Grant Thornton

Financial statements Malvern Tubular Components Limited

For the Year Ended 31 March 2010

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COMPANIES HOUSE

Company No. 00370553

Company information

Company registration number	00370553
Registered office	Spring Lane Malvern Link Malvern Worcester WR14 1DA
Directors	A F McClean P Lee D Edwards M Welburn
Secretary	M Greensmith
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 Registered Auditor Enterprise House 115 Edmund Street Birmingham B3 2HJ

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 March 2010

Principal activities and business review

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

The challenging market conditions experienced during the year resulted in the business delivering a loss after taxation of £6,194 on turnover of £4,849,530 (down 42% on 2009) The business made some selective investments in its product furnishing capabilities allowing it to secure additional business throughout the second half of this year and beyond

Results and dividends

The loss for the year, after taxation, amounted to £6,194 (2009 profit £409,310)

Particulars of dividends paid are detailed in note 8 to the financial statements

Financial risk management objectives and policies

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 period 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 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

Foreign currency risk

The company operates substantially within the United Kingdom however it does make purchases from abroad The company does not hedge any transactions, and 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

Report of the directors (continued)

Liquidity risk

The company's objective 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

The directors who served the company during the year were as follows

R Allsop (Resigned 31 March 2010)
N Silverthorne (Resigned 31 March 2010)
A F McClean
M I Welburn (Appointed 31 March 2010)
D Edwards (Appointed 31 March 2010)
P Lee (Appointed 31 March 2010)

Directors' responsibilities

The directors are responsible for preparing 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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The financial statements are required by law to 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
- 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 disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as each of the directors is aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Report of the directors (continued)

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006

BY ORDER OF THE BOARD

M Greensmith
Secretary
9 June 2010

Company no 00370553

Grant Thornton

Report of the independent auditor 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 2010 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 24 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 auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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 (APB's) Ethical Standards for Auditors

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

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 2010 and of its loss 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Report of the independent auditor to the members of Malvern Tubular Components Limited (continued)

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

Mark Taylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Birmingham
9 June 2010

Principal accounting policies

Basis of accounting

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

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 from including a cash flow statement in the financial statements on the grounds that the company is consolidated within Tricorn Group plc's financial statements

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

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

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

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity Provision is made for any foreseeable losses where appropriate No element of profit is included in the valuation of work in progress

Hire purchase agreements

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

Operating lease agreements

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

Pension costs

The company operates a defined contribution pension scheme for employees The assets of the scheme are held separately from those of the company The annual contributions payable are charged to the profit and loss account

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction Exchange differences are taken into account in arriving at the operating profit

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

Profit and loss account

	Note	2010 £	2009 £
Turnover	1	**4,848,530**	8,427,965
Cost of sales		**2,658,366**	4,354,895
Gross profit		**2,190,164**	4,073,070
Other operating charges	2	**2,138,900**	3,429,262
Operating profit	3	**51,264**	643,808
Interest receivable		**7**	1,135
Interest payable and similar charges	6	**(46,199)**	(90,646)
Profit on ordinary activities before taxation		**5,072**	554,297
Tax on profit on ordinary activities	7	**11,266**	144,987
(Loss)/profit for the financial year	19	**(6,194)**	409,310

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

Balance sheet

	Note	2010 £	2009 £
Fixed assets			
Tangible assets	9	**428,091**	512,347
Current assets			
Stocks	10	**1,365,337**	1,882,646
Debtors	11	**1,933,112**	1,744,030
Cash at bank and in hand		**143,156**	96,984
		3,441,605	3,723,660
Creditors: amounts falling due within one year	12	**2,932,259**	2,996,721
Net current assets		**509,346**	726,939
Total assets less current liabilities		**937,437**	1,239,286
Creditors: amounts falling due after more than one year	13	**7,263**	43,333
		930,174	1,195,953
Provisions for liabilities			
Deferred taxation	15	**22,767**	32,352
		907,407	1,163,601
Capital and reserves			
Called-up equity share capital	18	**19,510**	19,510
Profit and loss account	19	**887,897**	1,144,091
Shareholders' funds	20	**907,407**	1,163,601

These financial statements were approved by the directors on 9 June 2010 and are signed on their behalf by

Director

M I WELBURN

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company
An analysis of turnover is given below

	2010	2009
	£	£
United Kingdom	**4,848,530**	8,427,965

2 Other operating charges

	2010	2009
	£	£
Distribution costs	**434,664**	679,161
Administrative expenses	**1,704,236**	2,750,101
	2,138,900	3,429,262

3 Operating profit

Operating profit is stated after charging

	2010	2009
	£	£
Depreciation of owned fixed assets	**128,695**	136,317
Depreciation of assets held under hire purchase agreements	**21,563**	19,215
Auditor's remuneration		
Audit fees	**10,000**	10,000
Taxation fees	**2,200**	2,200
Operating lease costs		
Plant and equipment	**53,742**	61,944
Property	**162,000**	168,000

4 Directors and employees

The average number of persons employed by the company during the financial year, including the directors, amounted to 71 (2009 - 108)

The aggregate payroll costs of the above were

	2010	2009
	£	£
Wages and salaries	**1,125,682**	2,034,175
Social security costs	**111,990**	175,327
Other pension costs	**29,789**	28,855
	1,267,461	2,238,357

5 Directors

Remuneration in respect of directors was as follows

	2010	2009
	£	£
Emoluments receivable	**50,949**	177,676
Value of company pension contributions to money purchase schemes	**3,188**	10,530
Compensation for loss of office	**-**	20,139
	54,137	208,345

The number of directors who accrued benefits under company pension schemes was as follows

	2010	2009
	No	No
Money purchase schemes	**1**	3

6 Interest payable and similar charges

	2010 £	2009 £
Interest payable on invoice discounting facility	**5,935**	26,337
Finance charges	**5,264**	6,829
Interest payable to group undertakings	**35,000**	57,480
	46,199	90,646

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2010 £	2009 £
Current tax		
In respect of the year		
UK corporation tax based on the results for the year at 28% (2009 - 28%)	**-**	180,785
Prior period adjustment	**20,851**	(21,771)
Total current tax	**20,851**	159,014
Deferred tax		
Origination and reversal of timing differences	**(9,585)**	(14,027)
Tax on profit on ordinary activities	**11,266**	144,987

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is different to the standard rate of corporation tax in the UK of 28% (2009 - 28%)

	2010 £	2009 £
Profit on ordinary activities before taxation	**5,072**	554,297
Profit on ordinary activities by rate of tax	**1,420**	155,203
Adjustment to tax charge in respect of prior period	**20,851**	(21,771)
Expenses not deductible for tax purposes	**5,405**	11,489
Capital allowances below depreciation	**11,184**	14,166
Short term timing differences	**(21,156)**	(73)
Group relief claimed	**3,147**	-
Total current tax (note 7(a))	**20,851**	159,014

8 Dividends

Dividends on shares classed as equity

	2010	2009
	£	£
Paid during the year		
Equity dividends on ordinary shares	**250,000**	-

9 Tangible fixed assets

	Plant & machinery	Motor vehicles	Total
	£	£	£
Cost			
At 1 April 2009	2,980,374	39,550	3,019,924
Additions	66,002	-	66,002
At 31 March 2010	3,046,376	39,550	3,085,926
Depreciation			
At 1 April 2009	2,468,027	39,550	2,507,577
Charge for the year	150,258	-	150,258
At 31 March 2010	2,618,285	39,550	2,657,835
Net book value			
At 31 March 2010	**428,091**	-	**428,091**
At 31 March 2009	512,347	-	512,347

Included within the net book value of £428,091 (2009 £512,347) is £104,631 (2009 £126,184) 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 £21,563 (2009 £19,215)

10 Stocks

	2010	2009
	£	£
Raw materials	**1,033,948**	1,605,178
Work in progress	**78,691**	102,882
Finished goods	**252,698**	174,586
	1,365,337	1,882,646

11 Debtors

	2010	2009
	£	£
Trade debtors	**1,210,220**	1,131,747
Amounts owed by group undertakings	**579,406**	488,051
Other debtors	**102,750**	72,619
Prepayments and accrued income	**40,736**	51,613
	1,933,112	1,744,030

12 Creditors: amounts falling due within one year

	2010	2009
	£	£
Invoice discounting facility	**553,617**	142,496
Trade creditors	**422,650**	410,065
Amounts owed to group undertakings	**1,504,499**	1,779,628
Corporation tax	**19,707**	180,785
Other taxation and social security	**165,078**	122,130
Amounts due under hire purchase agreements	**17,260**	32,311
Other creditors	**22,396**	17,339
Accruals and deferred income	**227,052**	311,967
	2,932,259	2,996,721

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

13 Creditors: amounts falling due after more than one year

	2010	2009
	£	£
Amounts owed to group undertakings	**7,263**	18,810
Amounts due under hire purchase agreements	**-**	24,523
	7,263	43,333

14 Commitments hire purchase agreements

Future commitments under hire purchase agreements are as follows

	2010	2009
	£	£
Amounts payable within 1 year	**17,260**	32,311
Amounts payable between 2 to 5 years	**7,263**	24,523
	24,523	56,834

The hire purchase agreements are secured against the assets to which they relate

15 Deferred taxation

The movement in the deferred taxation provision during the year was

	2010	2009
	£	£
Provision brought forward	32,352	46,379
Profit and loss account movement arising during the year	(9,585)	(14,027)
Provision carried forward	22,767	32,352

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2010	2009
	£	£
Excess of taxation allowances over depreciation on fixed assets	23,116	35,024
Other timing differences	(349)	(2,672)
	22,767	32,352

16 Leasing commitments

At 31 March 2010 the company had annual commitments under non-cancellable operating leases as set out below

	2010		2009	
	Land & buildings	Other items	Land & buildings	Other items
	£	£	£	£
Operating leases which expire				
Within 2 to 5 years	37,000	16,742	37,000	24,944
After more than 5 years	168,000	-	168,000	-
	205,000	16,742	205,000	24,944

17 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

18 Share capital

Authorised share capital

	2010	2009
	£	£
20,000 Ordinary shares of £1 each	**20,000**	20,000

Allotted, called up and fully paid

	2010		2009	
	No	**£**	No	£
Ordinary shares of £1 each	**19,510**	**19,510**	19,510	19,510

19 Profit and loss account

	2010	2009
	£	£
Balance brought forward	**1,144,091**	734,781
(Loss)/profit for the financial year	**(6,194)**	409,310
Dividends paid (note 8)	**(250,000)**	-
Balance carried forward	**887,897**	1,144,091

20 Reconciliation of movements in shareholders' funds

	2010	2009
	£	£
(Loss)/profit for the financial year	**(6,194)**	409,310
Dividends paid (note 8)	**(250,000)**	-
Opening shareholders' funds	**1,163,601**	754,291
Closing shareholders' funds	**907,407**	1,163,601

21 Pensions

The company operated a defined contribution scheme throughout the year The company has made contributions of £29,789 (2009 £28,855) on behalf of its employees

22 Contingencies

The directors have confirmed that there were no contingent liabilities which should be disclosed at 31 March 2010 or 31 March 2009

23 Capital commitments

The directors have confirmed that there were no capital commitments at 31 March 2010 or 31 March 2009

24 Ultimate parent company

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