

# Financial Statements

## Malvern Tubular Components Limited

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**For the year ended 31 March 2012**

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COMPANIES HOUSE

**Registered number: 00370553**

## Company Information

**Company number** 00370553

**Registered office** Spring Lane  
Malvern Link  
Malvern  
Worcestershire  
WR14 1DA

**Directors** P Lee  
D Edwards  
M Welburn

**Company secretary** P Lee

**Bankers** Bank of Scotland  
125 Colmore Row  
Birmingham  
B3 3SF

**Solicitors** Orme, Dyke & Yates  
National Westminster Bank Chambers  
The Homend  
Ledbury  
HR8 1AB

**Auditor** Grant Thornton UK LLP  
Chartered Accountants & Statutory Auditor  
Colmore Plaza  
20 Colmore Circus  
Birmingham  
West Midlands  
B4 6AT

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# Directors' Report

For the year ended 31 March 2012

The directors present their report and the financial statements for the year ended 31 March 2012

## **Principal activities**

The principal activity of the company during the year was the manufacture of tubular components

## **Business review**

The company continues to make excellent progress year on year, with sales increasing by 11.5% to £9,805,225 (2011 £8,792,257) and profit after tax by 100% to £843,156 (2011 £422,339)

The business continues to grow its existing customer base by developing closer and more collaborative relationships. At the same time the investment in extending capabilities in bending and design is enabling new business to be won with new customers which bodes well for the future.

At 31 March 2012, the company acquired the trade and assets of Redman Fittings Limited, a fellow group undertaking of Tricorn Group plc, for £239,529 representing the net book value of all assets and liabilities. From that date, Malvern Tubular Components Limited will undertake the trade of Redman Fittings Limited.

## **Results and dividends**

The profit for the year, after taxation, amounted to £843,156 (2011 - £422,339)

The directors have not declared a dividend for the year (2011 no dividend)

## **Directors**

The directors who served during the year were

P Lee  
D Edwards  
M Welburn

## **Financial instruments**

The company's principal financial instruments comprise an invoice discounting facility, hire purchase agreements and cash. The main purpose of these financial instruments is to raise finance for the group's operations. The company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The company does not enter into derivative transactions.

It is, and has been throughout the year under review, the company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the company's financial instruments are interest rate risk, foreign currency risk, commodity price risk, credit risk, and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

### **Interest rate risk**

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

# Directors' Report

For the year ended 31 March 2012

## Foreign currency risk

The company operates substantially within the United Kingdom although it does make some purchases from abroad. The company does not hedge any foreign exchange transactions. Foreign exchange differences on retranslation of foreign currency assets and liabilities are taken to the profit and loss account of the company.

## Commodity price risk

The company'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 manufacturing costs are explored constantly.

## Credit risk

The company trades with only recognised, creditworthy third parties. It is company 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 company's exposure to bad debts is not significant.

## Liquidity risk

The objective of the company is to maintain a balance between continuity of funding and flexibility through the use of cash, an invoice discounting facility and hire purchase agreements.

## Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## Directors' Report

For the year ended 31 March 2012

### **Provision of information to auditor**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

### **Auditor**

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board on 26 September 2012 and signed on its behalf



M. P. LEE  
Director

## Independent Auditor's Report to the Members of Malvern Tubular Components Limited

We have audited the financial statements of Malvern Tubular Components Limited for the year ended 31 March 2012, which comprise the Profit and loss account, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' responsibilities statement on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



## Independent Auditor's Report to the Members of Malvern Tubular Components Limited

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

*Grant Thornton UK LLP*

David Munton (Senior statutory auditor)

for and on behalf of

**Grant Thornton UK LLP**

Chartered Accountants

Statutory Auditor

Birmingham

26 September 2012



## Profit and Loss Account

For the year ended 31 March 2012

	Note	2012 £	2011 £
<b>Turnover</b>	2	9,805,225	8,792,257
Cost of sales		<u>(5,751,741)</u>	<u>(4,958,145)</u>
<b>Gross profit</b>		4,053,484	3,834,112
Distribution costs		(789,121)	(824,162)
Administrative expenses		<u>(2,248,390)</u>	<u>(2,365,108)</u>
<b>Operating profit</b>	3	1,015,973	644,842
Interest receivable and similar income		-	400
Interest payable and similar charges	5	<u>(64,531)</u>	<u>(58,218)</u>
<b>Profit on ordinary activities before taxation</b>		951,442	587,024
Tax on profit on ordinary activities	6	<u>(108,286)</u>	<u>(164,685)</u>
<b>Profit for the financial year</b>	14	<u><u>843,156</u></u>	<u><u>422,339</u></u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account


The notes on pages 8 to 15 form part of these financial statements

## Balance Sheet

As at 31 March 2012

	Note	£	2012 £	£	2011 £
<b>Fixed assets</b>					
Tangible assets	7		848,986		478,911
<b>Current assets</b>					
Stocks	8	1,185,034		1,341,457	
Debtors	9	3,085,088		2,800,530	
Cash at bank		173,460		224,162	
		<u>4,443,582</u>		<u>4,366,149</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(2,946,031)</u>		<u>(3,498,585)</u>	
<b>Net current assets</b>			<u>1,497,551</u>		<u>867,564</u>
<b>Total assets less current liabilities</b>			<u>2,346,537</u>		<u>1,346,475</u>
<b>Creditors: amounts falling due after more than one year</b>	11		(137,351)		(534)
<b>Provisions for liabilities</b>					
Deferred tax	12		<u>(36,284)</u>		<u>(16,195)</u>
<b>Net assets</b>			<u><u>2,172,902</u></u>		<u><u>1,329,746</u></u>
<b>Capital and reserves</b>					
Called up share capital	13		19,510		19,510
Profit and loss account	14		<u>2,153,392</u>		<u>1,310,236</u>
<b>Shareholders' funds</b>	15		<u><u>2,172,902</u></u>		<u><u>1,329,746</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 September 2012

 MR P LEE

Director

The notes on pages 8 to 15 form part of these financial statements

# Notes to the Financial Statements

For the year ended 31 March 2012

## 1. Accounting Policies

### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

### 1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1

### 1.3 Turnover

Turnover is the total amount receivable by the company recognised on delivery of goods supplied and the date when services are provided, excluding VAT and trade discounts

### 1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Plant & machinery	- 10% - 33% straight line
Motor vehicles	- 20% straight line

A review for impairment of fixed assets is carried out where events or changes in circumstances indicate that the carrying amount of those fixed assets may not be recoverable

### 1.5 Leasing

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

### 1.6 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

# Notes to the Financial Statements

For the year ended 31 March 2012

## 1. Accounting Policies (continued)

### 1.7 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks

Cost includes all direct costs and an appropriate proportion of fixed and variable overheads. No element of profit is included in the valuation of work in progress

### 1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

### 1.9 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

### 1.10 Financial instruments

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

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

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity. Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Interest payable/receivable is accrued and charged/credited to the profit and loss account in the year to which it relates

# Notes to the Financial Statements

For the year ended 31 March 2012

## 2. Turnover

The whole of the turnover is attributable to one principal activity of the company

All turnover arose within the United Kingdom

## 3. Operating profit

The operating profit is stated after charging

	2012 £	2011 £
Depreciation of tangible fixed assets		
- owned by the company	117,963	105,103
- held under finance leases	7,584	21,553
Auditors' remuneration	12,000	11,500
Auditors' remuneration - non-audit	2,700	2,500
Operating lease rentals		
- plant and machinery	13,162	20,316
- other operating leases	193,000	193,000
	<u>193,000</u>	<u>193,000</u>

During the year, no director received any emoluments (2011 - £NIL) from the company

## 4. Staff costs

Staff costs were as follows

	2012 £	2011 £
Wages and salaries	2,390,169	1,932,822
Social security costs	216,903	181,631
Other pension costs	9,341	19,746
	<u>2,616,413</u>	<u>2,134,199</u>

The average monthly number of employees, including the directors, during the year was as follows

	2012 No.	2011 No.
Production staff	116	96
Sales staff	1	1
Administrative staff	5	4
	<u>122</u>	<u>101</u>

# Notes to the Financial Statements

For the year ended 31 March 2012

## 5. Interest payable

	2012 £	2011 £
On finance leases and hire purchase contracts	6,434	2,334
On loans from group undertakings	39,294	34,800
Other interest payable	18,803	21,084
	<u>64,531</u>	<u>58,218</u>

## 6. Taxation

	2012 £	2011 £
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	133,451	171,257
Adjustments in respect of prior periods	(51,211)	-
<b>Total current tax</b>	<u>82,240</u>	<u>171,257</u>
<b>Deferred tax</b> (see note 12)		
Origination and reversal of timing differences	26,046	(6,572)
<b>Tax on profit on ordinary activities</b>	<u>108,286</u>	<u>164,685</u>

### Factors affecting tax charge for the year

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 26% (2011 - 28%). The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	<u>951,442</u>	<u>587,024</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011 - 28%)	247,375	164,367
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	922	918
Capital allowances for year in excess of depreciation	(22,376)	(1,588)
Adjustments to tax charge in respect of prior periods	(88,800)	-
Short term timing difference leading to an increase (decrease) in taxation	(3,670)	7,560
Group relief	(51,211)	-
<b>Current tax charge for the year</b> (see note above)	<u>82,240</u>	<u>171,257</u>

# Notes to the Financial Statements

For the year ended 31 March 2012

## 7. Tangible fixed assets

	Plant & machinery £	Motor vehicles £	Office equipment £	Total £
<b>Cost</b>				
At 1 April 2011	3,223,856	11,800	-	3,235,656
Additions	416,118	-	-	416,118
Transfers intra group	76,014	-	4,642	80,656
Disposals	(8,648)	-	-	(8,648)
At 31 March 2012	<u>3,707,340</u>	<u>11,800</u>	<u>4,642</u>	<u>3,723,782</u>
<b>Depreciation</b>				
At 1 April 2011	2,744,945	11,800	-	2,756,745
Charge for the year	125,547	-	-	125,547
On disposals	(7,496)	-	-	(7,496)
At 31 March 2012	<u>2,862,996</u>	<u>11,800</u>	<u>-</u>	<u>2,874,796</u>
<b>Net book value</b>				
At 31 March 2012	<u>844,344</u>	<u>-</u>	<u>4,642</u>	<u>848,986</u>
At 31 March 2011	<u>478,911</u>	<u>-</u>	<u>-</u>	<u>478,911</u>

Included within the net book value of £848,986 (2011 £478,911) is £174,441 (2011 £83,078) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £7,584 (2011 £21,553).

## 8. Stocks

	2012 £	2011 £
Raw materials	993,884	971,762
Work in progress	127,289	99,095
Finished goods and goods for resale	63,861	270,600
	<u>1,185,034</u>	<u>1,341,457</u>

# Notes to the Financial Statements

For the year ended 31 March 2012

## 9. Debtors

	2012	2011
	£	£
Trade debtors	2,212,012	1,805,335
Amounts owed by group undertakings	710,480	690,791
Other debtors	58,042	237,047
Prepayments and accrued income	104,554	67,357
	<u>3,085,088</u>	<u>2,800,530</u>

## 10. Creditors:

### Amounts falling due within one year

	2012	2011
	£	£
Invoice discounting facility	622,192	611,588
Net obligations under hire purchase contracts	46,652	6,719
Trade creditors	903,483	714,871
Amounts owed to group undertakings	652,698	1,342,179
Corporation tax	169,537	171,307
Social security and other taxes	228,720	170,753
Other creditors	35,230	27,687
Accruals and deferred income	287,519	453,481
	<u>2,946,031</u>	<u>3,498,585</u>

The invoice discounting facility is secured by a fixed charge over the trade debtors to which it relates

## 11. Creditors:

### Amounts falling due after more than one year

	2012	2011
	£	£
Net obligations under hire purchase contracts	<u>137,351</u>	<u>534</u>

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	2012	2011
	£	£
Between one and five years	<u>137,351</u>	<u>534</u>

The finance leases are secured by a fixed charge over the assets to which they relate



# Notes to the Financial Statements

For the year ended 31 March 2012

## 12. Deferred taxation

	2012 £	2011 £
At beginning of year	16,195	22,767
Charge for/(released during) year	26,046	(6,572)
Trade and asset transfer from Redman Fittings Limited	(5,957)	-
At end of year	<u>36,284</u>	<u>16,195</u>

The provision for deferred taxation is made up as follows

	2012 £	2011 £
Excess of taxation allowances over depreciation on fixed assets	64,893	23,822
Other timing differences	(28,609)	(7,627)
	<u>36,284</u>	<u>16,195</u>

## 13. Share capital

	2012 £	2011 £
Allotted, called up and fully paid		
19,510 Ordinary shares of £1 each	<u>19,510</u>	<u>19,510</u>

## 14. Reserves

	Profit and loss account £
At 1 April 2011	1,310,236
Profit for the year	843,156
At 31 March 2012	<u>2,153,392</u>

## 15. Reconciliation of movement in shareholders' funds

	2012 £	2011 £
Opening shareholders' funds	1,329,746	907,407
Profit for the year	843,156	422,339
Closing shareholders' funds	<u>2,172,902</u>	<u>1,329,746</u>

# Notes to the Financial Statements

For the year ended 31 March 2012

## 16. Contingent liabilities

The directors have confirmed that there were no contingent liabilities which should be disclosed at 31 March 2012 or 31 March 2011

## 17. Capital commitments

The directors have confirmed that there were no capital commitments at 31 March 2012 (31 March 2011 £277,000)

## 18. Operating lease commitments

At 31 March 2012 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings			Other
	2012	2011	2012	2011
	£	£	£	£
Expiry date:				
Within 1 year	-	-	6,554	-
Between 1 and 5 years	37,000	37,000	17,554	16,742
After more than 5 years	168,000	168,000	9,828	-
Total	<u>205,000</u>	<u>205,000</u>	<u>33,936</u>	<u>16,742</u>

## 19. Related party transactions

As a wholly owned subsidiary of Tricorn Group plc, the company is exempt from the requirements of Financial Reporting Standard 8 to disclose transactions within the group headed by that company

## 20. Trade and assets acquisition

On the 31 March 2012 the company acquired the trade and assets of its fellow subsidiary undertaking Redman Fittings Limited at net book value of £239,529. The transaction was settled via an intercompany loan account.

## 21. Ultimate parent undertaking and controlling party

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 Spring Lane, Malvern, Worcestershire, WR14 1DA. The company's immediate parent undertaking is MTC Holdings Limited, a company incorporated in England and Wales.