

Malvern Tubular Components Limited
Report and Accounts

31 March 1999

Registered No. 370553



Malvern Tubular Components Limited

DIRECTORS

R Allsop	(Chairman)
N Silverthorne	(Managing Director)
S J Allsop	
R Prime	(resigned 31 December 1998)
W E Benson	

SECRETARY

A McClean

AUDITORS

Ernst & Young
One Colmore Row
Birmingham
B3 2DB

BANKERS

Lloyds Bank plc
PO Box 44
125 Colmore Row
Birmingham
B3 3AD

SOLICITORS

Orme, Dykes & Yates
Bank Chambers
The Homend
Ledbury
Herefordshire
HR8 1AB

Messrs Halliwell Landau
St James's Court
Brown Street
Manchester
M2 2JF

REGISTERED OFFICE

Spring Lane
Malvern
Worcestershire
WR14 1DA

Malvern Tubular Components Limited

DIRECTORS' REPORT

The directors present their annual report and audited financial statements of the company for the year ended 31 March 1999.

PRINCIPAL ACTIVITY

The principal activity of the company continues to be the manufacture of tubular components. The stainless steel fittings division, Tubeflow Equipment, was disposed of during the year.

REVIEW OF THE BUSINESS

The company has continued to perform satisfactorily. Further details of the company's performance are given in the profit and loss account on page 6 and the notes on pages 8 to 10. The position of the company at the end of the year is set out in the balance sheet on page 7 and the notes on pages 11 to 15.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £65,062. The directors do not recommend a dividend. The retained profit of £65,062 has been transferred to reserves (1998: loss of £1,541,152).

FUTURE DEVELOPMENTS

The directors consider that the company is well placed to benefit from the investment in people and equipment which has been made in recent years.

DIRECTORS AND THEIR INTERESTS

The directors holding office during the year are shown on page 1. None of the directors has any interest in the share capital of the company.

Directors' interests in the share capital of the parent company, Tricorn Group plc, at 31 March 1999 are shown in that company's accounts.

CREDITOR PAYMENT POLICY

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 March 1999 the company had an average of 51 days purchases outstanding in third party trade creditors.

Malvern Tubular Components Limited

DIRECTORS' REPORT

YEAR 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and this will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

Action plans have been developed and implemented and are designed to address the key risks in advance of critical dates. We have also considered the impact on our business of Year 2000 related failures by our significant suppliers and customers.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and will deal promptly with significant subsequent failures or issues that might arise.

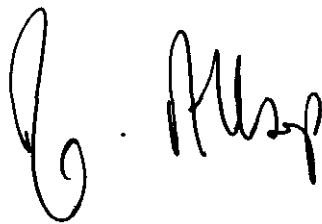
The cost of implementing the action plans has been and will be subsumed into the recurring activities of the departments involved.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board

R Allsop
Director



Dated

27th OCTOBER 1999.

Malvern Tubular Components Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ERNST & YOUNG

REPORT OF THE AUDITORS

To the members of Malvern Tubular Components Limited

We have audited the accounts on pages 6 to 15, which have been prepared under the historical cost convention as modified by the revaluation of the freehold land and buildings and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on these accounts and to report our opinion to you.

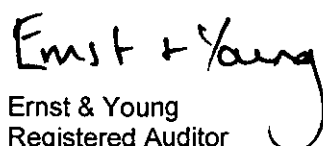
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor
Birmingham.

Dated 27 October 1999

Malvern Tubular Components Limited

PROFIT & LOSS ACCOUNT

for the year ended 31 March 1999

		Year ended 31 March 1999 £	Year ended 31 March 1998 £
TURNOVER	Notes 2	4,127,185	3,911,229
Cost of Sales		2,717,418	2,454,933
GROSS PROFIT		<u>1,409,767</u>	<u>1,456,296</u>
Distribution costs		90,229	84,330
Administrative Expenses		<u>1,168,208</u>	<u>993,783</u>
		151,330	378,183
Other Operating Income		-	47,755
OPERATING PROFIT	3	<u>151,330</u>	<u>425,938</u>
Interest Receivable		4,029	16,470
Interest Payable	6	(38,447)	(32,082)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		<u>116,912</u>	<u>410,326</u>
Tax on Profit on Ordinary Activities	7	51,850	163,282
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		<u>65,062</u>	<u>247,044</u>
Dividends	8	-	1,788,196
PROFIT RETAINED FOR THE FINANCIAL YEAR	18	<u>65,062</u>	<u>(1,541,152)</u>

There are no recognised gains or losses other than the profit retained for the year of £65,062 in the year ended 31 March 1999 and loss of £1,541,152 in the year ended 31 March 1998.

Malvern Tubular Components Limited

BALANCE SHEET

at 31 March 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible Assets	9	647,538	686,078
Investments	10	-	19,500
		<u>647,538</u>	<u>705,578</u>
CURRENT ASSETS			
Stocks	11	601,075	818,640
Debtors	12	799,882	2,109,449
Cash at Bank and in hand		645	630
		<u>1,401,602</u>	<u>2,928,719</u>
CREDITORS: amounts falling due within one year	13	1,556,284	3,224,474
NET CURRENT LIABILITIES		<u>(154,682)</u>	<u>(295,755)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>492,856</u>	<u>409,823</u>
CREDITORS: amounts falling due after more than one year			
Obligations under finance leases and hire purchase contracts	15	31,454	13,483
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred Taxation	16	35,000	35,000
		<u>426,402</u>	<u>361,340</u>
CAPITAL AND RESERVES			
Called up Share Capital	17	19,510	19,510
Profit and Loss Account		406,892	341,830
EQUITY SHAREHOLDERS' FUNDS	18	<u>426,402</u>	<u>361,340</u>

R.Allsop

Director

Dated

R. Allsop

27th October 1999.

Malvern Tubular Components Limited

NOTES TO THE ACCOUNTS

at 31 March 1999

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation

Depreciation is not provided on freehold land. On other assets it is provided in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Plant and machinery	-	10% per annum
Computer equipment	-	25% per annum (20% in previous years)
Fixtures, fitting and office equipment	-	20% per annum (10% in previous years)
Longlife tooling	-	33.3% per annum
Motor vehicles	-	20% per annum

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	-	purchase cost on a first-in, first-out basis.
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Pensions

The company operates a grouped defined contribution personal pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 (Related Party Disclosures) not to disclose related party transactions as its parent company (Tricorn Group plc) produces consolidated financial statements.

Malvern Tubular Components Limited
NOTES TO THE ACCOUNTS
at 31 March 1999

2. TURNOVER

Turnover, which is stated net of value added tax and trade discounts, is attributable to one continuing activity, that of the manufacture of tubular components and arises mainly within the U.K.

3. OPERATING PROFIT

Operating Profit after charging/(crediting):	Year ended 31 March 1999 £	Year ended 31 March 1998 £
Auditors remuneration - audit services	8,800	7,000
- non-audit services	4,141	2,500
Depreciation of tangible fixed assets:		
Owned assets	150,073	111,953
Assets held under finance leases and hire purchase contracts	17,495	46,878
Operating leases rentals - land & buildings	34,500	32,000
Profit on disposal of fixed assets	(844)	(8,572)
Net refund of pension surplus	-	(37,921)

4. DIRECTORS EMOLUMENTS

	Year ended 31 March 1999 £	Year ended 31 March 1998 £
Emoluments	150,809	111,510
Pension Contributions	3,028	3,458
Members of Money Purchase Pension Schemes	3	4

The company has been charged £125,000 (1998: £65,000) for the provision of general management services provided by employees of the holding company, Tricorn Group plc. Prior to takeover charges of £nil (1998: £21,000) were paid to Malvair Group plc.

Malvern Tubular Components Limited

NOTES TO THE ACCOUNTS

at 31 March 1999

5. STAFF COSTS

	Year ended 31 March 1999 £	Year ended 31 March 1998 £
Wages & Salaries	1,347,608	1,252,814
Social Security Costs	125,234	109,730
Other Pension Costs	22,943	19,615
	<u>1,495,785</u>	<u>1,382,159</u>

The average weekly number of employees during the year was made up as follows:

	1999 No.	1998 No.
Production	77	74
Sales, distribution and administration	21	23
	<u>98</u>	<u>97</u>

6. INTEREST PAYABLE

	Year ended 31 March 1999 £	Year ended 31 March 1998 £
Bank loans & overdrafts	29,507	22,810
Interest on finance leases and hire purchase contracts	8,857	9,272
Other interest charges	83	-
	<u>38,447</u>	<u>32,082</u>

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	Year ended 31 March 1999 £	Year ended 31 March 1998 £
Based on the profit for the year:		
Corporation tax at 31%(1998:31%)	-	78,100
Amount payable in respect of tax saved by group relief	51,850	57,000
Adjustment to prior year provision	-	(6,818)
Deferred Tax (Note 16)	-	35,000
	<u>51,850</u>	<u>163,282</u>

8. DIVIDENDS

	Year ended 31 March 1999 £	Year ended 31 March 1998 £
Dividends on ordinary shares:		
Final proposed	-	1,788,196

Malvern Tubular Components Limited

NOTES TO THE ACCOUNTS

at 31 March 1999

9. TANGIBLE FIXED ASSETS

	Plant and fixtures £	Motor Vehicles £	Total £
Cost			
At 1 April 1998	1,608,715	147,725	1,756,440
Additions	120,222	37,345	157,567
Transfers from parent	15,118	-	15,118
Disposals	(1,200)	(36,686)	(37,886)
Transfers to parent	-	(60,358)	(60,358)
At 31 March 1999	<u>1,742,855</u>	<u>88,026</u>	<u>1,830,881</u>
Accumulated depreciation			
At 1 April 1998	1,008,968	61,394	1,070,362
Charge for the Year	141,807	25,761	167,568
Disposals	(352)	(23,051)	(23,403)
Transfers to parent	-	(31,184)	(31,184)
At 31 March 1999	<u>1,150,423</u>	<u>32,920</u>	<u>1,183,343</u>
Net Book Value			
At 31 March 1999	<u>592,432</u>	<u>55,106</u>	<u>647,538</u>
At 31 March 1998	<u>599,747</u>	<u>86,331</u>	<u>686,078</u>

The net book value of fixed assets includes £109,596 (1998: £184,273) in respect of assets held under finance leases and hire purchase contracts

10. INVESTMENTS

	Unlisted Investments £
Cost at 1 April 1998 and at 31 March 1999	<u>19,500</u>
Amounts provided	
At 1 April 1998	-
Provided in the year	<u>19,500</u>
At 31 March 1999	<u>19,500</u>
Net book value	
At 31 March 1999	<u>-</u>
At 1 April 1998	<u>19,500</u>

Malvern Tubular Components Limited

NOTES TO THE ACCOUNTS

at 31 March 1999

11. STOCKS

	1999	1998
	£	£
Raw Materials	261,443	271,618
WIP	184,465	148,751
Finished Goods	155,167	398,271
	<u>601,075</u>	<u>818,640</u>

The difference between the purchase price or production cost of stocks and their replacement cost is not material.

12. DEBTORS

	1999	1998
	£	£
Trade Debtors	591,152	949,288
Amounts owed by ultimate parent undertaking	79,077	1,086,210
Amounts owed by fellow subsidiary undertaking	638	-
Amounts owed by related undertaking	820	26,409
Other Debtors	68,364	1,130
Prepayments & Accrued Income	59,831	46,412
	<u>799,882</u>	<u>2,109,449</u>

13. CREDITORS: amounts falling due within one year

	1999	1998
	£	£
Bank loans (note 14)	-	14,183
Bank overdraft	280,795	363,550
Trade Creditors	289,532	574,432
Obligations under finance leases and hire purchase contracts	34,233	57,077
Corporation Tax	5,305	78,100
Amounts owed to ultimate parent undertaking	17,967	-
Amounts owed to parent undertaking	670,000	-
Amounts owed to related undertaking	-	31,919
Group relief payable	51,850	57,000
Other taxes and Social Security	100,782	145,500
Other creditors	33,447	17,517
Dividend proposed	-	1,788,196
Accruals and deferred income	72,373	97,000
	<u>1,556,284</u>	<u>3,224,474</u>

Malvern Tubular Components Limited
NOTES TO THE ACCOUNTS
at 31 March 1999

14. BANK LOANS

	1999 £	1998 £
Wholly repayable within five years: Bank Loans	<u>-</u>	<u>14,183</u>
Amounts repayable by instalments: Within one year	<u>-</u>	<u>14,183</u>

15. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	1999 £	1998 £
Amounts payable:		
within one year	36,221	64,360
within two and five years	<u>38,084</u>	<u>15,103</u>
	74,305	79,463
Less: finance charges allocated to future periods	8,618	8,903
	<u>65,687</u>	<u>70,560</u>
	1999 £	1998 £

Finance leases and hire purchase contracts are analysed as follows:

Current Obligations (note 13)	34,233	57,077
Non-Current Obligations	<u>31,454</u>	<u>13,483</u>
	<u>65,687</u>	<u>70,560</u>

Finance lease creditors are secured on the assets to which they relate.

Malvern Tubular Components Limited

NOTES TO THE ACCOUNTS

at 31 March 1999

16. PROVISIONS FOR LIABILITIES AND CHARGES

The movement in deferred taxation during the current and previous periods are as follows:

	1999 £	1998 £
At 1 April	35,000	-
Charge for the period (Note 7)	-	35,000
At 31 March	<u>35,000</u>	<u>35,000</u>

The amounts of deferred taxation provided and unprovided in the accounts are:

	1999		1998	
	Provided	Unprovided	Provided £	Unprovided £
Capital allowances in advance of depreciation	35,000	38,911	35,000	37,655
	<u>35,000</u>	<u>38,911</u>	<u>35,000</u>	<u>37,655</u>

17. SHARE CAPITAL

	1999 £	1998 £
Authorised 20,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Allotted, called up, and fully paid 19,510 ordinary shares of £1 each	<u>19,510</u>	<u>19,510</u>

Malvern Tubular Components Limited

NOTES TO THE ACCOUNTS

at 31 March 1999

18. RECONCILIATION OF SHAREHOLDERS FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Revaluation reserve £	Profit and loss account £	Total shareholders funds £
At 1 April 1997	19,510	791,045	1,091,937	1,902,492
Profit for the year	-	-	247,044	247,044
Transfer of excess depreciation	-	(791,045)	791,045	-
Dividends	-	-	(1,788,196)	(1,788,196)
At 31 March 1998	19,510	-	341,830	361,340
Profit for the year	-	-	65,062	65,062
At 31 March 1999	19,510	-	406,892	426,402

19. OTHER FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	Land & buildings	
	1999	1998
	£	£
Operating leases which expire:		
In two to five years	34,500	-
In over five years	-	32,000
	<u>34,500</u>	<u>32,000</u>

The company had the following commitments for capital expenditure that are not provided for:

	1999	1998
	£	£
Contracted	<u>-</u>	<u>14,728</u>

20. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is Tricorn Group PLC, a company incorporated in England and Wales. This is the largest and smallest group of which the company is a member and for which group accounts are prepared. Copies of the group accounts can be obtained from Tricorn House, Five Ways, Hagley Road, Birmingham B16 8TP. The company's immediate parent undertaking is MTC Holdings Limited, a company incorporated in England and Wales.