



# Annual Report & Accounts

for the year ended 31 March 2018

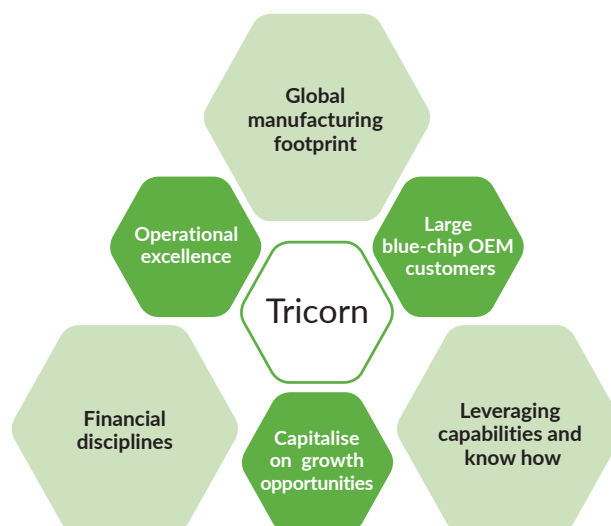
Stock code: TCN

# Welcome to our Annual Report 2018

## TRICORN GROUP

Tricorn creates value for our stakeholders by focusing on our area of expertise and being the best at what we do.

We aim to be recognised as the “best in class” tube solutions provider in terms of service, quality and brand reputation.



### Our Strategic Enablers

#### Establishing a global manufacturing footprint

- With manufacturing operations now firmly established in the UK, USA and China the Group is ideally positioned to support its customer's facilities in these key areas as they continue to seek to localise supply and technical support. We continue to evaluate opportunities to expand further in response to the growing needs of our customers.

#### Leveraging the capabilities and know how across the Group

- To harness the Group's full potential we remain determined to channel and maximise our scale and act wherever possible as one Tricorn. Best practise is shared across the Group and operations are consistently benchmarked.

#### Maintaining financial disciplines

- As we execute our strategy to deliver profitable growth, we continue to maintain financial discipline. Businesses are targeted to achieve EBITDA/sales of a minimum of 10% and a cash generation/EBITDA ratio of 1:1. Our strong cash generation allows the Group to make significant investments in our operations and at the same time reduce debt/increase funds.

### The Group's Growth Priorities

#### Focus on large blue-chip OEM customers

We focus on a limited number of highly successful customers where we can build long-term, collaborative relationships. By working closely with them from early design, through product validation and onto full production we can provide highly cost effective solutions and at the same time benefit from high levels of recurring revenue over the life of the product.

#### Capitalise on significant growth opportunities

By being alert, agile and responsive to growth opportunities we are winning new business and securing significant long-term agreements.

We continue to invest in developing our capabilities and expanding our capacity ensuring that we maintain our competitive advantage and can meet the increasing needs of our customers.

#### Drive for operational excellence

We are committed to a relentless focus on how to improve the way our businesses operate. By doing this we will better utilise capacity, enhance our competitiveness, reduce working capital and generate cost savings by operating more efficiently. Our journey is underpinned by the engagement of management and employees at all levels and we remain absolutely confident that embedding Lean across the whole of Tricorn is an essential enabler to deliver and sustain our goals

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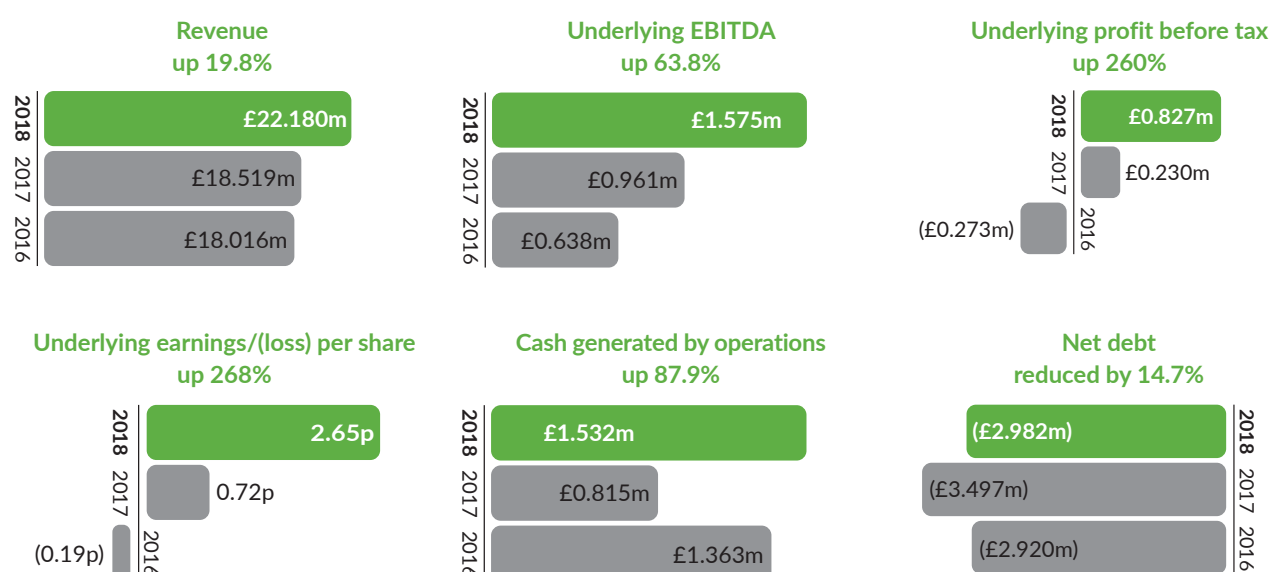
# HIGHLIGHTS

## 2018 Highlights

### Operational Highlights

- Revenue increased 19.8% to £22.180m
- Profits up 260% to £0.827m
- Excellent progress across both divisions and our Chinese joint venture
- Long-term agreement secured with London Electric Vehicle Company
- Cash generated by operations of £1.532m, up £0.717m on previous year

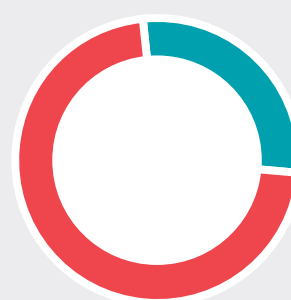
### Financial Highlights



### Our locations



### Revenue for the year ended 31 March 2018



**Transportation 72%**  
**Energy 28%**

### Our timeline

December 2001	June 2005	June 2007	March 2012	March 2013	July 2013	June 2017
Listed on AIM	China team established in Nanjing	Acquired Maxpower Automotive Limited, UK	Announced investment in China manufacturing facility	Acquired Franklin Tubular Products Inc, US	Investment in Joint Venture, Minguang-Tricorn Tubular Products (Nanjing) Limited	Completed consolidation of China activities

# STRATEGIC REPORT

## Chairman's and Chief Executive's Statement

### Performance in the year ended 31 March 2018

Revenue for the year at £22.180m was 19.8% higher than the previous year (2017: £18.519m) with the Group benefitting from buoyant end markets and new business wins. Excellent progress has been made across both of the Group's divisions with all businesses delivering increased revenue and substantial improvements in profitability over the previous year. The performances of the Group's USA business and its joint venture in China have been particularly encouraging.

Underlying profit before tax at £0.827m was significantly up from the previous year (2017: £0.230m).

### Business Review

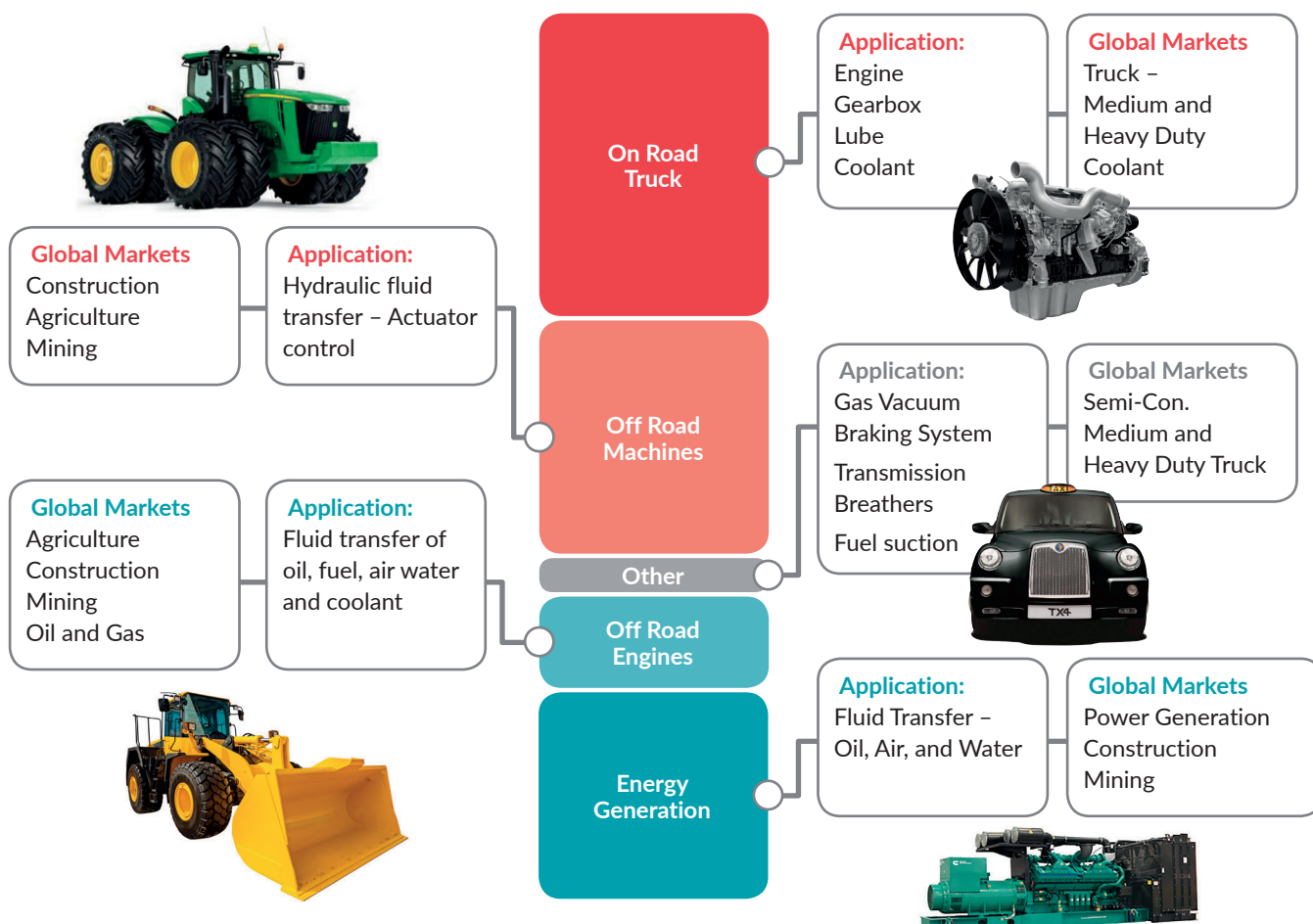
The Group operates two main business divisions focused on the transportation and energy sectors. From the Group's four manufacturing facilities, the businesses serve a global blue-chip OEM customer base, many of whom have major facilities in the UK, USA, and China as well as elsewhere in the world.

With manufacturing operations now firmly established in each of these key locations and performing well, the Group is ideally positioned to support its customers' facilities as they continue to seek to localise supply and technical support.

**"The Group has made excellent progress in the execution of its strategy which is delivering revenue growth and a substantial improvement in profitability."**

**Andrew Moss**  
Chairman

### Customer Product Markets





# Transportation

The Transportation division is focused on rigid, nylon and hybrid tubular products for engines, braking systems, transmission lubrication, fuel sender sub-systems and hydraulic actuation in a variety of on and off-road applications, including construction, trucks and agriculture.

External revenue for the year ended 31 March 2018 was £15.901m (2017: £13.595m) and underlying profit increased by 110% to £0.410m (2017: £0.195m).

In the USA, Franklin Tubular Products continued to make excellent progress on all fronts. Operational performance was strong and new product introduction activity was at record levels. In the final quarter alone, 65 part numbers were introduced representing around £1.4m of annualised revenue.

In the year, we also made further investment in our cleaning capabilities and are now able to supply "super clean" parts. New business is already being won as a result.

In the UK, Maxpower Automotive grew its rigid hydraulic tube business substantially and capacity was increased with the addition of further TIG welding stations. In the earlier part of the financial year, the business was successful in securing a long-term agreement with the London Electric Vehicle Company for the supply of brake pipe assemblies on the recently launched TX eCity electric taxi. The project entered the production phase towards the end of the financial year and is expected to generate around £5m of revenue for the Group over the length of the contract.



Revenue (£m)

**£15.901**

(2017: £13.595m)

↑ Up 16.9%

Profit before tax (£m)

**£0.410**

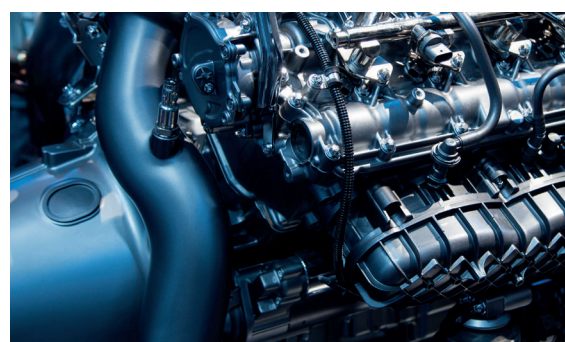
(2017: £0.195m)

↑ Up 110.2%

# Energy

The Energy division is focused on the design and manufacture of larger tubular assemblies and fabrications for diesel engines and power generator sets. The key markets served through its customers are power generation, mining, marine and oil and gas applications.

External revenue for the year at £6.279m was well ahead of the previous year (2017: £4.924m), with the business benefitting from revenue in the power generation rental sector through the early part of the year. It was also successful in securing new business for cooling set support frames. Underlying profit at £0.567m was substantially up on the previous year (2017: £0.251m).



Revenue (£m)

**£6.279**

(2017: £4.924m)

↑ Up 27.5%

Profit before tax (£m)

**£0.567**

(2017: £0.251m)

↑ Up 125.9%

All references to EBITDA, profit/(loss) before tax and earnings/(loss) per share are before restructuring costs, intangible asset amortisation, share based payment charges and fair value charges relating to foreign exchange contracts.

# STRATEGIC REPORT

## Chairman's and Chief Executive's Statement

"The restructuring activities over the last couple of years, combined with the global investment in our capability, have transformed and strengthened the Group. The business in the USA continues to grow and the merging of our facilities in China has resulted in that part of the Group now being profitable."

### China

Our Chinese joint venture, Minguang-Tricorn Tubular Products, performed well, benefitting from the consolidation of our activities in China in the previous year and improved market conditions. Relationships with customers continued to build and the business was successful on a number of new project wins. The Group's share of profit before tax at £0.209m was substantially improved (2017: loss £0.049m).



The Group continues to invest to support new business activity

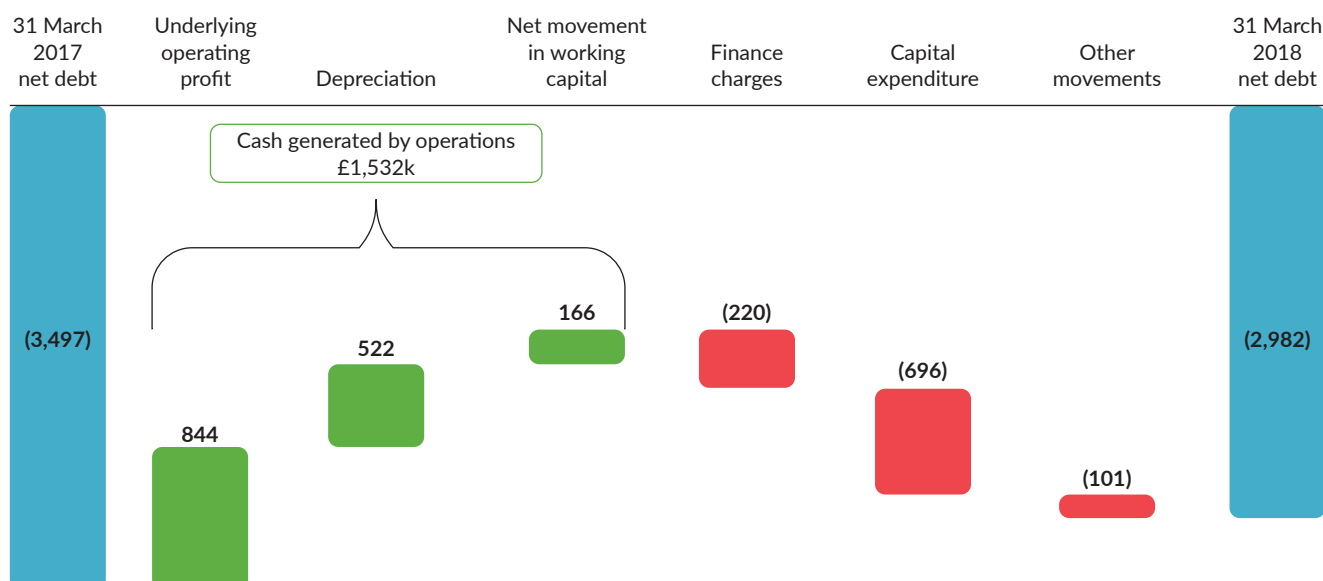
### Financial Review

The restructuring activities over the last couple of years, combined with the global investment in our capability, have transformed and strengthened the Group. The business in the USA continues to grow and the merging of our facilities in China has resulted in that part of the Group now being profitable.

With improved trading conditions, all of the Group's subsidiary businesses were profitable in the year. Financial results for the Group were much improved with underlying EBITDA for the year at £1.575m (2017: £0.961m) and underlying profit before tax at £0.827m (2017: £0.230m).

### Change in net funds

£000's



All references to EBITDA, profit/(loss) before tax and earnings/(loss) per share are before restructuring costs, intangible asset amortisation, share based payment charges and fair value charges relating to foreign exchange contracts.

## Income Statement

Revenue for the year, at £22.180m, increased by 19.8% over the previous year of £18.519m. This was driven by a combination of the impact of new business growth and the improved market demand from key customers. In line with Group policy when reporting the results for its joint venture in China, the Group has reported its share of the profit or loss before tax whilst the revenue figure for the joint venture is not reported in the Group consolidated income statement.

Gross margins were at 38.3%, after incurring a level of new business introduction costs. Distribution costs at £1.005m were up £0.212m over the prior year, with the increase largely volume related. The Group also saw administration costs increase by 6.7% over the prior year to £6.646m. However, despite these cost increases, operational gearing reduced to 29.9% (2017: 33.6%).

The Group's Chinese joint venture, Minguang-Tricorn Tubular Products, delivered its first full year profit following its merger in July 2016. The Group's share of profit for the year was £0.209m (2017 loss: £0.049m).

EBITDA for the year was £1.575m (2017: 0.961m). Finance costs for the year were £0.226m (2017: £0.218m) and the Group delivered an underlying profit before tax for the year of £0.827m (2017: £0.230m).

After deducting intangible asset amortisation, share based payment charges and fair value charges relating to foreign exchange contracts, the profit before tax for the year was £0.606m (2017 loss: £0.287m).

Basic earnings per share (EPS) was 2.00p (2017 LPS: 0.81p) and after adjusting for one-off items, the underlying EPS was 2.65p (2017: 0.72p). The Board is not recommending the payment of a final dividend (2017: nil).

## Cash Flow

The Group's cashflow from operations improved significantly in the year to £1.532m (2017: £0.815m), reflecting the profit performance and management of working capital. For the year, the Group achieved a cash generated by operations to EBITDA ratio of 0.97:1 (2017: 0.85:1), only marginally short of its ongoing 1:1 target. After interest payments and net tax receipts, cash generated by operating activities was £1.321m (2017: £0.614m). Capital expenditure, net of finance leases, was £0.696m (2017: £0.559m).

During the year, the Group repaid borrowings in China of £0.439m, initially used to fund its joint venture. This repayment was funded from the Group's cash resources.

At 31 March 2018, net debt was £2.982m (2017: £3.497m), cash and cash equivalents were £0.692m (2017: £0.642m) and gearing was 47.6% (2016: 57.9%).

The Group uses short term borrowings to fund its operating activities, with selected capital additions and larger projects being financed by lease finance arrangements. At the year end, the Group did not have any term debt in place and had no covenants on its borrowings.

## Balance Sheet

Total assets of the Group as at 31 March 2018 were £14.359m, which was £0.571m higher than the prior year, driven mainly by the increase in the value of the Group's investment in its joint venture in China and higher levels of debtors given the increased sales volume. Net working capital for the Group decreased in the year to £3.475m (2017: £3.890m).

On translation of its overseas assets and liabilities, the Group made an exchange loss of £0.487m (2017: gain £0.269m). This is a non-cash movement, which is not hedged and is treated as a movement in other comprehensive income. As a result, the translation reserve in shareholders' funds now shows a £0.111m deficit (2017: surplus £0.376m).

## People

The Board would like to take the opportunity to thank its employees for their hard work and support through the year. Their commitment and dedication ensures that we continue to drive the business forward and deliver quality products to our customers.



The Group offers world class welding capabilities

# STRATEGIC REPORT

## Chairman's and Chief Executive's Statement

continued

### Outlook

The Group has made excellent progress in the execution of its strategy which is delivering revenue growth and a substantial improvement in profitability. Our strong cash generation has enabled us to reduce our net debt whilst continuing to invest in the business. These investments in developing our capabilities and increasing our capacity have enabled us to win new business, grow market share and take full advantage of buoyant end markets. With momentum building across the businesses, the Board expects the Group to make further significant progress in the current year.

### Principal risks and uncertainties

The management of the business and the nature of the Group's strategy are subject to a number of risks.

The Directors are of the opinion that a thorough risk management process is adopted which involves the formal review of all the risks identified below. Where possible, processes are in place to monitor and mitigate such risks. The Directors have set out below the principal risks facing the business.

### Economic climate

The Group is exposed to global markets through both its customer base and the market sectors that it serves. As a result there is constant monitoring of the economic environment by the Board to ensure that the Group responds to economic changes appropriately in order to ensure that the risk of any impact is mitigated.

### Supply Chain

At an operational and strategic level the Group ensures that it develops close relationships with its customers and its suppliers. By doing this it is in a position to understand the changing nature of sourcing and supply chain strategy quickly and respond accordingly to any risks that this might pose to the Group.

### Competition

The Group ensures that it is constantly monitoring its competitive environment in order to respond to competitive pressures as well as taking advantage of any opportunities that are presented to it. Regular reviews of market intelligence ensure that the Group manages its competition risk.

### Operational

A focus on operational improvement ensures that the Group's products remain reliable and of the highest quality. Recruiting, retaining, developing and motivating staff also continue to be a key priority for the Group. With operational performance being such a high priority for the Group, risks are identified and managed on a regular basis.

### Environmental


The Group reviews the risk that its activities place on the environment through the promotion of green initiatives wherever possible.

### Global presence

The Group operates through wholly owned subsidiaries in the UK and the US as well as being a partner in a joint venture in China. As a result of international expansion in these jurisdictions, new risks have been presented. Senior management have responded by making frequent visits overseas in order to mitigate and control those risks.



**Andrew Moss**  
Chairman  
5 June 2018



**Mike Welburn**  
Chief Executive  
5 June 2018



**The Group's capabilities include the manufacture of complex fabrications and painting**

# BOARD OF DIRECTORS

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.

## Directors

The present membership of the Board is set out below.

A B Moss            R Allsop  
M I Welburn        P Lee  
D E Leakey

### 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

Joined Tricorn and appointed to the Board in June 2011. He had previously spent 27 years working 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



#### Andrew Moss

##### Non Executive Chairman

Appointed as non-executive Director in November 2014 and Chairman in December 2014. Member of the Audit, Remuneration and Nomination Committees. He has over 30 years' experience in international engineering groups specialising in aviation, automotive and power electronics products, and advanced composite materials. He spent 13 years with Umeco Plc, five years of which was spent as a main board Director, resulting in his appointment as Chief Executive in 2011. Prior to this he was with BTR/Invensys Plc managing a number of international manufacturing businesses.



#### 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, Nominations and Remuneration Committees. He was previously managing director of Westwood Dawes plc and non-executive director of Netcall plc.



# REPORT OF THE DIRECTORS

for the year ended 31 March 2018

## 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 24 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 17 May 2018, were as follows:

	Ordinary shares of 10 pence each Number	Percentage of capital %
R Allsop	11,220,000	33.20
Canaccord Genuity Wealth Management	6,358,900	18.82
W B Nominees	1,378,334	4.08
FNZ Nominees Limited	1,370,150	4.05
Cheviot Capital	1,300,000	3.85

## Business review, key performance indicators (KPIs) and principal risks and uncertainties

A review of the Group's trading operations, KPIs and principal risks and uncertainties is contained in the Strategic Report on page 2. The key financial salients shown on page 1 are deemed to be the KPIs of the Group.

## Employment policies

Management places emphasis on training and developing its employees. In addition, management encourages self-development which in turn aids succession planning, supporting the strategic growth of the Group.

Employees are kept up to date with management policies and their respective duties. Management emphasise the importance of good communication and relations with all employees throughout the Group.

It is the policy of the Group that there should be no unfair discrimination in considering applications for employment, including those from disabled persons. Employees are given equal opportunities for career development and promotion.

Management take a proactive approach to the welfare of the Group's employees and the strong commitment to health and safety is cascaded down to all levels of the business by senior management.

## 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.

## Financial risks and management

The Group's principal financial instruments comprise an invoice discounting facility, short term borrowings, 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 policy of the Group 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 currently managed by the use of floating facilities. The Group finances specific large plant acquisitions via hire purchase or finance lease contracts. The interest rate risk on positive cash balances is not considered to be significant.

### 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 exposure of the Group 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. Such cover is determined by written policies set by the Board. Foreign exchange differences on retranslation of foreign currency assets and liabilities are taken to the Group profit or loss.

### Credit risk

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

### 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.

### Directors' responsibilities for the Group and Company financial statements

The Directors are responsible for preparing the Strategic Report, the Report of the Directors' the Group financial statements and the Company only 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 to prepare the 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 and Company 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 and Company 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Group and Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group and Company'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 auditor in accordance with section 489 of the Companies Act 2006.

ON BEHALF OF THE BOARD



**M I Welburn**

Director

Date: 5 June 2018

# CORPORATE GOVERNANCE

for the year ended 31 March 2018

## Statement by the Directors on compliance with the provisions of the UK Corporate Governance Code (the Code)

On 30 March 2018 revised "AIM Rules For Companies" were issued by the London Stock Exchange that require companies with shares admitted to trading on AIM to adopt a recognised formal corporate governance code by no later than 28th September 2018 and to disclose how they comply with and, if applicable, where they depart from, that code. The Board is currently updating its corporate governance procedures prior to 28th September 2018.

### 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 supplies 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 A B Moss and the other non-executive Director is R Allsop. The Board approves 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 E 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 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 covering at least 12 months from the date that these accounts were approved have been prepared which highlight that the Group has sufficient cash headroom within its bank facilities to support its activities. 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 E Leakey participate in a performance related bonus arrangement through Tricorn Group plc.

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

R Allsop and A B Moss receive no bonus, pension or benefits in kind.

### Notice periods

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

A B Moss has a letter of appointment with the Company which is terminable upon one months' written notice being given by either party. R Allsop has a letter of appointment with the Company which is terminable upon six months' written notice being given by either party.

### Share option incentives

The Company has adopted a number of individual unapproved and enterprise management incentive scheme share option agreements to motivate and retain key personnel of the Group. At 31 March 2018 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 2018 Number	Exercise price £
<b>Unapproved share options</b>						
M I Welburn	361,844	–	–	–	361,844	0.10
M I Welburn	1,000,000	–	–	–	1,000,000	0.10
D E Leakey	500,000	–	–	–	500,000	0.175
D E Leakey	500,000	–	–	–	500,000	0.10
<b>Enterprise management incentive scheme (EMI) options</b>						
P Lee	500,000	–	–	–	500,000	0.10
P Lee	921,000	–	–	–	921,000	0.10
M I Welburn	1,263,156	–	–	–	1,263,156	0.10

## CORPORATE GOVERNANCE

for the year ended 31 March 2018

continued

### Unapproved share options

M I Welburn's unapproved share option was 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 days. At 31 March 2018, 800,000 of these shares had vested.

D E Leakey has an unapproved option over 500,000 shares at 17.5p granted on 30 June 2015. A further option over 500,000 shares was granted on 4 April 2016 at an option price of 10p. Both options vest immediately and run for ten years.

### EMI options

M I Welburn's EMI share option for 1,263,156 shares was granted on 5 August 2010. This scheme has vested and is in force for ten years with an exercise price of 10p per share.

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, an option over a further 921,000 shares was granted on 5 August 2010, 736,800 of which have vested at 31 March 2017. 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 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 2018 was 22.00p (31 March 2017: 12.75p) and the range during the year was 15.75p to 24.75p (2017: 8.25p to 15.75p).

# INDEPENDENT AUDITOR'S REPORT

To the members of Tricorn Group Plc

## Opinion

### Our opinion on the group financial statements is unmodified

We have audited the Group financial statements of Tricorn Group plc for the year ended 31 March 2018 which comprise the Group income statement, 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 notes to the financial statements, including a summary of significant accounting policies. 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.

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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Group financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Who we are reporting to

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Group financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

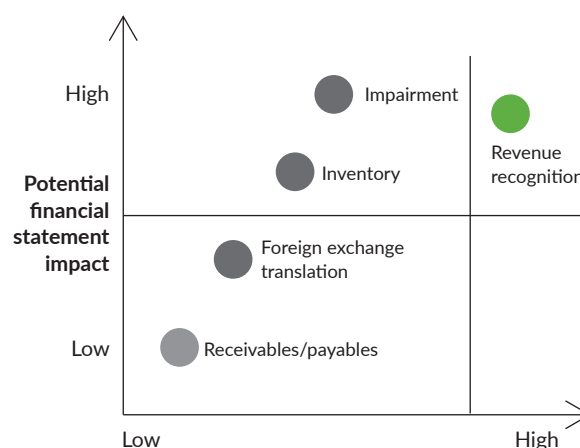


### Overview of our audit approach

- Overall materiality: £32,000 which represents 5% of the Group's preliminary profit before taxation;
- Key audit matter was identified as revenue recognition;
- We performed full scope audit procedures on UK based operations (Tricorn Group plc, Maxpower UK Limited, Malvern Tubular Components Limited) and Franklin Tubular Components and performed targeted audit procedures on its joint venture, Minguang-Tricorn Tubular Products Nanjing Ltd.

### Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



# INDEPENDENT AUDITOR'S REPORT

To the members of Tricorn Group Plc

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
<p><b>Revenue recognition</b></p> <p>Revenue is recognised to the extent that economic benefits will flow to the Group and the revenue can be reliably measured.</p> <p>Revenue is a key driver of the business and is also a significant value in the financial statements. We therefore identified revenue recognition (focusing on occurrence) as one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>Evaluating the Group's accounting policies for recognition of revenue for compliance with the requirements of International Accounting Standard (IAS) 18 'Revenue' as adopted by the European Union.</li> <li>Agreeing as to whether revenue has been recognised in accordance with these policies.</li> <li>Agreeing, on a sample basis, amounts recognised in revenue of source and supporting documents including proof of shipment documents.</li> </ul> <p>The Group's accounting policy on revenue is shown in note 2 to the financial statements and related disclosures are included in note 3.</p> <p><b>Key Observations:</b></p> <p>Based on our audit work, we found the Group's revenue recognition policy was consistently applied. There are no findings in relation to revenue recognition.</p>

## Our application of materiality

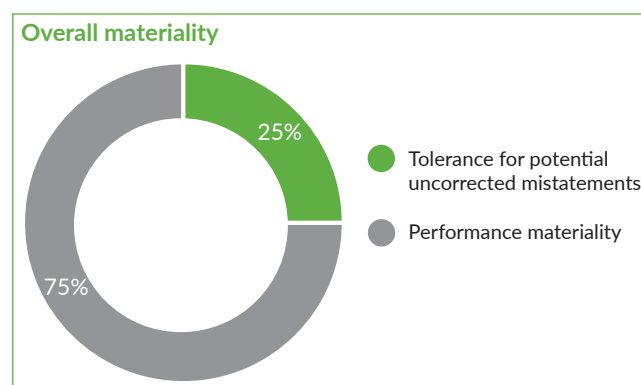
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the Group financial statements as a whole to be £32,000, which is 5% of the preliminary profit for the year. This benchmark is considered the most appropriate because this is a key performance measure used by the Board of Directors to report to investors on the financial performance of the Group.

Materiality for the current year is lower than the level that we determined for the year ended 31 March 2017 to reflect the use of profit for the year as the benchmark as opposed to revenues which were used as the benchmark in the prior year due to the Group being loss making in the prior year.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the Group financial statements.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



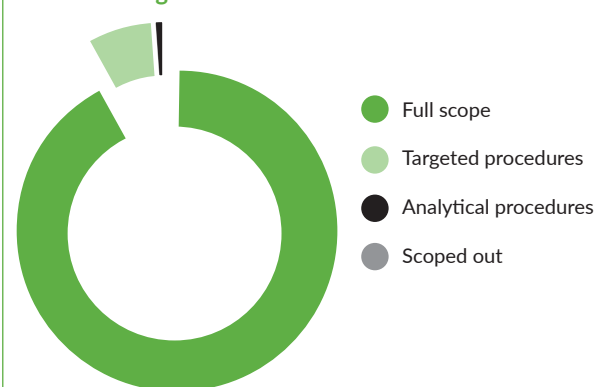
We determined the threshold at which we will communicate misstatements to the Audit Committee to be £1,600. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

### An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile. We performed full scope audit procedures on UK based operations (Tricorn Group plc, Maxpower UK Limited, Malvern Tubular Components Limited) and the USA operation (Franklin Tubular Components Limited). The Group audit team visited the location in the USA and performed the audit procedures.

Our current year audit approach on Franklin Tubular Components Limited is consistent with the prior year approach. The Group also has an investment in a joint venture in China, Minguang-Tricorn Tubular Products Nanjing Ltd, which makes up 31% of profit before tax and 6% of total assets and we determined this is also a significant component. The Group audit team performed targeted audit procedures over the balances within the joint venture. The prior year audit approach to the joint venture was the performance of analytical procedures with the change in scope in the current year being as a result of the joint venture contributing a larger proportion of Group profit before tax.

#### Revenue recognition



### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report set out on pages 23 to 46, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the Group financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

# INDEPENDENT AUDITOR'S REPORT

To the members of Tricorn Group Plc

## Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' report.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

## Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 9, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the group financial statements

Our objectives are to obtain reasonable assurance about whether the Group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Other matters

We have reported separately on the parent Company financial statements of Tricorn Group plc for the year ended 31 March 2018. That report includes details of the parent Company key audit matters; how we applied the concept of materiality in planning and performing our audit; and an overview of the scope of our audit.

## Rebecca Eagle

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Birmingham  
5 June 2018

# TRICORN GROUP PLC

## GROUP CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2018

Company number 1999619

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## GROUP INCOME STATEMENT

For the year ended 31 March 2018

	Note	2018 £'000 Underlying	2018 £'000 Non-underlying	2018 £'000 Group	2017 £'000 Underlying	2017 £'000 Non-underlying	2017 £'000 Group
<b>Revenue</b>	3	22,180	–	22,180	18,519	–	18,519
Cost of sales		(13,685)	–	(13,685)	(11,002)	–	(11,002)
<b>Gross profit</b>		8,495	–	8,495	7,517	–	7,517
Distribution costs		(1,005)	–	(1,005)	(793)	–	(793)
Administration costs							
– General administration costs		(6,646)	–	(6,646)	(6,227)	–	(6,227)
– Restructuring costs		–	–	–	–	(303)	(303)
– Intangible asset amortisation	12	–	(175)	(175)	–	(190)	(190)
– Fair value charge relating to forward exchange contracts		–	(6)	(6)	–	–	–
– Share based payment charge	6	–	(40)	(40)	–	(24)	(24)
<b>Total administration costs</b>		(6,646)	(221)	(6,867)	(6,227)	(517)	(6,744)
<b>Operating profit/(loss)</b>	3/4	844	(221)	623	497	(517)	(20)
Share of profit/(loss) from joint venture	14	209	–	209	(49)	–	(49)
Finance costs	8	(226)	–	(226)	(218)	–	(218)
<b>Profit/(loss) before tax</b>	3/4	827	(221)	606	230	(517)	(287)
Income tax (charge)/credit	9	70	–	70	12	–	12
<b>Profit/(loss) after tax from continuing operations</b>		897	(221)	676	242	(517)	(275)
<b>Attributable to:</b>							
Equity holders of the parent company		897	(221)	676	242	(517)	(275)
<b>Earnings per share:</b>							
Basic profit/(loss) per share	10			2.00p			(0.81)p
Diluted profit/(loss) per share	10			1.86p			(0.81)p

All of the activities of the Group are classified as continuing unless otherwise stated.

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



# GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	2018 £'000	2017 £'000
<b>Profit/(loss) for the year</b>	<b>676</b>	<b>(275)</b>
<b>Other comprehensive income</b>		
<i>Items that will subsequently be reclassified to profit or loss</i>		
Foreign exchange translation differences	(487)	269
<b>Total comprehensive loss attributable to equity holders of the parent</b>	<b>189</b>	<b>(6)</b>

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

## GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Share based payment reserve £'000	Profit and loss account £'000	Total £'000
<b>Balance at 1 April 2016</b>	<b>3,379</b>	<b>1,692</b>	<b>1,388</b>	<b>107</b>	<b>300</b>	<b>(847)</b>	<b>6,019</b>
Share based payment charge	-	-	-	-	24	-	24
Write back of share based payment reserve	-	-	-	-	(15)	15	-
Total transactions with owners	-	-	-	-	9	15	24
Loss and total comprehensive expense	-	-	-	269	-	(275)	(6)
<b>Balance at 31 March 2017</b>	<b>3,379</b>	<b>1,692</b>	<b>1,388</b>	<b>376</b>	<b>309</b>	<b>(1,107)</b>	<b>6,037</b>
Share based payment charge	-	-	-	-	40	-	40
Write back of share based payment reserve	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	40	-	40
Profit and total comprehensive income	-	-	-	(487)	-	676	189
<b>Balance at 31 March 2018</b>	<b>3,379</b>	<b>1,692</b>	<b>1,388</b>	<b>(111)</b>	<b>349</b>	<b>(431)</b>	<b>6,266</b>

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

# GROUP STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Note	2018 £'000	2017 £'000
<b>Assets</b>			
<b>Non-current</b>			
Goodwill	11	391	391
Intangible assets	12	210	385
Property, plant and equipment	13	4,325	4,300
Investment in joint venture	14	917	684
		5,843	5,760
<b>Current</b>			
Inventories	16	2,867	2,662
Trade and other receivables	17	4,957	4,692
Cash and cash equivalents	18	692	642
Corporation tax		-	32
		8,516	8,028
<b>Total assets</b>		<b>14,359</b>	<b>13,788</b>
<b>Liabilities</b>			
<b>Current</b>			
Trade and other payables	20	(4,349)	(3,464)
Borrowings	21	(3,522)	(4,013)
Fair value of foreign exchange contracts		(6)	-
Corporation tax		(39)	(32)
		(7,916)	(7,509)
<b>Non-current</b>			
Borrowings	21	(152)	(126)
Deferred tax	19	(25)	(116)
		(177)	(242)
<b>Total liabilities</b>		<b>(8,093)</b>	<b>(7,751)</b>
<b>Net assets</b>		<b>6,266</b>	<b>6,037</b>
<b>Equity attributable to owners of the parent</b>			
Share capital	25	3,379	3,379
Share premium account		1,692	1,692
Merger reserve		1,388	1,388
Translation reserve		(111)	376
Share based payment reserve		349	309
Profit and loss account		(431)	(1,107)
<b>Total equity</b>		<b>6,266</b>	<b>6,037</b>

The financial statements were approved by the Board of Directors on 5 June 2018.



**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 2018

	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>		
Profit/(loss) after taxation from continuing operations	676	(275)
Adjustment for:		
– Depreciation	522	513
– Non-cash restructuring	–	114
– Net finance costs in income statement	226	218
– Charge relating to foreign exchange derivative contract	6	–
– Amortisation charge	175	190
– Share based payment charge	40	24
– Share of joint venture operating (profit)/loss	(209)	49
– Taxation charge/(credit) recognised in income statement	(70)	(12)
– (Increase) in trade and other receivables	(443)	(984)
– Increase in trade payables and other payables	950	1,003
– Increase in inventories	(341)	(25)
Cash generated by operations	1,532	815
Interest paid	(220)	(226)
Income taxes received	9	25
<b>Net cash generated by operating activities</b>	<b>1,321</b>	<b>614</b>
<b>Cash flows from investing activities</b>		
Proceeds of assets sold on disposal of business	–	(157)
Purchase of plant and equipment	(696)	(559)
Additions in intangible assets	–	(75)
<b>Net cash used in investing activities</b>	<b>(696)</b>	<b>(791)</b>
<b>Cash flows from financing activities</b>		
Repayment of overseas short term borrowing	(439)	–
Repayment/(proceeds) of short term borrowings	(60)	41
Payment of finance lease liabilities	(76)	(77)
<b>Net cash used in financing activities</b>	<b>(575)</b>	<b>(36)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>50</b>	<b>(213)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>642</b>	<b>855</b>
<b>Cash and cash equivalents at end of year</b>	<b>692</b>	<b>642</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 1 General information

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

The Group's customer base includes major blue chip companies with world-wide activities in key market sectors, including Power Generation, Oil & Gas, Off Highway, Commercial Vehicles, Agriculture 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.

The consolidated financial statements have been approved for issue by the Board of Directors on 5 June 2018. Amendments to the financial statements are not permitted after they have been approved.

## 2 Accounting policies

### Basis of preparation

This financial information has 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.

The Group distinguishes between underlying and non-underlying items in its Consolidated Income Statement. Non-underlying items are material items which arise from unusual non-recurring or non-trading events. They are disclosed on the face of the Consolidated Income Statement where in the opinion of the Directors such disclosure is necessary in order to fairly present the results for the period. Non-underlying items comprise exceptional costs of Group restructuring, intangible assets amortisation and share based payment charges.

### 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 for the period at least 12 months from the date that these accounts were approved, which highlight that the Group has sufficient headroom within its bank facilities to support its activities. 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.

The Group presents separately underlying and other items in the income statement in order to provide a more transparent view of underlying performance and trends. The Directors consider that the underlying income statement is a more appropriate reflection of the Group's performance.

Where the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period shall not exceed one year from the acquisition date.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 2 Accounting policies (continued)

### 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	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018

Management is assessing the impact of IFRS 15 – Revenue from Contracts with Customers, on its financial statements. It has concluded that the financial impact of the standard will be minimal and immaterial to the financial statements of the Group.

In addition, management are undertaking an exercise to assess the impact of IFRS 16 on the financial statements, but are not yet able to quantify the effect.

Based on the Group's current business model and accounting policies, management does not expect a material impact on the Group's financial statements in relation to other Standards when the Standards and Interpretations become effective. There are other new Standards and Interpretations not listed which are not relevant to the Group.

### 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 at the reporting date regarding whether certain assets/liabilities that 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)
- In valuing goodwill and intangible assets, management has made certain assumptions in terms of cash flows attributable to cash generating units to which goodwill and intangibles have been allocated. As a result, estimates of future cash flows are required, together with an appropriate discount factor for the purpose of determining the present value of the future cash flows. The basis of review of the carrying value of goodwill and intangibles is detailed later in the accounting policies section.
- Estimates of inventory recoverability. Management reviews ageing of inventory, movement levels throughout the year and forecasts future usage levels to set an adequate inventory provision to cover obsolete inventory lines. Management also calculates a general stock provision over slow moving stock based on last usage dates. Stock that has not been used for over two years is provided for in full and stock that has not been used for more than one year, but has been used within the last two years, is provided for at fifty percent. Factors that could impact estimated demand and selling prices are the timing and success of technological developments, competitor actions, supplier prices and economic trends. The carrying value of gross stock, before the stock provision, at the year end was £3,450,000 (year ended 31 March 2017: £3,285,000).
- In July 2016, the Group increased its holding and now holds a 63% share in a joint venture in China, Minguang-Tricorn Tubular Products (Nanjing) Limited. The Group accounts for the joint venture under the equity accounting method rather than full consolidation, on the basis that no one party to the venture has sole authority for decisions reserved for the Board, as detailed in note 14.

### Consolidation and investments in subsidiaries

The Group financial statements consolidate those of the parent Company and all of its subsidiaries as of 31 March 2018. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. 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 acquisition method. This involves the valuation 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 fair value, which are also used as the basis for subsequent measurement in accordance with the Group accounting policies. Goodwill represents the excess of fair value consideration over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Acquisition costs are expensed as incurred.

If the fair value of identifiable net assets exceeds the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

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

### Investments in joint ventures

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

Investments in joint ventures are accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The investment in the joint venture is initially recognised at cost. When the investor has previously held an investment in the joint venture, accounted for in line with the above policy, the deemed cost of the investment in the joint venture is the fair value of the original investment at the date that joint control is achieved plus the consideration paid for the additional stake. Any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities, is included in the carrying amount of the investment and represents either positive or negative goodwill.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 2 Accounting policies (continued)

### Revenue recognition

The Group's material revenue stream is in respect of the sale of tubular components. Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied, excluding VAT and trade discounts. Revenue is recognised upon the transfer of risk to the customer.

The Group recognises revenue when persuasive evidence of an arrangement exists; delivery has occurred; the sale price is 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.

### 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 fair value of consideration transferred 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.



## 2 Accounting policies (continued)

### Other intangible assets

#### Product development costs

Expenditure on the research phase of projects to develop new customised products for customers is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the project;
- the Group has the ability to use or sell the product; and
- the product will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred. Directly attributable costs include employee costs incurred on product development along with an appropriate portion of relevant overheads.

### Intangible amortisation

Intangible assets are amortised over the following periods:

Brand names	15 years
Customer contracts	5 years
Product development costs	3 years

### Foreign currencies

These financial statements are presented in UK Sterling which is the functional currency of the parent and 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.

### 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:

Buildings	40 years
Plant and equipment	3 to 15 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 2 Accounting policies (continued)

### Taxation

Current income tax assets and/or liabilities comprise those obligations to, or claims 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 available 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 income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to other comprehensive income.

### 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 to 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 income statement.

## Share based employee remuneration

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

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

All share-based remuneration is ultimately recognised as an expense in the 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. Share based charges for employees who leave the Group and whose options lapse, are written back to the profit and loss reserve.

## Financial liabilities

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 3 Segmental reporting

The Group operates two main operating 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 on and off-highway applications.

The financial information detailed below is frequently reviewed by the Chief Operating Decision Maker.

Year ended 31 March 2018	Energy £'000	Transportation £'000	Unallocated £'000	Total £'000
Revenue				
– from external customers	6,279	15,901	–	22,180
– from other segments	–	–	–	–
Segment revenues	6,279	15,901	–	22,180
Underlying operating profit/(loss)*	604	512	(272)	844
Fair value charge relating to forward exchange contracts	–	–	(6)	(6)
Intangible asset amortisation	–	–	(175)	(175)
Share based payment charge	–	–	(40)	(40)
Operating profit/(loss)	604	512	(493)	623
Share of profit from joint venture	–	–	209	209
Net finance costs	(37)	(102)	(87)	(226)
Profit/(loss) before tax	567	410	(371)	606
Other segment information:				
Segmental assets	3,249	9,508	1,602	14,359
Capital expenditure	299	526	3	828
Depreciation	121	400	1	522

\* Before intangible asset amortisation, share based payment charges and fair value charges on foreign exchange contracts

Year ended 31 March 2017	Energy £'000	Transportation £'000	Unallocated £'000	Total £'000
Revenue				
- from external customers	4,924	13,595	–	18,519
- from other segments	157	40	(197)	–
Segment revenues	5,081	13,635	(197)	18,519
Underlying operating profit/(loss)*	280	329	(112)	497
Restructuring charges	(34)	(252)	(17)	(303)
Intangible asset amortisation	–	–	(190)	(190)
Share based payment charge	–	–	(24)	(24)
Operating profit/(loss)	246	77	(343)	(20)
Share of loss from joint venture	–	–	(49)	(49)
Net finance costs	(29)	(134)	(55)	(218)
Profit/(loss) before tax	217	(57)	(447)	(287)
Other segment information:				
Segmental assets	3,332	10,051	405	13,788
Capital expenditure	184	476	–	660
Depreciation	200	311	2	513

\* Before intangible asset amortisation, share based payment charges and restructuring costs.

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

	Revenue £'000	Non-current assets £'000	Current assets £'000	Total assets £'000
<b>Year ended 31 March 2018</b>				
United Kingdom	10,805	3,392	5,142	8,543
Europe	825	–	–	–
North America	9,861	2,451	3,159	5,610
Rest of World	689	–	215	215
	<b>22,180</b>	<b>5,843</b>	<b>8,516</b>	<b>14,359</b>
	Revenue £'000	Non-current assets £'000	Current assets £'000	Total assets £'000
<b>Year ended 31 March 2017</b>				
United Kingdom	8,989	2,455	4,903	7,358
Europe	1,086	–	–	–
North America	7,645	2,622	2,938	5,560
Rest of World	799	683	187	870
	<b>18,519</b>	<b>5,760</b>	<b>8,028</b>	<b>13,788</b>

#### 4 Profit/(loss) before taxation

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

	2018 £'000	2017 £'000
<b>Auditors' remuneration:</b>		
Audit of parent Company	14	13
Audit of subsidiaries	44	42
<b>Total audit</b>	<b>58</b>	<b>55</b>
<b>Non-audit services :</b>		
Corporate taxation	12	15
R&D claims	3	–
<b>Total non-audit services</b>	<b>15</b>	<b>15</b>
<b>Total fees</b>	<b>73</b>	<b>70</b>
<b>Operating lease charges:</b>		
Land and buildings	316	349
Plant and equipment	117	52
Motor vehicles	48	76
<b>Depreciation and amortisation:</b>		
Intangible assets	176	190
Property, plant and equipment – owned	499	495
Property, plant and equipment – leased	23	18

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 5 Directors' emoluments

	2018				2017				2018	2017
	Basic £'000	Bonus £'000	Benefits in kind £'000	Total £'000	Basic £'000	Bonus £'000	Benefits in kind £'000	Total £'000	Pension £'000	Pension £'000
A B Moss	30	-	-	30	30	-	-	30	-	-
R Allsop	15	-	-	15	15	-	-	15	-	-
M I Welburn*	150	75	22	247	140	14	24	178	10	10
P Lee*	140	70	22	232	115	12	22	149	10	8
D E Leakey*	113	56	9	177	103	10	9	122	8	-
	448	201	53	702	403	36	55	494	28	18

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

Employers' National Insurance Contributions made relating to Directors' emoluments were £0.064m (2017: £0.051m).

### Share-based payment charge by Director (note 6)

	2018 £'000	2017 £'000
M I Welburn*	-	-
P Lee*	-	-
D E Leakey*	7	11
	7	11

## 6 Employees costs

	2018 Number	2017 Number
The average number of persons (including Directors) employed by the Group during the year was:		
Production	227	209
Sales, distribution and administration	56	54
	283	263

Staff costs during the year were as follows:

	2018 £'000	2017 £'000
Wages and salaries	7,381	6,512
Social security costs	713	628
Other pension costs	81	81
Share based payment charge	40	24
	8,215	7,245

## 7 Share based employee remuneration

There are two share based remuneration schemes in operation:

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

	At 31 March 2017 No. of shares	Granted in year No. of shares	Exercised in year No. of shares	Lapsed in year No. of shares	At 31 March 2018 No. of shares	Exercise price Pence	Life remaining on options at 31 March 2018 Months
<b>Enterprise Management Incentive (EMI) Scheme</b>							
Exercise date:							
March 2009 – March 2019	500,000	–	–	–	500,000	10p	12
August 2010 – August 2020	2,184,156	–	–	–	2,184,156	10p	29
	2,684,156	–	–	–	2,684,156		

The weighted average exercise price of the EMI scheme at 31 March 2018 was 10p (2017: 10p). 2,499,956 options were available for exercise at 31 March 2018 (2017: 2,499,956).

	At 31 March 2017 No. of shares	Granted in year No. of shares	Exercised in year No. of shares	Lapsed in year No. of shares	At 31 March 2018 No. of shares	Exercise price Pence	Life remaining on options at 31 March 2018 Months
<b>Unapproved share options</b>							
Exercise date:							
September 2010 – September 2020	1,000,000	–	–	–	1,000,000	10p	30
September 2010 – September 2020	361,844	–	–	–	361,844	10p	30
June 2011 – June 2021	500,000	–	–	–	500,000	17.5p	39
March 2015 – March 2025	250,000	–	–	–	250,000	17p	84
April 2016 – April 2026	600,000	–	–	–	600,000	10p	96
January 2018 – January 2028	–	650,000	–	–	650,000	21.5p	118
	2,711,844	650,000	–	–	3,361,844		
<b>Total share options</b>	5,396,000	650,000	–	–	6,046,000		

The weighted average exercise price of the unapproved share options at 31 March 2018 was 13.9p (2017: 12.0p). 3,161,844 options were available for exercise at 31 March 2018 (2017: 2,511,844).

The market price of the Company's shares at 31 March 2018 was 22.00p (31 March 2017: 12.75p) and the range during the year was 15.75p to 24.75p (2017: 8.25p to 15.75p).

The approved and unapproved option schemes have been valued by management using the Black Scholes valuation model. Key inputs into the model are expected share price volatility of 35%-60% and the expected risk-free interest rates of 1.25%-2.33%.

1,000,000 of the unapproved options and 921,000 of the approved EMI options issued 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 days.

In total, £40,000 (2017: £24,000) of share based employee remuneration expense has been included in the consolidated income statement. No liabilities were recognised due to share based transactions.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 8 Finance income and expense

	2018 £'000	2017 £'000
Other income	-	-
<b>Finance income</b>	<b>-</b>	<b>-</b>
Invoice discounting interest	169	161
Interest on short term borrowing	51	49
Interest on hire purchase agreements and finance leases	6	8
<b>Finance expense</b>	<b>226</b>	<b>218</b>

## 9 Taxation on loss on ordinary activities

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

	2018 £'000	2017 £'000
UK corporation tax	39	-
Overseas taxes	8	16
Adjustments in respect of prior years	(26)	(9)
Current tax charge for the year	21	7
Deferred taxation (note 19)	(91)	(19)
<b>Tax on (loss)/profit on ordinary activities</b>	<b>(70)</b>	<b>(12)</b>

The tax assessed is different to the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained as follows:

	2018 £'000	2017 £'000
Profit/(loss) on ordinary activities before tax	606	(287)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	115	(57)
Effect of:		
Movement in unprovided deferred tax asset	(85)	-
Overseas tax charge	8	16
Deduction for R&D	(20)	-
Adjustments in respect of prior years	(5)	(12)
Deferred tax regarding intangibles	-	37
Deferred tax on share based payment charge	(99)	-
Other differences	16	4
	<b>(70)</b>	<b>(12)</b>

At 31 March 2018 the Group had tax losses of £592,000 (2017: £686,000) to offset against future profits within the United Kingdom.



## 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 2018		Earnings per share
	Profit £'000	Weighted average number of shares Number '000	Pence
<b>Basic earnings per share</b>	<b>676</b>	<b>33,795</b>	<b>2.00</b>
Dilutive shares	–	2,546	–
<b>Diluted earnings per share</b>	<b>676</b>	<b>36,341</b>	<b>1.86</b>

	31 March 2017		Earnings per share
	Profit £'000	Weighted average number of shares Number '000	Pence
<b>Basic loss per share</b>	<b>(275)</b>	<b>33,795</b>	<b>(0.81)</b>
Dilutive shares	–	–	–
<b>Diluted loss per share</b>	<b>(275)</b>	<b>33,795</b>	<b>(0.81)</b>

The diluted loss per share for 2017 is the same as the basic loss per share as the Group was loss making in 2017 and, therefore, share options were anti-dilutive.

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

	31 March 2018		Earnings per share
	Profit £'000	Weighted average number of shares Number '000	Pence
<b>Basic earnings per share</b>	<b>676</b>	<b>33,795</b>	<b>2.00</b>
Fair value of foreign exchange contracts	6		
Amortisation of intangible assets	175		
Share based payment charge	40		
<b>Adjusted earnings per share</b>	<b>897</b>	<b>33,795</b>	<b>2.65</b>
Dilutive shares	–	2,546	–
<b>Diluted adjusted earnings per share</b>	<b>897</b>	<b>36,341</b>	<b>2.47</b>

	31 March 2017		Earnings per share
	Profit £'000	Weighted average number of shares Number '000	Pence
<b>Basic loss per share</b>	<b>(275)</b>	<b>33,795</b>	<b>(0.81)</b>
Restructuring costs	303		
Amortisation of intangible assets	190		
Share based payment charge	24		
<b>Adjusted earnings per share</b>	<b>242</b>	<b>33,795</b>	<b>0.72</b>
Dilutive shares	–	–	–
<b>Diluted adjusted earnings per share</b>	<b>242</b>	<b>33,795</b>	<b>0.72</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 11 Goodwill

	Total £'000
<b>Cost</b>	
At 31 March 2016, 31 March 2017 and 31 March 2018	391
<b>Impairment</b>	
At 31 March 2016, 31 March 2017 and 31 March 2018	-
<b>Net book value</b>	
At 31 March 2016	391
At 31 March 2017	391
<b>At 31 March 2018</b>	<b>391</b>

Goodwill above relates to the following cash generating units:

	Date of acquisition	Original cost £'000
Maxpower Automotive Limited	June 2007	391
		<b>391</b>

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 10.0%. 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 rate of 10.0% growth rates and expected changes to selling prices and direct costs.

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 in 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 believes that no impairment is required. Management is not aware of any other changes that would necessitate changes to its key estimates.

## 12 Intangible assets

	Product development costs £'000	Brand names £'000	Customer contracts £'000	Total £'000
<b>Cost</b>				
At 1 April 2017	563	450	312	1,325
Additions	–	–	–	–
<b>At 31 March 2018</b>	<b>563</b>	<b>450</b>	<b>312</b>	<b>1,325</b>
<b>Amortisation</b>				
At 1 April 2017	(336)	(292)	(312)	(940)
Charge for the year	(145)	(30)	–	(175)
<b>At 31 March 2018</b>	<b>(481)</b>	<b>(322)</b>	<b>(312)</b>	<b>(1,115)</b>
<b>Net book value</b>				
At 31 March 2016	312	188	–	500
At 31 March 2017	227	158	–	385
<b>At 31 March 2018</b>	<b>82</b>	<b>128</b>	<b>–</b>	<b>210</b>

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

The brand names have a remaining useful economic life of five years. The product development costs have, on average, a remaining useful economic life of two years.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 13 Property, plant and equipment

	Land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
At 1 April 2016	1,465	7,485	43	8,993
Additions	–	660	–	660
Disposals of business	–	(31)	–	(31)
Foreign exchange revaluation	215	161	–	376
	1,680	8,275	43	9,998
At 1 April 2017				
Additions	–	828	–	828
Foreign exchange revaluation	(183)	(98)	–	(281)
<b>At 31 March 2018</b>	<b>1,497</b>	<b>9,005</b>	<b>43</b>	<b>10,545</b>
<b>Depreciation</b>				
At 1 April 2016	81	5,073	43	5,197
Charge for the year	39	474	–	513
Disposals of business	–	(12)	–	(12)
	120	5,535	43	5,698
At 1 April 2017				
Charge for the year	37	485	–	522
<b>At 31 March 2018</b>	<b>157</b>	<b>6,020</b>	<b>43</b>	<b>6,220</b>
<b>Net book value</b>				
At 31 March 2016	1,384	2,412	–	3,796
At 31 March 2017	1,560	2,740	–	4,300
<b>At 31 March 2018</b>	<b>1,340</b>	<b>2,985</b>	<b>–</b>	<b>4,325</b>

The net book value of property, plant and equipment includes £377,000 (2017: £265,000) in respect of assets held under finance leases and hire purchase contracts.

The borrowings of the Group are secured by a floating and fixed charge over the assets of the Group.

## 14 Investment in joint venture

Details of the Group's material joint venture at the end of the reporting period is as follows:

Name of joint venture	Principal business activity	Country of incorporation	Proportion of ownership interest held by the Group	
			31 March 2018	31 March 2017
Minguang-Tricorn Tubular Products Nanjing Ltd	Manufacturer of large diameter tubular assemblies	People's Republic of China	63%	63%

In July 2013, the Group agreed terms for the formation of the joint venture above. In May 2016, the Group increased its shareholding from 51% to 63% via a contribution of plant, machinery and inventory into the joint venture. At this time the joint venture partner also made a contribution of cash into the joint venture. Minguang-Tricorn Tubular Products Nanjing Ltd is still deemed to be a joint venture of the Group as the appointment of its directors and the allocation of voting rights for key business decisions, require the unanimous approval of its venturers.

The investment in Minguang-Tricorn Tubular Products Nanjing Ltd is accounted for using the equity method in accordance with IFRS 11. Summarised financial information for Minguang-Tricorn Tubular Products Nanjing Ltd is set out below:

	2018 £'000	2017 £'000
Non-current assets	555	420
Current assets (a)	1,576	559
<b>Total assets</b>	<b>2,131</b>	<b>979</b>
Current liabilities	860	359
<b>Total liabilities</b>	<b>860</b>	<b>359</b>
Includes cash and cash equivalents	121	98

	2018 £'000	2017 £'000
Revenue	2,498	1,031
Profit/(loss) for the year	209	(103)
Depreciation	(101)	(90)

A reconciliation of the above summarised financial information to the carrying amount of the investment in Minguang-Tricorn Tubular Products Nanjing Ltd is set out below:

	2018 £'000	2017 £'000
<b>Net assets</b>		
Brought forward at the beginning of the year	984	423
Total comprehensive profit/(loss)	331	(103)
Capital contribution	-	664
Carried forward at the end of the year	1,315	984
Proportion of ownership interest held by the Group	63%	63%
Interest in joint venture	829	620
Foreign exchange gain on translation of investment	24	-
Goodwill	64	64
<b>Carrying amount of the investment at the end of the financial year</b>	<b>917</b>	<b>684</b>

No dividends were received from Minguang-Tricorn Tubular Products Nanjing Ltd during the year.

Minguang-Tricorn Tubular Products Nanjing Ltd is a private company, therefore no quoted market prices are available for its shares.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 15 Subsidiaries

At 31 March 2018 the 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
Malvern Tubular Components Limited	United Kingdom	Ordinary	100	Manufacturer of tubular components
Hallco 348 Limited (formerly RMDG Aerospace Limited)	United Kingdom	Ordinary	100	Non-trading
Maxpower Automotive Limited	United Kingdom	Ordinary	100	Manufacturer of highway and automotive tubular and pipe components
Maxpower Automotive Components Manufacturing (Wuxi) Limited	China	Ordinary	100	Manufacturer of highway and automotive tubular and pipe components. Dormant in the year
Franklin Tubular Products Inc	USA	Ordinary	100	Manufacturer of tubular assemblies and components to highway and heavy duty truck market
Robert Morton DG Limited*	United Kingdom	Ordinary	100	Dormant
Hallco 347 Limited	United Kingdom	Ordinary	100	Dormant

\* Held by a subsidiary undertaking

## 16 Inventories

	2018 £'000	2017 £'000
Raw materials	1,794	1,911
Work in progress	327	219
Finished goods	746	532
	<b>2,867</b>	<b>2,662</b>

In the year to 31 March 2018, a total of £8,513,211 of inventory (2017: £6,734,000) was included in the income statement as an expense.

## 17 Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	4,299	4,248
Impairment of trade receivables	(25)	(28)
	4,274	4,220
Other receivables	262	61
Prepayments and accrued income	421	411
<b>Total</b>	<b>4,957</b>	<b>4,692</b>

At 31 March 2018, 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:

	2018 £'000	2017 £'000
Not more than one month	187	189
Not more than two months	–	–
Not more than three months	5	39
	192	228

Trade and other receivables are usually due within 30-75 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 regards to trade and other receivables as the amounts recognised represent 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.

## 18 Cash and cash equivalents

	2018 £'000	2017 £'000
Cash and cash equivalents	692	642

Cash and cash equivalents consist of cash on hand and balances with banks only. At the year end £615,000 (2017: £422,000) 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

For the year ended 31 March 2018

## 19 Deferred taxation

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

	Assets		Liabilities	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Intangible assets	-	-	(25)	(54)
Accelerated capital allowances	-	-	(169)	(130)
Short term timing differences	27	26	-	-
Losses	23	23	-	-
Share based payment	119	19	-	-
	<b>169</b>	<b>68</b>	<b>(194)</b>	<b>(184)</b>

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

	Assets		Liabilities	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Balance brought forward	68	-	(184)	(135)
Group income statement movement arising during the year	101	68	(10)	(49)
Balance carried forward	<b>169</b>	<b>68</b>	<b>(194)</b>	<b>(184)</b>

As at 31 March 2018 the Group has unprovided deferred tax assets as follows:

	Unprovided 2018 £'000	Unprovided 2017 £'000
Trading losses	<b>592</b>	<b>686</b>

This deferred tax asset is not recognised due to uncertainty over its recoverability. At 31 March 2018 the Group had tax losses of £71,000 (2017: £78,000) to offset against future profits within the United Kingdom. Tax losses available to utilise outside of the UK at 31 March 2018 are £2,538,000 (2017: £3,000,000).

## 20 Trade and other payables

	2018 £'000	2017 £'000
Trade and other payables	<b>3,241</b>	2,624
Other taxation and social security	<b>374</b>	329
Accruals	<b>734</b>	511
	<b>4,349</b>	<b>3,464</b>

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.

## 21 Borrowings

	2018 £'000	2017 £'000
<b>Current borrowings</b>		
Invoice discounting facility	3,437	3,545
Other short term borrowings	-	413
Hire purchase agreements and finance lease liabilities (note 22)	85	55
	<b>3,522</b>	<b>4,013</b>
<b>Non-current borrowings</b>		
Hire purchase agreements and finance lease liabilities (note 22)	152	126
	<b>152</b>	<b>126</b>

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

	2018 £'000	2017 £'000
<b>In one year or less or on demand</b>		
Invoice discounting facility	3,437	3,545
Other short term borrowing	-	413
	<b>3,437</b>	<b>3,958</b>

### Invoice discounting facility

Interest on the invoice discounting facility, which is secured on the debtors financed, is paid at the rate of 2.10% over bank base rate per annum.

## 22 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
<b>31 March 2018</b>				
Payments	96	83	89	268
Discounting	(11)	(9)	(11)	(31)
	<b>85</b>	<b>74</b>	<b>78</b>	<b>237</b>
<b>31 March 2017</b>				
Payments	62	62	80	204
Discounting	(7)	(7)	(9)	(23)
	<b>55</b>	<b>55</b>	<b>71</b>	<b>181</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 23 Financial instruments

The Group uses financial instruments comprising cash and short term deposits, invoice discounting, other short term borrowings 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 invoice discounting facility provides immediate funds on approved trade receivables.

The Group works to ensure that it receives acceptable trading terms from its suppliers.

### Liquidity risk

Liquidity risk arises due to the Group's requirement to fund working capital and investment in the business. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of deposits, bank loans, invoice discounting, other short term borrowings 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:

- Short term borrowings at between 2.1% over base rate and 12%.
- Finance leases at 2.0% to 2.5% over base rate.

If the Group's interest rates were to rise/fall by 10% then the interest charge within the financial statements would increase/decrease by £2,000 (2017: £2,000) equity and reserves would reduce/increase by the same amount, and the interest charge would be £224,000/£228,000 (2017: £216,000/£220,000).

### Foreign currency risk

The Group transacts certain purchases and sales in foreign currencies. At 31 March 2018 there were two (2017: two) foreign currency forward contracts in force.

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

If the US Dollar and Euro were to fall/rise against GBP by 10% on the closing rate and average annual rate at 31 March 2018 then Group profits would rise/fall by £133,000 at 31 March 2018 (2017: £91,000) 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, any increases in the cost of steel would be passed onto customers.

If steel prices were to fall/rise by 10% on the closing year end price, and the Group was unable to pass the increase onto customers, then Group profits would rise/fall by £177,000 at 31 March 2018 (2017: £175,000) 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:

	2018 £'000	2017 £'000
Non-financial asset	421	411
Loans and other receivables	5,228	4,997
<b>Total assets</b>	<b>5,649</b>	<b>5,408</b>

The financial assets are included in the statement of financial position in the following headings:

	2018 £'000	2017 £'000
<b>Current assets</b>		
Trade and other receivables	4,536	4,355
Cash and cash equivalents	692	642
	<b>5,228</b>	<b>4,997</b>

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:

	2018 £'000	2017 £'000
Non-financial liability	374	329
Fair value of foreign exchange contracts	6	-
Financial liabilities measured at amortised cost	7,649	7,274
<b>Total liabilities</b>	<b>8,029</b>	<b>7,603</b>

The financial liabilities are included in the statement of financial position in the following headings:

	2018 £'000	2017 £'000
<b>Current liabilities</b>		
Trade and other payables	3,975	3,135
Borrowings	3,522	4,013
<b>Non-current liabilities</b>		
Borrowings	152	126
	<b>7,649</b>	<b>7,274</b>

All financial liabilities mature in less than one year, except for £0.074m (2017: £0.055m) which matures in 1-2 years and £0.079m (2017: £0.071m) which matures in 2-5 years.

### Fair value hierarchy

The following analyses 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 (ie as prices) or indirectly (ie 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.

There are no financial assets and one financial liability measured at fair value in the statement of financial position at 31 March 2018 (2017: none).

All financial liabilities are level one.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 24 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.

## 25 Share capital

	2018 £'000	2017 £'000
<b>Authorised</b>		
100,000,000 ordinary shares of 10 pence each	10,000	10,000
<b>Allotted and issued</b>		
2018: 33,795,000 (2017: 33,795,000) ordinary shares of 10 pence each	3,379	3,379

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

## 26 Contingent liabilities

There were no contingent liabilities at 31 March 2018 or 31 March 2017.

## 27 Capital commitments

At 31 March 2018 the Group had capital commitments of £Nil (2017: £Nil).

## 28 Leasing commitments

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

	2018 Land and buildings £'000	2017 Land and buildings £'000	2018 Other £'000	2017 Other £'000
In one year or less	251	310	131	96
One to five years	600	683	190	117
Greater than five years	150	225	-	16
	1,001	1,218	321	229

## 29 Transactions with related parties

Malvair Properties Limited, a company in which R Allsop, a non-executive Director, has a beneficial interest, owns a property occupied by a Group company under an operating lease. The company incurred operating lease charges of £0.150m (2017: £0.150m) during the year relating to this lease.

The Group also has a joint venture in China, Minguang-Tricorn Tubular Products Nanjing Ltd. During the year the Group has made sales to the joint venture of £0.375m (2017: £0.142m) and purchases from the joint venture of £0.410m (2017: 0.101m). At the balance sheet date amounts held in trade and other receivables and owed to the Group by the joint venture amounted to £0.219m (2017: £0.126m), and amounts held in trade and other payables and owed by the Group to the joint venture amounted to £0.266m (2017: £0.001m).

# TRICORN GROUP PLC

## COMPANY STATUTORY FINANCIAL STATEMENTS

for the year ended 31 March 2018

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# INDEPENDENT AUDITOR'S REPORT

to the members of Tricorn Group plc

## Opinion

### Our opinion on the parent Company financial statements is unmodified

We have audited the parent Company financial statements of Tricorn Group plc for the year ended 31 March 2018 which comprise the Company statement of changes in equity, the Company statement of financial position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the parent Company's affairs as at 31 March 2018;
- 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.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the parent Company financial statements section of our report. We are independent of the parent company in accordance with the ethical requirements that are relevant to our audit of the parent Company financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Who we are reporting to

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the parent Company financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



### Overview of our audit approach

- Overall materiality: £29,000, which is 1% of total assets capped at 90% of Group materiality. This benchmark is considered the most appropriate because the parent Company operates as a cost centre for the Group.
- There were no key audit matters identified for the Company

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent Company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the parent Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



There are no key audit matters to report in respect of Tricorn Group plc Company only.

### Our application of materiality

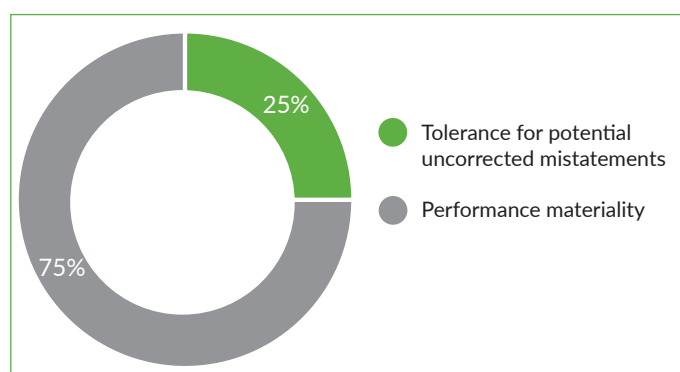
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the parent Company financial statements as a whole to be £29,000 which was capped as a percentage of Group materiality.

Materiality for the current year is lower than the level that we determined for the year ended 31 March 2017 to reflect the reduction in Group materiality.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



We determined the threshold at which we will communicate misstatements to the Audit Committee to be £1,150. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

### An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Company's business, its environment and risk profile and included no changes in the scope of the current year audit from the full scope audit procedures of the prior year.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 53 to 56, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the parent Company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the parent Company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the parent Company financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT

to the members of Tricorn Group plc

## **Our opinion on other matters prescribed by the Companies Act 2006 is unmodified**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial year for which the parent Company financial statements are prepared is consistent with the parent Company financial statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the directors' report.

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which 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.

## **Responsibilities of directors for the financial statements**

As explained more fully in the Directors' responsibilities statement set out on page 9, 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, and for such internal control as the Directors determine is necessary to enable the preparation of parent Company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent Company financial statements, the Directors are responsible for assessing the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the parent Company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the parent company financial statements**

Our objectives are to obtain reasonable assurance about whether the parent Company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent Company financial statements.

A further description of our responsibilities for the audit of the parent Company financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Other matters**

We have reported separately on the Group financial statements of Tricorn Group plc for the year ended 31 March 2018. That report includes details of the Group key audit matters; how we applied the concept of materiality in planning and performing our audit; and an overview of the scope of our audit.

**Rebecca Eagle**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Birmingham

5 June 2018

# COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share based payment reserve £'000	Profit and loss account £'000	Total £'000
<b>Balance at 1 April 2016</b>	<b>3,379</b>	<b>1,692</b>	<b>1,592</b>	<b>300</b>	<b>(722)</b>	<b>6,241</b>
Share based payment charge	-	-	-	24	-	24
Write back of share based payment reserve	-	-	-	(15)	15	-
Total transactions with owners	-	-	-	9	15	24
Loss and total comprehensive expense	-	-	-	-	(183)	(183)
<b>Balance at 31 March 2017</b>	<b>3,379</b>	<b>1,692</b>	<b>1,592</b>	<b>309</b>	<b>(890)</b>	<b>6,082</b>
Share based payment charge	-	-	-	40	-	40
Write back of share based reserve	-	-	-	-	-	-
Total transactions with owners	-	-	-	40	-	40
Dividends from subsidiary companies	-	-	-	-	2,000	2,000
Loss and total comprehensive expense	-	-	-	-	(283)	(283)
<b>Balance at 31 March 2018</b>	<b>3,379</b>	<b>1,692</b>	<b>1,592</b>	<b>349</b>	<b>827</b>	<b>7,839</b>

# COMPANY STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Note	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Tangible assets		2	2
Investments	7	6,814	6,814
		<b>6,816</b>	<b>6,816</b>
<b>Current assets</b>			
Debtors: amounts due within one year	8	4,232	1,877
Cash at bank and in hand		77	220
		<b>4,309</b>	<b>2,097</b>
<b>Creditors: amounts falling due within one year</b>	9	<b>(3,286)</b>	<b>(2,831)</b>
<b>Net current liabilities</b>		<b>1,023</b>	<b>(734)</b>
<b>Net assets</b>		<b>7,839</b>	<b>6,082</b>
<b>Capital and reserves</b>			
Called up share capital	10	3,379	3,379
Share premium account		1,692	1,692
Share based payment reserve		349	309
Merger reserve		1,592	1,592
Profit and loss account		827	(890)
<b>Equity shareholders' funds</b>		<b>7,839</b>	<b>6,082</b>

The financial statements were approved by the Board of Directors on 5 June 2018.

The Company's loss for the year was £283,000 (2017: Loss £183,000).



**M I Welburn**

Director

Company number: 1999619

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 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

### Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

### Functional and presentational currency

The financial statements are presented in British Pounds Sterling.

### Financial Reporting Standard 101 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirement of IFRS 7 Financial Instruments Disclosure
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comprehensive information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraph 76 and 79(d) of IAS 40 Inventory Property; and
  - paragraph 50 of IAS 41 Agriculture
- the requirements of paragraph 10(d), 10(f), 16, 38A, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18a of IAS 24 Related Party Disclosures

### Investments

Investments held by the Company are included at cost less accumulated impairment.

### 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 income statement. 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 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 income statement.

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).

## Share based payments

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.

## 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.

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 income statement 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 income statement in these financial statements. The Company's loss for the year was £283,000 (2017: Loss £183,000).

Auditor's remuneration incurred by the Company during the year for audit services totalled £14,000 (2017: £13,000), and for tax compliance services totalled £2,000 (2017: £2,000).

#### 4 Directors' and employees' remuneration

Staff costs during the year were as follows:

	2018 £'000	2017 £'000
Wages and salaries	847	655
Social security costs	64	56
Other pension costs	18	25
	<b>929</b>	<b>736</b>

The average number of persons (including Directors) employed by the Company during the year was 10 (2017: 10).

#### 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
<b>Cost</b>	
At 1 April 2017 and 31 March 2018	<b>9,729</b>
<b>Impairment</b>	
At 1 April 2017	(2,915)
Charge	-
<b>At 31 March 2018</b>	<b>(2,915)</b>
<b>Net book value</b>	
<b>At 31 March 2018</b>	<b>6,814</b>
At 31 March 2017	6,814

At 31 March 2018 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
Malvern Tubular Components Limited	United Kingdom	Ordinary	100	Manufacturer of tubular components
Hallco 348 Limited (formerly RMDG Aerospace Limited)	United Kingdom	Ordinary	100	Non-trading
Maxpower Automotive Limited	United Kingdom	Ordinary	100	Manufacturer of highway and automotive tubular and pipe components
Maxpower Automotive Components Manufacturing (Wuxi) Limited*	China	Ordinary	100	Manufacturer of highway and automotive tubular and pipe components. Domant this year.
Franklin Tubular Products Inc	USA	Ordinary	100	Manufacturer of tubular assemblies and components to highway and heavy duty truck market
Robert Morton DG Limited *	United Kingdom	Ordinary	100	Dormant
Hallco 347 Limited	United Kingdom	Ordinary	100	Dormant

\* Held by a subsidiary undertaking

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 8 Debtors

	2018 £'000	2017 £'000
Amounts owed by subsidiary undertakings	4,011	1,830
Other debtors	193	28
Prepayments and accrued income	28	19
	4,232	1,877

## 9 Creditors: amounts due within one year

	2018 £'000	2017 £'000
Bank borrowings	332	478
Trade creditors	11	–
Amounts due to subsidiary undertakings	2,470	2,155
Other taxes and social security	24	24
Fair value of foreign exchange contracts	6	–
Accruals and deferred income	443	174
	3,286	2,831

Borrowings are repayable as follows:

	2018 £'000	2017 £'000
Within one year		
– bank borrowings	332	478
	332	478

## 10 Share capital

	2018 £'000	2017 £'000
<b>Authorised</b>		
100,000,000 ordinary shares of 10 pence each	10,000	10,000
<b>Allotted and issued</b>		
2018: 33,795,000 (2017: 33,795,000) ordinary shares of 10 pence each	3,379	3,379

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

## 11 Contingent liabilities

A cross guarantee exists between all companies in the Group for all amounts payable to the bank. The maximum potential liability to the Company at 31 March 2018 is £2.781m (2017: £2.913m)

There were no further contingent liabilities at 31 March 2018 or 31 March 2017.

## 12 Capital commitments

There were no capital commitments at 31 March 2018 or at 31 March 2017.

## 13 Related parties

The Company has taken advantage of the exemption available under section 17 and 18a to not disclose transactions with wholly owned subsidiaries in the Group.



# COMPANY INFORMATION

<b>Company registration number:</b>	1999619
<b>Registered office:</b>	Spring Lane Malvern Link Malvern Worcestershire WR14 1DA
<b>Directors:</b>	Mr Andrew Brian Moss (Chairman and Non-Executive Director) Michael Ian Welburn (Chief Executive Officer) Phillip Lee (Finance Director) David Edward Leahey (Sales Director) Roger Allsop (Non-Executive Director)
<b>Secretary:</b>	Phillip Lee
<b>Nominated adviser and Nominated broker:</b>	Stockdale Securities Limited 100 Wood Street London EC2V 7AN
<b>Registrars:</b>	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
<b>Bankers:</b>	HSBC Bank plc 5 Broad Street Worcester WR1 2EJ
<b>Solicitors:</b>	Harrison Clark 5 Deansway Worcester WR1 2JG
<b>Auditors:</b>	Grant Thornton UK LLP Statutory Auditor and Chartered Accountants The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT



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