

# Financial Statements

## Tricorn UK Limited (formerly Malvern Tubular Components Limited)

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For the 18 Month Period Ended 30 September 2020



Registered number: 00370553

# Company Information

<b>Directors</b>	M J Stock D E Leakey
<b>Company secretary</b>	M C Greensmith
<b>Registered number</b>	00370553
<b>Registered office</b>	Spring Lane Malvern Link Malvern Worcestershire WR14 1DA
<b>Bankers</b>	HSBC Bank plc 6 Broad Street Worcester WR1 2EJ
<b>Solicitors</b>	Harrison Clark Rickerbys 5 Deansway Worcester WR1 2JG

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# Strategic Report (continued)

## For the 18 Month Period Ended 30 September 2020

### **Introduction**

The Directors present their Strategic report, Directors' report and the financial statements for the 18 month period ended 30 September 2020.

As a result of the impact of COVID-19, the Group changed its accounting reference date from 31 March to 30 September and this report therefore relates to the 18 month period commencing on 1 April 2019 and ending on 30 September 2020 (the "Period").

The principal activity of the Company during the 18 month period ended 30 September 2020 was the manufacture of tubular components.

### **Business review**

On 3 August 2020, Michael Stock was appointed as Group Finance Director, replacing Phillip Lee who had been with the Tricorn Group (the 'Group') for 11 years. Following a review of the capabilities of the finance team, Michael Stock determined the need to hire a new, stronger and more experienced team. Under his leadership, this new team conducted an internal review of the performance of the Group and various matters came to light in the preparation of the financial statements for the period. Further details on these matters are provided in the announcements by Tricorn Group plc on 16 November 2020 and in December 2020 and January 2021, as well as in the Tricorn Group plc Annual Report and Accounts.

The breakdown in the control and oversight of the finance function during the period is extremely disappointing. The focus of the new team has been to implement robust controls over current financial reporting to ensure confidence in the results presented. Notwithstanding the limitations relating to the accounting records to support the transactions the results below are our understanding of the results based on the financial reporting system in place and the work done by the finance team after the year end.

On 1 April 2019, as part of the rebranding of the Tricorn Group, the assets and liabilities of Maxpower Automotive Limited were transferred, at book value, to the Company.

Revenue for the 18 month period ended 30 September 2020 was £15,263,442 (31 March 2019: £5,769,669). Loss for the period, after amortisation of intangible assets and tax, was £4,284,455 (31 March 2019: Profit £462,894).

The Company has two manufacturing facilities located in West Bromwich and Malvern. The Malvern facility specialises in the design and manufacture of larger tubular assemblies and fabrications for engine, cooling and generator set applications. Its customer base serves the power generation, oil and gas, mining and marine application markets. The West Bromwich site is focused on rigid, nylon and hybrid tubular products for engines, hydraulic actuation, transmission lubrication and fuel sender sub-systems. Key end markets are on- and off-road applications, including construction, trucks and agriculture.

Demand through February 2020 had started to slow in the UK with further softening thereafter as some customers experienced supply shortages from China. However, the situation deteriorated rapidly through March 2020. Both Tricorn UK facilities were temporarily closed on 25 March 2020 due to COVID-19 amidst safety concerns for employees and following serious disruption to supply chains and numerous customer closures. The facilities were reopened from 20 April 2020 onwards and have remained open since. Markets gradually started to improve towards the end of the Period albeit with some ongoing supply chain concerns.

We anticipate that the impact of COVID-19 and the shipping delays of imported material will continue to put pressure on labour costs and associated labour productivity in the near term. The Company made a solid start to the year with revenues returning to pre-pandemic levels, although margins continue to see some pressure from price increases and labour productivity. With a re-energised leadership team focussing on the business turnaround strategy, the Directors consider that the Tricorn Group is well positioned to manage these headwinds and further improve its operational performance to its customers.

# Strategic Report (continued)

For the 18 Month Period Ended 30 September 2020

## 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.

### Working capital and liquidity risk

Recent poor financial results have led to an increase in utilisation of the Company's borrowing facilities and the need for further funding to support the investment required to return the Company to profitable cash generation. In addition, some suppliers may offer reduced credit terms during this time, which could put short term pressure on the Group's cash flows and could potentially lead to the deferral of investment decisions.

Various funding options are available to the Tricorn Group and these are currently being considered by management. The Group's bankers remain supportive during this period.

The Group maintains communication with key suppliers around the timing of payment runs and updates its key customers on its performance as necessary.

### Internal control

Recent changes in the finance team have highlighted various matters which have now been corrected. This has led to significant control weaknesses being identified in the current period as disclosed above.

The Directors and management have significantly strengthened the Company's resourcing and control environment since the period end. Management is continuing to improve and develop its ongoing reporting and control environment to ensure control weaknesses are mitigated in future.

### Supply chain

Supply chain disruptions caused recently by the COVID-19 pandemic and shipping delays of imported materials can lead to the inability to fulfil customer orders, leading to a reduction in sales and increased pressure on margins.

At an operational and strategic level the Company 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.

In addition, the Group has been holding a level of buffer stock to help mitigate delays in supply.

### People

People drive the success of the business. Inability to attract, retain and develop talent at all levels of the organisation could lead to failure in both short term delivery and longer term strategic goals.

The Company places great importance on communication with its employees. It aims to offer appropriate remuneration packages in order to mitigate this risk and seeks to create a supportive working environment where employees are encouraged to learn and develop in their roles.

### Economic and political uncertainty

The Company may be affected by political, economic or regulatory developments, for example, a global recession, COVID-19 and Brexit.

The Company monitors the external economic and commercial environments to ensure that it responds to economic change appropriately in order to ensure that the risk of any impact is mitigated

### Customer concentration

A significant proportion of the Company's revenue is derived from its top three customers. The Company's income and each individual site's profitability could be materially adversely impacted by changes to our relationship with these key customers, including a decision to diversify or change how, or from whom, they source the components that we currently provide, an inability to agree on mutually acceptable pricing or a significant dispute with the Company.

## **Strategic Report (continued)**

**For the 18 Month Period Ended 30 September 2020**

Management continues to be focused on strengthening customer relationships and for our key customers, we ensure that multiple contact points are maintained, and that communication is frequent and transparent.

As part of the Company's strategy, a significant investment in talent is contemplated and this includes further investment in key account management resource which will support the communication approach described above and further enhance the positive customer relationships that currently exist.

### **IT systems and cyber-security**

The Company has a range of systems upon which it relies to receive, process and plan customer orders and manage its supply chain. Recent trends are towards greater EDI linkages which add complexity and increased risk around data integrity. Interruption of access or loss of these systems could negatively affect the Group's ability to produce, despatch and invoice customers as well as interrupt the smooth running of its own supply chain.

Specialist third party IT support provide multi-layer data backup and storage. Regular updates for malware, security and virus protection are installed.

The Company continues to monitor its IT requirements and the suitability of its business platforms and may, at some point in the future, further invest in MRP systems to support diversification, drive geographic consistency across its divisions and deliver business efficiency.

### **Financial Instruments**

The company's principal financial instruments comprise an invoice discounting facility, an overdraft facility, hire purchase agreements and cash. The main purpose of these financial instruments is to raise finance for the company'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 18 month 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'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.

#### **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, but does try to naturally offset foreign currency balances where possible. 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 on-going basis with the result that the company's exposure to bad debts is not significant.

## **Strategic Report (continued)**

**For the 18 Month Period Ended 30 September 2020**

**Liquidity risk**

See principal risks above.

This report was approved by the Board on 29 June 2021 and signed on its behalf.

A handwritten signature in black ink, appearing to be 'M J Stock', written over a horizontal line.

**M J Stock**

Chief Executive and Group Finance Director

# Directors Report

**For the 18 Month Period Ended 30 September 2020**

The Directors present their report and the financial statements for the 18 month period ended 30 September 2020.

## **Results and dividends**

The loss for the 18 month period, after taxation, amounted to £4,284,455 (31 March 2019: £462,894 profit). The Board is not recommending the payment of a dividend for the period ended 30 September 2020 (31 March 2019: £nil).

## **Matters covered in the Strategic report**

See the Strategic report for details of the principal activity, a review of the business, principal risks and uncertainties and details of financial risk management objectives and policies.

## **Directors**

The Directors who served during the 18 month period were:

M J Stock (appointed 3 August 2020)  
D E Leakey (appointed 15 April 2021)  
M I Welburn (resigned 30 April 2021)  
P Lee (resigned 31 July 2020)  
P E G Drury (resigned 6 May 2020)  
C Rewbury (resigned 5 March 2021)

## **Qualifying third party indemnity insurance**

The Company has provided qualifying indemnity provisions in respect of the Board of directors, which were in force during the 18 month period ended 30 September 2020 and at the date of this report.

This report was approved by the Board on 29 June 2020 and signed on its behalf.



**M J Stock**  
Chief Executive and Group Finance Director



# Statement of Comprehensive Income

For 18 Month Period Ended 30 September 2020

	Note	18 month period ended 30 September 2020 £	Year ended 31 March 2019 £
<b>Turnover</b>	4	<b>15,263,442</b>	5,769,669
Cost of sales		(11,046,082)	(3,037,910)
<b>Gross profit</b>		<b>4,217,360</b>	2,731,759
Distribution costs		(576,080)	(282,804)
Administrative expenses		(7,679,642)	(1,965,989)
<b>Operating (loss)/profit</b>	5	<b>(4,038,362)</b>	482,966
Interest payable and expenses	8	(270,846)	(36,526)
<b>(Loss)/profit before tax</b>		<b>(4,309,208)</b>	446,440
Tax on (loss)/profit	9	24,753	16,454
<b>(Loss)/profit for the financial period/year</b>		<b>(4,284,455)</b>	462,894

There was no other comprehensive income for 18 month period ended 30 September 2020 (31 March 2019: £nil).

The notes on pages 9 to 26 form part of these financial statements.

# Statement of Financial Position

As at 30 September 2020

	Note	30 September 2020		31 March 2019	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	10		-		25,286
Investments	11		<b>1,337,019</b>		-
Property, plant and equipment	12		<b>4,116,462</b>		1,129,500
			<b>5,453,481</b>		1,154,786
<b>Current assets</b>					
Stocks	13	<b>948,826</b>		726,041	
Debtors: amounts falling due within one year	14	<b>3,986,960</b>		4,353,995	
Cash at bank and in hand	15	<b>176,143</b>		1,979	
		<b>5,111,929</b>		5,082,015	
Creditors: amounts falling due within one year	16	<b>(9,025,498)</b>		(2,950,833)	
<b>Net current (liabilities)/assets</b>			<b>(3,913,569)</b>		2,131,182
<b>Total assets less current liabilities</b>			<b>1,539,912</b>		(976,396)
Creditors: amounts falling due after more than one year	17	<b>(2,540,189)</b>		-	
Deferred tax	19	<b>(68,001)</b>		(69,791)	
			<b>(2,608,190)</b>		(69,791)
<b>Net (liabilities)/assets</b>			<b>(1,068,278)</b>		3,216,177
<b>Capital and reserves</b>					
Called up share capital	20		<b>19,510</b>		19,510
Profit and loss account	21		<b>(1,087,788)</b>		3,196,667
			<b>(1,068,278)</b>		3,216,177

## Audit Exemption Statement

For the 18 month period ended 30 September 2020 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 June 2021.



**M J Stock**  
Director

The notes on pages 9 to 26 form part of these financial statements.

## Statement of Changes in Equity

For the 18 Month Period Ended 30 September 2020

	Called up share capital £	Profit and loss account £	Total equity £
At 1 April 2019	19,510	3,196,667	3,216,177
Comprehensive income for the period			
Loss for the period	-	(4,284,455)	(4,284,455)
<b>At 30 September 2020</b>	<b>19,510</b>	<b>(1,087,788)</b>	<b>(1,068,278)</b>

## Statement of Changes in Equity

For the Year Ended 31 March 2019

	Called up share capital £	Profit and loss account £	Total equity £
At 1 April 2018	19,510	2,733,773	2,753,283
Comprehensive income for the year			
Profit for the year	-	462,894	462,894
<b>At 31 March 2019</b>	<b>19,510</b>	<b>3,196,667</b>	<b>3,216,177</b>

The notes on pages 9 to 26 form part of these financial statements.

# Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2020

## **1. General information**

Tricorn UK is a limited company incorporated in the United Kingdom. The address of the Company's registered office is Spring Lane, Malvern Link, Malvern, Worcestershire, WR14 1DA.

As a result of the impact of COVID-19, the Company's accounting reference date has been extended in the period from 31 March to 30 September. As such the current accounting period covers the 18 month period ended 30 September 2020. The prior year reflects the 12 month period to 31 March 2019.

The financial statements are presented in Sterling (£).

## **2. Accounting policies**

### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

### **2.2 Financial reporting standard 101 - reduced disclosure exemptions**

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- 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 comparative 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;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 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 paragraphs 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
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

# Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2020

## 2. Accounting policies (continued)

### 2.3 Going concern

In concluding on the appropriateness of the going concern basis, the Directors have considered the going concern of the wider Tricorn Group, of which this entity is a part.

In determining whether the financial statements can be prepared on a going concern basis, the Directors considered the Group's business activities, together with the factors likely to affect its future development, performance and position. The Directors prepared cash flow forecasts for 24 months from the period end which considered the financial position of the Group, forecasts, cash flows and borrowing facilities.

The Board regularly reviews revenue, profitability and cash flow forecasts. A number of downside sensitised scenarios have been modelled, the assumptions behind which were challenged. The Board compares actual performance against budgets and forecasts and reviews variances to continually refine and improve forecasting ability from which to make effective decisions.

COVID-19, combined with margin pressures due to supply chain disruptions, increased pricing and tariffs imposed on goods from China, resulted in the Group being loss making in the Period. The Group raised equity funding of £1.34m (net of costs) in February 2020 and secured £1m support from its bank through the government backed loan schemes. \$0.7m was obtained from the USA Payroll Protection Program ('PPP'), which has subsequently been forgiven and in addition, a further \$0.7m was received in April 2021 from the USA PPP, for which the Group will be applying for this loan to also be forgiven.

The Group has certain borrowing facilities as set out in note 21 of Tricorn Group plc Annual Report and Accounts. Of these facilities, £2.6m are repayable on demand and should this amount be recalled by the bank the Group does not have sufficient liquid resources to make repayment. In light of this, and the Group's performance in the Period, an Independent Business Review ('IBR') has been undertaken on behalf of the Group's bankers, HSBC Bank plc, by an independent audit firm. The Group's results and forecasts have been reviewed in detail by the audit firm, their report has been sent to HSBC and the IBR has now concluded. HSBC continues to remain supportive of the Group during this time; credit approval to increase the Group's invoice discounting facility by 10% on completion of a successful facility audit has been received and the bank continue to provide the Group's facilities on the same terms as those in the prior period.

The Group is now very focused on its turnaround strategy and has prepared trading forecasts for the five year period. These take into account improved customer demand following recovery from COVID-19, diversification of products and customers, appropriate price increases and supply chain efficiencies. However, substantial investment is needed in both capital expenditure and people during the next 12-18 months and the Group's borrowing facilities alone do not provide the Group with the necessary cash to make the required investment, deliver the strategy and return the Group to profitability and cash generative activity levels. There are a number of options available to the Group to achieve the additional funding required. While the directors consider it unlikely that further funding would not be secured, they acknowledge at the date of approval of the financial statements the requirement for further funding over and above the existing facilities and the requirement for ongoing support from their bankers not to recall facilities repayable on demand present material uncertainties which may cast significant doubt about the Company's and Group's ability to continue as a going concern.

# Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2020

## 2. Accounting policies (continued)

### 2.4 Adoption of new standards

The Company has adopted IFRS 16 Leases and has introduced a single, on-balance sheet accounting model for lessees, eliminating the distinction between operating and finance leases. As a result, the Company has recognised £3,095,915 of right-of-use assets and corresponding lease liabilities on the date of initial application (1 April 2019). These are included within property, plant and equipment and loans and borrowings respectively in the consolidated statement of financial position.

The adoption of IFRS 16 under the modified retrospective approach affects only the current reporting period and does not require restatement of the prior year i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The Company has applied the practical expedients permitted by IFRS 16 of not recognising right-of-use assets and liabilities for leases with less than 12 months of lease term remaining, and of applying a single discount rate to a portfolio of leases with reasonably similar characteristics on transition. The impact of transition to IFRS 16 is summarised below. These are the first financial statements of the Company to apply IFRS 16 leases.

Table reconciling lease commitment on 31 March 2019 to lease liabilities on 1 April 2019:

	01-Apr-19
	£
Operating lease commitment on 31 March 2019	1,390,724
Recognised upon acquisition on 1 April 2019	871,455
Short-term and low value leases	(6,326)
Extension and termination options	1,599,960
Effect of discounting	(759,898)
Lease liabilities recognised on 1 April 2019	3,095,915

### 2.5 Revenue

The Company'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 Company 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 Company adopts the five step process proposed by IFRS 15. The Company 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 no ongoing performance obligations. Therefore, the Company recognises revenue once delivery has occurred.

# Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2020

## 2. Accounting policies (continued)

### 2.6 Intangible assets

Intangible assets relating to development costs are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

### 2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Land & buildings	- 10% - 33% straight line
Plant and machinery	- 6% - 33% straight line
Tooling	- 10% - 33% straight line
Fixtures and fittings	- 10% - 33% straight line
Computer and office equipment	- 10% - 33% straight line
Motor vehicles	- 20% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

# Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2020

## 2. Accounting policies (continued)

### 2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

### 2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

### 2.10 Debtors

The Company makes use of a simplified approach in accounting for trade & 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 Company uses its historical experience, external indicators and forward looking information to calculate the expected losses.

### 2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### 2.12 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.

### 2.13 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.



# Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2020

## 2. Accounting policies (continued)

### 2.14 Pensions

#### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

### 2.15 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the period in which they are incurred.

### 2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the period that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

### 2.17 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

# Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2020

## 2. Accounting policies (continued)

### 2.17 Current and deferred taxation (continued)

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

## 3. Judgments in applying accounting policies and key sources of estimation uncertainty

When preparing the financial statements, management makes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The following are significant management judgments made in applying the accounting policies of the Company that have the most significant effects on the financial statements.

### Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

### Impairment of investment in subsidiaries

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

### Intangible assets

Development expenditure is recognised on the statement of financial position when certain criteria are met, as described more fully in the intangible assets accounting policy. Management estimate the amount of time spent developing intangibles and a proportion of their time accordingly. After capitalisation, management monitor whether requirements continue to be met and whether there are any indicators of impairment.

## 4. Turnover

The whole of the turnover is attributable to the principal activity of the Company.

Geographic split of turnover is as follows:

	2020 £
United Kingdom	11,891,736
Europe	861,855
America	1,556,939
Rest of World	<u>952,912</u>
	<u>15,263,442</u>

# Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2020

## 5. Operating (loss)/profit

The operating profit is stated after charging:

	18 month period ended 30 September 2020 £	Year ended 31 March 2020 £
Depreciation of tangible fixed assets – owned	457,723	201,721
Depreciation of tangible fixed assets – leased	448,952	-
Amortisation of intangibles	25,286	25,287
Other operating lease rentals	-	176,384
Defined contribution pension cost	113,570	28,655

During the 18 month period ended 30 September 2020, no Director received any emoluments (31 March 2019: £nil) from the Company. The Directors are remunerated by the parent company, Tricorn Group plc.

## 6. Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	18 month period ended 30 September 2020 £	Year ended 31 March 2020 £
Fees for audit services	-	13,000

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the parent company, Tricorn Group plc.

# Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2020

## 7. Employees

Staff costs were as follows:

	18 month period ended 30 September 2020 £	Year ended 31 March 2020 £
Wages and salaries net of furlough	5,400,391	1,677,025
Social security costs	480,378	122,240
Cost of defined contribution pension scheme	113,570	28,655
	<u>5,994,339</u>	<u>1,827,920</u>

The average monthly number of employees, including the Directors, during the 18 month period ended 30 September was as follows:

	18 month period ended 30 September 2020 No.	Year ended 31 March 2020 No.
Production staff	149	58
Sales staff	0	2
Administrative staff	29	11
Distribution staff	1	-
	<u>179</u>	<u>71</u>

## 8. Interest payable and similar charges

	18 month period ended 30 September 2020 £	Year ended 31 March 2020 £
Invoice discounting	102,819	36,526
Interest on hire purchase agreements and finance leases	168,027	-
	<u>270,846</u>	<u>36,526</u>

# Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2020

## 9. Taxation

	18 month period ended 30 September 2020 £	Year ended 31 March 2019 £
<b>Corporation tax</b>		
Current 18 month period/year tax charge	-	-
Adjustments in respect of previous periods	-	-
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	(24,753)	(12,817)
Changes to tax rates	-	(3,637)
<b>Total deferred tax</b>	(24,753)	(16,454)
<b>Taxation on profit on ordinary activities</b>	(24,753)	(16,454)

### Factors affecting tax charge for the period

The tax assessed for the 18 month period ended 30 September 2020 is lower than (31 March 2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	18 month period ended 30 September 2020 £	Year ended 31 March 2019 £
(Loss)/profit on ordinary activities before tax	4,309,208	446,440
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(818,750)	84,823
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	199,266	(45,643)
Fixed asset differences	-	(12,762)
Movement in unprovided deferred tax asset	594,731	-
Deferred tax rate change	-	(3,637)
Group relief	-	(39,235)
<b>Total tax (credit)/charge for the period/year</b>	(24,753)	(16,454)

### Factors that may affect future tax charges

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020 and this change was substantively enacted on 17 March 2020. Deferred tax has been calculated based on these rates.

# Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2020

## 10. Intangible assets

	Development costs £
<b>Cost</b>	
At 1 April 2019	75,860
Additions	-
<b>At 30 September 2020</b>	<b>75,860</b>
<b>Amortisation</b>	
At 1 April 2019	50,574
Amortisation in the year	25,286
<b>At 30 September 2020</b>	<b>75,860</b>
<b>Net book value</b>	
<b>At 30 September 2020</b>	<b>-</b>
At 31 March 2019	25,286

## 11. Investments

	Note	18 month period ended 30 September 2020 £
<b>Cost</b>		
At 1 April 2019		-
Acquired	26	1,337,019
<b>At 30 September 2020</b>		<b>1,337,019</b>
<b>Impairment</b>		
At 1 April 2019		-
Impairment charged in the year		-
<b>At 30 September 2020</b>		<b>-</b>
<b>Net book value</b>		
<b>At 30 September 2020</b>		<b>1,337,019</b>
At 31 March 2019		-

### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Maxpower Enterprise Management Consulting (Wuxi) Co., Ltd	Ordinary	100%	Dormant

# Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2020

## 12. Property, plant and equipment

	Land & Buildings £	Plant, Machinery and Tooling £	Fixtures & Fittings £	Computer & Office Equipment £	Motor Vehicles £	Right-of-use assets £	Total £
<b>Cost or valuation</b>							
At 1 April 2019	-	3,075,984	-	-	11,800	-	3,087,784
On adoption of IFRS 16 at 1 April 2019	-	-	-	-	-	3,095,915	3,095,915
Additions	-	153,433	63,730	18,507	-	58,283	293,953
Acquired (note 26)	100,290	2,317,259	402,317	152,789	-	-	2,972,655
Reclassifications	5,711	(720,843)	219,065	287,729	-	208,338	-
Disposals	(84,667)	(2,254,966)	(440,276)	(222,897)	(11,800)	-	(3,014,606)
<b>At 30 September 2020</b>	<b>21,334</b>	<b>2,570,867</b>	<b>244,836</b>	<b>236,128</b>	<b>-</b>	<b>3,362,536</b>	<b>6,435,701</b>
<b>Depreciation</b>							
At 1 April 2019	-	1,946,484	-	-	11,800	-	1,958,284
Acquired (note 26)	89,595	1,642,002	271,836	129,178	-	-	2,132,611
Reclassifications	-	(377,521)	213,770	94,419	-	69,332	-
Charge for the 18 month period	5,181	340,578	45,150	46,798	-	468,968	906,675
Disposals	(82,873)	(1,961,206)	(408,905)	(213,547)	(11,800)	-	(2,678,331)
<b>At 30 September 2020</b>	<b>11,903</b>	<b>1,590,337</b>	<b>121,851</b>	<b>56,848</b>	<b>-</b>	<b>538,300</b>	<b>2,319,239</b>
<b>Net book value</b>							
<b>At 30 September 2020</b>	<b>9,431</b>	<b>980,530</b>	<b>122,985</b>	<b>179,280</b>	<b>-</b>	<b>2,824,236</b>	<b>4,116,462</b>
At 31 March 2019	-	1,129,500	-	-	-	-	1,129,500

# Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2020

## 12. Property, plant and equipment (continued)

### Right-of-use assets

	Land & Buildings £	Plant, Machinery and Tooling £	Motor Vehicles £	Total £
<b>Cost or valuation</b>				
On adoption of IFRS 16 at 1 April 2019	3,001,949	60,155	33,811	3,095,915
Additions	-	47,225	11,058	58,283
Reclassifications	-	208,338	-	208,338
Disposals	-	-	-	-
<b>At 30 September 2020</b>	<b>3,001,949</b>	<b>315,718</b>	<b>44,869</b>	<b>3,362,536</b>
<b>Depreciation</b>				
On adoption of IFRS 16 at 1 April 2019	-	-	-	-
Reclassifications	-	69,332	-	69,332
Charge for the 18 month period	380,763	64,350	23,855	468,968
Disposals	-	-	-	-
<b>At 30 September 2020</b>	<b>380,763</b>	<b>133,682</b>	<b>23,855</b>	<b>538,300</b>
<b>Net book value</b>				
<b>At 30 September 2020</b>	<b>2,621,186</b>	<b>182,036</b>	<b>21,014</b>	<b>2,824,236</b>
At 31 March 2019	-	-	-	-

Included within tangible fixed assets are assets held under finance lease arrangements with a net book value of £nil (31 March 2019: £nil)

## 13. Stocks

	30 September 2020 £	31 March 2019 £
Raw materials and consumables	675,253	414,608
Work in progress	147,155	74,959
Finished goods	126,418	236,474
	<b>948,826</b>	<b>726,041</b>

Stock recognised in cost of sales during the 18 month period as an expense was £8,684,383 (31 March 2019: £1,784,213). There was no impairment loss (31 March 2019: £nil) recognised in cost of sales against stock during the 18 month period due to slow-moving and obsolete stock.



# Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2020

## 14. Debtors

	30 September 2020 £	31 March 2019 £
Trade debtors	1,665,039	1,380,413
Amounts owed by group undertakings	1,432,436	2,662,569
Amounts owed by joint ventures and associated undertakings	743,768	89,724
Other debtors	10,400	17,323
Prepayments and accrued income	135,317	203,966
	<u>3,986,960</u>	<u>4,353,995</u>

Amounts owed by group undertakings do not attract interest and are repayable on demand.

## 15. Cash and cash equivalents

	30 September 2020 £	31 March 2019 £
Cash at bank and in hand	<u>176,143</u>	<u>1,979</u>

## 16. Creditors: Amounts falling due within one year

	30 September 2020 £	31 March 2019 £
Invoice discounting facility	1,375,663	952,428
Hire purchase agreements and finance lease liabilities	304,635	24,905
Trade creditors	1,019,341	599,763
Amounts owed to group undertakings	4,753,815	1,042,278
Amounts owed by joint ventures and associated undertakings	214,056	41,462
Other taxation and social security	541,115	89,142
Corporation tax	59,838	29,652
Other creditors	136,210	35,092
Accruals and deferred income	620,825	136,111
	<u>9,025,498</u>	<u>2,950,833</u>

The invoice discounting facility is secured by a fixed charge over the trade debtors to which it relates. The obligations under finance lease arrangements are secured against the assets to which they relate.

Amounts owed to group undertakings do not attract interest and are repayable on demand.

# Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2020

## 17. Creditors: Amounts falling due after more than one year

	30 September 2020 £	31 March 2019 £
Hire purchase agreements and finance lease liabilities	<u>2,540,188</u>	<u>-</u>

## 18. Financial instruments

	30 September 2020 £	31 March 2019 £
<b>Financial assets</b>		
Cash and cash equivalents	176,143	1,979
Financial assets that are instruments measured at amortised cost	<u>3,851,643</u>	<u>4,150,029</u>
	<u>4,027,786</u>	<u>4,152,008</u>
<b>Financial liabilities</b>		
Current financial liabilities measured at amortised cost	(8,424,545)	(2,832,039)
Non-current financial liabilities measured at amortised cost	<u>(2,540,188)</u>	<u>-</u>
	<u>(10,964,733)</u>	<u>(2,832,039)</u>

Cash and cash equivalents represents cash at bank and in hand.

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings, amounts owed by joint ventures and associated undertakings and other debtors.

Financial liabilities measured at amortised cost comprise invoice discounting facilities, trade creditors, other creditors, obligations under finance leases, amounts owed to group undertakings and accruals.

# Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2020

## 19. Deferred taxation

	30 September 2020 £	31 March 2019 £
At beginning of period/year	(69,791)	(86,245)
Recognised upon asset transfer (note 26)	(22,963)	-
Credited to profit or loss	24,753	16,454
<b>At end of period/year</b>	<b>(68,001)</b>	<b>(69,791)</b>

The provision for deferred taxation is made up as follows:

	30 September 2020 £	31 March 2019 £
Accelerated capital allowances	(93,965)	(95,314)
Short term temporary differences	25,964	25,523
	<b>(68,001)</b>	<b>(69,791)</b>

## 20. Share capital

	30 September 2020 £	31 March 2019 £
Shares classified as equity		
Allotted, called up and fully paid		
19,510 Ordinary shares of £1 each	<b>19,510</b>	<b>19,510</b>

## 21. Reserves

Profit & loss account

Profit and loss account – includes all current and prior period retained profits and losses

## 22. Bank Cross-Guarantee

As at 30 September 2020, there was an Unlimited Composite Company Guarantee in place with HSBC. This was given by Tricorn Group plc, Maxpower Automotive Limited, Hallco 348 Limited, Franklin Tubular Products Inc and Tricorn UK Limited (formerly Malvern Tubular Components Limited). to secure all liabilities of each other. This has been in place throughout the 18 month period and the prior year.

The maximum potential liability to the Company at 30 September 2020 is £2,135,351 (31 March 2019: £2,525,589).

# Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2020

## 23. Capital commitments

At 30 September 2020 the Company had capital commitments of £nil (31 March 2019: £nil)

## 24. Pension commitments

Accrued pension contributions at the 18 month period end in respect of defined contribution schemes amounted to £5,855 (31 March 2019: £5,395).

## 25. Impact of Transition to IFRS 16 Leases

The impact of the transition to IFRS 16 to the Company's primary financial statements was as follows:

### Impact on the Income statement for the 18 month period ended 30 September 2020

	As reported £	IFRS 16 adjustments £	Amounts without adoption £
Operating loss	(4,038,365)	(90,967)	(4,129,332)
Finance costs	(270,846)	156,490	(114,356)
(Loss)/profit before tax	(4,309,211)	65,523	(4,243,688)
Income tax credit	24,753	-	24,753
(Loss)/profit after tax from continuing operations	(4,284,458)	65,523	(4,218,935)

### Impact on the Statement of financial position as at 30 September 2020

	As reported £'000	IFRS 16 adjustments £'000	Amounts without adoption £'000
<b>Non-current assets</b>			
Property, plant and equipment	4,116,459	(2,679,931)	1,436,528
<b>Change in total assets</b>		<b>(2,679,931)</b>	
<b>Borrowings</b>			
Current borrowings	(7,345,200)	250,269	(7,094,931)
Non-current borrowings	(4,220,487)	2,495,185	(1,725,302)
<b>Change in total liabilities</b>		<b>2,745,454</b>	
<b>Change in total equity</b>		<b>65,523</b>	

# Notes to the Financial Statements

For the 18 Month Period Ended 30 September 2020

## 26. Group Asset Transfer to Tricorn UK

During the year, the Company transferred the business from a fellow Tricorn Group plc subsidiary, Maxpower Automotive Limited. The consideration paid of £715,000 was equivalent to the net book value of the assets and has been settled via the creation of an intercompany loan. This transaction occurred on 01 April 2019. On the same date, the employees of the business also transferred to the Company under the TUPE regulations.

The Maxpower Automotive business is primarily involved in the manufacture of pipe assemblies and tube manipulation for the automotive industry.

The book value (deemed fair value) of net assets transferred on 01 April 2019 is as follows:

	Note	£	£
Investments	11		1,337,019
Property, plant and equipment	12		840,041
Stock		916,026	
Debtors		4,270,578	
Cash		3,103	
Creditors < 1 year		(6,545,584)	
<b>Net current liabilities</b>			<b>(1,355,877)</b>
Creditors > 1 year			(83,650)
Provision for liabilities and charges			(22,963)
<b>Total identifiable assets</b>			<b>714,570</b>
Goodwill			-
<b>Total</b>			<b>714,570</b>

## 27. Related party transactions

The Company has taken advantage of the exemption available under section 33 Related Party Disclosures to not disclose transactions with other wholly owned subsidiaries in the group.

The Company also has a joint venture in China, Minguang-Tricorn Tubular Products Nanjing Limited. During the 18 month period ended 30 September 2020 the Group has made sales to the joint venture of £587,530 (31 March 2019: £271,923) and purchases from the joint venture of £145,983 (31 March 2019: £122,912). At the balance sheet date amounts held in trade and other receivables and owed to the Company by the joint venture amounted to £743,768 (31 March 2019: £89,724), and amounts held in trade and other payables and owed by the Company to the joint venture of £214,056 (31 March 2019: £41,462).

The Company also paid rent of £240,000 (31 March 2019: £150,000) to Malvaire Properties Limited, a company in which R Allsop, a Director of the parent company, Tricorn Group plc, has a beneficial interest.

## 28. Controlling party

The Company's 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.