



# Annual Report & Accounts

for the year ended 31 March 2019

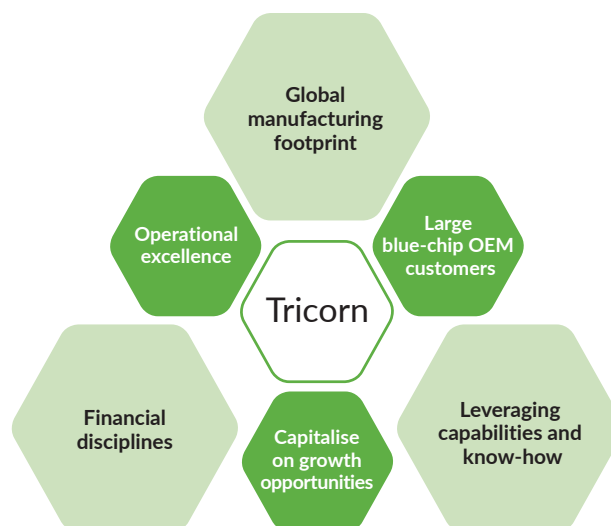
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# Welcome to our Annual Report 2019

## 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 customers' 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 practice 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 and 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.

# HIGHLIGHTS

## 2019 Highlights

### Operational Highlights

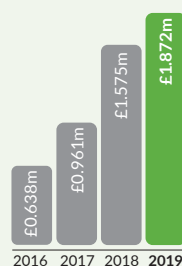
- Revenue increased 2.6% to £22.763m
- Profit before tax up 31.6% to £1.088m
- Improved profitability of the Transportation division
- Continued strong growth in profits from the China joint venture
- Recommended final dividend of 0.2p per share
- US expansion announced post year end

### Financial Highlights

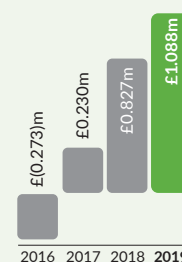
#### Revenue



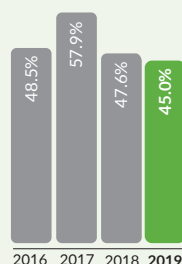
#### Underlying EBITDA



#### Underlying profit before tax



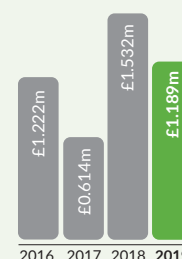
#### Gearing



#### Underlying earnings per share



#### Cash generated by operations



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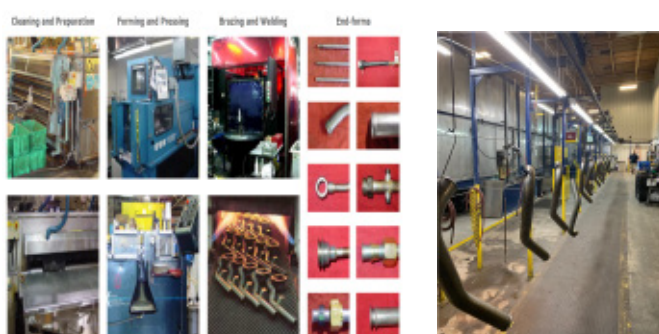
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## THE TRICORN GROUP

### Tricorn USA

- 65,000 sq ft facility in Franklin, North Carolina
- Manufacturing tubular assemblies up to 3" diameter for global OEM customers
- Investment in new 47,000 sq ft facility at Rabun Gap, Georgia
- Rabun Gap houses a fully operational wet spray and powder coat painting line
- Addresses the Group's plans to expand USA product offering into larger diameter assemblies
- Main markets include off highway, commercial vehicles, agriculture and power generation

Tricorn USA



### Locations

- ① Tricorn UK, Malvern UK – Manufacturing and Registered Office
- ② Tricorn UK, West Bromwich, UK – Manufacturing
- ③ Tricorn USA, Franklin, NC, USA – Manufacturing



### Tricorn UK

- Facilities in Malvern, Worcestershire and West Bromwich, West Midlands, providing c127,500 sq ft of manufacturing space
- Capability to bend up to 4" diameter and currently fabricating up to 12" diameter
- Expansion into more complex fabrication and framework
- Nylon forming capability as well as wet spray and powder coat paint facility
- Market coverage includes off highway, power generation, oil & gas and marine markets

- ④ Tricorn USA, Rabun Gap, Georgia, USA – Manufacturing
- ⑤ Minguang-Tricorn Tubular Products, Nanjing, China – Manufacturing
- ⑥ Nanjing, China – Purchasing Office



#### Distinctive Capabilities West Bromwich

##### Core Capabilities:

- Steel tube bending (including electric bending)
- Forming of nylon into complex shapes
- Brazing/Welding (including robotic welding)
- Light assembly work for significant variety of parts
- Small presswork

##### Product Applications:

- HP Cylinder supply tubes/LP Fuel Lines/Leak off rail/ Oil Gauge tubes and gauges/EGR Tubes/Turbo air supply, feed & drain
- Transmission breather/Seat adjustment/Fuel sensors



#### Distinctive Capabilities Tricorn Malvern

##### Heavy Duty Tube Manufacture Typically 2" (50.8mm) 12" (300mm)

Expanding into welded tube assemblies to support construction and Agricultural industries

One piece flow manufacture and Kanban fed activities



### Minguang-Tricorn Tubular Products Limited

- Located in Nanjing, China and occupying c38,000 sq ft of manufacturing space
- Nylon forming capability and tube manipulation to 6" diameter
- Separate wet spray and powder coat painting facility
- Supplying global OEM customers located in Asia and covering off road and power generation markets



- 5mm to 300mm Diameter
- Hydraulic and electro bending
- End Forming
- Beading
- Welding
- Leak test
- Surface treat
- Painting

# STRATEGIC REPORT

## Chairman's and Chief Executive's Statement

### Performance in the Year Ended 31 March 2019

Revenue for the year at £22.763m was 2.6% higher than the previous year (2018: £22.180m).

New business growth in the Transportation division more than offset the reduction in revenue in the Energy division which, as anticipated, saw significantly lower demand from the power generation rental sector. The Company's joint venture in China continues to perform well.

Underlying profit before tax at £1.088m was up 31.6% on the previous year (2018: £0.827m).

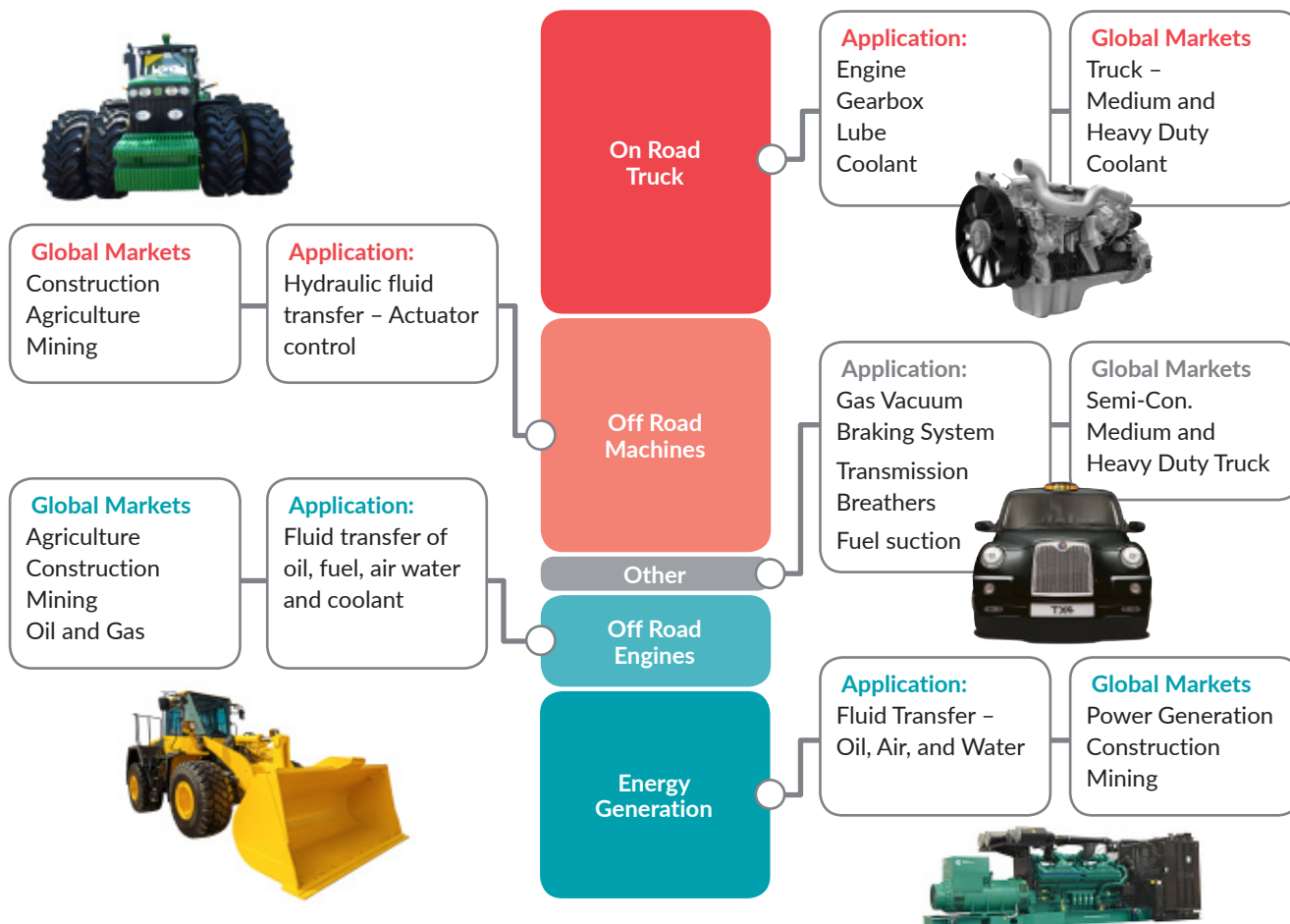
Post year end, the Group announced that it had extended its capabilities in the USA with the purchase of a custom-built, installed and fully operational, powder coat and wet spray painting line. The paint line is located at Rabun Gap, close to the Group's existing facility, and will provide up to 100,000

square feet of additional manufacturing space. This allows previously sub-contracted painting processes to be brought in-house and also addresses plans to broaden its product offering in the USA.

**"We are delighted to report that Group revenues increased by 2.6% in the year while profit before tax improved by 31.6% to £1.088m."**

**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 2019 was £17.052m (2018: £15.901m) and underlying profit before tax increased by 38.8% to £0.569m (2018: £0.410m).

Tricorn USA continued to make good progress. Market conditions were favourable and the pipeline of new business opportunities remains encouraging. A tight labour market presented challenges in recruiting and retaining skilled employees especially

in the first half, however, these were largely overcome by year end. Post year end, as set out above, the Group announced that it had extended its capabilities in the USA with the purchase of a custom-built, installed and fully operational, powder coat and wet spray painting line.

In the UK, the West Bromwich facility made excellent progress on all fronts. The rigid hydraulic tube business continues to grow and production has commenced successfully on the brake pipe assembly business for the London Electric Vehicle Company. In addition, the operation invested in an in-house tube cutting cell that yielded significant efficiency gains through the latter part of the year.



Revenue (£m)

**£17.052m** ↑ Up 7.2%

(2018: £15.901m)

Profit before tax (£m)

**£0.569m** ↑ Up 38.8%

(2018: £0.410m)

## 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 & gas applications.

The Malvern facility made good progress in developing new business opportunities and in improving operational performance. Testing of the proposed new IT system, as utilised in West Bromwich, progressed well and will provide further efficiency gains once deployed. External revenue for the year at £5.711m was lower (2018: £6.279m) with, as anticipated, lower demand from the power generation rental sector. Underlying profit before

tax at £0.472m was also down on the previous year (2018: £0.567m) with efficiency gains helping to offset some of the impact of the lower volume.



Revenue (£m)

**£5.711m** ↓ Down 9.0%

(2018: £6.279m)

Profit before tax (£m)

**£0.472m** ↓ Down 16.8%

(2018: £0.567m)

All references to EBITDA, profit before tax and earnings per share are before intangible asset amortisation and share-based payment charges.

# STRATEGIC REPORT

## Chairman's and Chief Executive's Statement

continued

### China

Our Chinese joint venture, Minguang-Tricorn Tubular Products, performed well. Market conditions softened slightly in the second half of the year but the strong operational performance saw the Group's share of profit before tax increase to £0.282m, up 34.9% (2018: £0.209m).



### Business Review

The Group's five manufacturing facilities 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.

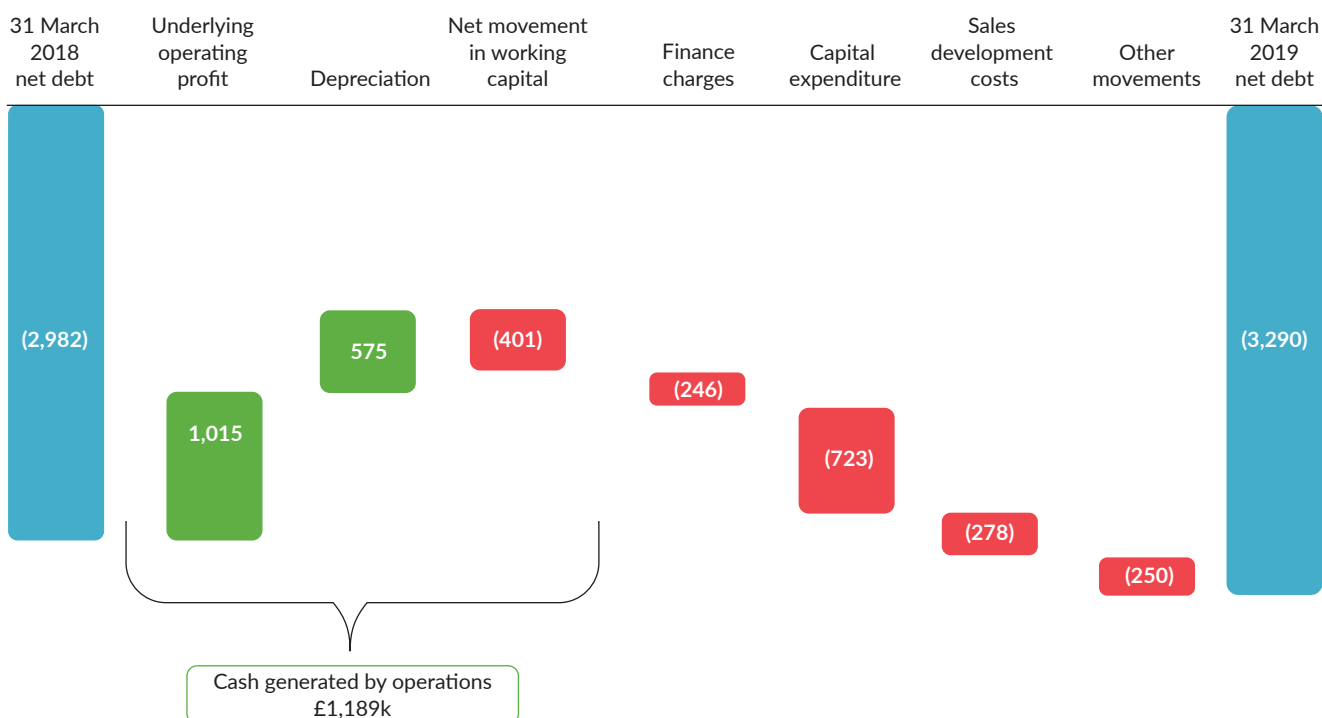
With manufacturing operations now firmly established in each of these key locations and performing well, the Group is ideally positioned to support its customers' facilities as they continue to seek to localise supply and technical support.

Historically, the Group's two main business divisions have focused on the transportation and energy sectors. As a result of Tricorn's geographic expansion, the Board has carried out a review of the Group's organisational structure and concluded that the current structure was no longer appropriate. As a result, post year end, the Group's brands have been consolidated into the following geographic divisions:

- Tricorn UK: comprising Malvern Tubular Components and Maxpower Automotive;
- Tricorn USA: comprising Franklin Tubular Products and the recently announced expansion at Rabun Gap;
- The joint venture in China remains as Minguang-Tricorn Tubular Products.

### Change in Net Funds

£'000



All references to EBITDA, profit before tax and earnings per share are before intangible asset amortisation and share-based payment charges.



## Financial Review

The Group built on the good trading performance of the prior year and continued to expand on its manufacturing capability which resulted in solid improvements in both revenue and profitability. The Group has made a point over recent years of making considerable investment where it believes that this will yield significant benefits in the short and medium term. This was again the case in the year, with investments being made in tangible assets and development costs to secure contracts with new and existing customers, which are already beginning to deliver returns.

All of the Group's subsidiary businesses were again profitable in the year. Group EBITDA for the year was £1.872m (2018: £1.575m) and underlying profit before tax was £1.088m (2018: £0.827m).

## Income Statement

Revenue for the year, at £22.763m, increased by 2.6% (2018: £22.180m). While revenue in the Energy division was lower than the prior financial year, this was more than offset by an increase in demand within the Transportation division. In line with Group policy when reporting the results for its joint venture in China, the Group has reported its share of the profit before tax while the revenue figure for the joint venture is not reported in the Group consolidated income statement.

Gross margins were up slightly at 38.4% (2018: 38.3%) and distribution costs were largely unchanged at £1.022m (2018: £1.005m). While the Group's administration costs increased to £6.701m (2018: £6.646m), operational gearing reduced to 29.4% (2018: 29.9%).

The Group's Chinese joint venture, Minguang-Tricorn Tubular Products, showed further growth in profitability over the prior year, with the Group's share of profit for the year increasing to £0.282m (2018: £0.209m).

EBITDA for the year was £1.872m (2018: £1.575m). Finance costs for the year were £0.209m (2018: £0.226m) and the Group delivered an underlying profit before tax for the year of £1.088m (2018: £0.827m).

After deducting intangible asset amortisation and share-based payment charges, the profit before tax was £0.950m (2018: £0.606m).

Basic earnings per share ("EPS") was 2.62p (2018: 2.00p) and after adjusting for non-underlying items, the underlying EPS was 3.02p (2018: 2.65p).

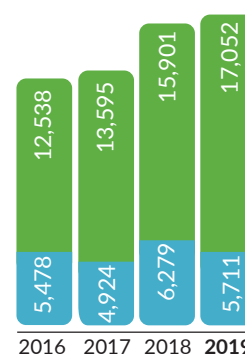
Given the progress made and our confidence in the future prospects of the Group, the Board is recommending the reinstatement of a final dividend of 0.2p per share (2018: Nil). If approved by the shareholders at the Company's Annual General Meeting, to be held on 11 September 2019, the dividend will be paid on 18 October 2019 to all shareholders who are on the register on 4 October 2019.

## Cash Flow

The Group's cash flow from operations in the year was £1.189m (2018: £1.532m) and it achieved a cash generated by operations to EBITDA ratio of 0.64:1 (2018: 0.97:1). This was below the target ratio of 1:1 largely as a result of adverse working capital movements, particularly on creditors. Part of this is a timing issue at the year end on supplier payments, with director incentive payments during the year also having an impact.

After interest payments and net tax receipts, cash generated by operating activities was £0.943m (2018: £1.321m).

## Segmental Revenue £'000



■ Energy ■ Transportation

During the year, the net cash outflow from investing activities was £1.001m (2018: £0.696m). Expenditure on the purchase of plant and machinery was £0.723m (2018: £0.696m). In addition, the Group had expenditure of £0.278m (2018: £Nil) on intangible assets. In a number of instances, the Group makes the decision to invest in order to develop the capabilities and infrastructure required to support a particular customer contract. During the financial year, the Group secured a contract where an existing customer was outsourcing work which it had previously manufactured in-house.

This required a level of investment by the Group to transfer and develop the manufacturing processes, equipment, tooling and know-how. This expenditure is reported by the Group as an intangible asset.

# STRATEGIC REPORT

## Chairman's and Chief Executive's Statement

### continued

As a result of the Group's expenditure on investing activities in the year, net debt increased over the prior year to £3.290m (2018: £2.982m), cash and cash equivalents were £0.493m (2018: £0.692m) and gearing was 45.0% (2018: 47.6%).

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 2019 were £15.044m, which was £0.685m 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 increases in tangible and intangible assets, as discussed above. Net working capital for the Group increased in the year to £4.040m (2018: £3.475m).

On translation of its overseas assets and liabilities, the Group made an exchange gain of £0.125m (2018: loss of £0.487m). 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 £0.014m surplus (2018: £0.111m deficit).

#### People

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

#### Outlook

We are delighted to report that Group revenues increased by 2.6% in the year while profit before tax improved by 31.6% to £1.088m. Earnings per share increased by 14.0% to 3.02p. These results reflect our focus on growth and our continuing investment in our global operations.

Our Transportation division delivered strong revenue growth coupled with improved margins. The increased contribution from our joint venture in China resulted from strong operational performance.

We are excited by the recently announced expansion of our capabilities in the USA. This allows us to bring in-house previously sub-contracted painting processes and also addresses our plans to broaden our product offering in this key market.

Given the progress made to date and our confidence in the future prospects of the Group, the Board is recommending the reinstatement of a final dividend of 0.2p per share.

#### 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 has responded by making frequent visits overseas in order to mitigate and control those risks. The Group assessed the direct impact of exiting the European Union as minimal. However, it continues to monitor the situation and its potential impact on customers and suppliers.



**Andrew Moss**  
Chairman  
31 May 2019



**Mike Welburn**  
Chief Executive  
31 May 2019

## 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      P Lee  
R Allsop      D E Leakey  
M I Welburn

### 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 & 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 a non-executive Director in November 2014 and Chairman in December 2014. Member of the Audit, Remuneration and Nominations 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 a non-executive director of Netcall plc.

# REPORT OF THE DIRECTORS

for the year ended 31 March 2019

## 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 23 May 2019, were as follows:

	Ordinary shares of 10 pence each Number	Percentage of capital %
R Allsop	11,220,000	33.20
Canaccord Genuity Wealth Management	6,060,000	17.93
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 4. 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 takes 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 utilise 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.

# REPORT OF THE DIRECTORS

for the year ended 31 March 2019

continued

## 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 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 ("IFRS") as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 101 Reduced Disclosure Framework). 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; and
- 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 auditors are 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 auditors are aware of that information.

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

ON BEHALF OF THE BOARD



**M I Welburn**

Director

Date: 31 May 2019



# CORPORATE GOVERNANCE

for the year ended 31 March 2019

## Statement by the Directors on compliance with the provisions of the QCA Corporate Governance Code

### Chairman's Corporate Governance Statement

The Board of Directors is committed to ensuring that Tricorn adheres to appropriate standards of governance.

The AIM Rules for Companies require all AIM quoted companies to have formally identified and adopted Corporate Governance Code by 28 September 2018. After careful consideration, the Board decided that the Quoted Companies Alliance Corporate Governance Code ("QCA Code") is the most appropriate for the Group. The QCA Code has been developed with significant involvement from key stakeholders in the small companies investment community and is a principles-based approach relevant to smaller but growing businesses.

The principles of the QCA Code are detailed below. We have addressed each point identifying the impact on the Group and the arrangements that the Group has in place to comply with the Code.

### QCA Corporate Governance Code

#### Principle 1 – Establish a strategy and business model which promote long-term value for shareholders

##### Application

*The board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.*

##### The Tricorn Approach

Tricorn Group's strategy is explained in detail on the inside cover of its Annual Report and Accounts and can also be found on the Group's website, [www.tricorn.uk.com](http://www.tricorn.uk.com).

The Group looks to create value for its stakeholders by focusing on its areas of expertise and being the best at what it does. At the same time the Group aims to be recognised as the "best in class" tube solutions provider. To achieve this, the Group identifies Strategic Enablers and Growth Priorities. They are:

- Strategic Enablers:
  - Establishing a global manufacturing footprint
  - Leveraging the capabilities and know-how across the Group
  - Maintaining financial disciplines
- Growth Priorities:
  - Focus on large blue-chip OEM customers
  - Capitalise on significant growth opportunities
  - Drive for operational excellence

At the same time the Group is aware that it faces risks and challenges to its business and these are detailed and addressed in the Annual Report and Accounts.

#### Principle 2 – Seek to understand and meet shareholder needs and expectations

##### Application

*Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base.*

*The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.*

##### The Tricorn Approach

The Group aims to deliver a balance to shareholders between capital and income growth, taking into account the Group's growth expectations over the medium term.

The Board encourages regular interaction and communication with both private and institutional shareholders and responds to shareholder queries in a timely manner. As well as hosting institutional shareholder visits to the Group's UK facilities, the Board ensures that it is available to present and discuss its interim and full year results on a one-to-one basis with shareholders.

The Group's AGM, which takes place each September, is seen by the Board as an excellent opportunity to communicate and present to shareholders at one of the Group's UK manufacturing facilities, where questions can be asked directly of Board members and queries addressed.

# CORPORATE GOVERNANCE

for the year ended 31 March 2019

continued

## Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success

### Application

Long-term success relies upon good relations with a range of different stakeholder groups, both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the company's stakeholders and understand their needs, interests and expectations.

Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long term, then those matters must be integrated into the company's strategy and business model.

Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.

### The Tricorn Approach

The Group is committed to upholding its responsibilities to its stakeholders, both those internal to the organisation and external.

The Group's Annual Report and Accounts highlight the policies that it has in place in respect of its employees. The Group's employees are vital to its success and the Board regularly seeks their feedback and conducts surveys on all aspects of employment. Work councils are also held to encourage employee engagement.

The Group has a varied supplier and blue-chip customer base and works closely with both stakeholders to ensure that the appropriate feedback mechanisms are in place.

The community plays an important part in the success of our businesses and the Group makes sure that, where appropriate, it engages with the wider community on a regular basis. Examples include different parts of the Group holding open days and tours to engage with the community.

## Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation

### Application

The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer.

Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).

### The Tricorn Approach

The Group discusses the risks to its business within its Annual Report and Accounts. Within the report, risks are identified with explanations outlining how the Group addresses them. Furthermore, in the Report of the Directors the Board identifies those financial and non-financial risks that may impact the business and then details the processes and procedures that are in place to mitigate them.

The Board considers the risks to the Group at each Board Meeting. Risk registers are maintained within the Group and these are reviewed regularly.

Regular review of performance and risk take place between the executive Directors and senior management of the businesses, with more formal reviews taking place at least monthly. These reviews assess risks impacting, or which may impact, trading performance. As a result, each business carries out regular forecasting updates, which allow for ongoing performance monitoring and actions to be taken quickly to mitigate risk.

## Principle 5 – Maintain the Board as a well functioning, balanced team led by the chair

### Application

The board members have a collective responsibility and legal obligation to promote the interests of the company and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.

The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.

The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a board judgement.

The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.

Directors must commit the time necessary to fulfil their roles.

### The Tricorn Approach

The Board of Directors is responsible for leading and controlling the Group. The biographies of the members of the Board are set out in the Annual Report and Accounts. Andrew Moss as Chairman and Mike Welburn as the Chief Executive Officer have responsibility for the day-to-day running of the Group.

The Report provides further information on Directors' responsibilities. The Board is supplied with regular information with regards to the operational and financial performance of the Group. The Board currently comprises of three executive Directors and two non-executive Directors and meets formally at least quarterly, which all Directors are required to attend. Information relating to the meeting is circulated in advance by the Company Secretary and minutes of the meeting are produced as an accurate record.

The Board is supported by Audit, Remuneration and Nominations Committees. There are specific matters which are reserved for the Board, which are available on the Group's website. In addition, the terms of reference for each of the sub-committees can also be found on the Group's website.

### Principle 6 – Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

#### Application

*The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition.*

*The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.*

*As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.*

### The Tricorn Approach

The Nominations Committee oversees the process of recruitment, where new appointments to the Board are necessary. Their recommendations are then put to the Board. The search for new appointees is conducted according to the relevant skills and experience that an individual can bring to the role. Appointments are made on merit against specific criteria giving due regard to the benefits of diversity.

The biographies of the Board of Directors, which are available both in the Annual Report and Accounts and also on the Group's website, provide details of the employment history of each of the Directors, but also their relevant experience as it relates to the Group.

The training and development needs of Board members are considered on an ongoing basis and are encouraged as a way of ensuring that each Board member has the appropriate experience and skills for the Group.

### Principle 7 – Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

#### Application

*The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.*

*The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.*

*It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.*

### The Tricorn Approach

The Board carries out an evaluation of its performance annually. The KPIs of the Group which are shown in the Annual Report and Accounts are used to assess performance which aligns to shareholders' expectations.

In addition, an annual appraisal of performance is carried out, reviewing internal performance against specific targets and requirements.

Each Director is subject to a re-election process at the Group's AGM, with one Director being put forward for re-election each year.

### Principle 8 – Promote a corporate culture that is based on ethical values and behaviours

#### Application

*The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.*

*The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team.*

*Corporate values should guide the objectives and strategy of the company.*

# CORPORATE GOVERNANCE

for the year ended 31 March 2019

continued

*The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company.*

*The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.*

## The Tricorn Approach

The Group's Corporate Strategy, detailed on the inside cover of its Annual Report and Accounts, sets the overriding framework under which the Group promotes a culture that maximises performance with regards to our employees, customers and suppliers, environment and community.

The Directors lead by example and work with senior management to implement the processes and procedures within the Group's subsidiary businesses. Policies covering whistleblowing and anti-bribery are widely communicated and respected. Furthermore, each of the Group's businesses has developed specific employment manuals providing employees with up-to-date rules and regulations, health and safety rules, as well as pay grades, progression and appraisal processes. Employees are also encouraged to consider and present opportunities for improvement within their area of work.

The Group aims to attract, employ and retain the highest calibre of employees. Each business looks to recruit apprentices, where opportunities present themselves, and each business currently employs apprentices in various disciplines. Communication with employees is seen as critical to the success of each of the Group's businesses, with regular briefings, newsletters, forums and open days proving successful.

The reward strategy of the Group aims to offer competitive pay and benefits. At the same time, employees have the opportunity to train and become competent in further disciplines to enhance their pay.

Health and safety is of paramount importance to the Group and each employee is made aware of their obligations to maintain a safe workplace. All employees undergo appropriate training and are regularly assessed to ensure continuing competence.

The Group is committed to Lean principles in the manufacturing process. Such principles enable the Group to reduce its manufacturing waste, aim to lower carbon emissions and improve the utilisation of packaging materials to reduce the Group's impact on the environment. Other measures which the Group employ include the safe disposal of waste through the manufacturing process and reducing energy consumption where possible.

The Group focuses on large blue-chip OEM customers and ensures that it works closely with its customers through all aspects of the relationship. The Group is keen to satisfy customer requirements through engineered solutions and high-quality products, which lead to a positive customer relationship. The Group's suppliers are expected to have in place appropriate health and safety, environmental, labour and human rights standards that the Group itself is expected to adhere to. The Group has detailed terms and conditions which are issued to both customers and suppliers. This details the terms under which the Group is prepared to trade, including payment terms. Where it is important to the relationship, and in the best interests of the Group, specific agreements or long-term contracts with customers and suppliers will be negotiated and entered into.

## Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

### Application

*The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:*

- size and complexity; and
- capacity, appetite and tolerance for risk.

*The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.*

## The Tricorn Approach

The Corporate Governance section of the Group's Annual Report and Accounts covers a number of points around the governance structure of the Group.

As previously indicated, the Board is supported by the Audit, Remuneration and Nominations Committees, with terms of reference for each committee available on the Group's website.

## Principle 10 – Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

### Application

*A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company.*

*In particular, appropriate communication and reporting structure should exist between the board and all constituent parts of its shareholder base. This will assist:*

- the communication of shareholders' views to the board; and
- the shareholders' understanding of the unique circumstances and constraints faced by the company.

*It should be clear where these communication practices are described (annual report or website).*

### The Tricorn Approach

The Board encourages regular interaction and communication with both private and institutional shareholders and responds to shareholder queries in a timely manner. As well as hosting institutional visits to the Group's UK facilities, the Board ensures that it is available to present and discuss its interim and full year results on a one-to-one basis with shareholders.

The Group's AGM, which takes place each September, is seen by the Board as an excellent opportunity to communicate and present to shareholders at one of the Group's UK manufacturing facilities, where questions can be asked directly of Board members and queries addressed.

### 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 Leahey participate in a performance-related bonus arrangement through Tricorn Group plc.

M I Welburn, P Lee and D E Leahey 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.

# CORPORATE GOVERNANCE

for the year ended 31 March 2019

continued

## 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 2019 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 2019 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

## 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.

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 options over 500,000 shares were issued in the first quarter of the following financial year. In addition, there is a further option over 921,000 shares, granted on 5 August 2010, 736,800 of which have vested at 31 March 2019. 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 2019 was 19.00p (31 March 2018: 19.00p) and the range during the year was 17.50p to 38.00p (2018: 15.75p to 24.75p).



# INDEPENDENT AUDITORS' REPORT

To the members of Tricorn Group plc

## Opinion

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

We have audited the financial statements of Tricorn Group plc (the "parent Company") and its subsidiaries (the "Group") for the year ended 31 March 2019 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Statement of Changes in Equity, the Group and Company 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 the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements 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 financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 financial statements" section of our report. We are independent of the Group and the parent Company 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.

### 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 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 or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.



### Overview of our audit approach

- We determined materiality for the audit of the Group financial statements as a whole to be £198,000;
- The key audit matter was identified as revenue recognition;
- We performed full-scope procedures on UK-based operations (Tricorn Group plc, Maxpower Automotive Limited, Malvern Tubular Components Limited) and Franklin Tubular Products Inc. and performed specified audit procedures on its joint venture, Minguang-Tricorn Tubular Products Nanjing Limited.

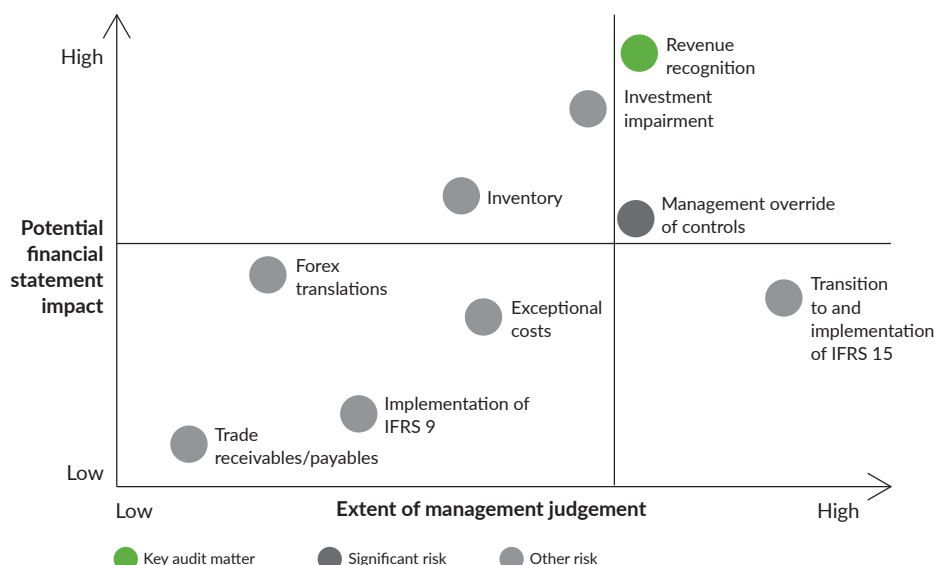
# INDEPENDENT AUDITORS' REPORT

To the members of Tricorn Group plc

continued

## 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.



Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matter – Group

#### Risk 1 – Revenue recognition

Under International Standard on Auditing (UK) 240 “The auditor’s responsibilities relating to fraud in an audit of financial statements”, there is a presumed risk of fraud in revenue recognition.

Revenue is recognised to the extent that economic benefits will flow to the Group and the revenue can be reliably measured.

Under ISA (UK) 240 “The auditor’s responsibilities relating to fraud in an audit of financial statements”, there is a presumed risk that revenue may be misstated due to fraud. Revenue is a key driver and performance indicator 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.

### How the matter was addressed in the audit – Group

Our audit work included, but was not restricted to:

- Assessing the Group’s accounting policies for recognition of revenue for compliance with the requirements of IFRS 15 and whether management accounted for revenue in accordance with the new policies, including the accounting and disclosure for the transition to the new IFRS.
- Testing, on a sample basis, the operating effectiveness of certain key controls over order authorisation, invoicing and despatch.
- Agreeing, on a sample basis, amounts recognised in revenue to source documents including invoices and proof of shipping documents.

The Group’s accounting policy on revenue recognition is shown in note 2 and related disclosures are included in note 3.

#### Key observations

Based on our audit work, we did not identify evidence of material misstatement in the revenue recognised in the year ended 31 March 2019.

We did not identify any key audit matters relating to the audit of the financial statements of the parent Company.

### 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.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	<p>We determined materiality for the audit of the financial statements as a whole to be £198,000.</p> <p>Our determination of materiality was based on a consideration of a number of benchmarks that we believe to be of importance to the users of the financial statements, most notably the Group's preliminary earnings before tax and total revenues. These benchmarks are considered particularly important due to the significant level of user focus on these figures in assessing the Group's performance.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 31 March 2018 as a result of the increased earnings before tax, increased revenues and using both benchmarks to determine materiality in the current year.</p>	<p>We determined materiality for the audit of the financial statements as a whole to be £148,500.</p> <p>Our determination of materiality was based on an initial calculation of 2% of the parent Company's preliminary total assets, then capped at component materiality for the Group audit. This benchmark was considered to be the most appropriate as it most appropriately reflects the Company's status as a non-trading holding company.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 31 March 2018 to reflect the Company's increased asset base in the current year and increased Group materiality.</p>
Performance materiality used to drive the extent of our testing	Based on our risk assessment, including the Group's overall control environment, we determined a performance materiality at 75% of the financial statement materiality.	Based on our risk assessment, including the Company's overall control environment, we determined a performance materiality at 75% of the financial statement materiality.
Specific materiality	We determined a lower level of materiality for Directors' remuneration and related party transactions outside of the normal course of business due to their sensitivity in the view of key stakeholders.	We determined a lower level of materiality for Directors' remuneration and related party transactions outside of the normal course of business due to their sensitivity in the view of key stakeholders.
Communication of misstatements to the Audit Committee	£9,900 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£7,425 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

# INDEPENDENT AUDITORS' REPORT

To the members of Tricorn Group plc

continued

## 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. The components of the Group were evaluated by the Group audit team based on a measure of materiality, considering each as a percentage of the Group's total assets, revenues and profit before taxation, to assess the significance of the component to determine the planned audit response.

A full-scope audit approach for all components evaluated as significant was determined based on their relative materiality to the Group and our assessment of the audit risk. For significant components requiring a full-scope approach we evaluated the controls over the financial reporting system identified as part of our risk assessment, reviewed the financial statement production process and addressed critical accounting matters. We sought, wherever possible, to rely on the effectiveness of the Group's internal controls in order to reduce substantive testing. We then undertook substantive testing on significant transactions and material account balances.

In order to address the described audit risks identified during our planning procedures, we performed a full-scope audit of the financial statements of the UK-based operations (Tricorn Group plc, Maxpower Automotive Limited, Malvern Tubular Components Limited) and the USA operation (Franklin Tubular Products Inc.). The Group engagement team visited the location in the USA to perform relevant audit procedures.

The Group also has an investment in a joint venture in China, Minguang-Tricorn Tubular Products Nanjing Limited. The Group audit team performed specified audit procedures over the balances within the joint venture, which is consistent with the prior year approach. The operations that were subject to full-scope audit procedures totalled 100% of consolidated revenues and 68% of consolidated profit before taxation.

## 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 31 to 54, other than the financial statements and our auditors' 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 in the 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 Report of the Directors' for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors' 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 Group and 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 Report of Directors'.

### 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 for the Group and Company Financial Statements" set out on page 12, 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 and 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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.

### Use of our report

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.

### Rebecca Eagle

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditors, Chartered Accountants  
Birmingham  
31 May 2019

# TRICORN GROUP PLC

## GROUP CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2019

Company number 1999619

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# GROUP INCOME STATEMENT

For the year ended 31 March 2019

	Note	2019 £'000 Underlying	2019 £'000 Non-underlying	2019 £'000 Group	2018 £'000 Underlying	2018 £'000 Non-underlying	2018 £'000 Group
<b>Revenue</b>	3	22,763	–	22,763	22,180	–	22,180
Cost of sales		(14,025)	–	(14,025)	(13,685)	–	(13,685)
<b>Gross profit</b>		8,738	–	8,738	8,495	–	8,495
Distribution costs		(1,022)	–	(1,022)	(1,005)	–	(1,005)
Administration costs							
– General administration costs		(6,701)	–	(6,701)	(6,646)	–	(6,646)
– Restructuring costs		–	–	–	–	–	–
– Intangible asset amortisation	12	–	(102)	(102)	–	(175)	(175)
– Fair value charge relating to forward exchange contracts		–	–	–	–	(6)	(6)
– Share-based payment charge	6	–	(36)	(36)	–	(40)	(40)
<b>Total administration costs</b>		(6,701)	(138)	(6,839)	(6,646)	(221)	(6,867)
<b>Operating profit/(loss)</b>	3/4	1,015	(138)	877	844	(221)	623
Share of profit from joint venture	14	282	–	282	209	–	209
Finance costs	8	(209)	–	(209)	(226)	–	(226)
<b>Profit/(loss) before tax</b>	3/4	1,088	(138)	950	827	(221)	606
Income tax (charge)/credit	9	(66)	–	(66)	70	–	70
<b>Profit/(loss) after tax from continuing operations</b>		1,022	(138)	884	897	(221)	676
<b>Attributable to:</b>							
Equity holders of the parent Company		1,022	(138)	884	897	(221)	676
<b>Earnings per share:</b>							
Basic earnings per share	10			2.62p			2.00p
Diluted earnings per share	10			2.39p			1.86p

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 2019

	2019 £'000	2018 £'000
<b>Profit for the year</b>	<b>884</b>	<b>676</b>
<b>Other comprehensive income</b>		
<i>Items that will subsequently be reclassified to profit or loss</i>		
Foreign exchange translation differences	125	(487)
<b>Total comprehensive income attributable to equity holders of the parent</b>	<b>1,009</b>	<b>189</b>

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

# GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	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 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
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>
Share-based payment charge	-	-	-	-	36	-	36
Total transactions with owners	-	-	-	-	36	-	36
Profit and total comprehensive income	-	-	-	125	-	884	1,009
<b>Balance at 31 March 2019</b>	<b>3,379</b>	<b>1,692</b>	<b>1,388</b>	<b>14</b>	<b>385</b>	<b>453</b>	<b>7,311</b>

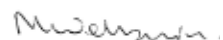
The accompanying notes form an integral part of these financial statements.

# GROUP STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Assets</b>			
<b>Non-current</b>			
Goodwill	11	391	391
Intangible assets	12	401	210
Property, plant and equipment	13	4,668	4,325
Investment in joint venture	14	1,191	917
		<b>6,651</b>	<b>5,843</b>
<b>Current</b>			
Inventories	16	3,040	2,867
Trade and other receivables	17	4,854	4,957
Cash and cash equivalents	18	493	692
Corporation tax		6	-
		<b>8,393</b>	<b>8,516</b>
<b>Total assets</b>		<b>15,044</b>	<b>14,359</b>
<b>Liabilities</b>			
<b>Current</b>			
Trade and other payables	20	(3,854)	(4,349)
Borrowings	21	(3,675)	(3,522)
Fair value of foreign exchange contracts		-	(6)
Corporation tax		(70)	(39)
		<b>(7,599)</b>	<b>(7,916)</b>
<b>Non-current</b>			
Borrowings	21	(109)	(152)
Deferred tax	19	(25)	(25)
		<b>(134)</b>	<b>(177)</b>
<b>Total liabilities</b>		<b>(7,733)</b>	<b>(8,093)</b>
<b>Net assets</b>		<b>7,311</b>	<b>6,266</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		14	(111)
Share-based payment reserve		385	349
Profit and loss account		453	(431)
<b>Total equity</b>		<b>7,311</b>	<b>6,266</b>

The financial statements were approved by the Board of Directors on 31 May 2019.



**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 2019

	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>		
Profit after taxation from continuing operations	884	676
Adjustment for:		
– Depreciation	575	522
– Net finance costs in income statement	209	226
– Charge relating to foreign exchange derivative contract	–	6
– Amortisation charge	102	175
– Share-based payment charge	36	40
– Share of joint venture operating profit	(282)	(209)
– Taxation charge/(credit) recognised in income statement	66	(70)
– Decrease/(increase) in trade and other receivables	229	(443)
– (Decrease)/increase in trade payables and other payables	(542)	950
– Increase in inventories	(88)	(341)
Cash generated by operations	1,189	1,532
Interest paid	(246)	(220)
Income taxes received	–	9
<b>Net cash generated by operating activities</b>	<b>943</b>	<b>1,321</b>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(723)	(696)
Additions in intangible assets	(278)	–
<b>Net cash used in investing activities</b>	<b>(1,001)</b>	<b>(696)</b>
<b>Cash flows from financing activities</b>		
Proceeds/(repayment) of overseas short-term borrowing	304	(439)
Repayment of short-term borrowings	(361)	(60)
Payment of finance lease liabilities	(84)	(76)
<b>Net cash used in financing activities</b>	<b>(141)</b>	<b>(575)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(199)</b>	<b>50</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>692</b>	<b>642</b>
<b>Cash and cash equivalents at end of year</b>	<b>493</b>	<b>692</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 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 worldwide 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 31 May 2019. 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.

## 2 Accounting policies (continued)

### Adoption of new standards

#### Revenue recognition

Revenue arises from the sale of tubular components to customers. To determine whether to recognise revenue, the Group follows a five-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations;
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Group contracts with customers to deliver specific products to the customer. At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods to the customer. This is a fixed sales price, discounts are not offered and amounts are not refundable once received. Control transfers at the point in time the customer takes delivery of the goods, and this is the point at which revenue is recognised. Invoices are due on receipt by the customer.

#### Financial instruments

IFRS 9 "Financial Instruments" replaces IAS 39 and makes changes to guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets. When adopting IFRS 9, the Directors have considered the historical credit losses experienced in relation to trade receivables and concluded that the adoption of IFRS 9 does not have a material impact on the financial statements.

There have been no changes to the classifications of financial assets.

#### 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 16	Leases	1 January 2019
IFRS Standards	Annual improvements to IFRS Standards 2015-2017 cycle	1 January 2019
Amendments to IAS 28	Long-term interests in Associates and Joint Ventures	1 January 2019
Amendments to IFRS 3	Business combinations	1 January 2020
Amendments to references	Amendments to references to the Conceptual Framework in IFRS Standards	1 January 2020

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 are recorded at fair value which requires a number of estimates and assumptions to be made.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 2 Accounting policies (continued)

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 review ageing of inventory, movement levels throughout the year and forecast future usage levels to set an adequate inventory provision to cover obsolete inventory lines. Management also calculate 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 50%. 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 £3,646,000 (year ended 31 March 2018: £3,456,000).
- 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 2019. 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 Consolidated 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 (i.e. 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.

## 2 Accounting policies (continued)

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.

### 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.

When determining whether to recognise revenue, the Group adopts the five-step process proposed by IFRS 15. The Group contracts with customers to deliver specific parts according to specific delivery schedules, sales prices are fixed, discounts are not offered, amounts are not refundable once received and there are on ongoing performance obligations. Therefore, the Group recognises revenue once delivery has occurred.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 2 Accounting policies (continued)

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.

### **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.

## 2 Accounting policies (continued)

### Property, plant and equipment

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

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.

### 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 accounting policies 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 2 Accounting policies (continued)

### Employee benefits

#### *Defined contribution pension scheme*

Pensions to employees are provided through contributions to individual personal pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions 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 instruments

IFRS 9 Financial Instruments requires the classification of financial instruments into different types for which the accounting requirement is different. The Group has classified its financial instruments as follows:

- short-term fixed deposits, principally comprising funds held with banks and other financial institutions;
- trade and other receivables are held at amortised cost;
- trade and other payables are held at amortised cost;
- borrowings are classified as other liabilities held at amortised cost.

Financial instruments are initially measured at fair value. Their subsequent measurement depends on their classification:

- loans and receivables and other liabilities are held at amortised cost; and
- instruments that are held for trading are held at fair value.

Changes in fair value are included in the income statement.

### Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables, recording the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the lifetime credit losses, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected losses.

### 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.

## 2 Accounting policies (continued)

### 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.

### 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 2019

## 3 Segmental reporting

The Group operates two main operating segments:

- Energy: manipulated tubular assemblies for use in power generation, oil & 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 2019	Energy £'000	Transportation £'000	Unallocated £'000	Total £'000
Revenue				
– from external customers	5,711	17,052	–	22,763
– from other segments	59	–	(59)	–
Segment revenues	5,770	17,052	(59)	22,763
Underlying operating profit/(loss)*	508	717	(210)	1,015
Intangible asset amortisation	–	–	(102)	(102)
Share-based payment charge	–	–	(36)	(36)
Operating profit/(loss)	508	717	(348)	877
Share of profit from joint venture	–	–	282	282
Net finance costs	(36)	(148)	(25)	(209)
Profit/(loss) before tax	472	569	(91)	950
Other segment information:				
Segmental assets	3,377	9,822	1,880	15,079
Capital expenditure	331	415	2	748
Depreciation	202	371	2	575

\* Before intangible asset amortisation and share-based payment charges.

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.

### 3 Segmental reporting (continued)

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

	Year ended 31 March 2019			
	Revenue £'000	Non-current assets £'000	Current assets £'000	Total assets £'000
United Kingdom	10,877	3,678	5,047	8,725
Europe	750	–	–	–
North America	10,620	2,973	3,198	6,171
Rest of World	516	–	148	148
	22,763	6,651	8,393	15,044

	Year ended 31 March 2018			
	Revenue £'000	Non-current assets £'000	Current assets £'000	Total assets £'000
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
	22,180	5,843	8,516	14,359

### 4 Profit before taxation

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

	2019 £'000	2018 £'000
<b>Auditors' remuneration:</b>		
Audit of parent Company	14	14
Audit of subsidiaries	46	44
<b>Total audit</b>	<b>60</b>	<b>58</b>
<b>Non-audit services:</b>		
Corporate taxation	12	12
R&D claims	3	3
<b>Total non-audit services</b>	<b>15</b>	<b>15</b>
<b>Total fees</b>	<b>75</b>	<b>73</b>
<b>Operating lease charges:</b>		
Land and buildings	294	316
Plant and equipment	110	117
Motor vehicles	62	48
<b>Depreciation and amortisation:</b>		
Intangible assets	102	176
Property, plant and equipment – owned	546	499
Property, plant and equipment – leased	29	23

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 5 Directors' emoluments

	2019				2018				2019	2018
	Basic	Bonus	Benefits	Total	Basic	Bonus	Benefits	Total	Pension	Pension
	£'000	£'000	in kind	£'000	£'000	£'000	£'000	£'000	£'000	£'000
A B Moss	40	-	-	40	30	-	-	30	-	-
R Allsop	15	-	-	15	15	-	-	15	-	-
M I Welburn*	154	15	24	193	150	75	22	247	10	10
P Lee*	144	14	21	179	140	70	22	232	10	10
D E Leahey*	116	12	10	138	113	56	9	177	8	8
	469	41	55	565	448	201	53	702	28	28

\* 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 £0.089m (2018: £0.064m).

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

	2019	2018
	£'000	£'000
M I Welburn*	-	-
P Lee*	-	-
D E Leahey*	7	7
	7	7

## 6 Employees costs

	2019	2018
	Number	Number
The average number of persons (including Directors) employed by the Group during the year was:		
Production	248	227
Sales, distribution and administration	56	56
	304	283

Staff costs during the year were as follows:

	2019	2018
	£'000	£'000
Wages and salaries	7,689	7,381
Social security costs	656	713
Other pension costs	110	81
Share-based payment charge	36	40
	8,491	8,215

## 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 2018 No. of shares	Granted in year No. of shares	Exercised in year No. of shares	Lapsed in year No. of shares	At 31 March 2019 No. of shares	Exercise price Pence	Life remaining on options at 31 March 2019 Months
<b>Enterprise Management Incentive (EMI) Scheme</b>							
Exercise date:							
March 2009 – March 2019	500,000	–	–	–	500,000	10p	–
August 2010 – August 2020	2,184,156	–	–	–	2,184,156	10p	17
	2,684,156	–	–	–	2,684,156		

The weighted average exercise price of the EMI scheme at 31 March 2019 was 10p (2018: 10p). 2,499,956 options were available for exercise at 31 March 2019 (2018: 2,499,956).

	At 31 March 2018 No. of shares	Granted in year No. of shares	Exercised in year No. of shares	Lapsed in year No. of shares	At 31 March 2019 No. of shares	Exercise price Pence	Life remaining on options at 31 March 2019 Months
<b>Unapproved share options</b>							
September 2010 – September 2020	1,000,000	–	–	–	1,000,000	10p	18
September 2010 – September 2020	361,844	–	–	–	361,844	10p	18
June 2011 – June 2021	500,000	–	–	–	500,000	17.5p	27
March 2015 – March 2025	250,000	–	–	–	250,000	17p	72
April 2016 – April 2026	600,000	–	–	–	600,000	10p	84
January 2018 – January 2028	650,000	–	–	–	650,000	21.5p	106
	3,361,844	–	–	–	3,361,844		
<b>Total share options</b>	6,046,000	–	–	–	6,046,000		

The weighted average exercise price of the unapproved share options at 31 March 2019 was 13.9p (2018: 13.9p). 3,161,844 options were available for exercise at 31 March 2019 (2018: 3,361,844).

The market price of the Company's shares at 31 March 2019 was 19.00p (31 March 2018: 22.00p) and the range during the year was 17.50p to 38.00p (2018: 15.75p to 24.75p).

Options over 500,000 shares were issued in the first quarter of the following financial year.

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, £36,000 (2018: £40,000) 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 2019

## 8 Finance income and expense

	2019 £'000	2018 £'000
Other income	-	-
<b>Finance income</b>	<b>-</b>	<b>-</b>
Invoice discounting interest	176	169
Interest on short-term borrowing	25	51
Interest on hire purchase agreements and finance leases	8	6
<b>Finance expense</b>	<b>209</b>	<b>226</b>

## 9 Taxation on loss on ordinary activities

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

	2019 £'000	2018 £'000
UK corporation tax	30	39
Overseas taxes	36	8
Adjustments in respect of prior years	-	(26)
Current tax charge for the year	66	21
Deferred taxation (note 19)	-	(91)
<b>Tax on profit/(loss) on ordinary activities</b>	<b>66</b>	<b>(70)</b>

The tax assessed is different to the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained as follows:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	950	606
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	181	115
Effect of:		
Movement in unprovided deferred tax asset	(96)	(85)
Overseas tax charge	36	8
Deduction for R&D	(64)	(20)
Adjustments in respect of prior years	-	(5)
Deferred tax regarding intangibles	(5)	-
Deferred tax on share-based payment charge	36	(99)
Other differences	(22)	16
	<b>66</b>	<b>(70)</b>

At 31 March 2019 the Group had tax losses of £558,000 (2018: £592,000) 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 2019		
	Profit £'000	Weighted average number of shares Number '000	Earnings per share Pence
<b>Basic earnings per share</b>	<b>884</b>	<b>33,795</b>	<b>2.62</b>
Dilutive shares	–	3,248	–
<b>Diluted earnings per share</b>	<b>884</b>	<b>37,043</b>	<b>2.39</b>

	31 March 2018		
	Profit £'000	Weighted average number of shares Number '000	Earnings per share 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>

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

	31 March 2019		
	Profit £'000	Weighted average number of shares Number '000	Earnings per share Pence
<b>Basic earnings per share</b>	<b>884</b>	<b>33,795</b>	<b>2.62</b>
Amortisation of intangible asset	102		
Share-based payment charge	36		
<b>Adjusted earnings per share</b>	<b>1,022</b>	<b>33,795</b>	<b>3.02</b>
Dilutive shares	–	3,248	–
<b>Diluted adjusted earnings per share</b>	<b>1,022</b>	<b>37,043</b>	<b>2.76</b>

	31 March 2018		
	Profit £'000	Weighted average number of shares Number '000	Earnings per share 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 asset	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>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 11 Goodwill

	Total £'000
<b>Cost</b>	
At 31 March 2017, 31 March 2018 and 31 March 2019	391
<b>Impairment</b>	
At 31 March 2017, 31 March 2018 and 31 March 2019	-
<b>Net book value</b>	
At 31 March 2017	391
At 31 March 2018	391
<b>At 31 March 2019</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 2018	563	450	312	1,325
Additions	278	-	-	278
<b>At 31 March 2019</b>	<b>841</b>	<b>450</b>	<b>312</b>	<b>1,603</b>
<b>Amortisation</b>				
At 1 April 2018	(481)	(322)	(312)	(1,115)
Charge for the year	(57)	(30)	-	(87)
<b>At 31 March 2018</b>	<b>(538)</b>	<b>(352)</b>	<b>(312)</b>	<b>(1,202)</b>
<b>Net book value</b>				
At 31 March 2017	227	158	-	385
At 31 March 2018	82	128	-	210
<b>At 31 March 2019</b>	<b>303</b>	<b>98</b>	<b>-</b>	<b>401</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 four years. The product development costs have, on average, a remaining useful economic life of three years.

## 13 Property, plant and equipment

	Land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
At 1 April 2017	1,680	8,275	43	9,998
Additions	-	828	-	828
Foreign exchange revaluation	(183)	(98)	-	(281)
	1,497	9,005	43	10,545
At 1 April 2018				
Additions	2	746	-	748
Foreign exchange revaluation	115	55	-	170
<b>At 31 March 2019</b>	<b>1,614</b>	<b>9,806</b>	<b>43</b>	<b>11,463</b>
<b>Depreciation</b>				
At 1 April 2017	120	5,535	43	5,698
Charge for the year	37	485	-	522
	157	6,020	43	6,220
At 1 April 2018				
Charge for the year	37	538	-	575
<b>At 31 March 2019</b>	<b>194</b>	<b>6,558</b>	<b>43</b>	<b>6,795</b>
<b>Net book value</b>				
At 31 March 2017	1,560	2,740	-	4,300
At 31 March 2018	1,340	2,985	-	4,325
<b>At 31 March 2019</b>	<b>1,420</b>	<b>3,248</b>	<b>-</b>	<b>4,668</b>

The net book value of property, plant and equipment includes £348,000 (2018: £377,000) 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 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 2019	31 March 2018
Minguang-Tricorn Tubular Products Nanjing Limited	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 Limited 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 Limited is accounted for using the equity method in accordance with IFRS 11. Summarised financial information for Minguang-Tricorn Tubular Products Nanjing Limited is set out below:

	2019 £'000	2018 £'000
Non-current assets	458	555
Current assets (a)	1,739	1,576
<b>Total assets</b>	<b>2,197</b>	<b>2,131</b>
Current liabilities	486	860
<b>Total liabilities</b>	<b>486</b>	<b>860</b>
(a) Includes cash and cash equivalents	151	121

	2019 £'000	2018 £'000
Revenue	2,767	2,498
Profit for the year	282	209
Depreciation	(91)	(101)

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

	2019 £'000	2018 £'000
<b>Net assets</b>		
Brought forward at the beginning of the year	1,315	984
Total comprehensive profit	436	331
Carried forward at the end of the year	1,751	1,315
Proportion of ownership interest held by the Group	63%	63%
Interest in joint venture	1,103	829
Foreign exchange gain on translation of investment	24	24
Goodwill	64	64
<b>Carrying amount of the investment at the end of the financial year</b>	<b>1,191</b>	<b>917</b>

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

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

## 15 Subsidiaries

At 31 March 2019 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

	2019 £'000	2018 £'000
Raw materials	2,024	1,794
Work in progress	423	327
Finished goods	593	746
	<b>3,040</b>	<b>2,867</b>

In the year to 31 March 2019, a total of £8,427,759 of inventory (2018: £8,513,211) was included in the income statement as an expense.

## 17 Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	3,998	4,080
Impairment of trade receivables	(26)	(25)
	<b>3,972</b>	<b>4,055</b>
Amounts owed by related parties	262	219
Other receivables	122	262
Prepayments and accrued income	498	421
<b>Total</b>	<b>4,854</b>	<b>4,957</b>

At 31 March 2019, 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:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 17 Trade and other receivables (continued)

	2019 £'000	2018 £'000
Not more than one month	183	187
Not more than two months	-	-
Not more than three months	5	5
	188	192

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

	2019 £'000	2018 £'000
Cash and cash equivalents	493	692

Cash and cash equivalents consist of cash on hand and balances with banks only. At the year end £452,000 (2018: £615,000) of cash on hand and balances with banks were held by the subsidiary undertakings, however this balance is available for use by the Group.

## 19 Deferred taxation

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

	Assets		Liabilities	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Intangible assets	-	-	(20)	(25)
Accelerated capital allowances	-	-	(174)	(169)
Short-term timing differences	16	27	-	-
Losses	70	23	-	-
Share-based payment	83	119	-	-
	169	169	(194)	(194)

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

	Assets		Liabilities	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Balance brought forward	68	68	(184)	(184)
Group income statement movement arising during the year	101	101	(10)	(10)
Balance carried forward	169	169	(194)	(194)

As at 31 March 2019 the Group has unprovided deferred tax assets as follows:

	Unprovided 2019 £'000	Unprovided 2018 £'000
Trading losses	558	592

This deferred tax asset is not recognised due to uncertainty over its recoverability. At 31 March 2019 the Group had tax losses of £71,000 (2018: £71,000) to offset against future profits within the United Kingdom. Tax losses available to utilise outside of the UK at 31 March 2019 are £2,830,000 (2018: £2,538,000).

## 20 Trade and other payables

	2019 £'000	2018 £'000
Trade and other payables	2,889	2,975
Amounts owed by related parties	227	266
Other taxation and social security	427	374
Accruals	311	734
	<b>3,854</b>	<b>4,349</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

	2019 £'000	2018 £'000
<b>Current borrowings</b>		
Invoice discounting facility	3,605	3,437
Hire purchase agreements and finance lease liabilities (note 22)	70	85
	<b>3,675</b>	<b>3,522</b>
<b>Non-current borrowings</b>		
Hire purchase agreements and finance lease liabilities (note 22)	109	152
	<b>109</b>	<b>152</b>

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

	2019 £'000	2018 £'000
In one year or less or on demand		
Invoice discounting facility	3,605	3,437
Other short-term borrowing	-	-
	<b>3,605</b>	<b>3,437</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 2019</b>				
Payments	78	62	61	201
Discounting	(8)	(7)	(7)	(22)
	<b>70</b>	<b>55</b>	<b>54</b>	<b>179</b>
<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>

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 2019

## 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 (2018: £2,000) equity and reserves would reduce/increase by the same amount, and the interest charge would be £207,000/£211,000 (2018: £224,000/£228,000).

### Foreign currency risk

The Group transacts certain purchases and sales in foreign currencies. At 31 March 2019 there were no (2018: 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 2019 then Group profits would rise/fall by £102,000 at 31 March 2019 (2018: £133,000) 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 £135,000 at 31 March 2019 (2018: £177,000) and equity and reserves would increase/reduce by the same amount.

## 23 Financial instruments (continued)

### Financial assets and liabilities

The IFRS 9 categories of financial assets included in the statement of financial position and the headings in which they are included are as follows:

	2019 £'000	2018 £'000
Non-financial asset	498	421
Loans and other receivables at amortised cost	4,849	5,228
<b>Total assets</b>	<b>5,347</b>	<b>5,649</b>

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

	2019 £'000	2018 £'000
<b>Current assets</b>		
Trade and other receivables	4,356	4,536
Cash and cash equivalents	493	692
	<b>4,849</b>	<b>5,228</b>

The IFRS 9 categories of financial liabilities included in the statement of financial position and the headings in which they are included are as follows:

	2019 £'000	2018 £'000
Non-financial liability	427	374
Fair value of foreign exchange contracts	-	6
Financial liabilities measured at amortised cost	7,211	7,649
<b>Total liabilities</b>	<b>7,638</b>	<b>8,029</b>

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

	2019 £'000	2018 £'000
<b>Current liabilities</b>		
Trade and other payables	3,427	3,975
Borrowings	3,675	3,522
<b>Non-current liabilities</b>		
Borrowings	109	152
	<b>7,211</b>	<b>7,649</b>

All financial liabilities mature in less than one year, except for £0.055m (2018: £0.074m) which matures in one to two years and £0.054m (2018: £0.079m) which matures in two to five years.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 23 Financial instruments (continued)

### 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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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

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

There are no financial assets and one financial liability measured at fair value in the statement of financial position at 31 March 2019 (2018: none).

All financial liabilities are level 1.

## 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

	2019 £'000	2018 £'000
<b>Authorised</b>		
100,000,000 ordinary shares of 10 pence each	10,000	10,000
<b>Allotted and issued</b>		
2019: 33,795,000 (2018: 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 2019 or 31 March 2018.

## 27 Capital commitments

At 31 March 2019 the Group had capital commitments of £Nil (2018: £Nil).

## 28 Leasing commitments

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

	2019 Land and buildings £'000	2018 Land and buildings £'000	2019 Other £'000	2018 Other £'000
In one year or less	313	251	126	131
One to five years	1,216	600	87	190
Greater than five years	630	150	-	-
	<b>2,159</b>	<b>1,001</b>	<b>213</b>	<b>321</b>

## 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 (2018: £0.150m) during the year relating to this lease.

The Group also has a joint venture in China, Minguang-Tricorn Tubular Products Nanjing Limited. During the year the Group has made sales to the joint venture of £0.545m (2018: £0.375m) and purchases from the joint venture of £0.134m (2018: £0.410m). At the balance sheet date amounts held in trade and other receivables and owed to the Group by the joint venture amounted to £0.262m (2018: £0.219m), and amounts held in trade and other payables and owed by the Group to the joint venture amounted to £0.227m (2018: £0.266m).

## **TRICORN GROUP PLC**

### **COMPANY STATUTORY FINANCIAL STATEMENTS**

for the year ended 31 March 2019

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# COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	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 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
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>
Share-based payment charge	-	-	-	36	-	36
Total transactions with owners	-	-	-	36	-	36
Dividends from subsidiary companies	-	-	-	-	-	-
Loss and total comprehensive expense	-	-	-	-	(218)	(218)
<b>Balance at 31 March 2019</b>	<b>3,379</b>	<b>1,692</b>	<b>1,592</b>	<b>385</b>	<b>609</b>	<b>7,657</b>

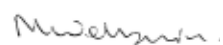
# COMPANY STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Tangible assets		3	2
Investments	7	6,814	6,814
		<b>6,817</b>	<b>6,816</b>
<b>Current assets</b>			
Debtors: amounts due within one year	8	4,086	4,232
Cash at bank and in hand		41	77
		<b>4,127</b>	<b>4,309</b>
<b>Creditors: amounts falling due within one year</b>	9	<b>(3,287)</b>	<b>(3,286)</b>
<b>Net current liabilities</b>		<b>840</b>	<b>1,023</b>
<b>Net assets</b>		<b>7,657</b>	<b>7,839</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		385	349
Merger reserve		1,592	1,592
Profit and loss account		609	827
<b>Equity shareholders' funds</b>		<b>7,657</b>	<b>7,839</b>

The financial statements were approved by the Board of Directors on 31 May 2019.

The Company's loss for the year was £218,000 (2018: loss of £283,000).



**M I Welburn**

Director

Company number: 1999619



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 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 presentation 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 2019

## 2 Accounting policies (continued)

### 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).

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 £218,000 (2018: Loss of £283,000).

The auditors' remuneration incurred by the Company during the year for audit services totalled £14,000 (2018: £14,000), and for tax compliance services totalled £2,000 (2018: £2,000).

#### 4 Directors' and employees' remuneration

Staff costs during the year were as follows:

	2019 £'000	2018 £'000
Wages and salaries	671	847
Social security costs	89	64
Other pension costs	27	18
	787	929

The average number of persons (including Directors) employed by the Company during the year was ten (2018: ten).

#### 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 2018 and 31 March 2019	9,729
<b>Impairment</b>	
At 1 April 2018	(2,915)
Charge	-
<b>At 31 March 2019</b>	<b>(2,915)</b>
<b>Net book value</b>	
<b>At 31 March 2019</b>	<b>6,814</b>
At 31 March 2018	6,814

At 31 March 2019 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. Dormant 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 2019

## 8 Debtors

	2019 £'000	2018 £'000
Amounts owed by subsidiary undertakings	3,802	4,011
Other debtors	242	193
Prepayments and accrued income	42	28
	4,086	4,232

## 9 Creditors: amounts due within one year

	2019 £'000	2018 £'000
Bank borrowings	201	332
Trade creditors	15	11
Amounts due to subsidiary undertakings	2,854	2,470
Other taxes and social security	28	24
Fair value of foreign exchange contracts	-	6
Accruals and deferred income	189	443
	3,287	3,286

Borrowings are repayable as follows:

	2019 £'000	2018 £'000
Within one year		
- bank borrowings	201	332
	201	332

## 10 Share capital

	2019 £'000	2018 £'000
<b>Authorised</b>		
100,000,000 ordinary shares of 10 pence each	10,000	10,000
<b>Allotted and issued</b>		
2019: 33,795,000 (2018: 33,795,000) ordinary shares of 10 pence each	3,379	3,379

All 10 pence 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 2019 is £3.117m (2018: £2.781m).

There were no further contingent liabilities at 31 March 2019 or 31 March 2018.

## 12 Capital commitments

There were no capital commitments at 31 March 2019 or at 31 March 2018.

## 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>	Shore Capital & Corporate Limited Cassini House 57-58 St. James's Street London SW1A 1LD
<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 Auditors and Chartered Accountants The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT



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