five year forecast and applying a discount rate of 6.1% which equates to the Group's weighted average cost of capital.

Management's key assumptions are based on their past experience and future expectations of the market over the longer term.

The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the year.

Apart from the considerations described in determining the value-in-use of the cash-generating unit above, the Group management does not believe that reasonably possible changes on the assumptions underlying the value-in-use calculation would have an impact on the carrying value of goodwill.

After applying sensitivity analysis in respect of the results and future cash flows, in particular for presumed growth rates and discount rates, management believe that no impairment is required. Management is not aware of any other changes that would necessitate changes to its key estimates.

12 INTANGIBLE ASSETS

	Brand names £'000	Customer contracts £'000	Total £'000
Cost			
At 1 April 2009	830	312	1,142
At 1 April 2010 and 31 March 2011	830	312	1,142
Amortisation			
At 1 April 2009	(122)	(109)	(231)
Charge for the year	(56)	(62)	(118)
At 1 April 2010	(178)	(171)	(349)
Charge for the year	(55)	(62)	(117)
At 31 March 2011	(233)	(233)	(466)
Net book value			
At 1 April 2009	708	203	911
At 31 March 2010	652	141	793
At 31 March 2011	597	79	676

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

13 PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 April 2009	4,486	43	4,529
Additions	136	–	136
At 31 March 2010	4,622	43	4,665
Additions	240	–	240
At 31 March 2011	4,862	43	4,905
Depreciation			
At 1 April 2009	3,104	43	3,147
Charge for the year	392	–	392
At 31 March 2010	3,496	43	3,539
Charge for the year	326	–	326
At 31 March 2011	3,822	43	3,865
Net book value			
At 1 April 2009	1,382	–	1,382
At 31 March 2010	1,126	–	1,126
At 31 March 2011	1,040	–	1,040

The net book value of fixed assets includes £342,000 (2010: £421,000) in respect of assets held under finance leases and hire purchase contracts.

NOTES TO THE FINANCIAL STATEMENTS continued

14 PRINCIPAL SUBSIDIARIES

At 31 March 2011 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	Dormant
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

15 INVENTORIES

	2011 £'000	2010 £'000
Raw materials	1,560	1,529
Work in progress	989	934
Finished goods	538	644
	3,087	3,107

In the year to 31 March 2011, a total of £9,779,000 of inventory (2010: £6,782,000) was included in the statement of comprehensive income as an expense.

16 TRADE AND OTHER RECEIVABLES

	2011 £'000	2010 £'000
Trade receivables	4,560	3,633
Impairment of trade receivables	(11)	(5)
	4,549	3,628
Other receivables	259	20
Prepayments and accrued income	208	191
Total	5,016	3,839

At 31 March 2011, some of the unimpaired trade receivables are past their due date but all are considered recoverable. The age of financial assets past due but not impaired, is as follows:

	2011 £'000	2010 £'000
Not more than one month	1,500	980
Not more than two months	502	381
Not more than three months	246	137
	2,248	1,498

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 represents 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

	2011 £'000	2010 £'000
Cash and cash equivalents	1,612	1,296

Cash and cash equivalents consist of cash on hand and balances with banks only. At the year end £522,000 (2010: £518,000) of cash on hand and balances with banks were held by the subsidiary undertakings, however this balance is available for use by the Group.

NOTES TO THE FINANCIAL STATEMENTS continued

18 DEFERRED TAXATION

The deferred tax included in the statement of financial position arose in the following areas:

	Assets		Liabilities	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Intangibles assets	–	–	(175)	(228)
Plant and equipment	–	–	(56)	(61)
Trade and other payables	–	4	–	–
	–	4	(232)	(289)

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

	Assets		Liabilities	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Balance brought forward	4	41	(289)	(360)
Group statement of comprehensive income movement arising during the year	(4)	(37)	57	71
Balance carried forward	–	4	(232)	(289)

As at 31 March 2011 the Group has unprovided deferred tax assets as follows:

	Unprovided	Unprovided
	2011	2010
	£'000	£'000
Trading losses	(54)	(58)

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

19 TRADE AND OTHER PAYABLES

	2011	2010
	£'000	£'000
Trade and other payables	2,533	2,175
Other taxation and social security	776	513
Accruals	903	672
	4,212	3,360

Due to the short-term duration of trade and other payables the carrying value in the statement of financial position represents the fair value of the liabilities.

20 BORROWINGS

	2011 £'000	2010 £'000
Current borrowings		
Bank borrowings	292	292
Invoice discounting facility	1,269	1,388
Hire purchase agreements and finance lease liabilities (note 21)	17	54
	1,578	1,734
Non-current borrowings		
Bank borrowings	94	386
Hire purchase agreements and finance lease liabilities (note 21)	1	17
	95	403

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

	2011 £'000	2010 £'000
In one year or less or on demand:		
Bank loan	365	373
Invoice discounting facility	1,269	1,388
In more than one year but not more than two years:		
Bank loan	116	365
In more than two years but not more than three years:		
Bank loan	–	116
	1,750	2,242

Bank loan

The Group obtained a £1,400,000 bank borrowing in 2007, repayable over five years. Interest is charged at 2.25% over bank base rate. The borrowings are recorded in the statement of financial position with interest charged at an effective rate over the life of the borrowings. The bank borrowings are secured against the assets of the Group.

There is no significant difference between the carrying value and the fair value of the bank loan.

Invoice discounting facility

The invoice discounting facility is secured against the trade receivables to which it relates. Interest is paid at 2.15% over bank base rate per annum.

NOTES TO THE FINANCIAL STATEMENTS continued

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 2011				
Payments	18	1	–	19
Discounting	(1)	–	–	(1)
	17	1	–	18
31 March 2010				
Payments	60	18	–	78
Discounting	(6)	(1)	–	(7)
	54	17	–	71

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

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.

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, bank loans, 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's 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 2.15% over base rate; and
- 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).

22 FINANCIAL INSTRUMENTS continued

If the Group's interest rates were to rise/fall by 10% then the interest charge within the financial statements would increase/decrease by £nil (2010: £1,000), equity and reserves would reduce/increase by the same amount, and the charge would be £104,000 (2010: £130,000/£128,000).

Foreign currency risk

The Group transacts certain purchases and sales in foreign currencies. At 31 March 2011 there were four (2010: nil) foreign currency forward contracts in force.

Foreign exchange differences on retranslation of foreign currency assets and liabilities are taken to the statement of comprehensive income of the Group.

If the US Dollar and Euro were to fall/rise by 10% on the closing rate and average annual rate at 31 March 2011 then Group profits would rise/fall by £177,000 at 31 March 2011 (2010: £36,000) and equity and reserves would increase/reduce by the same amount.

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, the Group would look to pass any increases in the cost of steel onto customers.

If steel prices were to fall/rise by 10% on the closing year end price, and the Group was unable to pass the increase onto customers, then Group profits would rise/fall by £296,000 at 31 March 2011 (2010: £116,000) and equity and reserves would increase/reduce by the same amount.

Financial assets and liabilities

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

	2011 £'000	2010 £'000
Non-financial asset	208	191
Loans and other receivables	6,420	4,944
Total assets	6,628	5,135
The financial assets are included in the statement of financial position in the following headings:		
Current assets		
Trade and other receivables	5,016	3,839
Cash and cash equivalents	1,612	1,296
	6,628	5,135

NOTES TO THE FINANCIAL STATEMENTS continued

22 FINANCIAL INSTRUMENTS continued

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

	2011 £'000	2010 £'000
Non-financial liability	776	513
Financial liabilities at fair value through the profit and loss account	82	104
Financial liabilities measured at amortised cost	5,109	4,984
Total liabilities	5,967	5,601
The financial liabilities are included in the statement of financial position in the following headings:		
Current liabilities		
Trade and other payables	4,212	3,360
Financial liabilities at fair value through the profit and loss account	82	104
Borrowings	1,578	1,734
Non-current liabilities		
Borrowings	95	403
	5,967	5,601

Fair value hierarchy

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy prescribed by IFRS 7 Financial Instruments Disclosures. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 2011 £'000	Level 2 2011 £'000	Level 3 2011 £'000	Total 2011 £'000
Interest rate collars	–	71	–	71
Foreign exchange derivative contracts	–	11	–	11

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 resources to support the strategy of the Group; and
- 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

	2011 £'000	2010 £'000
Interest rate swap	71	104
Foreign exchange contracts	11	–
	82	104

In February 2008, the Group entered into an interest rate collar 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 2011 and is £71,000 liability (2010: £104,000 liability). The derivative is classified as fair value through the profit or loss and is recorded in the profit or loss under finance costs (note 8).

The fair value of the interest rate collar has been determined based on the discounted difference between the interest payable during the life of the collar discounted and the interest that would be payable at variable rates if the collar did not exist. The variable interest payable is based on a forecast long-term interest rate curve as at the year end.

At the year end the Group had four (2010: nil) forward currency exchange contracts in place to mitigate its exposure on the USD. These contracts have been valued at the fair value at the year end of £11k.

25 SHARE CAPITAL

	2011 £'000	2010 £'000
Allotted and issued 33,045,000 (2010: 33,020,000) ordinary shares of 10 pence each	3,304	3,302

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

On 11 March 2010 the Group purchased 875,000 of its own ordinary shares at the open market into treasury at a price of 5.5 pence per ordinary share. This is shown as a separate line in equity in the Group statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS continued

26 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2011 or 31 March 2010.

27 CAPITAL COMMITMENTS

At 31 March 2011 the Group had capital commitments of £524k (31 March 2010: £nil).

28 LEASING COMMITMENTS

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

	2011	2010	2011	2010
	Land and	Land and	Other	Other
	buildings	buildings	£'000	£'000
	£'000	£'000		
In one year or less	418	391	112	99
One to five years	1,453	1,512	108	106
Greater than five years	411	646	–	–
	2,282	2,549	220	205

29 TRANSACTIONS WITH RELATED PARTIES

There are no transactions with related parties other than key management as disclosed in note 5 of the Group financial statements.

Tricorn Group plc

Company Statutory Financial Statements Under UK GAAP

For the year ended 31 March 2011

Company number 1999619

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COMPANY STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' report and 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and 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; and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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 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 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 AUDITORS 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 2011 which comprise the parent company balance sheet and notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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

As explained more fully in the Directors' Responsibilities statement set out on page 46, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

OTHER MATTER

We have reported separately on the Group financial statements of Tricorn Group plc for the year ended 31 March 2011.

David Munton

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor; Chartered Accountants
Birmingham
3 June 2011

COMPANY BALANCE SHEET

at 31 March 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Tangible assets		2	3
Investments	7	6,196	6,196
		6,198	6,199
Current assets			
Debtors: amounts due within one year	8	4,280	1,535
Cash at bank and in hand		1,090	778
		5,370	2,313
Creditors: amounts falling due within one year	9	(4,449)	(1,070)
Net current assets		921	1,243
Total assets less current liabilities		7,119	7,442
Creditors: amounts falling due after more than one year	10	(94)	(386)
Net assets		7,025	7,056
Capital and reserves			
Called up share capital	11	3,304	3,302
Share premium account	12	1,448	1,448
Share-based payment reserve	12	237	193
Merger reserve	12	1,592	1,592
Investment in own shares	12	(49)	(49)
Profit and loss account	12	493	570
Equity shareholders' funds		7,025	7,056

The financial statements were approved by the Board of Directors on 3 June 2011.


M I Welburn

Director

Company number: 1999619

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2011

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 activity of the Company is 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 612 of the Companies Act 2006 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 the Company and its subsidiaries. Options are issued by the parent to the employees of the Company and its subsidiaries. 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.

NOTES TO THE FINANCIAL STATEMENTS continued

2 ACCOUNTING POLICIES continued

Equity

Share capital is determined using the nominal value of shares that have been issued. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. When the Company purchases its own shares, the consideration is deductible from equity attributable to the Company's equity holders until the shares are either cancelled or reissued. When this happens, any consideration received is included in equity attributable to equity holders. Treasury shares are held at cost.

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 merger reserve represents the difference between the issue price and the nominal value of shares issued as consideration for the acquisition of a subsidiary undertaking when the Company has taken advantage of merger relief.

The profit and loss account includes all current and prior period results.

3 PROFIT FOR THE FINANCIAL YEAR

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss for the year was £77,000 (2010: Profit £1,981,000).

Auditors's remuneration incurred by the Company during the year for audit services totalled £13,000 (2010: £11,000), and for tax compliance services totalled £2,000 (2010: £2,000).

4 DIRECTORS AND EMPLOYEES REMUNERATION

Staff costs during the year were as follows:

	2011 £'000	2010 £'000
Wages and salaries	709	480
Social security costs	57	48
Other pension costs	31	26
	797	554

The average number of persons (including Directors) employed by the Company during the year was 10 (2010: 9).

5 DIRECTORS' EMOLUMENTS

All details on Directors remuneration are given in note 5 of the Group financial statements.

6 SHARE-BASED EMPLOYEE REMUNERATION

All details on share options are included in note 7 of the Group financial statements.

7 FIXED ASSET INVESTMENTS

	Total £'000
Cost	
At 1 April 2010 and 31 March 2011	7,478
Impairment	
At 1 April 2010 and 31 March 2011	(1,282)
Net book value At 31 March 2011	6,196
At 31 March 2010	6,196

At 31 March 2011 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	Dormant
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

8 DEBTORS

	2011 £'000	2010 £'000
Amounts owed by subsidiary undertakings	4,246	1,504
Other debtors	2	4
Prepayments and accrued income	32	27
	4,280	1,535

9 CREDITORS: AMOUNTS DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Bank borrowings	292	292
Other creditors	3	2
Trade creditors	78	41
Amounts due to subsidiary undertakings	3,853	629
Other taxes and social security	14	17
Corporation tax	1	13
Accruals and deferred income	208	76
	4,449	1,070

10 CREDITORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

	2011 £'000	2010 £'000
Bank borrowings	94	386

Borrowings are repayable as follows:

	2011 £'000	2010 £'000
Within one year – bank borrowings	292	292
After one and within two years – bank borrowings	94	292
After two and within five years – bank borrowings	–	94
	386	678

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

11 SHARE CAPITAL

	2011 £'000	2010 £'000
Allotted and issued 33,045,000 (2010: 33,020,000) ordinary shares of 10 pence each	3,304	3,302

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

On 11 March 2010 the Group purchased 875,000 of its own ordinary shares at the open market into treasury at a price of 5.5 pence per ordinary share. This is shown as a separate line in equity in the Group statement of financial position.

12 RESERVES

	Share premium £'000	Share-based payment reserve £'000	Merger reserve £'000	Investment in own shares £'000	Profit and loss account £'000
At 1 April 2010	1,448	193	1,592	(49)	570
Loss for the year	–	–	–	–	(77)
Share-based payment charge	–	44	–	–	–
At 31 March 2011	1,448	237	1,592	(49)	493

13 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2011 £'000	2010 £'000
Profit for the financial year	(77)	1,981
Purchase of own shares	–	(49)
Issue of new shares	2	–
Share-based payment charge	44	–
Net (decrease)/increase to shareholders' funds	(31)	1,932
Opening equity shareholders' funds	7,056	5,124
Closing equity shareholders' funds	7,025	7,056

NOTES TO THE FINANCIAL STATEMENTS continued

14 CONTINGENT LIABILITIES

The Company has given an unlimited guarantee against the bank borrowings of its subsidiaries. At 31 March 2011 the balances amounted to £nil (2010: £nil).

There were no further contingent liabilities at 31 March 2011 or 31 March 2010.

15 CAPITAL COMMITMENTS

There were no capital commitments at 31 March 2011 or 31 March 2010.

16 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.

COMPANY INFORMATION

Company registration number:

1999619

Registered office:

Spring Lane
Malvern Link
Malvern
Worcestershire
WR14 1DA

Directors:

Nicholas Campbell Paul CBE (Chairman and non-executive Director)
Michael Ian Welburn (Chief Executive Officer)
Phillip Lee (Finance Director)
David Edward Leakey (Sales Director)
Roger Allsop (non-executive Director)

Secretary:

Michael Greensmith

Nominated adviser and Nominated broker:

Arbuthnot Securities Limited
Arbuthnot House
20 Ropemaker Street
London
EC2Y 9AR

Registrars:

Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA

Bankers:

Bank of Scotland plc
125 Colmore Row
Birmingham
B3 3SF

Solicitors:

Orme & Slade Limited
National Westminster Bank Chambers
The Homend
Ledbury
Herefordshire
HR8 1AB

Auditors:

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Enterprise House
115 Edmund Street
Birmingham
B3 2HJ



SHAREHOLDER NOTES

Our Subsidiaries



MALVERN TUBULAR COMPONENTS

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



MAXPOWER AUTOMOTIVE

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



RMDG AEROSPACE

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



REDMAN FITTINGS

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



Visit us at our website

<http://www.tricorn.uk.com>



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