

# Preliminary Results

Tricorn Group plc (the 'Group'), (TCN.L) the AIM quoted tube manipulation specialist, today announces its audited preliminary results for the year ended 31 March 2010.

## Summary

	2010	2009
	£'000	£'000
Sales revenue	15,031	22,245
Operating profit*	425	1,430
Profit before tax*	288	1,234
Cash & equivalents	1,296	713
Net debt	841	2,064

## Highlights

- Second half operating profit\* up 40% on first half at £0.248m
- Cash and cash equivalents up 82% to £1.296m
- Net debt reduced by 59% to £0.841m
- Improving market conditions in Energy and Transportation sectors

\* before intangible asset amortisation, restructuring charges and interest rate swap valuation

Nick Paul, Tricorn Chairman commented:

“The Group has responded well to the challenging market conditions and has made excellent progress in strengthening its balance sheet. With demand in a number of key markets improving through the latter part of the year, the Group remains well positioned to make further progress over the coming months.”

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## **Chairman and Chief Executive's statement**

The Group responded decisively to the adverse market conditions experienced and all business segments remained profitable despite the 32% year-on-year reduction in sales revenue. We remained focused throughout the period on ensuring that our capacity was aligned to demand, reducing overhead costs and on strengthening the balance sheet. Encouraging progress was made in all of these areas.

In the early part of the year direct head count was flexed partly through reducing working hours enabling us to retain experienced operators whilst still maintaining margins. In the second half this retention of key skills within the business meant we were able to respond swiftly as demand levels improved. Full time working hours were resumed at all Group sites by the year end.

Overheads remained tightly controlled with administration costs 27% lower than the previous year. Operating profit\* in the second half was up 40% on the first half reflecting the improved operational gearing from streamlining the business.

We made excellent progress in strengthening the Group's balance sheet with cash and cash equivalents up 82% to £1.296m (2009:£0.713m) and net debt reduced by 59% to £0.841m (2009:£2.064m).

### **People**

We are extremely appreciative of the continued hard work, enthusiasm and dedication of all our employees who have responded positively to the challenges we have faced over the last year. We continue to invest in developing their capabilities further and are delighted to be launching our Energise programme this year. Through a significant commitment to training we will see all employees attain a National Vocational Qualification in Business Improvement Techniques over the next 12 months.

### **Financial Review**

The 2009/10 financial year proved to be particularly challenging. However, by focusing and delivering on the key objectives highlighted at the start of the year the Group reported a profit, and strengthened its balance sheet significantly by reducing net working capital, improving cash and reducing net debt.

### **Income Statement**

Turnover for the year was £15.031m (2009: £22.245m). Gross profit margins, at over 32%, held up well compared to the last financial year, reflecting the objective of aligning capacity with lower demand levels.

The management's focus throughout the year on cost reduction also enabled the Group to reduce combined distribution and administrative costs by 27% to £4.413m. Resultant operating profit was £0.425m before amortisation of intangibles.

Net finance costs were £0.129m for the year, down 56% on the previous financial year. Reduced net debt, lower interest rates, and a credit of £8k (2009: £0.100m charge) on the interest rate swap fair value adjustment contributed to the reduction.

The resultant unadjusted profit before tax was £0.178m (2009: £0.777m). Basic EPS was 0.45p (2009: 1.77p) and, after adjusting for one-off costs EPS stood at 0.79p (2009: 3.16p).

### **Cash Flow**

Net cash from operating activities increased by 22% to £1.413m. This was driven by improved working capital management and lower interest payments.

Full year capital expenditure of £0.135m represented 34% of depreciation and was well within our commitment to keep expenditure below 50% of depreciation for the year.

Cash management remained a priority throughout the Group. Cash and equivalents increased by 82% to £1.296m, and gross borrowings reduced by 23% to £2.137m.

### **Balance Sheet**

Net working capital decreased by 22% to £3.586m. The reduction was driven predominantly by £0.710m of lower inventory holdings, which as announced last year, was one of the key drivers to strengthen the balance sheet.

The Group's net debt at the year end was £0.841m, down 59% from the prior year end position. Gearing, measured as total debt to equity was 18%, compared to 44% in 2009.

In November 2009 the Group successfully renewed its invoice discounting facility. The term loan continues to be repaid, and has a final payment date of July 2012. The Group continues to operate comfortably within its banking covenants.

In March 2010 the Group purchased 875,000 of its ordinary shares pursuant to the authority granted at last year's AGM, at an aggregate cost of £49k. These shares are held in Treasury.

### **Operational Review**

The Group operates four main business segments which are focused on the energy, transportation, aerospace and utilities sectors. These all have strong underlying growth potential, albeit with some cyclicality. Improving demand within the energy and transportation sectors towards the end of the second half was encouraging and has more than offset the weakness within the aerospace business. Our actions ensured that all business segments remained profitable for the year.

### **Energy**

Our Malvern Tubular Components business specialises in fabricated and manipulated tubular assemblies for large diesel engines and radiator sets used within the energy sector, principally power generation, mining and oil and gas applications. Our earlier views that the second half would see improved demand were confirmed with sales revenues up some 26% on the first half. We have made some selective investment in our product finishing capabilities within the plant and this has enabled additional business to be secured.

### **Transportation**

Maxpower Automotive is focused on nylon, rigid and hybrid tubular products for engines, braking systems and fuel sender sub-systems used within the transportation sector. Market conditions deteriorated earlier within this segment compared to the other businesses in the Group. However, demand had started to improve in the second quarter and this continued with second half sales up 37% on the first half. The planned improvements to the shop floor layout to accommodate new business wins has now been completed and good progress has also been made on identifying additional growth opportunities.

### **Aerospace**

RMDG Aerospace supplies rigid pipe assemblies used in a variety of applications within the aerospace sector. There has been some softening within the segment as we anticipated with year-on-year revenues down 16%. However, demand now appears to be stabilising and with a strengthened local management team in place, we are well positioned to deal with these lower levels of demand.

### **Utilities**

Redman Fittings holds worldwide patents on a unique method of joining polyethylene pipes. Its customers include major OEMs which are supplied with a branded version of the product which is then incorporated within their "barrier" pipe systems. These multi layer pipe systems are used within the water industry in brown field site developments providing advantages in performance and overall cost. The Redman system is increasingly being specified due to its ease of use and effectiveness. The business continues to deliver double digit segmental profit margins despite the lower sales revenues and should contribute significantly to the Group's earnings when the

housing market recovers.

### **Outlook**

Whilst there is clearly still a level of economic uncertainty we have been encouraged by the growth in sales revenue in the second half and by additional business opportunities identified. We remain well positioned to respond to any further changes in demand. Alongside our drive for organic growth, the Group will consider potential acquisition opportunities where Tricorn's management expertise can generate the necessary added value.

# Group statement of comprehensive income

## For year ended 31 March 2010

	Note	2010 £'000	2009 £'000
<b>Revenue</b>	4	<b>15,031</b>	22,245
Cost of sales		<b>(10,193)</b>	(14,750)
<b>Gross profit</b>		<b>4,838</b>	7,495
Distribution costs		<b>(676)</b>	(947)
Administration costs		<b>(3,737)</b>	(5,118)
<b>Operating profit before intangible amortisation and restructuring costs</b>	4	<b>425</b>	1,430
Intangible amortisation		<b>(118)</b>	(118)
Restructuring costs		-	(239)
<b>Operating profit</b>	4	<b>307</b>	1,073
Finance income		<b>3</b>	20
Finance costs		<b>(132)</b>	(316)
<b>Profit before tax</b>		<b>178</b>	777
Income tax expense		<b>(29)</b>	(192)
<b>Profit for the year and total comprehensive income</b>		<b>149</b>	585
<b>Attributable to:</b>			
Equity holders of the parent company		<b>149</b>	585
<b>Earnings per share:</b>			
Basic earnings per share	5	<b>0.45p</b>	1.77p
Diluted earnings per share	5	<b>0.45p</b>	1.71p

All of the activities of the Group are classed as continuing.

# Group statement of changes in equity

## For year ended 31 March 2010

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share based payment reserve £'000	Investment in own shares £'000	Profit and loss account £'000	Total £'000
<b>Balance at 1 April 2008</b>	3,302	1,448	1,388	193	-	(2,238)	4,093
Profit for the year	-	-	-	-	-	585	585
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	-	-	-	-	585	585
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2009</b>	3,302	1,448	1,388	193	-	(1,653)	4,678
Transactions with owners	-	-	-	-	(49)	-	(49)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Profit for the year	-	-	-	-	-	149	149
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income	-	-	-	-	-	149	149
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2010</b>	<b>3,302</b>	<b>1,448</b>	<b>1,388</b>	<b>193</b>	<b>(49)</b>	<b>(1,504)</b>	<b>4,778</b>

# Group statement of financial position

At 31 March 2010

	2010 £'000	2009 £'000
<b>Assets</b>		
<b>Non current</b>		
Goodwill	591	591
Intangible assets	793	911
Property, plant and equipment	1,126	1,382
	<u>2,510</u>	<u>2,884</u>
<b>Current</b>		
Inventories	3,107	3,817
Trade and other receivables	3,839	3,661
Cash and cash equivalents	1,296	713
	<u>8,242</u>	<u>8,191</u>
<b>Total assets</b>	<u><u>10,752</u></u>	<u><u>11,075</u></u>
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables	(3,360)	
Financial liabilities at fair value through profit or loss	(104)	
Borrowings	(1,734)	
Corporation tax	(88)	
	<u>(5,286)</u>	
<b>Non-current</b>		
Borrowings	(403)	(748)
Deferred tax	(285)	(319)
	<u>(688)</u>	<u>(1,067)</u>
<b>Total liabilities</b>	<u>(5,974)</u>	<u>(6,397)</u>
<b>Net assets</b>	<u><u>4,778</u></u>	<u><u>4,678</u></u>
<b>Equity</b>		
Share capital	3,302	3,302
Share premium account	1,448	1,448
Merger reserve	1,388	1,388
Share based payment reserve	193	193
Investment in own shares	(49)	-
Profit and loss account	(1,504)	(1,653)
<b>Total equity</b>	<u><u>4,778</u></u>	<u><u>4,678</u></u>

# Group statement of cash flows

For year ended 31 March 2010

	<b>2010</b>	2009
	<b>£'000</b>	£'000
<b>Cash flows from operating activities</b>		
Profit after taxation	<b>149</b>	585
Adjustment for:		
Depreciation	<b>392</b>	379
Net finance costs in statement of comprehensive income	<b>129</b>	296
Amortisation charge	<b>118</b>	118
Taxation expense recognised in statement of comprehensive income	<b>29</b>	192
(Increase)/decrease in trade and other receivables	<b>(170)</b>	1,889
Increase/(decrease) in trade payables and other payables	<b>463</b>	(1,600)
Decrease/(increase) in inventories	<b>710</b>	(270)
	<hr/>	<hr/>
Cash generated from operations	<b>1,820</b>	1,589
Interest paid	<b>(140)</b>	(216)
Income taxes paid	<b>(267)</b>	(218)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	<b>1,413</b>	1,155
	<hr/> <hr/>	<hr/> <hr/>
<b>Cash flows from investing activities</b>		
Purchase of own shares	<b>(49)</b>	-
Acquisition of subsidiaries	<b>-</b>	(195)
Purchase of plant and equipment	<b>(135)</b>	(263)
Interest received	<b>3</b>	20
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(181)</b>	(438)
	<hr/> <hr/>	<hr/> <hr/>
<b>Cash flows from financing activities</b>		
Issue of ordinary share capital	<b>-</b>	178
Repayment of short term borrowings	<b>(232)</b>	(140)
Repayment of bank borrowings	<b>(300)</b>	(300)
Payment of finance lease liabilities	<b>(117)</b>	(139)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(649)</b>	(401)
	<hr/> <hr/>	<hr/> <hr/>
<b>Net increase in cash and cash equivalents</b>	<b>583</b>	316
	<hr/>	<hr/>
<b>Cash and cash equivalents at beginning of year</b>	<b>713</b>	397
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	<b>1,296</b>	713
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## **1 General information**

Tricorn Group plc and subsidiaries' (the 'Group') principal activities comprise high precision tube manipulation, systems engineering and specialist fittings.

The Group's customer base includes major blue chip companies with world-wide activities in key market sectors, including Pipefittings, Power Generation, Aerospace, Off Highway, and Automotive.

Tricorn Group plc is the Group's ultimate parent Company. It is incorporated and domiciled in the United Kingdom. The address of Tricorn Group plc's registered office, which is also its principal place of business, is Spring Lane, Malvern, Worcestershire, WR14 1DA. Tricorn Group plc's shares are admitted to trading on the Alternative Investment Market of the London Stock Exchange.

The financial statements for the year ended 31 March 2010 (including the comparative for the year ended 31 March 2009) were approved by the Board of directors on 9 June 2010. Amendments to the financial statements are not permitted after they have been approved.

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The group statement of comprehensive income, the group statement of changes in equity, the group statement of financial position, the group statement of changes in equity, the group statement of cash flows and the associated notes for the year ended 31 March 2010 have been extracted from the group's financial statements upon which the auditor's opinion is unqualified and does not include any statement under Section 4) 498 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2010 will be delivered to the Registrar of Companies following the Group's Annual General Meeting.

## **2 Accounting policies**

### **Basis of preparation**

These consolidated financial statements have been prepared under the required measurement bases specified under International Financial Reporting Standards (IFRS) and in accordance with applicable IFRS as adopted by the European Union and IFRS as issued by the International Accounting Standards Board.

### **Changes in accounting policies**

The Group has adopted IAS 1 Presentation of Financial Statements (revised 2007) which has led to the inclusion of a new primary statement, the consolidated statement of comprehensive income. The adoption of this accounting standard has had no further effect on the current or previous year's Group financial statements.

IAS 1 Presentation of Financial Statements (Revised 2007) requires presentation of a comparative statement of financial position as at the beginning of the first comparative period, in some circumstances. Management considers that it is not necessary this year because the 2008 statement of financial position is the same as that previously published.

The Group has adopted IFRS 2 - Share based payments (amended) during the year and the adoption of this accounting standard has had no effect on the current or previous year's Group financial statements.

The Group has adopted IFRS 8 - Segmental Reporting, in the year. The adoption of IFRS 8 has changed the segments that are disclosed in the financial statements. In the previous annual financial statements, segments were identified by reference to dominant source and nature of the Group's risks and returns. Under IFRS 8 the accounting policy for identifying segments is now based on the internal management reporting information that is regularly reviewed by the chief operating decision maker. Following the adoption of IFRS 8 which required retrospective application, the comparative segment information for the same period in the prior year is restated to conform with the new requirements.

### 3 Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Detailed cash flow forecasts have been prepared which highlight that the Group has sufficient cash headroom to support its activities. The forecasts also highlight that the financial covenants included in the bank loan agreements will be fully complied with. The key assumptions in these forecasts have been sensitised and no issues arise which lead to any concern regarding the operations or financing of the Group. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

### 4 Segmental reporting

The Group operates four main business segments:

- Energy: manipulated tubular assemblies for use in power generation, oil and gas and marine sectors.
- Transportation: ferrous, non-ferrous and nylon material tubular assemblies for use in off-highway, medical, and other such applications.
- Aerospace: specialised rigid pipe assemblies for use the aerospace sector.
- Utilities: the pipefittings sector produces innovative jointing systems for polyethylene pipes, typically within the utility industry.

The financial information detailed below is frequently reviewed by the Chief Operating Decision maker.

#### Year ended 31 March 2010

	Energy £'000	Transport- ation £'000	Aerospace £'000	Utilities £'000	Unallocated £'000	Total £'000
<b>Revenue</b>						
- from external customers	4,849	4,671	5,014	497	-	15,031
- from other segments	-	-	-	-	-	-
<b>Segment revenues</b>	4,849	4,671	5,014	497	-	15,031
<b>Operating profit pre intangible amortisation and restructuring costs</b>	96	52	128	53	96	425
Restructuring costs	-	-	-	-	-	-
Intangibles amortisation	-	-	-	-	(118)	(118)
<b>Operating profit</b>	96	52	128	53	(22)	307
Net finance costs	(46)	(16)	(22)	(2)	(43)	(129)
<b>Profit before tax</b>	50	36	106	51	(65)	178
<b>Segmental assets</b>	3,304	1,988	3,040	243	2,177	10,752
<b>Other segment information:</b>						
Capital expenditure	66	45	24	-	-	135
Depreciation	151	165	58	17	1	392

#### 4 Segmental reporting (continued)

##### Year ended 31 March 2009

	Energy £'000	Transport- ation £'000	Aerospace £'000	Utilities £'000	Unallocated £'000	Total £'000
<b>Revenue</b>						
- from external customers	8,428	6,645	5,995	1,177	-	22,245
- from other segments	-	-	-	-	-	-
<b>Segment revenues</b>	8,428	6,645	5,995	1,177	-	22,245
<b>Operating profit pre intangible amortisation and restructuring costs</b>	702	138	48	259	283	1,430
Restructuring costs	(57)	(143)	(39)	-	-	(239)
Intangibles amortisation	-	-	-	-	(118)	(118)
<b>Operating profit</b>	645	(5)	9	259	165	1,073
Net finance costs	(90)	(26)	(56)	(6)	(118)	(296)
<b>Profit before tax</b>	555	(31)	(47)	253	47	777
<b>Segmental assets</b>	3,742	1,884	3,213	145	2,041	11,075
<b>Other segment information:</b>						
Capital expenditure	178	67	80	17	5	347
Depreciation	157	149	55	17	1	379

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

	Year ended 31 March 2010		Year ended 31 March 2009	
	Revenue	Assets	Revenue	Assets
	£'000	£'000	£'000	£'000
United Kingdom	10,925	10,752	17,702	11,075
Europe	3,217	-	2,758	-
Rest of World	889	-	1,785	-
	<b>15,031</b>	<b>10,752</b>	<b>22,245</b>	<b>11,075</b>

## 5 Earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	<b>Profit</b>	<b>31 March 2010 Weighted average number of shares</b>	<b>Earnings per share</b>
	<b>£'000</b>	<b>Number '000</b>	<b>Pence</b>
<b>Basic earnings per share</b>	<b>149</b>	<b>32,979</b>	<b>0.45p</b>
Dilutive shares		-	
<b>Diluted earnings per share</b>	<b>149</b>	<b>32,979</b>	<b>0.45p</b>
		31 March 2009	
	Profit	Weighted average	Earnings per share
	£'000	number of shares	Pence
		Number '000	
Basic earnings per share	585	33,020	1.77p
Dilutive shares	-	1,198	-
Diluted earnings per share	585	34,218	1.71p

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

	<b>Profit</b>	<b>31 March 2010 Weighted average number of shares</b>	<b>Earnings per share</b>
	<b>£'000</b>	<b>Number '000</b>	<b>Pence</b>
<b>Basic earnings per share</b>		<b>32,979</b>	<b>0.45p</b>
Amortisation			
Interest rate collar gain			
<b>Adjusted earnings per share</b>		<b>32,979</b>	<b>0.79p</b>
Dilutive shares		-	
<b>Diluted adjusted earnings per share</b>		<b>32,979</b>	<b>0.79p</b>
		31 March 2009	
	Profit	Weighted average	Earnings per share
	£'000	number of shares	Pence
		Number '000	
Basic earnings per share		33,020	1.77p
Amortisation		-	-
Restructuring costs		-	-
Interest rate collar loss		-	-
Adjusted earnings per share		33,020	3.16p
Dilutive shares		1,198	-
Diluted adjusted earnings per share		34,218	3.05p

## 6 Dividends

The Directors do not recommend the payment of a dividend (2009: Nil).