Trifast plc

Trifast plc
Annual Report

for the year ended 31 March 2017

Stock Code: TRI

Trifast, leading international specialists in the engineering, manufacturing and distribution of high quality industrial fastenings to major global assembly industries

Mission and vision

- To continue to grow profitability and improve stakeholder returns through organic and acquisitive growth, and by driving continual efficiencies throughout the organisation
- To be acknowledged commercially as the market leader in industrial fastenings in terms of service, quality, engineering support and brand reputation
- To promote an environment that is safe and fair, which motivates, develops and maximises the contribution and potential of all *TR* employees

INVEST IN OUR KEY STRENGTHS

1
Design and application engineering know-how adds value throughout the purchasing cycle

2
High quality, low cost manufacturing across eight global locations forms the foundation of our industry reputation which is second to none

3
Reliable distribution and supply solutions around the world that flex to fit our customers' needs

4
Continuous investment into quality and operations and supply keeps us one step ahead of our customers' needs

5
A strong balance sheet and flexible banking facilities provide the confidence to invest for growth

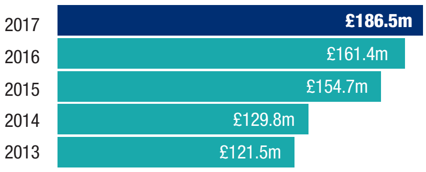
6
Progressive dividend policy and creating shareholder value

Visit our website **www.trifast.com**

FINANCIAL HIGHLIGHTS*

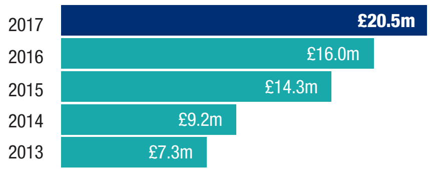
Revenue

↑15.6%



Underlying profit before tax†

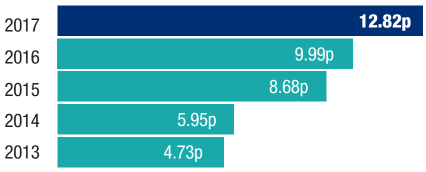
↑28.1%



† Please see the five year history on page 146 for the GAAP measure

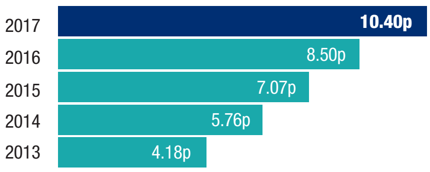
Underlying diluted earnings per share

↑28.3%



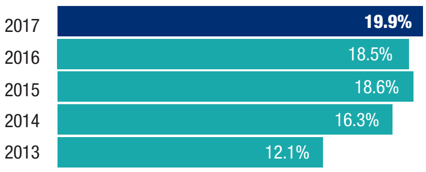
Diluted earnings per share

↑22.4%



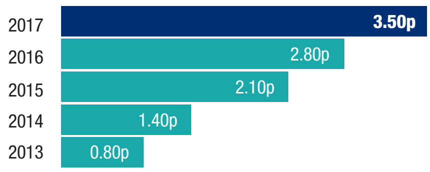
Return on capital employed

↑140bps



Dividend per share

↑25.0%



* Before separately disclosed items (see note 2 in the financial statements). The relevance of these measures and calculations are also discussed in note 2 and the Glossary on page 144. For reconciliations to equivalent GAAP measures, please see note 34 in the financial statements and the five year history on page 146

OPERATIONAL HIGHLIGHTS

— All regions experienced strong revenue growth at CER ranging from 4.6% in the UK to 12.3% in the US

— Gross margin exceeds 30% for the first time in our history

— Significant FX tailwinds add £2.4m to underlying profit before tax

— Strong cash conversion reduces net debt to £6.4m (normalised £7.6m)

— *TR* España – a base to grow from in one of Europe's most vibrant economies

— Capital investment of £2.9m increases our manufacturing capacity and capabilities, with more to follow

Read about our **Group Strategy** on pages 18 to 19

CONTENTS

Visit **www.trifast.com** to view a wide range of information of interest to institutional and private investors

STRATEGIC REPORT

THE WORLD OF *TRIFAST*

A MARKET LEADER

***Trifast* is known commercially as *TR* to its customers and suppliers in Europe, Asia and the Americas**

We have a reputation as a market leading global engineering, manufacturer and distributor of industrial fastenings and category 'C' components to a wide range of industries and customers. Around a third of our income derives from *TR*'s own manufacturing. The key end markets in which products can be found are automotive, electronics and domestic appliances. Our customers are a mix of multinational and national companies and distributors across the world.

Go to **www.trifast.com** to see our locations

HOLDING THE WORLD TOGETHER

Fasteners are all around us, they are used extensively in our everyday lives. So much so, that many of us take them completely for granted. But, what would happen if you were to imagine a world without fasteners ... ?

Could you:

- comfortably drive a car with seats that don't move; or
- safely spin your clothes in a washing machine where the drum is not attached; or even
- keep your cool this summer without fans, refrigeration or air con?

Wherever something needs to slide, rotate, expand, vibrate, be repaired, replaced, or simply stay firmly in place, you need the right fastener for the job and that's where *TR* comes in.

Whether it's fasteners for space exploration or simply for vacuuming your home, we have been supplying specialised industrial fasteners to OEMs across Europe, USA and Asia for nearly 45 years.

We quite literally have been "Holding the World together"

Read the **Business review** on pages 32 to 41

Our sites are based in 27 global locations:

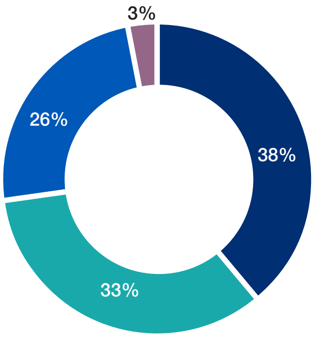
UK
Belfast
Birmingham
East Kilbride
Manchester
Newton Aycliffe
Poole
Uckfield
Lancaster

Europe
Germany – Verl
Holland – Oldenzaal
Hungary – Szigetszentmiklos
Ireland – Mallow
Italy – Fossato di Vico
Norway – Skytta
Poland – Warsaw
Spain – Barcelona
Sweden – Nacka

Asia
China – Shanghai & Beijing
India – Bangalore & Chennai
Malaysia – Penang & Kuala Lumpur
Singapore
Taiwan – Kaohsiung
Thailand – Bangkok

USA
Houston

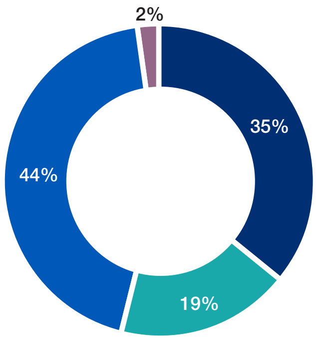
Revenue by location*



- UK
- Europe
- Asia
- USA

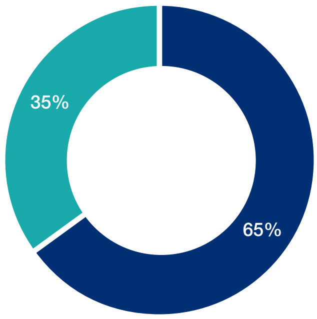
* including intercompany revenues

Employees by location



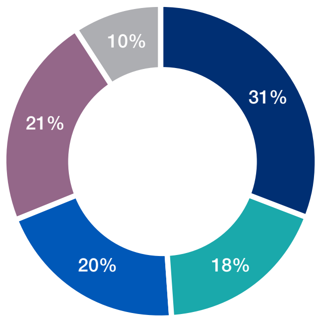
- UK
- Europe
- Asia
- USA

Manufacturing & distribution

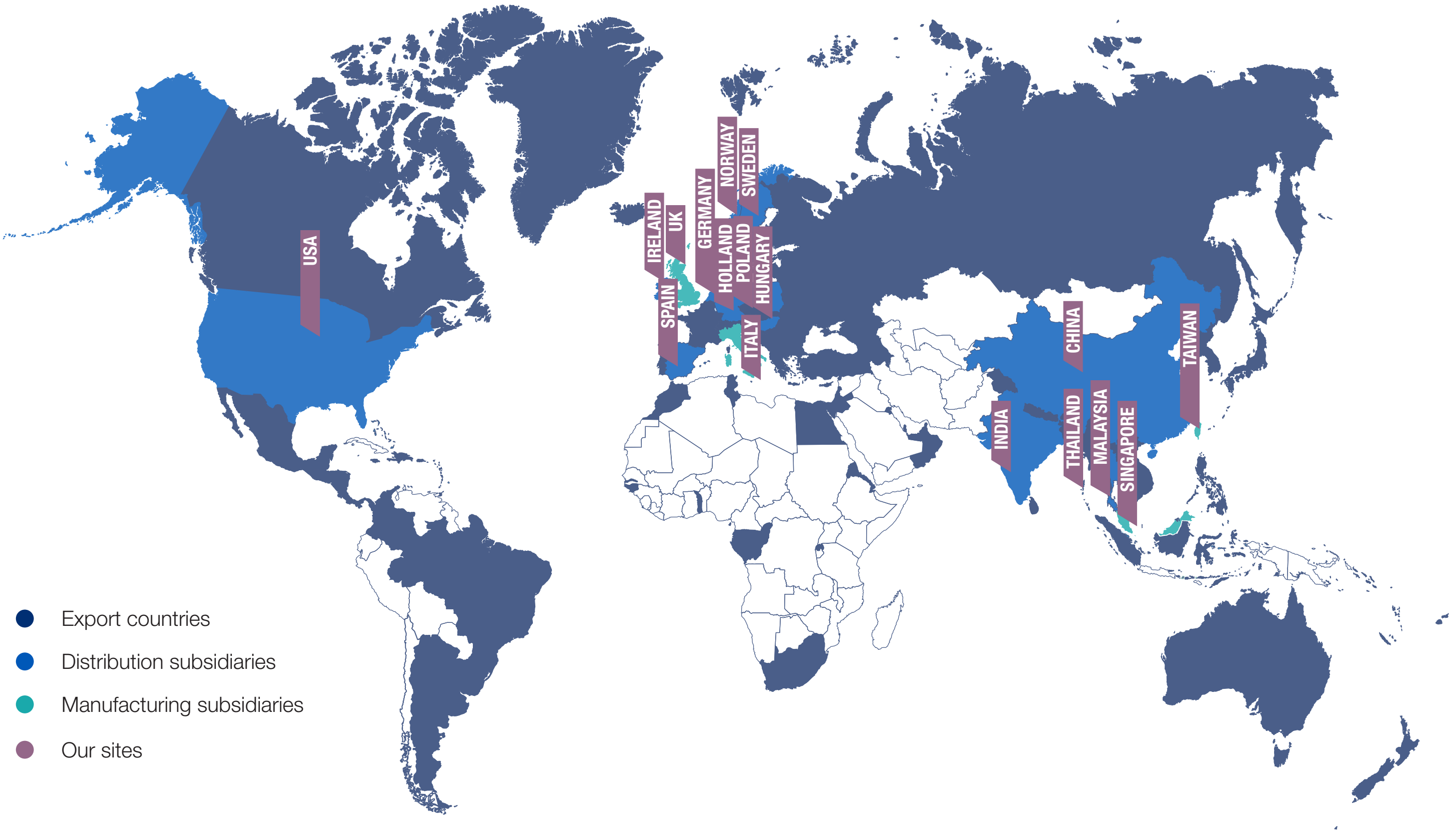


- Distribution
- Manufacturing

Customer sectors



- Automotive
- Electronics
- Other
- Domestic appliances
- Distributors



CHAIRMAN'S LETTER

MOVING FORWARD WITH GROWTH

Dear Shareholder,

The older that one becomes, the quicker the time passes it seems, and this is certainly the case with our progress throughout the 2016/17 Financial Year that this, your annual report, will explain.

In recent years, we have dedicated ourselves to blending organic revenue growth with carefully chosen acquisitions under the umbrella of Continuous Improvement within our operational processes and procedures. This recipe for consistent profit growth clearly keeps on giving as we report another successful year completed and near our first quarter end for the current 2017/18 period.

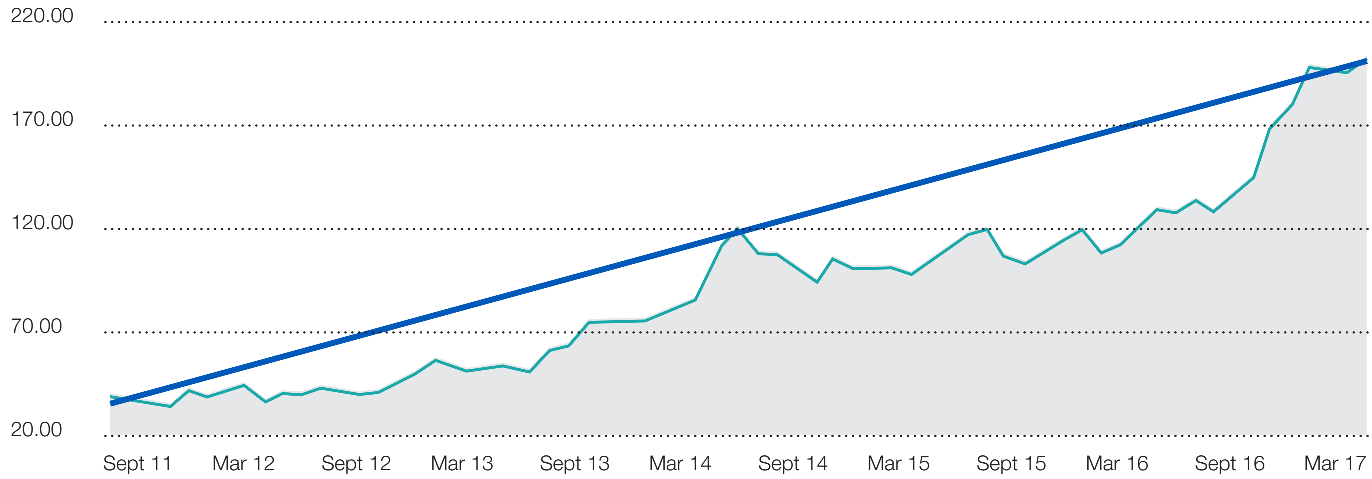
Our Board is regularly asked for the business outlook implications from Brexit, especially with part of our global interests being within the automotive Tier 1 sector. The most strategic impact is likely to be import and export tariffs in and out of the UK. Fortunately, with our substantial logistics facilities based in Germany, Sweden, Hungary and Holland, plus our new Spanish site, we can switch purchase, warehousing and sales activities between Europe and the UK should the markets demand. Our manufacturing and logistics facility in Italy also provides substantial flexibility to our supply chain should the need arise.

Despite much research and many site visits, this past year has not yielded a suitable acquisition that we felt comfortable with. However, our consistent organic growth provides robust investor returns sufficient for us to maintain our strict acquisition criteria.

This organic growth trajectory is not only driven by selling more to existing customers, and winning new customers, but also by our introduction of new product ranges that are known to be already in demand from our three key market sectors of automotive, domestic appliances and electronics.

Our most strategic new product investment by far is into enclosure hardware (e.g. locks, hinges, handles, cable management etc.) where the global market spend extends to hundreds of millions of dollars, and where the majority of our international OEMs are already large users,

Share price (p)



Share price 31 March 2017: 214.3p (1 April 2016: 130.0p)

often paying premium prices due to design, specification and supply constraints. We believe that our enhanced and unique supply chain flexibility provides *TR* with a competitive market advantage on this vast range of high volume components.

This year has seen another period of major capital and people investment to help sustain our future prosperity, including the significant decision to open a greenfield distribution and technical support facility in Barcelona. Although the UK has grown its automotive production significantly in the last decade, it is not widely known that Spain produced 50% more units than the UK last year, providing *TR* with a clear opportunity to invest to respond to this market demand.

Market dynamics have also prompted our *TR* Midlands team to acquire a second building to accommodate more efficient warehousing plus a training, technical and customer fulfilment facility – mainly to support our automotive customers.

The automotive sector is the most prolific exponent of design and production consolidation and rationalisation on a global basis, which has seen *Trifast* ramp up its technical support and supply chain disciplines across the Group. *TR* VIC in Italy, *TR* Kuhlmann in Germany, *TR* Inc. in USA and *TR* Spain are now aligned with *TR* in the UK, Hungary, India, Thailand, Malaysia, Taiwan, Sweden and Holland with the consistent high level capabilities required by this industry. Recent demand has also turned our focus on to Japan, where currency changes and high quality demands have made our exports into that country more competitive.

This past year has seen a whole raft of new operational processes and people resource initiatives, with our Executive team grasping the reins of a wide range of improvement opportunities that range from broadening our HR support, management training and succession planning to digital investments and treasury management. Most of these activities span more than a year and so I look forward to updating you at a later stage with what I believe will be significant progress.

Having re-joined *Trifast* with Jim Barker way back in March 2009, I have had the absolute privilege in witnessing first the recovery, and now the ongoing underlying growth and development of what I regard as a uniquely dynamic, professional and caring organisation that has every reason to feel confident, but not in any way complacent, about its future prosperity.

I fundamentally believe that we now have the most competent and committed management teams across the Group that I have ever seen in my many years with the Company. This trust has allowed me to step down from my executive role of the last eight years, while still remaining loyal and supportive as Non-Executive Chairman of *Trifast* going forward.

I believe very much that every employee is important and that management must constantly endorse that personally with daily encouragement, recognition and mentorship. It is with pride that I can claim that the *TR* culture is very light on ego, politics and status seeking, whilst being big on loyalty, commitment and work ethics. As this is a core requirement for success I want to sincerely thank our management and all our staff for their contribution to our Company and its excellent performance, not only on my behalf but on behalf of all our stakeholders.

Yours sincerely

Malcolm Diamond MBE

Malcolm Diamond MBE
Chairman

12 June 2017

Read the **Business review** on pages 32 to 41

Read about **Corporate governance** on pages 64 to 65

TRIFAST **CULTURE**

IT'S ALL ABOUT THE PEOPLE

The *Trifast* Group prides itself on its family culture and this can be felt in every location, no matter where that is in the world

All of our employees feel part of the Group and are supported to constructively challenge processes and procedures where necessary and to contribute to the continuous improvement of the Group.

All employees are provided with equal opportunity through our recruitment, selection, training and development processes. We are committed to ensure all of our workplaces throughout the world are free from unlawful or unfair discrimination of any kind and that all employment decisions are made in a fair and objective way.

Core values

Trust	Respectful of each others' abilities	Integrity/ open & honest	Fairness	Adding value and embedding quality in everything we do	Striving to achieve excellence/ continual improvement	Team player acting for the good of the Group, recognising the bigger picture	People focused/ handling with empathy	Leadership giving the empowerment to employees to take responsibility for their own actions	Commercially minded/ entrepreneurial & innovative

TRIFAST CULTURE

GROUP

Colin Coddington
IT Director

Helen Toole
HR Director

Ian Carlton
Director of Quality

"Those that join *TR*, and like it, tend to stay for a lifetime. I joined 21 years ago. *TR*'s success has been built on a family culture; employees are looked after and cared for in a way that other companies struggle to understand and compete with and are central to *TR*'s core values"

Colin Coddington
IT Director

UNITED KINGDOM

Dave Fisk
Managing Director
TR Fastenings, UK

Maria Johnson
Finance Director
TR Fastenings, UK

Stevie Meiklem
Operations Director
TR Fastenings, UK

Sam Wilson
Managing Director
Lancaster Fasteners

"The *Trifast* reputation has been built on a foundation of the highest level of customer service that is second to none within the fastener industry. Reliability, quality and staff excellence underpin the culture of the Group by forming a brand image recognised throughout the world as market leader"

Sam Wilson
Managing Director
Lancaster Fasteners

USA

Gary Badzioch
Managing Director
USA

Joe Haymes
Strategic Sales Manager
USA

"*TR* incorporates its high standards for quality and valued customer centric approach throughout its organisation, by instilling a 'family culture' environment that represents honour, integrity and compassion to all its employees"

Gary Badzioch
Managing Director
USA

ASIA

Charlie Foo
Managing Director
TR Asia

Endy Chin
General Manager
Singapore

Phua Yong Sang
General Manager
China

Wilson Chen
General Manager
Taiwan

Piong Song Tong
General Manager
PSEP, Malaysia

HK Tan
General Manager
TR Formac Malaysia

Victor Cheong
Country Manager
India

David NG
Country Manager
Thailand

EUROPE

"We have been successful implementing our core values in balance with our responsibility to our customers, community and employees"

Jan-Erik Storsve
General Manager
Norway

"It's a dynamic environment that has allowed me to grow and develop attitudes towards sales"

" It's a multinational Group but designed on a human scale"

" Being able to do something and improve your job is an opportunity that is given to everyone"

" There are challenges daily – I'm never bored"

***TR* employees**
Italy

"*Trifast* believe in a consistent standard when dealing with everyday tasks to ensure we provide our customers with trust and confidence. Putting emphasis on these values will give us a competitive edge, especially with our high standard of reputation to maintain. We need to understand the different business cultures that surround us in order to have an advantage over other global players. Thus moving forward, we should look into these areas to secure better opportunities in an increasingly competitive market"

Charlie Foo
Managing Director
TR Asia

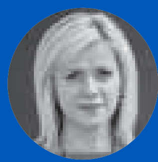
Frank Niggebrügge
Managing Director
Germany

Peter Henning
Director
Germany

Erich Hütter
Director
Germany

Ron Vlutters
Managing Director
Holland

Zoltan Csengeri
Location Head
Hungary



Dara Horgan
Location Head
Ireland

Karol Gregorczyk
Sales & Development Director
Italy

Francesco Cricco
Supply Chain Director
Italy

Jan-Erik Storsve
General Manager
Norway

Raul Fernandez
Commercial Director
Spain

Roberto Bianchi
Managing Director
Sweden

GLOBAL MARKETPLACE

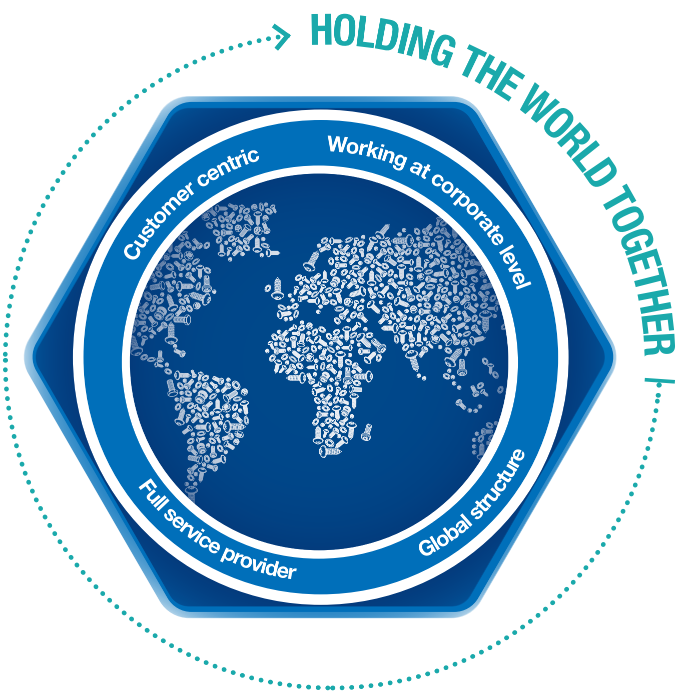
GLOBAL STRATEGIC TEAM

This team was formed initially to manage and retain business that was transitioning from the UK and Europe to lower cost countries in Asia 16 years ago. The team has expanded and now encompasses Strategic Account Management ('SAM') servicing multinationals. We work with their corporate teams to leverage business opportunities, becoming a Full Service Provider ('FSP'), and support them in multiple locations with a consistent customer centric service.

Within the team we have sourcing experts managing the 'AVL' vendors that are critical to the supply chain, product specialists, and a project management team working in tandem with global marketing.

We work with our local sites in a bottom up / top down method using the business intelligence and relationships that are key to winning and retaining business with these discerning customers. Of course we have to be commercially competitive but the value add of the service we provide is a currency too.

This is a key pillar in our sales strategy and we have seen consistent growth in the top 100 accounts, and our penetration into more of their sites.



Reflecting on the financial year, my synopsis is that it has been an exciting year, not without some challenges, but rich with opportunities. We faced some unknowns at the start of the year with Brexit and the American elections and how both of these unusual situations could affect some areas of our business. However, I was convinced that we had enough traction with our global sales strategy and that we would be able to ride it out, as we have, and still have a long term solid pipeline of business in place.

The sales and marketing strategy is constantly being reviewed, refined and enhanced. We have had strategies in place to manage each of the key sectors for automotive, electronics, domestic appliances, other and sales to key distributors since 2008.

Our global strategic business team is made up of Global Account Directors 'GADs', and Strategic Account Managers 'SAMs' who work at corporate level with multinational companies across the world. Their role is to penetrate more of the sites giving them the service level they require, with all the systems and processes they expect. These are very discerning clients, but once we have been approved as a vendor to supply, the doors open to a world of opportunity in their multiple sites. From early design involvement, providing proactive technical support right through to the logistics service that we provide is where we add value. We are seen as an 'FSP' and that elevates our status above that of many of our competitors. This is the highest growth area of our business and we work very closely with over 100 companies globally, with multiple sites, on this basis.

We have regional, and very important accounts that are strategic to our local sites, either based on turnover value or potential for growth. We follow the same strategies at regional level and these are serviced by Business Development Managers ('BDM'), many of whom have technical backgrounds which is a vital part of the customer requirements.

There has been significant growth this year through the distributors who purchase our proprietary products, much of which we manufacture ourselves in the UK and in Singapore. We are constantly adding additional sizes to enhance the range and despite, or because, of Brexit we have seen our sales in Europe from the UK grow substantially. This is due to the excellent service we are able to offer and our sound stocking policies, ensuring we have the right stock positioned to take advantage of the increased interest from Europe. Both Lancaster Fasteners and *TR* Fastenings, Uckfield have seen the most growth during this time, and it continues unabated. We have had successes with two major catalogue companies who carry an extensive range of our Group products, and we have work in progress with a third company. Sales of our self-clinch product, the plastics range and the newly launched enclosure range has further enhanced the sales growth.

In essence we have a channel to market strategy for each sector, type of customer, including the transactional 'one off sales' where we have an extensive stock range that meets their needs with a fast delivery turnaround.

Glenda Roberts
Group Sales Director

Jo Devlin
Head of Projects – Strategic Team

Chris Black
Director of Automotive Business Development

Jeremy Scholefield
Director of Strategic Business

Martin Greenwood
Director of Supply Chain Development

Kevin Rogers
Plastic Products Sales Development Manager

Phil Callaghan
Group Logistics Manager

Our focus is on constantly adding more products to our portfolio to increase our 'share of wallet' in existing customers and creating new sales to new customers. This year we launched the enclosure range of products. This has been the most ambitious and extensive range that we have ever brought to market. We have substantial sales already with sheet metal and enclosure companies and following the principal of increasing our penetration with these existing accounts.

We have a further two new product ranges to bring to market this year which will stimulate more organic growth within existing customers and attract new potential ones.

We have had challenges in the UK since Brexit and the ensuing forex issues. We have worked with our global AVL vendors to try to at least share the burden of the price increases or leverage more volumes with them to negate increases. We are having some degree of success and as our revenue continues to grow they will see the benefits of this reflected in new business.

Our global enquiry log continues to show that we have a strong pipeline ahead of us, particularly in the automotive sector. Many of the platform builds that we have won have a life span of at least six years. The enquiry data it provides assists us with our forecasting as we track our wins, for which *TR* site and when the builds commence, proving once again what an invaluable and unique tool this is.

The marketplace is buoyant and we have seen growth in the electronics industry particularly in middle and eastern Europe. Our product is in the biggest brands in the world supplying companies that want the support and service that we provide in these volume and fast paced production facilities.

We also have seen hard work pay off in less buoyant markets such as Northern Ireland where there has been dogged determination by the team to take a larger slice of a smaller cake. So much so that their site is bursting at the seams and they will be moving to a new and larger facility soon.

Together with the strategic team we put a plan together to open a site in Barcelona to capitalise on the growing automotive and electronics sectors. We now have an ultra-modern site in a great location, close to the automotive clusters, and we have been operational since March 2017.

The Houston team have had double digit revenue growth this year and have seen automotive grow to 26% of their turnover. They have a strong forward pipeline and they too will move to much larger premises this year, as they have outgrown the facility that we only opened six years ago.

Asia is embracing the automotive sector too as we follow and develop the same companies we are servicing in Europe who have now located out there. *TR* China have grown their automotive business to 27% of their turnover in less than four years and have some large recently won contracts already secured.

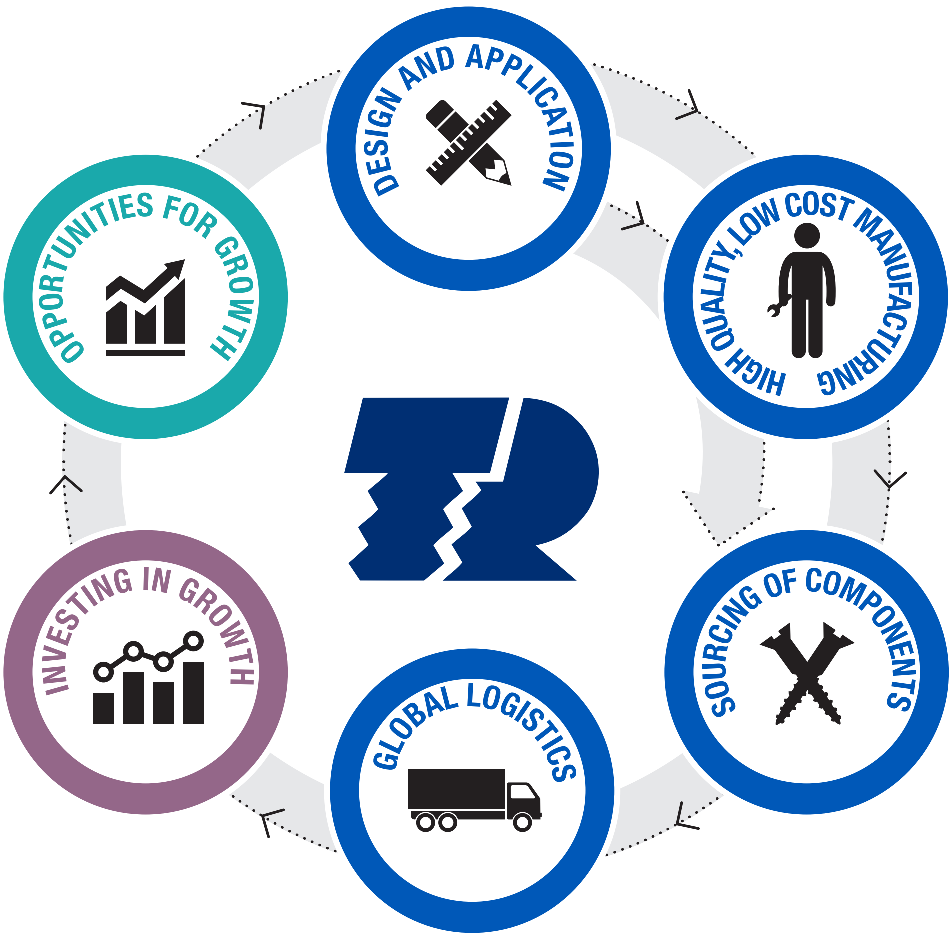
We continue to recruit technical sales engineers, and three new engineers have recently started in the UK, China and Japan.

Our strategy for growth continues and I am confident that we have enough momentum to achieve our forecasts.

Glenda Roberts
Group Sales Director

OUR GROUP BUSINESS MODEL

We are a 24/7 'full service provider' offering 'end-to-end' support to all our customers. Our success and ongoing growth is based on a unique mix of high quality manufacturing, sourcing know-how and adaptable, reliable global logistics



Read about **Corporate governance** on pages 64 to 65

Read the **Business review** on pages 32 to 41

What we offer

At *TR* we pride ourselves on the end-to-end support that we offer to all customers. We don't just sell industrial fastenings – we design, we problem-solve, we engineer, we manufacture, we source and we reliably deliver high quality, value adding components and logistical solutions to production lines across the world.

TR is a recognised and established global brand across a wide range of manufacturing sectors. We differentiate ourselves in the market by offering a unique blend of high quality manufacturing with sophisticated supply chain distribution and logistics.

So how do we do it?

Design & application

A large proportion of our sales are driven by customer specific assembly components, including our unique product introductions within the automotive, electronics and domestic appliances sectors.

Our engineering teams, through their strong relationships with our customers' R&D departments, look to get involved from the start of the enquiry process, helping our multinational OEM customers to make the right fastener design decisions before full scale production begins.

Our technically skilled engineers can deliver cost savings to the customer through specific component design or process applications, adding value and generating efficiencies throughout the supply relationship by working with our customers to reduce product volume, assembly time or weight. In turn, these savings help us to manage price discounting demands, win customer loyalty and further enhance our reputation for adding value.

High quality, low cost manufacturing

Our eight manufacturing plants spread across Asia, Europe and the UK allow us to provide reliable, timely and high quality product to our key multinational OEMs around the world. Our experienced manufacturing teams are able to work directly with our customers to rapidly design, produce and develop product samples, whilst on an ongoing basis, our factories are regularly audited, giving our customers complete confidence in the continuing quality of our supply.

'Just in Time' supply chains and advancements in robotic assembly have driven expectations and demand for zero defect components. By self-manufacturing we are better able to invest to meet these challenging and changing demands.

Sourcing of components

Two-thirds of the Group's revenue is sourced from our established network of world class external suppliers. This means we are not restricted by what we can manufacture in-house, instead we are able to offer our customers a truly 'one-stop' solution for all their fasteners and related components.

In a rapidly changing world, at both the micro and macroeconomic level, our established high quality supplier network, in conjunction with our in-house manufacturing capacity, means we can respond to both our customers' urgent supply situations and longer term market changes with equal success.

Global logistics

We have been a global supplier of fasteners and related components for over 40 years. Over that time we have established secure and proven logistic networks across the world. We now offer seamless and reliable supply to over 60 countries. From complex VMI and 'Just-in-Time' delivery to straightforward ex-works solutions, we are able to provide the most cost effective supply logistics to suit our multinational OEMs' needs.

With our core facilities in Asia, North America and Europe mirroring the global spread of our customer base, we are able to meet the challenging geographical requirements of our customers. By offering logistic solutions from transportation, warehousing, distribution, through to production lines, we can give our customers a cost effective and efficient service.

It is these extensive and flexible networks that help to drive our core organic growth strategy, allowing us to continue to increase our revenues, profits and penetration across our key multinational OEMs' sites.

Investing for growth

Nothing stands still in this ever-changing world. In order to make the most of the opportunities for growth and to keep moving forward, we must continue to invest in our business, whether this is in our people, our manufacturing capabilities and quality or in finding the next successful acquisition.

Ongoing capital expenditure in new manufacturing and inspection plant within our factories is almost routine, with significant investment currently underway at our Italian, Singaporean and Malaysian sites, whilst over the course of the last two years, we have also seen significant investment in our people, not just via recruitment, but also through training programmes and succession planning.

Opportunities for growth

The strong relationships we have built with our key global multinational OEMs over the last 40+ years are considered a significant asset to the Group. We continue to prioritise the development, protection and maintenance of these relationships so as to grow market share across the world.

It's not just about existing relationships, we are also always looking at how we can gain access to new customers. At any point in time we will be working on a number of new multinational OEMs – building networks and trust, developing a better understanding of their needs and spotting the opportunities that will provide us with that initial route to supply.

As a wider business, we are also constantly looking beyond specific customer relationships. Our engineering, sales, marketing and innovation teams are continuously tasked with searching the market to identify the next big thing. Be it a specific product range, patented technology, a new market focus or a geographical hot spot, we are always working together to drive our ongoing growth.

OUR PRODUCTS

ENCLOSURE PRODUCTS

Enhancing the range of product that we can supply to existing customers, and attracting new customers, is a key part of the sales strategy. *TR* is already an acknowledged leader in the field of supply to sheet metal and enclosure manufacturers. To complement the extensive range of self-clinch fastenings, blind rivets and rivet nuts, rivet bushes and thread forming screws, we have extended our range and now design and supply locking systems and locks, hinges and latches, clamps and terminals, gaskets and accessories.

To launch this range we conducted market research, assessed the competition, discussed with our customer base their specific needs and then developed a full marketing plan. This has been the most significant product introduction since our plastics commodity launch.

A training program was created and, with the support and imagination of our in-house marketing team, we produced our own animation describing the end-2-end process and the key characters involved. We had a lot of fun doing this and it captured the imagination of the sales, sourcing and procurement teams internally. The range was launched on our website in November 2016 with over 2,500 parts, increasing the number of products on the website to 50,000. We created in-house a unique product configurator to enable engineers to design their own locks, and the capability of downloading the generated parts as a drawing. This has increased the traffic to our website substantially, and has attracted new customers and opportunities, many of whom have said our website has been easy to navigate and with the detail to hand that they require.

The range is constantly growing as we meet customers' demands and service interest from other industry sectors.

Industries serviced:

Energy

Transport

Technology

General industrial & HVAC

Glenda Roberts | Martin Greenwood | Abi Burnett | Aleksandra Kuczynska | Kevin de Stadler | Ian Salmond | Jeremy Schofield

TR SWEDEN

Sponsors stylish Swedish-designed Sidebuddy, the new eco-solution for city transportation

As our cities become increasingly congested with traffic and pollution, bicycles are proving an increasingly popular way to get around town more quickly and easily and with the added benefit of zero emissions.

However, sometimes cycling may not be practical, if you have to transport children, pets or shopping for example. Swedish designer Jordi Hans saw an opportunity to invent a versatile add-on solution – the SideBuddy side trailer.

Inspired by the classic designs of motorbike sidecars, the SideBuddy can be attached to either standard bicycles or new electric models and fits up to three children (aged 0–7 years) or cargo up to 120kg. Multi-functional and versatile, it is ideal for families, street sellers, tourists, commuters and even surfers!

Always keen to support new and innovative ideas, when *TR* Fastenings, Sweden were approached by the designers of SideBuddy to be a possible sponsor, they were keen to hear more.

"As a leading manufacturer and supplier of industrial components, environmental thinking is an area we are particularly interested in. In our opinion, the Sidebuddy is a unique project with huge commercial potential and one we are delighted to support. The components that were selected, such as screws, nuts, washers, springs and rubber parts, were already approved and validated for use in the automotive sector and readily available for us to supply to the customer. This amounted to a huge saving in terms of time for the Sidebuddy team."

Eugen Kuhnl
Engineering and R&D Manager
TR Sweden

TR NORWAY

Space odyssey: Supplying fasteners for the new Mars rover

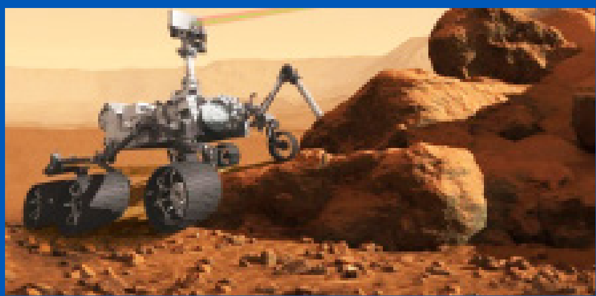
TR Fastenings Norway, is pleased to have been asked to supply essential rivets and tools for a Radar Imager for the new NASA Mars Exploration Rover which launches in 2020. This is the first time components *TR* have supplied have gone into space, and it is exciting to be a small part of future history.

The Norwegian Defence Research Establishment (FFI) which is designing and developing the Radar Imager on behalf of NASA, required components which were robust enough to withstand the extreme conditions of the atmosphere on Mars, where temperatures can plummet to minus 125 degrees centigrade. Drawing on its experience of working within the telecommunications and energy sector, *TR* Fastenings Norway was able to tap into the company's global network of suppliers and deliver the components to FFI within the required timeframe.

The Radar Imager will be used in Mars subsurface experiment, known as RIMFAX. It will add a new dimension to the Rover's toolset by providing the capability to image the shallow subsurface beneath the Rover in unprecedented detail. It will explore the ancient habitability of its field area and select a set of promising samples that will eventually be returned to Earth.

"We are extremely proud to be involved in the development of this new Mars Exploration Rover. It is incredible to think that our fasteners will be used in outer space and is a testament to the high regard our products have with such a prestigious customer as FFI."

Jan-Erik Storsve
General Manager
TR Norway



Sean Cushen | Kenneth Hultberg | Keith Gibb | Martin Elliott | David Griffin | Joe Haymes | Sian Whitlock

GROUP STRATEGY

CORE STRATEGY

Market research indicates that total global demand for fasteners is set to continue to grow

For *TR* this is further supported by expected global growth across all of our of key sectors: in automotive, domestic appliances and electronics. We therefore see the next few years as being a period of continued investment and growth. Using as a base the strong foundations we have built and the investments we have already made over the course of 2017, we will continue to make carefully targeted investments in the coming years, to ensure that we are best able to seize the opportunity to grow alongside our key global customers and markets for the long term.

Description

Our core business is supplying high volume assembly multinational OEMs around the world with fastenings and related components. Our customers rely on us to deliver consistent quality, price and availability in order to supply automotive assemblies, white goods, mobile phone base stations, computer enclosures, cash dispensers and other equipment, in their often numerous sister plants spread globally.

Performance so far

We have trading relationships with over 100 multinational OEMs and currently assign strategic account status to 25 of these. These are made up of a mixture of household names and Tier 1 manufacturers across the automotive, domestic appliances and electronics sectors. We have been supplying 19 of these for over ten years, and four for over five.

We are a value-add supplier of specialist component parts, with over 75% of our revenues being derived from customer specific, branded, or licensed products. We provide guaranteed quality and reliability of global supply (sometimes for hundreds of parts at a time), as well as the ability to solve complex and sometimes urgent manufacturing challenges for our customers. Because of this, we are able to avoid competing solely on price and therefore can retain and build on our business relationships for the longer term.

Over 46% of Group sales come from our 25 key multinational OEMs. We carry ‘preferred supplier’ status to these multinationals, several of which own more than 200 plants, making comparable or identical finished products. Our average percentage of total fastening spend with each of our multinational OEMs is less than 25% globally, so therefore, developing this pipeline, as well as building relationships with new multinational OEMs, is the backbone of our overall growth strategy.

Plans for the future

Maintaining and developing the strength of these relationships, as well as winning new multinational OEMs continues to be a key focus for the Group. We are investing in our sales teams around the world to help us do that. In part by increasing head count to expand our sector expertise and knowledge across different geographies and by ensuring that our sales teams work closer together on a global basis to continue to improve site penetration levels at our multinational OEMs.

To make this possible, specific investments are being made into our global customer relationship management systems, and our internal key account management structure. Head count and skills gap analysis is already underway across all of our global and local sales and marketing teams. Specific key gaps have already been successfully filled and an ongoing investment programme will be put in place over the coming year to continue to develop and increase our skills in this area.

In the medium term we see our revenue to our top multinational OEMs continuing to increase organically and for us to build meaningful trading relationships with at least another ten multinational OEMs over that same time period to be identified as key development accounts.

Strategic pillar	KPI's	Link to Strategy in Action
Investing in people	• Group total revenue • Key multinational OEM revenue • Return on capital employed ('ROCE') • Broaden skills of management	Read more on pages 21 to 22
Investment driven growth	• Group total revenue • Return on capital employed ('ROCE') • Manufacturing to distribution ratio • Underlying cash conversion as a % of underlying EBITDA	Read more on page 23
Continue to add value and differentiate	• Group total revenue • Key multinational OEM revenue • Underlying operating margin enhancement	Read more on page 24
Acquisitions	• Group total revenue • Return on capital employed ('ROCE') • Underlying diluted earnings per share ('EPS') • Manufacturing to distribution ratio	Read more on pages 25 to 26
Operational efficiencies	• Group total revenue • Underlying operating margins enhancement • Group underlying profit before tax • Underlying diluted earnings per share ('EPS') • Underlying cash conversion as a % of underlying EBITDA	Read more on page 27

Read about **KPI's** on pages 28 to 29

HOLDING THE WORLD TOGETHER

STRATEGY IN ACTION

INVESTING IN PEOPLE

Our people continue to be the driving force of our business and their length of service, their loyalty, their enthusiasm and their skills and experience form the backbone of our success

We understand how important it is to retain skills and to actively encourage and fairly reward our employees.

Succession planning formed a major part of our activity in 2016 and will continue to be a focus for the coming years. We are very keen to provide development and promotion opportunities for our employees where possible, as well as experiences in areas of the business that they may not be familiar with. With this in mind we are looking to develop a programme of secondments, giving employees the opportunity to work in different locations.

A full resource planning process was carried out within our UK operation during FY2017 allowing us to pull together the number of projects either underway or planned for the future. This process also allows us to manage and co-ordinate our employee activity, as well as being able to identify areas within the business where either additional resource or investment in skills is needed.

Our training and development programmes have been enhanced within the last 12 months to ensure that we are able to provide the relevant skills to those that want to progress within the business. We continue to run our team leader training course, which provides the important training for those who are either about to start, or have just started a supervisory/line management role. We are continually reviewing the training provision to complement our competency framework and we are now enrolling more employees onto professional qualification courses including the Association of Accounting Technicians and the Chartered Institute of Procurement and Supply.

“We are very keen to provide development and promotion opportunities for our employees where possible, as well as experiences in areas of the business that they may not be familiar with”

Following the success of the functional training for Health and Safety and the environment, where we brought together the representatives from each location in Europe and the USA for an update on developments and global policies and procedures, we will be developing similar training programmes for the different functions within the business that would benefit from such a global approach. Learning together has further improved communication between our operating sites.

We have continued with our leadership programme, based on ‘Transactional Analysis’, a theory that allows participants in the programme to identify their own work drivers and to recognise those of others within their team. Through this recognition and understanding, leaders and managers are able to adapt their behaviour and communication styles to more easily interact with and better motivate their teams.

A number of groups, including all of our European and USA heads of location, have attended this training, meaning that we now have a common language and understanding throughout the management level of the Group.

Our performance management system is in the process of being enhanced, which will allow us to break down further the skills for each of the roles within the business, allowing us to quickly analyse training needs as well as being able to more easily identify high performers. The improved system will also enable managers and employees to interact more frequently in a framework that is more flexible.

There are now even closer ties between all of our operating sites through the roll-out across the globe of the HR and IT strategies; these include global policies and procedures that have been implemented within all of our locations, allowing greater understanding and better and consistent application of global processes.

STRATEGY IN ACTION

Helen Toole
HR Director

Rebecca Rutter
HR Representative

Luke Murphy
UK HR Manager

Human resources strategy

The implementation of the global HR strategy is underway. The strategy is entitled 'Working together to manage growth' and covers the following areas:

- Recruitment and selection
- Legal compliance
- Performance management
- Communication
- Systems and technology
- Health and safety
- Environment
- Payroll and benefits
- Corporate social responsibility
- Monitoring and measurement
- Brand management

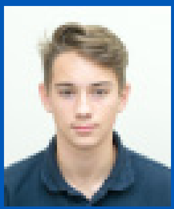
A new corporate code of conduct is being developed for those policies and procedures that apply to all *Trifast* sites and employees. As far as is reasonably practicable, Group policies and processes will be implemented to improve our ability to monitor and measure employee activity and development.

UK APPRENTICESHIP PROGRAMME

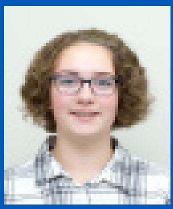
Our apprenticeship programme in the UK continues to be a great recruitment tool as well as a meaningful business training opportunity with apprentices joining many of our UK sites during the year.

Apprentices that started with the Company during the year were:

Nathan Blake
Marketing Apprentice
Uckfield



Alex Hobden
Business Apprentice
Uckfield



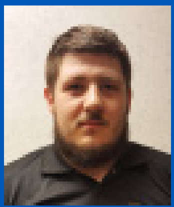
Ruth Eastwood
Business Apprentice
Uckfield

Gagandeep Malhi
Quality Administration Apprentice
Birmingham

Alex Pyle
Warehouse Apprentice
Newton Aycliffe

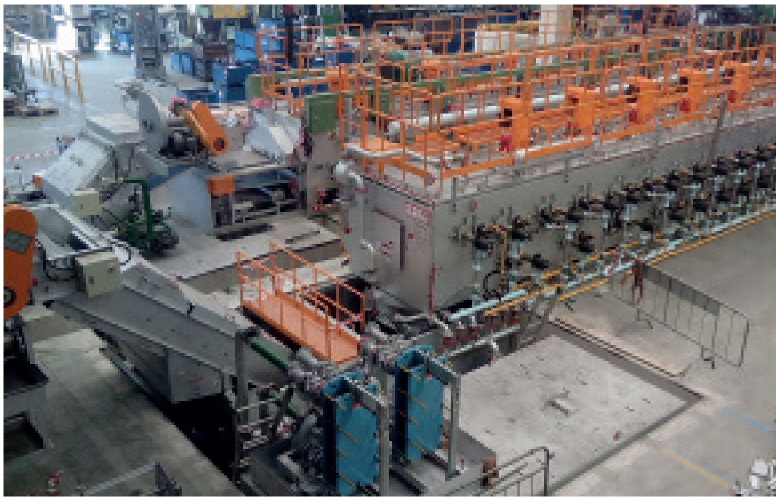
Casey Scott
Office Apprentice
Newton Aycliffe

Bethany Tomlinson
Sales Office Apprentice
Manchester



Denhom Lewis
Warehouse Apprentice
Manchester

INVESTMENT DRIVEN GROWTH



Description

At *TR* we are in a sustained period of growth with FY2017 representing our seventh consecutive year of growth.

Growth needs investment, not just in terms of our people, but also via capital expenditure in our warehousing, manufacturing capacity and our digital capabilities. By expanding our manufacturing capabilities and capacities around the world, we will not only reduce our reliance on purely distribution revenues, but we will also be able to improve our profit margins as revenues increase faster than the underlying semi-fixed cost bases we have in our manufacturing sites.

Performance so far

Over the last year we have invested around the world in our manufacturing. In our Italian site we have spent over £1m on a state-of-the-art heat treatment plant. This will allow us to bring significantly more of our heat treatment in-house, solving a manufacturing bottle-neck and also providing us with better quality assurance to support our growing on-site automotive production, having achieved TS16949 quality certification locally during the year.

In PSEP Malaysia, we have made additional investments in our sorting and quality machinery in the year. This has allowed us to better access the automotive export market, particularly in Japan, where we have won a new contract with one of our key automotive multinational OEMs to supply into what is a new geographical market for us.

Plans for the future

Looking ahead, we continue to see capital investment as a core part of our ongoing strategy for growth.

Specific plans have already been approved for an exciting new mezzanine extension within our well established and very profitable Singapore site. An initial investment of c.£1m will increase our local capacity by one third, allowing us to bring more manufacturing in-house for margin retention and quality assurance as well as to better cover fixed costs across the board as manufacturing levels increase.

Outside of our manufacturing sites, we are also looking at investing in our distribution and warehousing facilities in both Belfast and Houston to support the growing revenues we are seeing in these regions. We anticipate both of these sites will move to bigger premises over the course of FY2018 to better support that ongoing growth.

“Looking ahead, we continue to see capital investment as a core part of our ongoing strategy for growth”

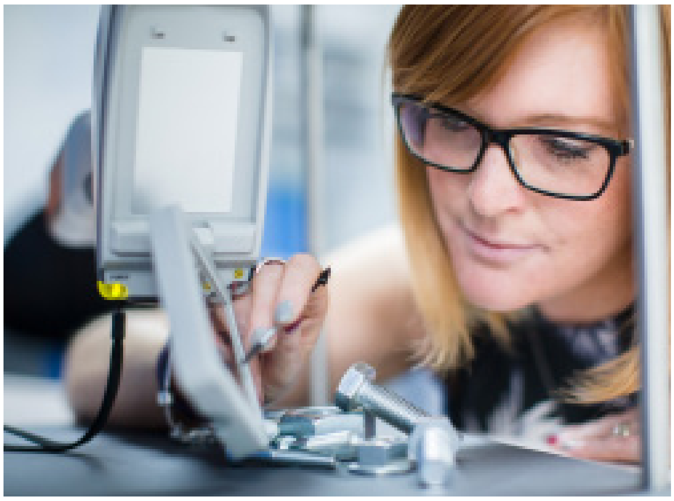
Read about **Operational efficiencies** on page 27

Read about **Cyber security** on pages 48 and 49

STRATEGY IN ACTION

1 2 3

CONTINUE TO ADD VALUE AND DIFFERENTIATE



Description

Our application engineering teams help to differentiate us by bringing fastener solutions to our customers at all stages of the build, from initial design to ongoing manufacture, whilst continuous investment has helped to build and maintain our reputation for high quality within the industry at a time when customers are beginning to focus more and more on this.

Our engineering knowledge and experience, supported by our high quality manufacturing locations, means we are able to add real value to our customers throughout the purchasing cycle. From initial enquiry and product development, through to ongoing supply management, we have the skills across the world to problem solve, and to drive efficiencies throughout the life of the build.

Our reputation in the industry for quality is second to none. We are known for our commitment and ability to go the extra mile for our customers, solving issues before they arise and stepping in where competitors have fallen short. All of this commitment is supported by established supplier networks and valuable licences that mean we can offer a full range of quality product to meet our customers' component requirements across a broad range of sectors.

Performance so far

Our application engineers have solved problems and created efficiencies for customers across all our sectors. We continuously undergo customer audits across our manufacturing and distribution locations. Over the last 12 months we have successfully passed our first Japanese automotive customer audit at our PSEP site in Malaysia, as well as an initial audit from a key new multinational OEM customer in America. In Taiwan, our latest customer audit result was 99.2% reflecting their well-deserved reputation for high quality, particularly within the Tier 1 automotive marketplace.

External recognition is also evident in the awards we have once again received during the year.

Plans for the future

Looking ahead we see investing in quality and engineering as an ongoing requirement, as the demands our customers place on us increase across all sectors of our business. We have a very strong foundation to work from, with plans already in place to continue to invest in and build our teams around the world.

In the medium term, we are looking to further develop our in-house technical and engineering expertise. A team will be pulled together, and will be further supported by targeted capital investments to allow us to better showcase our capabilities externally to customers, as well as to act as a training and go to problem-solving resource to further widen our internal knowledge and expertise around the Group.

Having already invested in our website and our cyber security in recent years, we are also in the process of reviewing our overall digital strategy and are expecting to make additional investment in this area over the next few years. Ongoing investment is expected in our external and investor website, our customer relationship and enquiry management capabilities as well as ongoing development and maintenance of our cyber security and global IT policies and procedures.

ACQUISITIONS

Description

Trifast has shown it is capable of delivering a firm trend of healthy organic growth. However, this is not enough to maximise the opportunities available to us in what is a very fragmented industry, with no one player having more than 5% of the market share.

The acquisition of *TR* Kuhlmann, although small, exemplifies what constitutes an ideal target for the business, namely knowledge and skills, capable self-managing and ongoing management teams, niche market positioning, growing revenue, profitability and earnings enhancing.

Performance so far

Kuhlmann has integrated very well in its first full year with the Group and their performance is ahead of expectations having generated £6.0m of revenues, £1.3m of operating profit and £1.2m of the Group's cash from operations. Whilst new business plans, taking advantage of Kuhlmann's geography and the network of existing customers, have already been developed and are progressing well.

Plans for the future

Looking ahead for the medium term, a detailed acquisition strategy has been developed to identify key criteria and geographies, which is driving our proactive search for the next acquisition. To better aid this process, we have set up an internal acquisitions team to allow us to focus on not just finding that next acquisition opportunity, but also to help build up a pipeline of potential businesses that in time may come to fruition.

This team, although based in Uckfield, is truly global, receiving input from all of our local Managing Directors and key people in the market place to aid our ongoing search in this very important market for us.

"A detailed acquisition strategy has been developed to identify key criteria and geographies, which is driving our proactive search for the next acquisitions"

Read about **Investment driven growth** on page 23

STRATEGY IN ACTION

ACQUISITIONS

TR VIC'S VIEWS OF JOINING *TRIFAST*

After the acquisition finalised on 30 May 2014, the next milestone was a management change on 1 June 2016 after an era of family managed business.

With some resistance and doubts from the team, we started the journey towards a corporate structure and all its advantages. With a significant investment plan, unleashed human potential and willingness to change, the conversion wasn't hard or painful. We have defined the objectives, united and focused on the target, and results are visible; stable growth, production cost reduction, increased capacity, new projects and more possibilities.

The team effort resulted in the award of the ISO/TS16949 certification and many new automotive projects. In 2016 we were audited seven times, all with excellent scores.

Cooperation with demanding automotive businesses is providing a great lesson to all of our team members along with the chance to have our products inside high end automotive manufacturing.

Being part of *Trifast* gave us an opportunity to understand the organisation of other Group manufacturing sites and to adopt this at VIC. All of the changes have been implemented and has made VIC a better place to work. Constant change and continuous improvement has become our new philosophy.

Nevertheless, we cannot forget all the heritage of the Perini family who laid a solid and strong foundation for the application innovation, finding not obvious but smart solutions for our customers and the curiosity to understand all the aspects of the fastener business.

All this together gives us a right to see the future in bright colours where, with a great team, we can reach new goals.

Karol Gregorczyk
Sales and Development Director
TR VIC

TR KUHLMANN'S VIEWS OF JOINING *TRIFAST*

Since October 2015 we are a *Trifast* company – and this is great.

We have got a lot of new impressions and new opportunities. One of the most impressive points is the support from the *TR* Family.

Together, after only a few months of being with *Trifast*, we achieved the target to secure *TR* Kuhlmann as the first nomination from the automotive industry in Germany. This is just one example of how many great new wins *TR* could achieve in Germany in the near future.

It was also fantastic to see that, from the first day, every employee in *TR* Kuhlmann was absolutely committed to *Trifast,* and for this, we would like to say a 'big thank you' to the Board. The Board spoke personally to every single employee and, as a result of those conversations, everyone understood that *Trifast* is one big strong family team.

It is wonderful to see how strong the global structure inside the Company is. To work as one team globally in 18 countries, sharing the huge knowledge around the world is an amazing achievement. All these different parts to the puzzle make us very optimistic for the future.

We are happy to say that we are proud to be a part of the *Trifast* family.

Peter Henning
Director
TR Kuhlmann

OPERATIONAL EFFICIENCIES

Description

As a Group, *TR* is committed to continuous improvement. We are always looking for ways to make our processes more efficient, whether that is by improving our manufacturing capacity and utilisation, working with our vendor base to manage costs, increasing our available warehousing space or improving our management and business information systems. We understand the importance of an efficient and effective cost structure, so as to best future proof the business and to support our strategy for growth.

Performance so far

Since 2010, our gross profit margins have increased by 666bps (AER), our underlying operating margins by 1,003bps (AER) and our overheads, as a percentage of sales at AER, have fallen from 23.5% in 2010 to 19.8% in 2017.

In the last 12 months, we have specifically focused our efforts in a number of areas to achieve an improved underlying operating margin of 11.3% (2016: 10.4%).

Manufacturing

The investments we have made in our Italian manufacturing have successfully removed a key bottle-neck which was standing in the way of increasing capacity more widely at this site and, in the long term, will help improve efficiencies and maintain gross margins as in-house production levels increase.

In PSEP, we have been working very successfully as a global team to ensure we make better use of their unique capability within the Group to manufacture very high quality safety critical automotive parts. Our global and local sales, sourcing and manufacturing teams have been working very closely together over the last 12 months to ensure that wherever relevant external opportunities are identified, we are making the right 'make or buy' decisions on a Group level. Our internal quoting times have been significantly shortened and the direct involvement of the PSEP team with end customers has helped us to win substantial additional business, most notably in Japan and America.

Warehousing & sourcing

In the UK we have introduced further 'lean-lift' technology to help reduce picking times and further improve efficiencies. In Italy, we have invested in automated packaging machines to increase efficiencies and reduce costs at this final stage of the production process.

Over the second half of FY2017, we have started to see some pressure on import costs into the UK due to the protracted weakness in Sterling. This is not out of sync with the wider market, but we have been working hard at a Group and UK sourcing level to manage these pressures and also put in place appropriate mechanisms for dealing with this in the medium term.

Plans for the future

In terms of our manufacturing efficiency, in the medium term we expect to see ongoing efficiencies as a result of the investments made over the last 12 months in Malaysia and Italy, but the most exciting opportunity lies with our investment in Singapore. This is already one of our most profitable sites, which, as a result of the mezzanine expansion, will see capacity increase by one third, allowing an increased in-house margin.

Outside of this, an increased integration within and between both the manufacturing and distributions sides of our business, is expected to help share best practise more widely and also help us to better leverage off our global supplier relationships.

In terms of our wider management and business information systems, we are also in the process of looking at further investment opportunities that will allow us to generate information more efficiently, so as to reduce costs in the longer term. In the medium term this has been focused predominantly on our customer relationship management, human resources and Group level finance functions.

KEY PERFORMANCE INDICATORS

The Board and the Operational Management teams regularly monitor and develop a range of financial and non-financial Key Performance Indicators (KPIs) to allow them to measure performance against expected targets, which can be analysed under various categories

The following represents a selection of these indicators:

Financial KPIs

	Link to strategy	Relevance and performance
Group total revenue		Our clear strategy for growth makes turnover an important barometer of the Group's success. Turnover has grown significantly from 2013, increasing by 53.5% to £186.5m (2013: £121.5m), equating to 11.3% p.a.
Underlying operating margin enhancement		Growth is about more than just the top line. Controlling our cost base is a key part of our investment plans. Reflecting our success in this area, underlying operating margin has increased by 470bps, from 6.6% in 2013 to 11.3% in 2017. This represents margin growth since 2013 of 14.4% p.a.
Group underlying profit before tax		Underlying profit before tax is a key measure of the underlying performance of the business. Our underlying profit before tax has grown by over 180.8% (or 29.4% p.a.) since 2013.
Underlying Cash conversion as a % of underlying EBITDA		Our quality of earnings is reflected in our ability to consistently turn underlying EBITDA in to underlying cash. 2017 was strongly cash generative with a conversion rate of 97.3% (2013: 85.3%).
Return on Capital Employed ('ROCE')		ROCE measures the return that we are able to provide to both our equity and debt investors. Maintaining this continues to be a key focus of the Group. Since 2013 our ROCE has grown by 13.3% p.a. to 19.9% (2013: 12.1%).
Underlying diluted earnings per share ('EPS')		EPS is a key target for the Group. Our clear strategy for growth is focused on increasing this ratio year-on-year. Since 2013 underlying diluted EPS has increased by 8.09p to 12.82p (2013: 4.73p).
Key multinational OEM revenue		£86.0m of Group sales come from 25 key multinational OEMs. Working to grow this revenue as well as building relationships with new multinational OEMs is the backbone of our overall growth strategy.

Non-financial KPIs

	Link to strategy	Relevance and performance
Broaden skills of management		Training programmes continue to be developed that allow our employees across the globe to learn together and share best practice. These programmes include operational, functional and leadership elements and are designed for our employees to enhance existing, and acquire, new skills.
Manufacturing to distribution ratio		By expanding our manufacturing capabilities and capacities around the world, we will not only reduce our reliance on purely distribution revenues, but we will also be able to improve our profit margins as revenues increase faster than the underlying semi-fixed cost bases we have in our manufacturing sites.

Historic performance		Position on target?
2017	£186.5m	✓
2016	£161.4m	
2015	£154.7m	
2017	11.3%	✓
2016	10.4%	
2015	9.9%	
2017	£20.5m	✓
2016	£16.0m	
2015	£14.3m	
2017	97.3%	✓
2016	88.9%	
2015	50.2%	
2017	19.9%	✓
2016	18.5%	
2015	18.6%	
2017	12.82p	✓
2016	9.99p	
2015	8.68p	
2017	£86.0m	✓
2016	£75.4m	
2015	£66.9m	

Historic performance			Position on target?
Over the last three years, 21% of UK employees have completed the management development programme.			✓
2017	35%	65%	✓
2016	34%	66%	
2015	33%	67%	

Key
Distribution
Manufacturing

Key to Strategic Pillar icons

- Acquisitions
- Continue to add value and differentiate
- Investing in people
- Investment driven growth
- Operational efficiencies

Read about our **Group Strategy** on pages 18 and 19

OUR TIME AT *TRIFAST*

MARK BELTON

Chief Executive Officer

Having qualified as an Accountant in 1994 with KPMG, I joined *Trifast* as the Group Accountant in 1999 and immediately I felt at home. I was joining an international organisation, which put quality and its people at the heart of everything it did. Within a month, I was involved in my first acquisition of what is now called *TR* Fastenings A.B. (Sweden). I was thrown in very much at the deep end and realised very quickly that *Trifast* is about empowering its employees and giving them the opportunity to succeed.

As most decisions ultimately have a financial impact I have been very fortunate to be involved in key decisions within the business, which has enabled me to travel around the Group meeting and working with a lot of people, providing me with a deeper understanding commercially of the markets and sectors in which *TR* operate.

I became Group Finance Controller and Company Secretary in 2004, which gave me a deeper knowledge of the legal system and corporate governance as well as giving me exposure to the strategic thinking of the PLC Board and our stakeholders.

Following the financial crisis and global downturn in 2008/9, *Trifast* went through its toughest two years – the top team changed and Malcolm Diamond (Chairman) and Jim Barker (CEO) returned to the business. I became Group Finance Director and, along with Geoff Budd (Commercial Director and European Managing Director) and Glenda Roberts (Group Sales Director), we began turning around a £15m loss making company with a share price of 8.5p.

It was not easy but, with loyal and resilient support from my colleagues and staff around the world, we were able to lay the foundations that gave *TR* the platform to once again grow its business and return to profitability.

The Global sales team was reinvigorated and after a careful review of our acquisition strategy, we added three great companies namely, PSEP (2011, Malaysia), VIC (2014, Italy) and Kuhlmann (2015, Germany). Being heavily involved in all three transactions, I once again realised it was not just about financials but ensuring each business' core values, culture and commercial desire fitted into the *TR* model.

Our business is all about innovation, product development and delivering high quality customer service 24/7 across the organisation.

Then on 1 October 2015, after an externally managed recruitment process, I was honoured to take up the mantle of CEO from Jim Barker. My CFO replacement, Clare Foster, had joined us in 2015 to take up the role as Group Financial Controller and Company Secretary and having known her for over 15 years whilst she worked at KPMG I recognised she knew our business and culture well and had the strategic thinking and financial experience to take up a more senior role within the organisation. Consequently, on 1 October 2015 Clare took over my role as CFO and fitted right in.

I am also very privileged to work with a great Executive and Non-Executive team who, with a very talented operational team, bring years of knowledge, expertise, support and wisdom across the globe.

Looking ahead, I am excited about our future and the opportunities we have. There is so much to go for in what is a large and growing fragmented market both at home and internationally. In all this, our core strategy remains the same; focused on being a full-service provider from value-add design and manufacture to global supply to our customers. To achieve this, I am aiming to bring the Group even closer together, investing further in staff and capex and as always looking out for that next acquisition to join the *TR* team.

I am something of a late comer to the *TR* party having only joined the business in January 2015. However, my history with the Group goes back far beyond that.

I first met the *TR* team in September 1998 when, as a new Audit Assistant working for KPMG, I was assigned to the half year review and I went on to stay on the audit for the next decade, learning in the process an incredible amount about the *Trifast* business and the people within it.

Trifast, from the moment I started on the audit, had me by the heart-strings. Here was a business that prided itself on quality and integrity and the way that it looked after and treated its people, customers and suppliers. All good things must come to an end and in the Spring of 2009, I somewhat reluctantly handed over my Senior Audit Manager role to another. I continued to stay in touch with Mark and to watch with interest the period of great adjustment and recovery that the Group was going through.

In January 2015, having spent three very exciting years directing national strategic investment projects at KPMG, I got the opportunity to become Financial Controller and Company Secretary of this wonderful Group, that I had known for all of my professional life. As Mark moved up to CEO in October 2015, I was invited to join the Board and take on the role of CFO.

The last two and a half years have been an incredible journey. As a Group, we are firmly out of recovery and into a period of investment driven growth and so I couldn't have asked for a more exciting time to join. We have already seen seven years of continuous growth, supported by a strong balance sheet and superb cash generation and, looking ahead, the opportunities for investment driven growth, both organically and via acquisition, are significant, whilst our loyal investor and banking relationships continue to provide us with the fire power we need to seize opportunities.

Internally, I am very lucky to be supported by an incredible team of people, not just at HQ in Uckfield, but also around the world. I recognise that it is only with their support that we have been able to continue to develop and improve the way in which we work, the strategic value that we add to the wider business and the level of cohesion that we have, not just as a finance team, but also across the different functions within our global business.

Someone once told me 'all roads lead to finance', well my key aim is to make sure that road is a two-way street because, for me, the true value of an effective finance function will always be to help support and drive sustainable growth as much as it is to account for it accurately when it happens.

BUSINESS REVIEW

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OUR GROUP PERFORMANCE

	FY 2017 CER	FY 2017 AER	FY 2016	**Growth at CER**	Growth at AER
Revenue	**£172.6m**	£186.5m	£161.4m	**7.0%**	15.6%
Gross Profit (GP)	**£53.6m**	£58.0m	£48.0m	**11.7%**	20.9%
GP%	**31.1%**	31.1%	29.7%	**+140bps**	+140bps
Underlying operating profit (UOP)	**£18.6m**	£21.0m	£16.8m	**10.9%**	25.2%
UOP%	**10.8%**	11.3%	10.4%	**+40bps**	+90bps
Operating profit (OP)	**£15.6m**	£17.9m	£13.9m	**12.5%**	28.8%
OP%	**9.0%**	9.6%	8.6%	**+40bps**	+100bps
Underlying profit before tax	**£18.1m**	£20.5m	£16.0m	**13.2%**	28.1%
Profit before tax	**£15.1m**	£17.3m	£13.1m	**15.4%**	32.6%
Underlying diluted EPS	**11.28p**	12.82p	9.99p	**12.9%**	28.3%
Diluted EPS	**8.97p**	10.40p	8.50p	**5.5%**	22.4%
Underlying ROCE		19.9%	18.5%		+140bps

"Another record breaking financial year with strong profitable growth across every region and continual improvements shown in our KPI's"

Gross margin

31.1% (2016: 29.7%)

For the first time in our history we have ended the year with a gross margin in excess of 30%

12.82p (2016: 9.99p)

Underlying diluted EPS at AER

Our performance across the business has delivered another record breaking financial year with strong trading results ahead of our expectations. Strong profitable top line growth has continued across every region, up by 7.0% at CER and leading to revenues of £186.5m at Actual Exchange Rate ('AER') for 2017.

Our underlying businesses have performed well with foreign exchange tailwinds also having a positive impact.

By far the biggest driver of our performance in 2017 has been organic growth (5.2%; 13.7% at AER), with the focus on our core strategy leading to sales increases to our 25 key multinational OEMs of 14.2% at AER. On the non-organic side, 2017 has seen the first full year of trading from our acquisition of *TR* Kuhlmann, successfully generating 1.8% (1.9% at AER) of revenue growth for the Group.

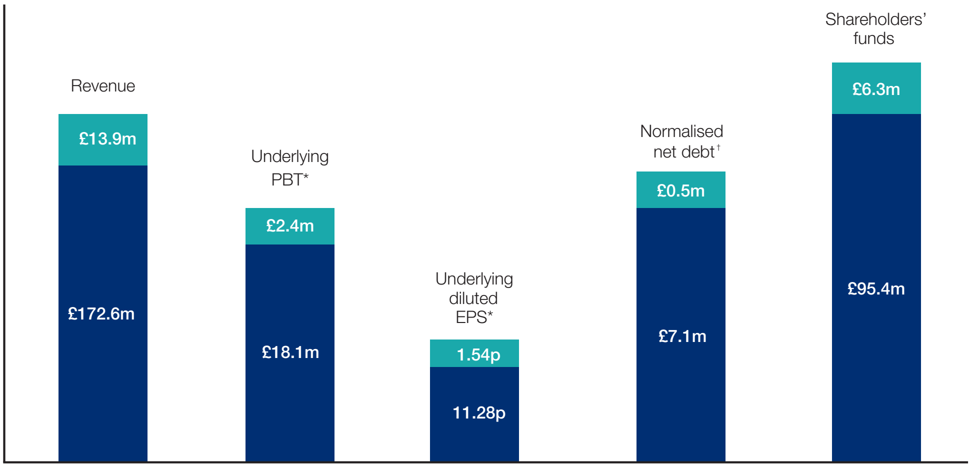
The strongest measure of the Group's success this year has been at the profit level. For the first time in our history we have ended the year with a gross margin in excess of 30%, representing the achievement of a long held ambition. Gross margin has increased by 140bps to 31.1% (at both AER and CER; 2016: 29.7%) and our gross profit is up by 11.7% to £53.6m (£58.0m at AER; 2016: £48.0m).

Against this gross margin increase, our Group underlying operating margin has stayed more consistent at 10.8% (11.3% at AER; 2016: 10.4%), reflecting the ongoing investments for growth that we have been making around the Group in our sales and operational teams as well as our capital investment programmes. Despite this ongoing investment for future growth, our underlying operating profit has continued to grow strongly with a 10.9% increase at CER and 25.2% at AER.

All of the above factors has helped to drive substantial growth in our underlying diluted EPS, up by 28.3% at AER to 12.82p (2016: 9.99p).

Given the significant weakening of Sterling since June 2016, CER continues to be the best way of understanding the positive progress of our underlying business. The impact of AER on some of our key metrics is illustrated in the graph below:

FX Effects



* Before separately disclosed items which are shown in note 2
† Before outstanding NI and income tax on share options. See nebt debt section on page 36 for further details

Dividend policy

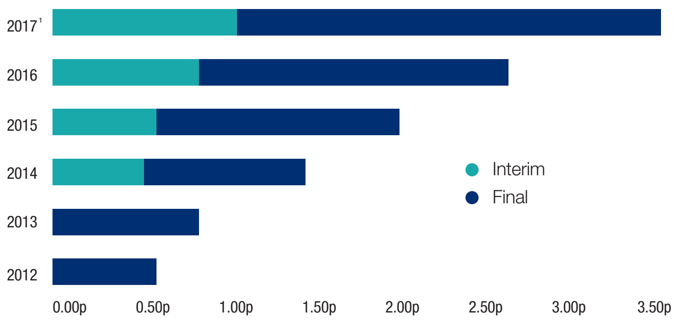
With our proven track record, a strong balance sheet and a confident strategy for growth, we remain committed to a progressive dividend policy.

As a result the Directors are proposing, subject to shareholder approval, a final dividend of 2.50p per share. This together with the interim dividend of 1.00p (paid on 13 April 2017), brings the total for the year to 3.50p per share, an increase of 25.0% on the prior year (2016: 2.80p). The final dividend will be paid on 13 October 2017 to shareholders on the register at the close of business on 15 September 2017. The ordinary shares will become ex-dividend on 14 September 2017.

The 2017 final proposed dividend means that over the last six years dividends have grown from 0.50p to 3.50p, equating to a compound annual growth rate ('CAGR') of 47.6%.

At the same time, dividend cover has fallen, now representing a cover of 3.7x. For the medium term, we believe an appropriate level of cover will continue to be in the range of 3x to 4x. As is always the case, the actual dividend each year will need to take in to account our ongoing strategy of investment driven growth, potential acquisitions and the working capital requirements of a growing business.

Dividend progression



1. To be approved at the 2017 AGM

Dividend cover

BUSINESS REVIEW

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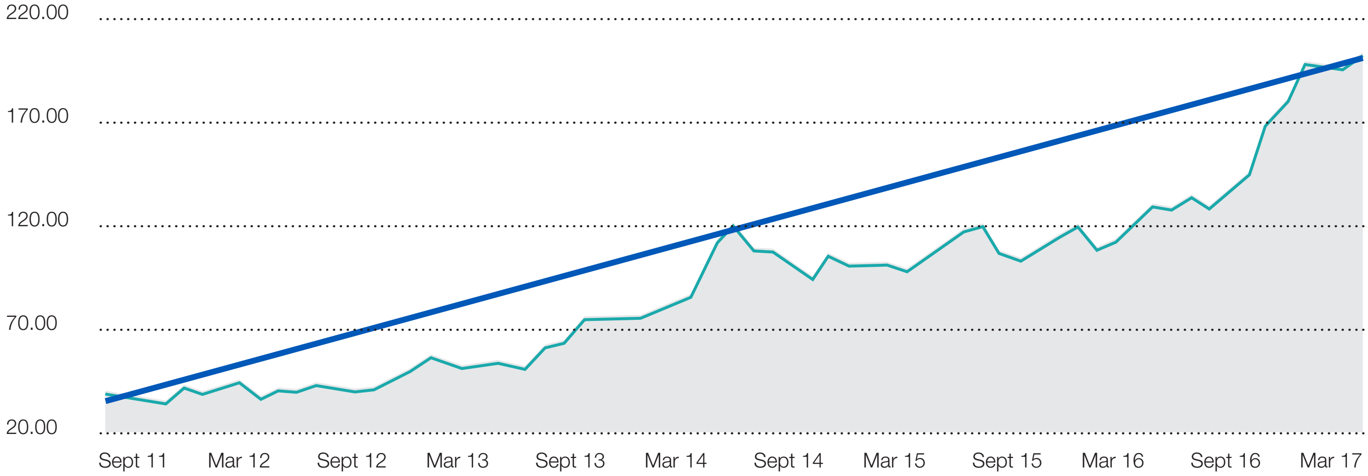
Share price – recovery to growth:

The significant increase in our share price over the last five years illustrates *Trifast's* successful recovery into growth. (compound annual growth rate: 38.7%)

Share price (p)



Share price 31 March 2017: 214.3p (1 April 2016: 130.0p)

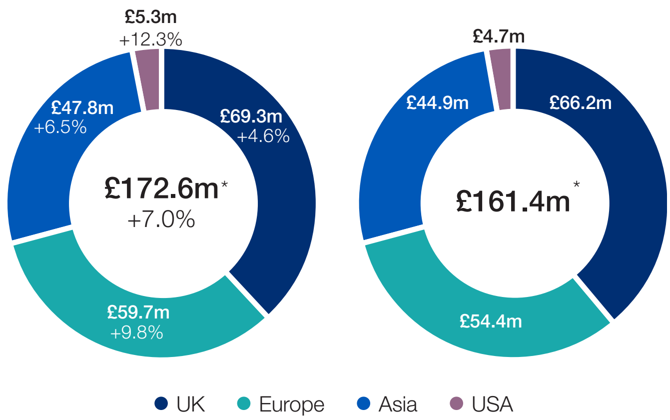
Revenue

This year's key revenue message is one of consistent growth. In FY2017, all of our regions have experienced strong top line growth ranging from 4.6% in our UK businesses to 12.3% in the US (4.6% to 28.2% at AER).

In Europe, our total growth has been 9.8%, made up of 4.6% of organic growth and 5.2% from acquisitions. This reflects a particularly strong HY1, specifically in our Italian domestic appliances business, and FY2017 gains in electronics in Hungary and automotive in Sweden.

In Asia, we have seen a robust return to growth, with total sales (including intercompany) in the region growing by 6.5% to £47.8m (2016: 1.1% and £44.9m) following a strong HY2. Growth at entity level has been equally good, with Singapore continuing to perform well, up by 9.4% (25.2% at AER), in the domestic appliances market and Shanghai, up 9.8% (18.4% at AER), on the automotive side. Most notable is the successful return to growth in our PSEP, Malaysia business. A contraction in the local automotive market has reduced trading levels over recent years. However, in FY2016 we saw this bottom out and in FY2017 top line growth of 6.2% (16.1% at AER) has come from of a mix of both domestic and export sales.

Revenue by region (CER)†



* After eliminating intercompany revenues
† Regional revenues include intercompany. AER values can be found in note 3 of the financial statements

"This year's key revenue message is one of consistent growth. In FY2017, all of our regions have experienced strong top line growth ranging from 4.6% in our UK businesses to 12.3% in the US (4.6% to 28.2% at AER)"

For our UK businesses, it has also been a year of good growth in what is a mature market. Overall total revenues are up 4.6% to £69.3m (2016: £66.2m), with the biggest increase being seen across our distribution businesses, 10.4% to £12.5m at AER, predominantly arising out of additional sales volumes to our European distributors. Outside of this, growth has largely come from increased sales to our multinational OEMs in the automotive sector.

In the US, we continue to see very strong revenue growth of 12.3% to £5.3m (£6.0m at AER; 2016: £4.7m) again largely as a result of our ongoing multinational OEMs focus.

Gross margin

The Group's gross margin has increased by 140bps (at both AER and CER) to 31.1% (2016: 29.7%). Outside of the US, gross margin improvements have been seen across all regions. This is most specifically within Europe, largely due to favourable cost variances and capacity increases at our Italian manufacturing site.

In the UK, gross margins have increased by 100bps, largely due to transactional gains on our export revenues caused by positive movements in the Euro exchange rate. Whilst in Asia, a change in product mix and capacity increases at our Singapore and Malaysian sites has had a similar margin impact.

In the US gross margins have fallen by 410bps as the result of product mix changes and an increased focus on the automotive sector.

Underlying operating margin

Underlying operating margins have increased by 40bps to 10.8% (11.3% at AER; 2016: 10.4%). The biggest increase is in Europe of 160bps (180bps at AER), largely as the result of the increase in gross margin noted above. In Asia, margins have fallen by 40bps to 14.6% (14.9% at AER; 2016: 15.0%) partly as the result of a foreign exchange balance sheet translation loss of £0.2m (2016: gain of £0.2m) due to the ongoing weakness in the Euro and Sterling as well as additional investments to support ongoing growth in the region.

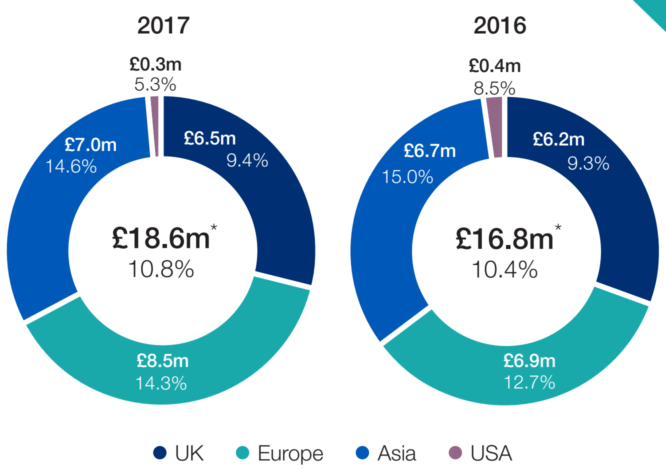
In the UK, margins have remained broadly stable at 9.4% (2016: 9.3%), whereas in the US we have seen the drop in gross margin feeding down into a similar fall at the underlying operating profit level. As sales continue to build, we expect underlying operating profits in this region to improve as planned investments for growth can be better absorbed.

Net financing costs (at AER)

Interest costs have continued to fall to £0.5m (2016: £0.8m) reflecting both a decrease in the average net debt balance to £12.2m (2016: £16.6m) and a reduction in the interest margin charged following an amendment of our HSBC banking facilities on the 7 October 2016.

"The Group's gross margin has increased by 140bps to 31.1% (2016: 29.7%). Outside of the US, gross margin improvements have been seen across all regions"

Underlying operating profit and margin by region (CER)†



* After deducting central costs

† Before separately disclosed items which are shown in note 2

BUSINESS REVIEW

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"Our net debt position has significantly decreased by £9.6m to £6.4m (2016: £16.0m). One of the key reasons driving that reduction is our very strong cash generation"

Taxation (at AER)

The Underlying Effective Tax Rate ('UETR') has reduced slightly in the year to 23.6% (2016: 24.9%) largely as a result of an increase in the tax deductibility of certain permanent staff costs in Italy.

Subject to future tax changes and excluding prior year adjustments, our UETR is expected to be c.25% going forward.

Net debt (at AER)

Our net debt position has significantly decreased by £9.6m to £6.4m (2016: £16.0m). One of the key reasons driving that reduction is our very strong cash generation. In FY2017 our underlying EBITDA to underlying operating cash conversion rate was 97.3% (2016: 88.9%, 102.7% net of the de-factoring in VIC). This led to an operating cash inflow of £22.5m, and despite our significant increase in trading (15.6% and £25.1m at AER), a working capital increase of only £0.8m reflecting our continued high focus on working capital levels around the Group.

Our normalised net debt position at 31 March 2017 is higher at £7.6m. This adjustment reduces our cash holding at year end to take into account the £1.2m of cash specifically held to settle the NI and income tax payments (due in April 2017) relating to Malcolm Diamond's exercise of 1,000,000 share options on 17 February 2017. Further information is included in the Directors' Remuneration Report regarding this transaction and Malcolm's shareholding.

Banking facilities

The Group finalised amended banking facilities with HSBC on 7 October 2016. In summary, the amendments reduce the Group's reliance on the asset backed lending facilities, decrease the overall cost structure and extend the maturity profile of a proportion of our borrowings to better reflect the Group's core funding and investment requirements.

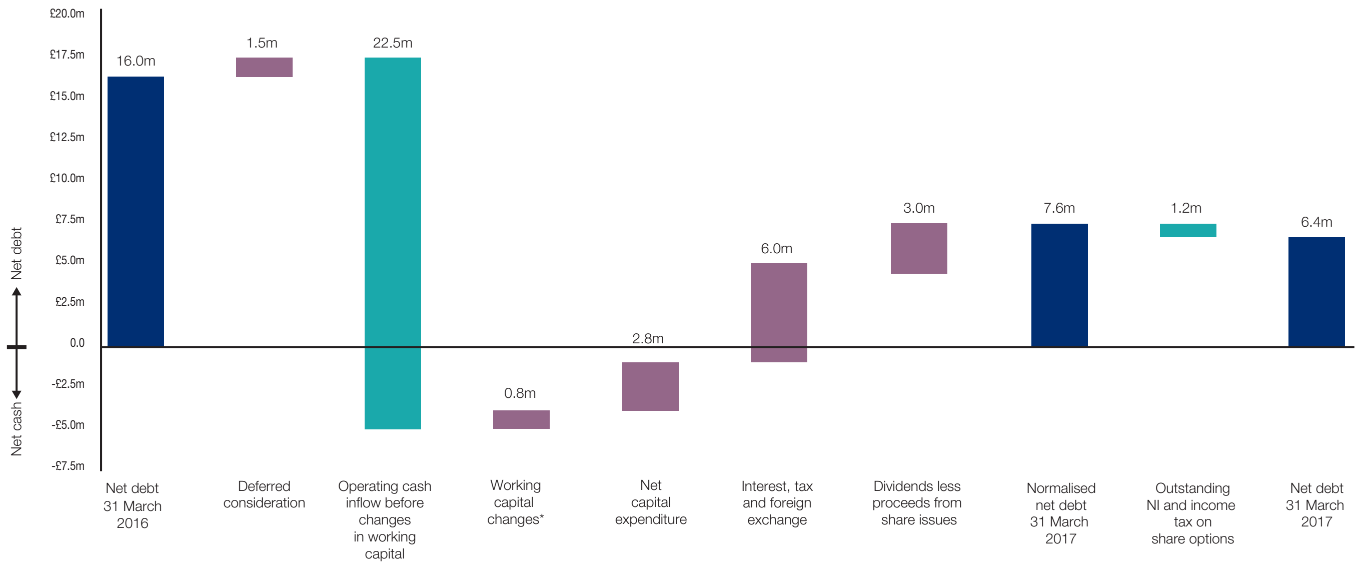
Taking these changes into account, headroom has increased by c.£5.0m, helping to support our strategy of investment driven growth. In addition, an accordion facility of £20.0m has been written into the agreement, providing the potential flexibility to debt finance future acquisitions and investments.

Return on Capital Employed (at AER)

As at 31 March 2017, the Group's shareholders' equity had increased significantly to £101.7m (2016: £83.8m). This £17.9m movement is made up of retained earnings of £11.3m, share issues totalling £0.3m and a substantial foreign exchange reserve gain of £6.3m which arose due to the sustained weakening in Sterling in the financial year.

Over this increased asset base, our very strong trading performance has led to a higher underlying ROCE of 19.9% (2016: 18.5%).

Net debt bridge (AER)



* Before outstanding NI and income tax on share options.

Looking ahead
Group outlook

Looking ahead, the global fastenings market is forecast to grow by 5% a year over the next five years, with all our regions predicting growth.

Geographically Europe, Asia and USA all remain key focus areas for us both organically and non-organically and with our new Spanish greenfield site now up and running, we are in a prime position to continue to develop that important market in the future.

The current financial year has started well and, with a robust pipeline in place, there is no indication this will change. The additional investments we are making in our people across the world, including into our global and local sales teams, mean the Group is in a good position to move forward. Moreover, the strategic investments we are making in our global Customer Relationship Management ('CRM') systems and our key account management have been specifically targeted to further support our core strategy of focusing on our multinational OEMs.

In manufacturing, our capital expenditure plans will increase capacity at both our Italian and Singaporean sites so as to reduce our per part production costs, and allow us to retain higher profits per sale by bringing more manufacturing in-house in the future.

To complement these strong underlying growth plans, further acquisitions remain an important strategic growth pillar for the Group. Our acquisition strategy has been developed to identify key criteria and geographies and we will continue to use this to drive our proactive search for the next successful acquisition.

There are, of course, some macroeconomic factors we cannot fully mitigate, including movements in foreign currency and the ongoing volatility in the raw materials markets, as well as the wider potential implications of Brexit on our business and the UK economy. We are already starting to see some purchase price challenges arising out of both the ongoing weakness in Sterling and the relative strength of the US Dollar, which we expect to increase over time if circumstances persist. However, taking the Group as a whole, with our geographical diversity, our balanced sector mix and our clear strategies for growth, we remain optimistic about the Group's prospects.

BUSINESS REVIEW

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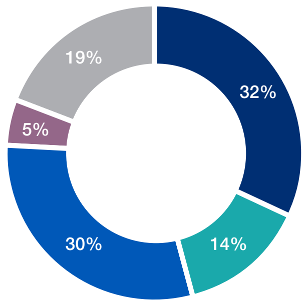
UK – 39% of Group revenues

Revenue by sector

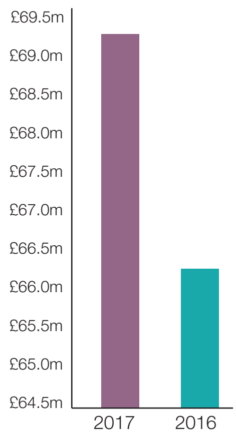


Dave Fisk
TR UK Managing Director

Sam Wilson
Lancaster Fastener Managing Director

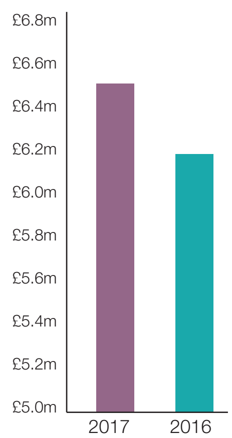
This year has seen a strong return to growth for the UK region, with total revenues growing by 4.6% largely across our distributor and automotive sectors

Revenue†



† Including intercompany revenues

Underlying operating profit



Regional performance

The region overall delivered a stronger than expected sales performance. For our *TR* Fastenings UK business, the Midlands, Uckfield, Scotland and the North East locations all got off to a solid start in the first quarter as customer demand increased in the automotive, general industrial, aerospace and defence sectors.

Following quieter trading mid-year, the UK returned to a growth position for year end, with excellent results achieved across the sites in the last quarter. Manchester delivered impressive growth compared to its prior year position. Belfast delivered a steadier FY2017 following a couple of years of rapid growth and are now in the process of reviewing options for additional space.

Product based European distributor sales have exceeded expectations, both within *TR* Fastenings and Lancaster Fastener. In fact the latter have had their best year ever, growing by 16.2% to £5.7m (2016: £4.9m).

Automotive contributes 32.2% of UK sales. Although still growing, we experienced some delays with one of the major OEMs revising forecasts for two production builds, which resulted in a two-to-three month reduction against the original forecast. The electronics sectors saw a slight decline this year, but still accounts for 14.3% of UK sales, while other sectors have remained flat.

Gross margins were positively impacted by 100bps due to transaction gains on our € sales, as well as a broadening of our product mix. Our underlying operating profit margin has remained consistent at 9.4% (2016: 9.3%) reflecting the ongoing investments for growth we are making.

Looking ahead

Following the appointment and induction of Kevin de Stadler, Director of *TR* Sales for UK and Ireland, the implementation of the new *TR* UK sales strategy has begun. A great deal of work has already been carried out within the business with the key stakeholders to ensure that we are well positioned to capitalise on the future opportunities this will provide.

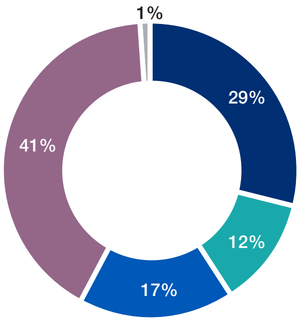
We are actively recruiting, to increase sales resource into all locations in the UK. Through the recent successes of developing and expanding the *TR* product ranges, we have dedicated new resource to assist the sales teams and locations with the plastics and enclosure product ranges, and have also supplemented the commercial team to assist with the increased demand in sourcing, supply chain development and new product introduction.

Towards the end of the year, we had already started to see some pricing increase requests being made from suppliers. Looking ahead, we recognise that these inflationary pressures will continue to rise if the current Sterling weakness persists. We are already working hard to manage this risk, but as a business we expect this could lead to a temporary depression of our UK gross margin in FY2018.

Currently the UK economy is continuing to grow, albeit more slowly, despite the wider uncertainty that exists as a result of the EU referendum in June 2016. We will continue to monitor the situation closely over the coming months to ensure we are able to react quickly and appropriately to any changes in circumstances. However, as only one part of an international business, we are confident that the UK, in conjunction with the strength of the wider Group, will have the flexibility to successfully manage and adapt to any challenges and opportunities as they arise.

EUROPE – 34% of Group revenues

Revenue by sector

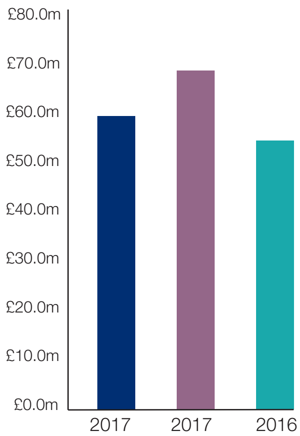


- Automotive
- Electronics
- Other
- Domestic appliances
- Distributors

Geoff Budd
Commercial Director and European Managing Director

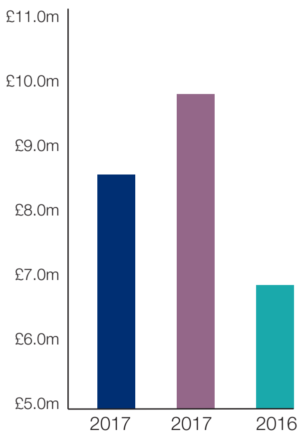
This has been a year of impressive sales and profit growth across Europe, with good progress made in all our key locations

Revenue†



† Including intercompany revenues

Underlying operating profit



- CER
- AER

Regional performance

Revenue growth across the region has been very strong at 9.8% to £59.7m (£67.8m at AER; 2016: £54.4m). This in part reflects the ongoing success story that is *TR* Kuhlmann, Germany, where a first full year of trading in the Group has driven non-organic regional revenue growth up by 5.2%. On the organic side, growth has been spread across a number of our European entities, but most specifically in Sweden in the automotive sector and in Hungary in Electronics.

During the year, we successfully established a greenfield site in Barcelona to serve existing and known customers, primarily in the tiered automotive sector. By the end of FY2017, *TR* España was fully operational with first invoicing taking place in April 2017.

Underlying operating margins have also continued to improve, up 160bps to 14.3% (14.5% at AER; 2016: 12.7%). The largest driver of this increase is in Italy where HY1 saw favourable cost variances for both raw material and finished goods. Whilst purchase price inflation in HY2 had eroded some of these gains by year end, we expect our ongoing investments in capacity (discussed below) to help mitigate some of this impact going forward.

Looking ahead

Over the course of FY2017 VIC has received significant capital expenditure of £1.7m for production equipment, heat treatment plant, quality inspection equipment, a complex automated packing machine and sophisticated zero-defect checking machines. This strategic investment plan will continue to roll out into FY2018, albeit at a lower level, to drive production volumes and efficiencies going forward. Whilst achieving TS16949 accreditation in 2016 has opened up opportunities to grow our European automotive manufacturing in the future.

We continue to see Europe as a key growth market for the Group across not just automotive, but also the domestic appliances and electronics sectors. The recent establishment of *TR* España and the acquisition of *TR* Kuhlmann have provided us with a good foothold in two of the region's key geographies from which we can grow. Whilst on the non-organic side, we will carry on with our proactive search for our next successful acquisition.

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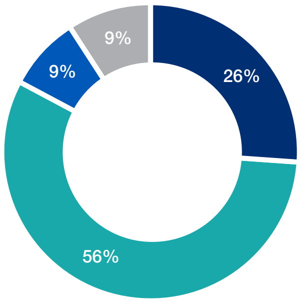
USA – 3% of Group revenues

Revenue by sector



- Automotive
- Electronics
- Other
- Domestic appliances
- Distributors

Gary Badzioch
TR Fastenings Inc. Managing Director

Revenue†

† Including intercompany revenues

Underlying operating profit

- CER
- AER

The 2017 financial year for *TR* USA has turned out as expected, with us comfortably hitting our double digit target revenue increase at 12.3% (28.2% at AER), and bringing our CAGR to 17.5% since 2013

Regional performance

Such strong and consistent revenue growth is a good reflection of the ongoing successful roll out of management's growth plans for the region. Equally in line with those growth plans, we have seen a temporary fall in underlying operating margin to 5.3% (5.6% at AER; 2016: 8.5%) in the region, as we have used some of the profit for the year as investment to solidify the team for the future. Doing so has continued to strengthen our core team, giving *TR* USA the flexibility to be more aggressive on growth for the future in both the automotive and electronics market segments.

Our primary growth pattern for the year was in the automotive sector, which we expect will continue to provide fuel for the fire for our future growth. In fact, it was in the automotive sector that we achieved another new milestone. With the support of *TR* globally, particularly with our Asian manufacturing sites, *TR* USA was able to add a new key automotive multinational OEM relationship to the Group. This was an important step in the evolution of *TR* USA, and evidence that we now have enough experience to be a major contributor to the larger organisation.

Looking ahead

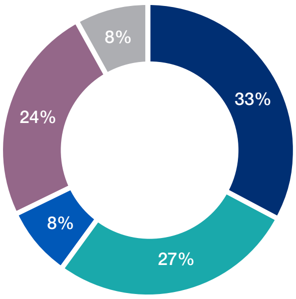
There are several exciting geographical markets in the USA presenting opportunities for growth. We intend to exploit such opportunities going forward not only to drive growth, but also to ensure we keep a balanced portfolio of both domestic and export business in the current political environment.

On top of that, *TR* USA will begin to test out new product segments, such as plastics, to strengthen our portfolio for the future. The plastics product range has already been very successfully developed by *TR* in Europe, and we hope to mirror its success in the USA.

With our stronger team, we will also bring back a focus on what got *TR* USA originally started, the electronics sector. By combining these new approaches, while continuing the core strategy of growing our automotive business in both the USA and Mexico, we hope to cement our ability to continue growth at a double digit rate for the foreseeable future.

ASIA – 24% of Group revenues

Revenue by sector

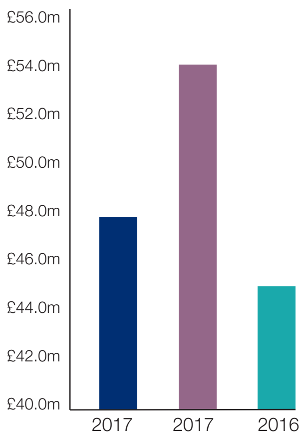


- Automotive
- Electronics
- Other
- Domestic appliances
- Distributors

Charlie Foo
***TR* Asia Managing Director**

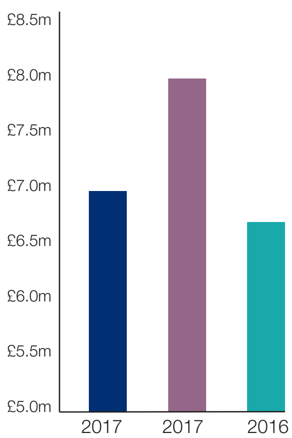
FY2017 was another great year for Asia. After a slow start in HY1, Asia achieved strong year on year revenue growth at CER of 6.5% to £47.8m (£53.8m at AER; 2016: £44.9m)

Revenue†



† Including intercompany revenues

Underlying operating profit



- CER
- AER

Regional performance

Underlying the region's growth were very strong performances from both our Singapore and Shanghai entities, recording CER increases of 9.4% and 9.8% respectively. Singapore continues to perform very well in the electronics sector, although it is in domestic appliances where we have continued to see the highest growth. In contrast, Shanghai's growth has been largely automotive driven as start of production dates kicked in on a number of our key multinational OEM contracts.

In PSEP, we saw a welcome return to growth of 6.2% (16.1% at AER), predominantly as the result of growing export sales. This turnaround represents the first stage of success for the export-led strategy that we put in place in FY2016 to counter weaknesses in the domestic automotive market.

In addition, during the year, our PSEP factory was successfully audited by one of our key multinational OEMs operating in Japan, achieving a high score of 95 points. This excellent result has opened up more opportunities for PSEP to supply to our multinational OEM customers and to continue to support the Group's growth into conventionally difficult markets such as Japan.

Although growth in SFE was more muted at 2.2% (17.8% at AER), largely due to capacity constraints, this was still secured from various automotive multinational OEMs across Europe and USA. Our Taiwanese entity's focus continues to be on their strong commitment to quality, delivery and competitive cost.

Looking ahead

We see a bright future for our Asia region, in part due to the specific strategic investments detailed below. But also, further supported by the strong macroeconomic environment, with growth for the ASEAN region as a whole forecast to be c.4.3% over the next five years. (source: The Economist, Intelligence unit)

TR Formac Singapore will be the location for one of our main strategic capital investments in FY2018. Specific plans have been approved for a new mezzanine extension. An initial phase one investment costing c.£1m will increase capacity by one third and allow us to self-manufacture a greater proportion of product, both retaining and improving margins as fixed costs can be better covered.

At *TR* Formac Shanghai, the ongoing development of the automotive division in China has already started showing encouraging signs of growth. And over the course of FY2018, Shanghai is planning to expand further into Japan. With the addition of a full-time Japanese representative, appointed in April 2017, we will be better able to serve the growing multinational OEM customer base we have there.

Supporting these increased automotive sales, PSEP will be manufacturing the majority of parts, on the c. £1.0m '6 Dies 6 Blows Cold Former' machine we purchased in FY2016. Looking ahead, our investment in this machine is helping to drive growth beyond Japan, by supporting several new development projects awarded by a number of our key automotive multinational OEMs across China and the USA.

Looking beyond organic growth, Asia also remains a region of great interest to us for potential non-organic investment. As a result, at both a Group and local level, we will continue to proactively and reactively identify and review acquisition opportunities as they arise.

CORPORATE SOCIAL RESPONSIBILITY

Health and Safety

As ever, *Trifast* remains committed to ensuring the health, safety and welfare of its employees and those involved in sub-contract activities.

Health and Safety responsibilities and authorities at all levels of the organisation are clearly defined, and communicated via the intranet based Health and Safety management system. The organisation is supported in its Health and Safety best practice by the Health, Safety & Environmental Manager, EHS Coordinator and Compliance Coordinator alongside appointed EHS representatives, manual handling Instructors, fire wardens and first aiders in each of our business units.

Our non-conformance and risk action trackers remain in place and have been improved for increased accuracy in reporting, timely closure rates and meaningful results trending.

Annual legal compliance audits, management reviews and representatives meetings continue to be carried out, creating the base framework for accreditation to ISO45001 (Health and Safety Management Systems) which is now expected to be released as a final draft by the International Standards Organisation in late 2017. It is still the intention of the company to gain accreditation to this standard as soon as is reasonably practicable following its release.

In January 2017 we achieved our target of 'A reportable accident free period of one million working hours'.

We promote a positive Health and Safety culture throughout our business units, and welcome comments and suggestions from all employees on Health and Safety best practice. We have provided Health and Safety Comments boxes to allow suggestions to be made openly or anonymously at the employee's discretion – this has been seen to have a positive impact on the continual improvement of the management system, as some of the suggestions made have led to business process enhancements.

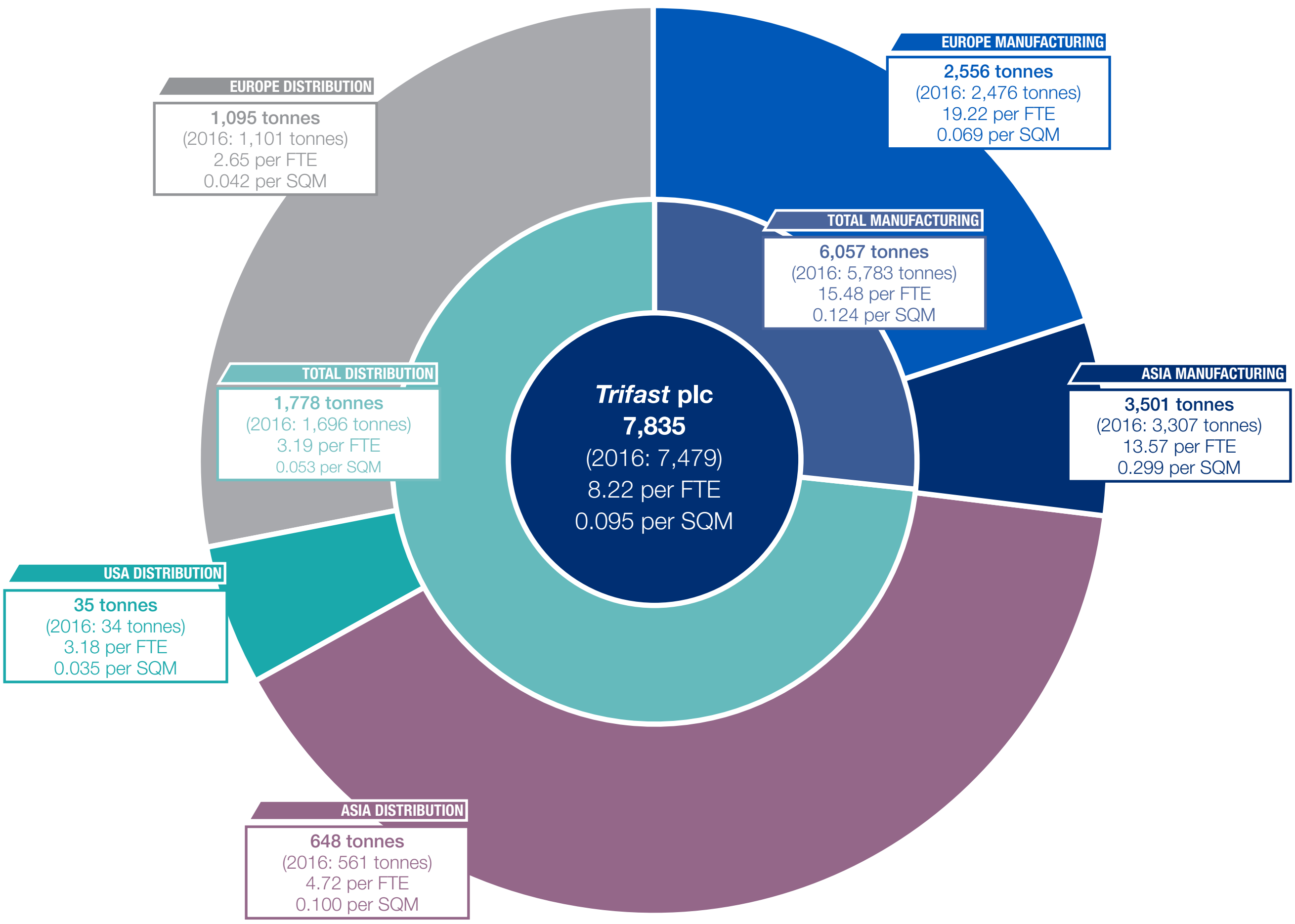
Environment

Best environmental practice and the impacts that our operations have on the environment are of great importance to *Trifast*.

We have previously held ISO14001:2004 in many of our business units, in December 2016 we successfully passed our Group level ISO14001:2015 (Environmental Management Systems) audit with a 100% score from the British Standards Institute. This success was achieved after a one year implementation project carried out by the EHS Manager, EHS Coordinator and the divisional EHS representatives.

The Environmental Management System is communicated and implemented throughout the business through strong leadership and support from the top management.

It is the intention of the management system that it will assess and control the impacts of the businesses activities, products and services – it will also serve to implement the Environmental Policy throughout.



- Our manufacturing facility in Italy, has had a notable increase of 158.6 tonnes of CO_2e due to the operation of 6 new manufacturing machines
- 2016 Asia manufacturing figures have been restated due to a data reporting error re our Taiwan facility in the previous financial year
- We have used emission factors from www.gov.uk "Conversion factors 2015 – Condensed set"

Jenni Morland
European Health, Safety and Environmental Manager

Kelly Bennett
Environmental Health and Safety Co-ordinator

Tracey Nixon-Mordica
Compliance Co-ordinator

Trifast commits to:

- Minimise energy consumption per full time equivalent (FTE) and square metre as is reasonably practicable
- Prevent pollution as far as is reasonably practicable
- Reduce the production of waste and develop effective waste management and recycling procedures, as well as disposing of unavoidable waste in such a way as to minimise its environmental impact
- Minimise emissions when defined as having a significant impact
- Periodically review its environmental arrangements and performance against objectives to ensure that it remains relevant and appropriate
- Encourage awareness of internal and external environmental issues, and this Environmental Policy
- Reduce, control and where applicable prevent the use of restricted substances
- Conduct its activities in full knowledge of, and compliance with, the requirements of applicable environmental legislation, Approved Codes of Practice and other environmental requirements agreed by top management

Trifast has established environmental objectives and targets through Group management reviews, and is measuring performance against these targets utilising an agreed framework.

Carbon footprint 2016–2017

Our emissions data includes all material emissions of the six Kyoto gases from direct sources, and from purchased electricity, heat, steam and cooling where applicable. No direct source material emissions have been omitted.

Date period for reporting	01/04/2016 – 31/03/2017	01/04/2015 – 31/03/2016
Total scope 1	1,710 tonnes CO_2e	1,702 tonnes CO_2e
Purchased fuels*	1,190 tonnes CO_2e	-
Company vehicle use*	520 tonnes CO_2e	-
Total scope 2	6,125 tonnes CO_2e	5,777 tonnes CO_2e
Purchased electricity*	6,125 tonnes CO_2e	-
Total GHG emission for *Trifast*	7,835 tonnes CO_2e	7,479 tonnes CO_2e

* New disclosure requirement for this financial year

Figures are reported in tonnes of CO_2e (carbon dioxide equivalent)

Reports are calculated in the following ways:

- Tonnes of CO_2e
- Tonnes of CO_2e per FTE (Full Time Equivalent)
- Tonnes of CO_2e per SQM (Square Metres of floor space occupied by the Company)

Modern slavery

Since the introduction of the Modern Slavery Act 2015, the *Trifast* Board has prepared a slavery and human trafficking statement which will be reviewed each financial year. The statement shows the steps taken to ensure that slavery or human trafficking is not taking place in our own business or in our supply chain. The statement is available on our website, http://www.trifast.com/governance/modern-slavery-policy-statement-2016

BUSINESS AND THE COMMUNITY

We recognise that our business activities can have an impact on the communities in which we operate. We remain very keen to interact responsibly with such communities and support the needs of the local areas.

Our teams continue to take part in community initiatives, sponsorship and fundraising activities and we encourage them to do so.

We continue to sponsor

Our HR Director continues in her role as an Enterprise Adviser for a local community college. This has meant supporting their careers fairs and attending meetings with the senior management team of the college to discuss how best *Trifast* can assist and where support can be provided. In addition, presentations have been made to senior pupils about how to go about preparing for interviews, what to expect at an interview and what is expected once they start their careers. We have also provided *TR* employees to act in role play situations for interview skills development for the pupils. The Enterprise Adviser network comprises representatives from other local businesses and provides a good opportunity for skills and experiences to be shared.

TRIFAST IN THE COMMUNITY

TR Fastenings Global Customer Quality Manager, Maddy Webb, has been supporting the Friends of Mombasa Children (FOMC) charity. Maddy has been collecting socks and working with voluntary teams at *TR*'s UK sites to provide sock-toy making instructions to teach children in Kenya to make sock-toys. Maddy has also been collecting sock-toys and Lego for classroom activities and financial donations to support the charity's fundraising goals.

TR Fastenings congratulates Jake Holmes on winning the *TR* sponsored Young Employee/Apprentice of the Year category in the 2016 Uckfield Business Awards.

TR Scotland's Annmarie McArdle has completed a collection of chocolate selection boxes for children under the care of a local Women's Aid shelter for the third year running.

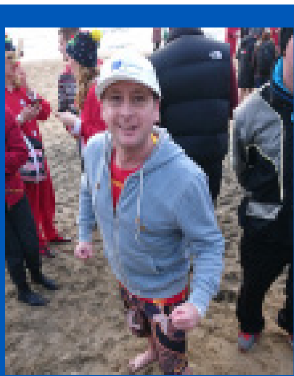
TR Fastenings has become an official sponsor for Ryan Strafford, a Superbikes racer who has enjoyed huge success on the track since beginning his racing career six years ago.

The Uckfield Grasshoppers Junior Football Club, sponsored by *TR* Fastenings, has introduced the Football Association (FA)'s Coach Mentoring Programme helping the development of coaches at grassroots level.

TR Fastenings is playing its part in supporting the next generation of engineers by supplying parts to a team of Sussex students taking part in the Greenpower race series. The scheme gives young people the opportunity to design, build and race an electric-powered racing car.

_TR_ Hungary is proud to announce it has become a sponsor of the Dabas VSE handball club, home to one of the 12 teams which will play in the nation's premier league during the 2017/18 season.

Nick Rees, Business Development Manager at _TR_ Fastenings Poole, took part in the 'White Christmas Dip' raising funds for Macmillan Caring Locally, supporting the Macmillan Unit at Christchurch hospital.



A team of eight _TR_ Fastenings employees, friends and family took on the challenge of the Hastings Half Marathon on Sunday 19 March to raise money for the Papworth Hospital Charity. The _TR_ runners took between 1 hour 55 minutes and 3 hours to complete the punishing 13.1 mile course, and raised £2,155, more than double their original target of £1,000.

_TR_ Fastenings sponsored the Wayfinder Woman 'Inspiring Through Technology' Event on 12 May 2017. The event celebrated the progress being made by businesses to support, encourage and further the careers of women in business, with a specific focus on industries in the STEM (Science, Technology, Engineering and Mathematics) sectors.

_TR_ Fastenings is pleased to announce its sponsorship of a group of Metropolitan Police (Met) football teams who are competing at the World Police Indoor Soccer Tournament in October 2017.

Lancaster Fastener Co provides sponsorship to the Under 11 Blacks team at Thornton Cleveleys FC.

To see all updates on community events and both local and international sponsorship stories visit our website: **www.trfastenings.com/news/community**

MARKETING REPORT

It has been another busy year for the Marketing team – as *TR*'s new strap line, 'Holding the world together' suggests, global support has never been more vital

Abi Burnett
Head of Marketing

Sian Whitlock
Marketing Executive

Dan Jeffryes
Creative Designer

Tom Dewhurst
Marketing Projects Assistant

Nathan Blake
Marketing Apprentice

With this in mind we welcomed a new apprentice to the department in early 2017 to further help us support our teams around the world.

To enhance the promotion of the Group's capabilities, we supported our UK, European and USA locations at exhibitions last year. Focusing on automotive as one of the key industries that *TR* supports, we exhibited at Automechanika in Birmingham, the Global Automotive Components and Suppliers Expo in Stuttgart Germany and Fastener Fair Mexico. All three shows were hugely successful, so much so that we are again booked in to exhibit at all three in 2017.

With our new commercial website launched at the beginning of 2016, our online presence is constantly being enhanced. An extensive range of products has been added over the last 12 months, increasing our total range to almost 50,000 parts, which gives our customers access to a very diverse range of fasteners and components. This is an essential tool for our global teams and we plan to continue increasing the content available, including individual sites for our Asian, USA and European locations and a range of technical animations to support the engineers and designers that use our commercial website as their go-to resource for fasteners.

Our product and services literature has continued to grow with a revamped core product brochure and new combined product catalogues, including sheet metal and plastic hardware brochures being developed.

The introduction of a new range of enclosure hardware has enhanced our already extensive range of sheet metal fasteners and has increased our product offering by over 5,000 parts. The new products include a range of hinges, locking systems, clamps and terminals as well as gaskets and accessories. We launched our new range to customers in early 2017, which included a brochure showing an overview of the entire range available.

Our ongoing product email promotions have continued to be successful and plans are underway for more specific targeted campaigns to further ensure our customers are receiving the relevant information from *TR*. With so many products and services now available, it is important that we fully inform existing and potential customers just what *TR* can offer.

PR and advertising is high on our list of priorities and a focus on industry is further highlighting *TR* as a leader in its field. We have a wealth of knowledge around the Company and we intend to fully utilise this talent moving forward with up-to-date technical and product related material.

As always, we like to keep an element of fun in our marketing and have done so with seasonal promotions to our customers, including a trick or treat campaign and a festive Christmas animation. With our email open rates being above the national average, it is clear that our customers appreciate these lighter ways of promoting the Company.

THE *TR* WEBSITE

Just over a year ago we launched our new customer support website

Glenda Roberts
Group Sales Director

Keith Gibb
Head of Web Development

Peter Webb
Software Development Manager

Anjie Baker
Web Project Manager

Tim Vince
Software Developer

Abi Burnett
Head of Marketing

Jo Devlin
Head of Projects – Strategic Team

Designed, programmed and controlled entirely in-house, we now have a secure, dynamic website that is growing every month.

As our website is primarily used by design engineers to specify the fasteners and components they require, we decided from the outset what would be needed from the new site:

- A database driven site that would allow us to add new products quickly
- Reference drawings for our entire range of parts
- Downloadable PDF drawings and CAD models that would allow engineers to specify us easily
- A responsive website that would work on any device
- A totally reliable hosting service that could expand as required

It was a daunting task which required thousands of new drawings and graphics to be created as well as compiling a database containing dimensional and technical information on over 40,000 parts. In addition, the entire site had to be programmed from scratch within 12 months.

The in-house team of Keith Gibb, Peter Webb and Anjie Baker, supported by Abi Burnett and her marketing team delivered on time and the site, hosted on Microsoft's Azure Cloud, was launched in February 2016.

Head of Web Development, Keith Gibb says, 'The response from customers has been terrific with many commenting on the design and quality of the site. Just as importantly, our customers' engineers really appreciate the sheer amount of information we have on the site and how easy we've made it to specify our products.'

Just over a year after launch and the site has grown to over 50,000 parts with the most recent addition being a full range of enclosure hardware.

Every month the *TR* site is visited over 25,000 times with the average visitor staying for more than three minutes per visit. That's over 1,200 hours every month that customers are on our website. In addition, 1,400 of our 3D CAD models are downloaded every month.

Googlewhack

When we launched the site, we also introduced a global web reference system. Each reference number specifies a product precisely by type, size, material and finish and can be recognised by any *TR* location across the world. One unexpected benefit is search engines like them too. Entering almost any *TR* web reference into Google usually results in what's known as a Googlewhack. This is where a search returns only one result. Clicking on this result in Google goes straight to the exact part on the *TR* website.

What next?

From the outset, our aim has always been to have the largest, most innovative, most visited fastener website in the world. To help achieve this, our plans for the next 12 months include:

- More products with the addition of over 20,000 new parts
- Customer areas of the site allowing companies to see products and information specific to them
- Interactive 3D models of every product range
- 'How it works' animations for many of the more complex products
- Expansion of the much used knowledgebase

All of the in-house programming so far has been done by *TR*'s Software Development Manager, but it became obvious that to meet the demands of the web team, more resource was required. In September 2016, a new programmer was appointed, who will be spending much of his time helping to develop the website further.

Go to **www.trifast.com**
to see the full list of our locations

RISK MANAGEMENT

The IT health checks carried out around the Group have already started to prove their worth

IT Risk management

TR Systems have had a busy year assessing and addressing IT risk around the Group and, as mentioned in last year's report, the IT team have tackled the risk head on.

IT health checks have been carried out in all European sites and the process has also started in Asia. Further visits to Asia and the USA are planned for FY2018 to complete the IT risk review of the entire *Trifast* plc Group of companies.

The IT health checks have already started to prove their worth as, following on from health checks carried out around the Group in 2016, potential weaknesses in the IT Infrastructure were identified.

To confirm these weaknesses penetration tests were carried out by PTP (Pen Test Partners). PTP are a leading penetration testing and security company with which we have established a good working relationship. Their reports highlight the risks and vulnerabilities and exactly what needs to be addressed in risk priority.

Alongside the IT health checks and penetration tests, 2016 saw a major effort by all sections of the *TR* Systems department to address the requirements of the ISO/IEC 27001:2013 Information Security Management System, with the aim to achieve accreditation by the British Standards Institution (BSI). The process involved consideration of all aspects of information security with risk assessments being the major starting point. All members of the team were asked to consider any area that could be susceptible to security threats and where these were found they were immediately addressed. December 2016 saw the final push and we were pleased to be awarded the accreditation at the final assessment before Christmas.

To ensure information security is seen as a continual process, an Information Security Forum (ISF) has been established. This forum is made up of personnel from across the business and meets regularly to review all aspects of information security including any security incidents that may have occurred.

Internal audits are also carried out throughout the year with annual BSI assessments scheduled to ensure the Company continues to comply with the Standard. Information security is included as part of our day-to-day processes.

We have already seen benefits of compliance to the Standard with new and existing customers now being assured of our ongoing commitment to the security of both our own and our customers' information.

We are now putting in place schedules to rollout the ISO/IEC 27001:2013 Standard to the whole Group. This will be carried out on an incremental basis throughout the UK first and then to Europe and the USA/Asia.

As I am sure most of you are aware there have recently been two major IT incidents, the first one being the WannaCry ransomware virus. We are happy to report that *TR* was not affected by this ransomware and would like to think the investment in our cyber security that the Company has made prevented this.

The second incident was the airline system crash caused by a power outage in their data centre and lack of adequate backup processes. Again, *TR* has a secure datacentre that has a more than adequate backup power source which is tested on a regular basis and we can report that we have never lost any connectivity during the switch to backup power. Also, *TR* has multiple backup processes continually running that provide the organisation with the ability to restore the Company's systems and data within an appropriate time frame.

One of the consistent cyber threats to *TR* and its Group of companies is email traffic. Email threats come in different varieties, from a simple phishing mail to a more direct virus hidden in an attachment. *TR* have invested heavily in this area and, as you can see from the statistics, the investment has paid dividends.

Colin Coddington
IT Director

Stephen Hopkins
IT Operations Manager

Peter Webb
Software Development Manager

Stephen Maxwell
Web Developer

Tim Vince
Software Developer

Stephen Whittle
Analyst Programmer

Damian White
Systems Engineer

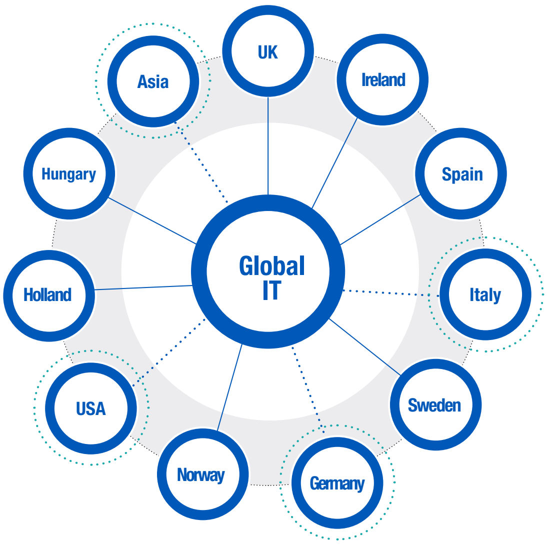
Graham Morrison
Junior Technician

Kerry Moran
Support Desk Manager

Chris Tull
Support Desk Analyst

Lucy Sinden
Support Desk Analyst

Dan Perrin
Support Desk Analyst



Key:

3rd Party Support Partner

Managed by Group IT Services

Managed by Group IT Services Partner

Incoming mail summary

message category	**%**	**Messages**
Stopped by reputation filtering	93.0	34,907,012
Stopped as invalid recipients	0.7	262,815
Spam detected	0.8	296,159
Virus detected	0.0	2,260
Detected by advanced malware protection	0.0	384
Messages with malicious URLs	0.0	13,640
Stopped by content filter	0.0	11,231
Stopped by DMARC	0.0	0
S/MIME verification/decryption failed	0.0	0
Total threat messages:	94.5	35,493,501
Marketing messages	1.2	450,394
Social networking messages	0.1	30,963
Bulk messages	0.4	132,496
Total graymails:	1.7	613,853
S/MIME verification/decryption successful	0.0	0
Clean messages	3.8	1,439,753
Total attempted messages:		37,547,107

In summary *TR* have received 37,547,107 emails in the last year. 36,107,354 were blocked by our collection of email defence solutions. This means that only 1,439,753 emails were delivered which equates to c.4% of mail traffic. Assuming it takes the average user five seconds to process a mail this is a saving of 5.7 years of one person's time.

TR Systems have worked hard on establishing a global IT support structure. With many subsidiaries spread far and wide around the globe the best solution is to form good relationships with third party support partners that, under *TR* Systems guidance, will deliver the same level of security that the majority of *TR* locations already receive. This model also allows flexibility when new acquisitions join the Group.

RISK MANAGEMENT

VIABILITY STATEMENT

In line with provision C.2.2 of the code, the Directors have assessed the prospects of the Company taking into account the current position and principal risks to determine whether there is a reasonable expectation that the Group will be able to meet its liabilities as they fall due over a specified period of time.

The Directors have carried out this longer term viability assessment over a period of three years as this aligns with the Group's detailed forecast which is approved at Board level. Three years is considered an appropriate period of time for the Group as it strikes the right balance between the need to plan for the long term whilst considering the uncertainty that arises in relation to assumptions the further you look ahead. The period is also within the term of the HSBC banking facilities which have been disclosed in note 20 and 26 to the financial statements.

In assessing the prospects of the Group over the three year period, the Directors have also considered the Group's current financial position as well as its financial projections in the context of the Group's debt facilities and associated covenants. These financial projections are based on a bottom-up budgeting exercise for FY2018 and FY2019 which has been approved by the Board and a more top down view aligned to the Group's strategic objectives for FY2020. The Group's base projections indicate that debt facilities and projected headroom are adequate to support the Group over the next three years.

In conducting the assessment, the Directors have considered the principal risks outlined on pages 51 to 53 to perform stress testing on the forecast so as to determine the impact on the financial position and performance of the Group. These risks have been identified by the Board, and are actively monitored on an ongoing basis, the most significant of which are considered in more detail below:

1. Potential impact that Brexit could have on the business due to foreign exchange movements, the possibility of a general downturn in the UK economy and/or the future impact of WTO tariffs. To date the impact has largely been in the form of foreign exchange translation tail winds, which have significantly increased our Group results at AER. In time there is a risk that this could reverse if the relative value of Sterling were to increase again, although such a reversal will only bring our results back to where we were in FY2016, which was itself a year of strong profitable growth for the Group. We are also starting to experience some pricing pressures due to the extended weakness of Sterling against the US Dollar and recent increases in raw material pricing. We are monitoring this situation closely and are already in negotiation with a number of our key suppliers and customers to ensure that we can minimise the impact of this. In the longer term, as a global business with worldwide logistics and over 70% of our revenue generated outside of the UK, we consider have the flexibility to withstand any UK specific challenges by either adjusting our supply routes in the medium term, or even potentially following our customer base overseas if UK manufacturing moves in the longer term.
2. A serious quality issue occurring, both in terms of an immediate reduction in revenue, and possible penalties incurred, and longer term, considering the impact to our reputation, including the possible risk that this could lead to the loss of one or more of our key multinational OEM customers. We have robust quality processes in place around the world, both in terms of our own manufacturing processes and our vendor assessment and sourcing policies. In addition, our established global quality team and issue resolution procedures ensure that any supply problems that do arise are dealt with and resolved as soon as possible for our customers, ensuring that the costs incurred by us and the end customer are minimised as far as possible. However, although this has not happened in our 43 year history, it is possible to imagine a more significant quality issue arising with a customer which could result in substantial recall costs and penalties. In these circumstances, our comprehensive global guarantee and recall insurance would be utilised to cover any direct costs incurred. Although, the ongoing negative impact on the business may still be significant whilst the market builds back up its trust in the Group.
3. The risk of a significant cyberattack, or data security breach could incur penalties and have a serious impact on the Group's ability to trade in the short term, with longer term negative implications to our reputation in the marketplace and therefore our ability to meet our growth targets in the medium term. We have made substantial additional investments in to our cyber security, including our back-up data storage and power systems in recent years and have global IT policies in place that are managed by a dedicated in-house team. We continue to invest in IT security and are rolling out ISO 27001 around the world. However, in this world of heightened cyber risk, it is not impossible that a circumstance could arise where our trading results have been negatively impacted as a result of a cyber threat or data loss.

The scenarios above are hypothetical and purposefully severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group. It is considered unlikely, but not impossible, that the crystallisation of a single risk would test the future viability of the Group. However, as with many companies, it is possible to construct scenarios where either multiple occurrences of the same risk, or single occurrences of different risks could put pressure on the Group's ability to meet its financial covenants. In the case of these scenarios arising, various options are available to the Group in order to maintain liquidity so as to continue in operation such as: accessing new external funding early; more radical short-term cost reduction actions; and reducing capital expenditure. None of these actions are assumed in our current scenario modelling.

After considering the risks identified and on the basis of the assessments completed, the Directors believe that there is a reasonable expectation that the Company will be able to continue to operate and meet its liabilities as they fall due over the next three years.

Risk Table

How the business manages risk

As a Public Listed Company and in line with the UK Corporate Governance Code, "The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board should maintain sound risk management and internal control systems". The Board recognises that the management of risk is required to enable the business to meet its objective to create 'stakeholder value'.

Risk management

Risk	Description and potential impact	Current mitigation	Has the risk materialised?	Trend
Personnel & resource	Without both adequate resource and appropriate investment in our people and succession planning across all levels of the business from the Board down, we may not be able to deliver our future strategic plans and long term success	Our succession planning and gap analysis processes identify key employees and roles within the business and are designed to broaden and transfer our specialist knowledge and skills base. We invest heavily in our people via ongoing training and our Group wide Performance Development Programme to ensure there is adequate opportunity to allow our people to 'move up' within *TR*. Rewards are reviewed annually to ensure they remain at levels that are competitive within the marketplace	The Group enjoys extremely high retention levels with 46% of staff having been in the Group for more than ten years and the average length of service being over ten years. All key succession risks are appropriately managed	▼
Quality and manufacturing	We recognise that the quality of our manufactured and externally sourced products is of critical importance. Any major failure will affect customer confidence and may lead to immediate financial penalties	Our established global quality team maintains our Group wide quality compliance protocols. Quality inspection processes across our manufacturing and distribution sites and vendor base are robust, allowing us to offer zero-defect supplies to customers where required and appropriate insurance is maintained and reviewed annually	The Group has not experienced any substantial quality issues, although quality is moving further up the agenda across all sectors of our client base	◀▶
Foreign exchange volatility	A significant portion of the Group's revenue and profit is generated outside of the UK. Due to translation risk, the Group results could be adversely impacted by an increase in the value of Sterling relative to foreign currencies. In addition, a transactional risk exists as the Group sources certain products from the Far East for sale across Europe	Transactional hedging is achieved via the commercial matching of transactions wherever possible. Non-functional currency balance sheet items are minimised and net investment hedging is used for any significant acquisition finance We regularly review our foreign exchange mitigation strategies with our advisors to ensure that these remain fit for purpose in these challenging times	Foreign exchange volatility has been significantly higher with increases of c.10% across a basket of the Group's key currencies Our results have been presented at CER and AER to assist our stakeholders' understanding of the underlying business. Further information in respect of the Group's policies on financial risk management objectives including policies to manage foreign exchange is given in note 26	▲

RISK MANAGEMENT

Risk	Description and potential impact	Current mitigation	Has the risk materialised?	Trend
Macro-economics	Traditionally distribution/manufacturing sectors bear the effect of inventory reduction in challenging economic periods earlier than other industries	By operating globally and across a number of sectors, the Group is better able to manage the risk of regional or industry contractions. As customers move, or expand, we have the capability and flexibility to move with them, whilst our first class customer service works to protect us from rapid supplier changeover We hold less than 1% of a £25bn target market meaning growth via market share remains credible even in a falling market	The global economy remains in a period of growth, albeit that current conditions have become significantly less settled than in previous years	▲
Loss of a key customer and debtor exposure	Good relationships with our customers is key to the business. Any lack of holistic support or an inconsistent approach to the trading and management of key global customers across the Group increases our exposure to customer loss Increased trading levels lead to higher debtor balances, raising our exposure to customer failure and bad debt write downs	Our global multinational OEM focus means we are able to build strong head office and local relationships with our key multinational customers. Improving our supplier power and helping us to retain and grow key trading relationships for the longer term We maintain strong credit control procedures from new customer set up, through to regular monitoring as trade develops. We also have global catastrophe credit insurance cover	The Group has not in recent years experienced any substantial credit issues and attrition of our key multinational OEMs remain very low	◀▶
Interruption of supply	The Group sources products both internally and externally for customers around the world. If we were unable to supply a customer in line with their ongoing manufacturing requirements, the risk both to our reputation and in terms of potential stoppage penalties would be substantial	We hold appropriate stock levels to service our customers' needs at all times. Our pan-global presence means we are able to operate along multiple transport routes, shielding us from localised issues. For all key products we maintain multiple sources to ensure adequacy of supply. Our approved vendor due diligence processes also help to mitigate the risk of a supply chain breakdown. We ensure that our top 20 suppliers are visited at least every year to maintain this	In recent times, political and climatic instability have increased in a number of countries across in the world. Where we have encountered issues, our established and flexible logistics have allowed us to continue to offer timely and reliable supply to our customers	◀▶
Inventories obsolescence	The Group holds substantial inventory balances across the world. As the business grows these levels will increase to meet both transactional needs and the requirements of our multinational OEM customers. Higher stock levels lead to an increased exposure to obsolete inventory	Stock management processes are a key part of the Group's internal controls and stock days are a KPI, monitored locally and at Board level. We continue to invest in stock management processes and systems to ensure we keep optimum levels across the world. Our multi-locational set up, allows us to reduce lead times, and therefore stock holding, as far as possible	Customers' requirement and our product mix are ever evolving. Our tight stock management and engineering know-how allow us to view these changes as an opportunity to develop and sell new lines, rather than as a risk to the business	◀▶

Risk	Description and potential impact	Current mitigation	Has the risk materialised?	Trend
Cyber security	Unauthorised access to, or a breach of, our systems, networks or premises, could immediately and materially affect our reputation with possible implications for revenue and growth over the short to medium term. Such a breach may also cause financial loss	We have undertaken a review of our cyber security controls worldwide. Additional investment has been made where required to manage our risk. Our IT policies are managed by a dedicated in-house team and access to systems is strictly limited to appropriate personnel. IT risk reviews are routinely carried out across all our sites	The Group has not to date experienced any significant cyber security threats We are proud to have this year achieved accreditation of the ISO/ IEC 27001:2013 standard for Information Security Management Systems in our Group IT function, which is to be rolled out to the wider Group	▲
Impact of BREXIT:	**FX/ Transaction risk/ pricing pressures** The prolonged weakness in Sterling may bring inflationary pressures to our imported purchase costs into the UK	We perform ongoing reviews of our global supplier base as a matter of course to manage pricing pressures that arise. In the UK these reviews have been designed to specifically focus on the ongoing impact of foreign exchange fluctuations to ensure we continue to strike the best deal with our suppliers	Towards the end of the financial year, we have started to see some pricing increase requests being made from suppliers and negotiations have begun to manage this risk	▲
	Post-Brexit trading rules (WTO) A default to WTO rules could have a negative impact on trading between our UK sites and the EU/our EU sites and the UK	As a global group with a number of EU subsidiaries we are in a strong position to manage our supply chain to allow trading routes that bypass a UK-EU or EU-UK transfer to a large extent. We see this challenge as an opportunity to insert greater efficiencies into our supply chain	The situation at the moment is unclear, but a hard Brexit may lead to a default to WTO rules. We are currently reviewing our options as a business, in advance of greater clarity	▲
	UK macro-economic environment Given the degree of uncertainty in the wider market, the extended weakness in Sterling and the risk of restrictions to our ongoing access to the single market the UK economy may contract in the medium term. If we are unable to react to a possible slow down sufficiently quickly and effectively, then temporary trading/ restructuring losses could be incurred if the UK business needs to resize	Regular quarterly forecasting and sales trend analysis at UK level will identify any issues as soon as possible. Whilst our access to the UK distribution market, acts as a good barometer of the wider marketplace, providing us with an early insight in to toughening market conditions and allowing us to react quickly and effectively if a changing situation demands it In the short term, manufacturing levels are protected by existing manufacturing investments in the UK, most specifically in the automotive sector In the long term, we are a global business with the flexibility to follow our customers wherever they may end up following any prolonged downturn in the UK manufacturing industry	The UK economy continues to grow, albeit slower than expected in recent weeks. The automotive sector is our largest UK sector and positive discussions have been held by Theresa May (UK Prime Minister) with a number of the UK's major car manufacturers We will continue to monitor the situation closely over the coming months to ensure we are able to react quickly to any change in circumstances	▲

INTRODUCING THE LEAD TEAM

MALCOLM DIAMOND MBE

Non-Executive Chairman

Length of service
Total 42 years; appointed as Non-Executive Chairman on 1 April 2017

Formerly, *Trifast* Executive Chairman after being re-appointed in 2009, CEO for 18 years before retiring in 2002. 1984-2002 Managing Director, *TR* Fastenings Limited

Key areas of expertise
Significant commercial skills and leadership experience gained from growing an international business covering Sales and marketing, strategic planning and implementation, business development and investor relations

Other directorships
Non-Executive Chairman (appointed May 2014) at Flowtech Fluidpower plc , the UK's leading supplier of technical hydraulic fluid power products (Ticker- AiM: FLO) and joined the Board of Acal plc, a leading designer and manufacturer of specialist electronic components (Ticker: ACL), in November 2015 before being appointed Non-Executive Chairman in April 2017

Committee membership
Chairman of the Nominations Committee and by invitation

GEOFF BUDD

Commercial Director & European Managing Director

Length of service
41 years; appointed to the plc Board in 1986

Key areas of expertise
Geoff has extensive knowledge of the industry, European and Asian markets particularly in sales & purchasing, manufacturing management and quality. His role gives him responsibility for all of the European operations but he also holds the responsibility for the Group on all aspects of the commercial business, specifically advising the Board on capex requirements for the manufacturing sites

Committee membership
By invitation

GLENDA ROBERTS

Group Sales Director

Length of service
27 years; appointed to the plc Board in 2010

27 years as Director of *TR* Fastenings Limited and Director for *TR* USA since July 2012

Key areas of expertise
Global sales & marketing experience in logistics & global supply chain, Key Account Management (KAM) and customer relationship management

Committee membership
By invitation

CLARE FOSTER

Chief Financial Officer

Length of service

2 years; appointed to the plc Board 1 October 2015

Key areas of expertise

All aspects of group financial management, accounting governance and strategic planning and implementation across all levels

Committee membership

By invitation

MARK BELTON

Chief Executive Officer

Length of service

18 years; appointed to the plc Board in 2010 and CEO on 1 October 2015

Key areas of expertise

Over his career with *Trifast*, Mark has forged a wealth of knowledge and great understanding of the industry, the *TR* model, key sectors and our customer portfolio. As Group Finance Director, he also played a pivotal role in the successful acquisitions of PSEP in Malaysia, VIC in Italy and Kuhlmann in Germany. Other skills include all aspects of strategic and financial planning, and investor relations

Committee membership

Nominations Committee and by invitation

LYNDSEY CASE

Company Secretary

Length of service

17 years; appointed as Company Secretary 1 April 2016

Key areas of expertise

Lyndsey joined the Group's *TR* Fastenings UK Finance team in 2000 before moving to the Group Finance Team in 2006. She is an FCCA and experienced in financial accounting, reporting and compliance

Committee membership

Secretary to the Committees and by invitation

NEIL WARNER

Senior Independent Non-Executive Director

Length of service

2 years; appointed to the plc Board on 16 June 2015

Key areas of expertise

Experienced Senior Independent Director with strong City relations. Extensive knowledge of international businesses gained over 30 years in commerce; solid understanding of key strategic drivers – growing sustainable businesses globally, M&A, compliance, risk management and IT

Other directorships

Non-Executive Director at Vectura Group plc (VEC) and of AiM listed Directa plus (DCTA)

Committee membership

Chair of the Audit Committee and a Member of the Remuneration Committee and the Nominations Committee

JONATHAN SHEARMAN

Independent Non-Executive Director

Length of service

8 years; appointed to the plc Board in 2009

Key areas of expertise

Investment Fund management, stockbroking and investment banking, and charitable foundations

Other directorships

Non-executive director at AiM listed Orchard Funding Group

Committee membership

Chair of the Remuneration Committee and a member of the Audit Committee and the Nominations Committee

SCOTT MAC MEEKIN

Independent Non-Executive Director

Length of service

4 years; appointed to the plc Board in 2013

Key areas of expertise

30+ year career in both commercial and corporate structures across all major continents and cultures in finance, M&A, global logistics, technology, distribution and manufacturing

Other directorships

Director at Morgan Legend Limited Hong Kong, Director at Tes-Amm Private Limited, and CEO at Dearman Engine Company

Member of Harvard Alumni Association & National University Singapore Alumni Association

Committee membership

Member of the Audit Committee and Remuneration Committee

Trifast plc Board

Female 25% | Male 75%

Executive and senior managers

Female 28% | Male 72%

All other employees

Female 32% | Male 68%

Trifast Executive Board

Female 50% | Male 50%

CELEBRATING LONG SERVICE ACROSS THE GROUP

Malcolm Diamond
1975–to date

Geoff Budd
1976–to date

Glenda Roberts
1990–to date

1973 *TR* Fastenings established by Mike Timms and Mike Roberts

1975 Started working at *TR*

1976 Started working at *TR*, in the warehouse and as a driver

First UK in-house manufacturing facility established and the Hank name purchased

1982 Acquired the rights to the BINX Nut and sole global manufacturer

1982-1990 Six new *TR* sites opened across UK

1984 Appointed to the Board

1986 Appointed to the Board

1990 Started working at *TR*

1992 Introduced Vendor Managed Inventory into the fastenings industry (VMI)

1993 Acquired Fastener Techniques (UK)

1994 Acquired Southern Industrial Fasteners (Southern Ireland)

Obtained a full listing on the London Stock Exchange

1996 Acquired: Magne Bjorlo (Norway), Microscrew (UK)

1997 Acquired Formac Technologies (Singapore), Polyfasteners (Malaysia)

1998 Acquired: Miller Holding (Holland), Lancaster Fastener (UK), Samson Industries (USA)

1999 Acquired FCF (Sweden)

2000 Set up greenfield distribution site in Hungary

2001 Acquired SFE (Taiwan)

2003 Acquired the globally recognised trademark of Pozidriv

2005 Acquired Serco Ryan (UK)

2009 Business restructured and new strategy implemented

2010 Appointed to the Board

2011 Acquired PowerSteel and Electro-Plating Works (Malaysia)

2013 *TR* Celebrates 40 years of trading

2014 Acquired Viterie Italia Centrale (Italy)

2015 Acquired Kuhlmann Befestigungselemente (Germany)

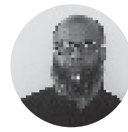
2016 Set up greenfield distribution site in Spain

OTHER LONG SERVING EMPLOYEES


Charlie Foo
44 years


Sharon Cain
42 years


Colin Styche
41 years


Ahmed Sidat
40 years


Nick Beeney
40 years


Philip Nutley
39 years


Poh Seng Khong
38 years


Emanuele Dolce
37 years


Nigel Miller
37 years


Nick Barton
37 years


Mick Hussey
35 years


Jerry Howe
35 years


Sam Wilson
35 years


Bernie Wells
35 years


Graham Fox
33 years


Simon Lockeyear
33 years


Kennady Subramaniam
33 years


Tamilaasin Subramaniam
33 years


Samantha Hobbs
33 years


James Craft
31 years


Martin Greenwood
31 years


Roberto Bianchi
31 years


Krishnasamy Velayathem
30 years


Darren Hector
30 years


Muniandy Subramaniam
29 years


Per Edlund
29 years


Wilson Chen
29 years


Tara Barden
29 years


Tony Lemiech
29 years


Jumiran Tukiman
29 years


Geoff Blackford
29 years


David Stamp
29 years


Ashley Edge
29 years


Mandy Scott
28 years


Michelle Horscroft
28 years


Glenn Blackford
28 years


Paul Leys
28 years


Sylvia Millsom
28 years


Poh Chai Lim
28 years


Ping Siong Tong
28 years


Ban Wah Foo
28 years


Fernando Gaggioli
28 years


Alessio Alessandrini
28 years


Chin-Hwa Chang
27 years


Hamdan Mohd Yahaya
27 years


Keith Gibb
27 years


Wayne Coupland
27 years


John Stewart
27 years


Stephen Smith
27 years


Md Suhairi Md Jauhari
26 years


Ismail Hadi
26 years


Sarojah Iriesan
26 years


Wayne Carr
26 years


Chris Speed
26 years


Lee-Andrew McCurry
26 years


Guy Dalleywater
26 years


Andy Dawes
26 years


Perumal Pichamuthu
25 years


Loganathan Kasinathan
25 years


Kin Kok Chong
25 years


James Mileham
25 years

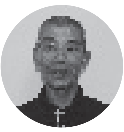

Stevie Meiklem
25 years


Stuart Harkness
25 years


Susan Blackford
25 years


Paul Standing
25 years


Dale Edge
25 years


Baharuddin Mat Jahya
25 years


Husaini Lutfi Husain
25 years

The Strategic report was approved by the Board of Directors on 12 June 2017 and signed on its behalf by:

Malcolm Diamond MBE
Non-Executive Chairman
Trifast House, Bellbrook Park,
Uckfield, East Sussex,
TN22 1QW
Company registered number: 01919797

OUR GOVERNANCE

DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of the Group, together with the Financial Statements and Auditor's Report, for the year ended 31 March 2017

Results and proposed dividends

Total Group revenue from continuing operations was £186.5m (2016: £161.4m) and the profit for the year before taxation was £17.3m (2016: £13.1m). Underlying profit before tax for the Group was £20.5m (2016: £16.0m); see note 2 for breakdown.

The Directors recommend a final dividend of 2.50 pence (2016: 2.00p) per ordinary share to be paid on 13 October 2017 to shareholders registered at the close of business on 15 September 2017. This together with the interim dividend of 1.00 pence (paid on 13 April 2017) (2016: 0.80p) brings the total of the year to 3.50 pence (2016: 2.80p). The 2017 recommended final dividend has not been included within creditors as it was not approved before the year end. The 2017 interim dividend is also unrecognised as it was paid post year end.

The Strategic report provides a detailed analysis of the results in the year and an indication of future developments.

Annual General Meeting

The Annual General Meeting will be held on 27 July 2017 at *Trifast* House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW.

Directors and Directors' interests

The Directors who held office during the year were as follows:

Chairman

MM Diamond MBE	Non-Executive Director (appointed 1 April 2017; previously Executive Chairman) Chairman of Nominations Committee

Executive Directors

MR Belton	Chief Executive Officer
CL Foster	Chief Financial Officer
GP Budd	Commercial Director & European Managing Director
GC Roberts	Group Sales Director

Independent Directors (Non-Executive)

NW Warner	Senior Independent Chairman of Audit Committee
JPD Shearman	Chairman of Remuneration Committee
SW Mac Meekin	

The Directors' remuneration and their interests in share capital are shown in the Remuneration report on pages 70 to 86. Those Directors who are retiring and, being eligible, offer themselves up for re-election, are shown in the Corporate governance statement on pages 64 to 65. Biographical details can be found in Board of Directors on pages 54 to 56.

Substantial shareholdings

Details of the share structure of the Company are disclosed in note 24.

As at the year end on 31 March 2017, the Company was aware of the following material interests, representing 3% or more of the issued share capital of the Company.

	No. of shares held	% of shareholding
Axa Framlington Investment Managers	11,356,034	9.44
Schroder Investment Management	11,200,000	9.31
BlackRock Investment Management (UK)	8,479,718	7.05
Mr Michael Timms	8,000,000	6.65
Hargreave Hale	7,752,814	6.44
Liontrust Asset Management	7,268,917	6.04
Hargreaves Lansdown Asset Management	4,297,598	3.57
JP Morgan Asset Management	4,130,000	3.43
Threadneedle Investments	3,666,653	3.05

As at 1 June 2017, material interests representing 3% or more of the issued share capital of the Company were:

	No. of shares held	% of shareholding
AXA Framlington Investment Managers	11,356,034	9.44
Schroder Investment Management	11,200,000	9.31
Black Rock Investment Management (UK)	9,136,736	7.60
Liontrust Asset Management	7,519,783	6.25
Hargreave Hale	7,519,314	6.25
Mr Michael Timms	7,456,304	6.20
JP Morgan Asset Management	4,130,000	3.43
Hargreaves Lansdown Asset Management	4,065,554	3.38
Threadneedle Investments	3,622,790	3.01

Financial instruments

Information in respect of the Group's policies on financial risk management objectives including policies to manage credit risk, liquidity risk and foreign currency risk are given in note 26 to the financial statements.

Corporate governance
The Corporate governance statement on pages 64 to 65 should be read as forming part of the Directors' Report.

Takeover directive
Where not provided elsewhere in the Directors' report, the following provides the additional information required to be disclosed as a result of the implementation of the Takeover Directive.

There are no restrictions on the transfer of ordinary shares in the capital of the Company other than certain restrictions which may from time to time be imposed by law (for example, insider trading law). In accordance with the Listing Rules of the Financial Conduct Authority, certain employees are required to seek the approval of the Company to deal in its shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

No person has any special rights of control over the Company's share capital and all its shares are fully paid.

The rules governing the appointment and replacement of Directors are set out in the corporate governance section of the Directors' report on pages 64 to 65. The Company's Articles of Association may only be amended by a special resolution at a General Meeting of shareholders.

The Company is party to a number of banking agreements that, upon a change of control of the Company, could be terminable by the bank concerned.

Outside of the extension of certain Directors' rolling contract periods and notice periods (see page 80), there are no agreements between the Company and its Directors or employees which provide for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

The Company is not aware of any contractual or other agreements which are essential to its business which ought to be disclosed in the Directors' report.

Employees
The Group has a policy of offering equal opportunities to employees at all levels in respect of the conditions of work. Throughout the Group it is the Board's intention to provide possible employment opportunities and training for disabled people and to care for employees who become disabled having regard to aptitude and abilities. Our Corporate Social Responsibility Statement can be found on our website www.*Trifast*.com and further details are provided in the Strategic Report.

Regular consultation and meetings, formal or otherwise, are held with all levels of employees to discuss problems and opportunities. Information on matters of concern to employees is presented in the in-house letters and publications.

Disclosure of information to auditor
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor
The Board has decided to propose KPMG LLP to be reappointed as auditor of the Company and a resolution concerning their appointment will be put to the forthcoming Annual General Meeting of the Company.

By order of the Board

Lyndsey Case
Company Secretary
Trifast House
Bellbrook Park
Uckfield
East Sussex
TN22 1QW

Company registration number: 01919797

CORPORATE GOVERNANCE

(forming part of the Directors' report)

With exceptions as highlighted below, the Company complied with the provisions of the UK Corporate Governance Code issued by the Financial Reporting Council in September 2014

The Board acknowledges Malcolm Diamond is a Non-Independent Non-Executive Chairman (Executive Chairman until 1 April 2017) which does not comply with the requirements of section A.3.1 of the Corporate Governance Code. However, the Board believes that, given Mr Diamond sits as Chairman and is a non-executive in other companies, his experience from these appointments and his previous knowledge of *Trifast* is invaluable and can best be delivered through the position of Chairman.

The Company has applied the principles set out in the Code, including both the main principles and the supporting principles, by complying with the Code as reported above. Further explanation of how the principles and supporting principles have been applied is set out below (including in the Audit Committee and Nominations Committee reports and in the Directors' remuneration report on pages 70 to 86 and in the Viability statement on page 50). Details of substantial shareholdings of the Company can be found on page 62.

The structure of the Board and its standing committees is as follows:

The Board

Currently the Board consists of four Executive Directors, three Independent Non-Executive Directors and a Chairman. The Non-Executive Directors are considered to be independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement for the purposes of the Code. The Chairman, who is a Non-Executive Chairman, is not considered by the Board to be independent. On 1 April 2017, Malcolm Diamond moved from being Executive to Non-Executive Chairman.

The appointment, replacement and powers of the Directors are governed by the Company's Articles of Association, the Corporate Governance Code, the Companies Act, prevailing legislation and resolutions passed at the Annual General Meeting ('AGM') or other general meetings of the Company.

The Senior Independent Non-Executive Director is Neil Warner, who was chosen due to his executive and non-executive board experience with other companies.

All Independent Non-Executive Directors have the authority to meet with shareholders without first seeking approval from the Chief Executive or the Chairman.

Upon appointment the Directors are required to seek election at the first AGM following appointment. All Directors are required to submit themselves for re-election at regular intervals and a minimum of one third of Directors must be re-elected on an annual basis.

The Board met seven times during the period, with attendance as follows:

	Attendance in 2016/17
MM Diamond	7
MR Belton	7
CL Foster	7
GP Budd	6
GC Roberts	6
NW Warner	6
JPD Shearman	7
SW Mac Meekin	7

The Directors retiring by rotation are Neil Warner and Scott Mac Meekin who, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. In addition, following his appointment to Non-Executive Director, from Executive Director, Malcolm Diamond offers himself for re-election at the forthcoming Annual General Meeting. The Chairman and Senior Independent Non-Executive Director confirm that following formal performance evaluation, the individuals seeking election and re-election continue to be effective and demonstrate commitment to the role.

The Company has separate posts of Chairman and Chief Executive. The Chairman leads the Board and the Chief Executive is responsible for the management of the Company, implementing policies and strategies determined by the Board.

The contracts of appointment of Non-Executive Directors are available for inspection on request to the Company Secretary.

The Independent Non-Executive Directors have full access to the external auditor and to management and there is a formal procedure for Directors to obtain independent professional advice in the furtherance of their duties should this be necessary. All Directors have access to the advice and services of the Company Secretary.

Appropriate and relevant training is provided to the Directors as and when required.

The Board meets a minimum of five times a year and is supplied as early as practical with an agenda and appropriate papers. Directors are appointed by the Board on recommendation from the Nominations Committee. The Board monitors the financial performance of the Group, and approves and reviews major projects and acquisitions. The Board has formally adopted a schedule of matters which are reserved to the Board for decision, thus ensuring that it maintains control over appropriate strategic, financial, organisation and compliance issues to ensure the long term success of the Company.

The Board undertakes annual evaluation of its own performance, that of its Committees and individual Directors and continues to train and evaluate senior managers below Board level in order to maintain its continuous succession policy. As part of this evaluation, the Board considers the balance of skills, experience, the independence and knowledge of the Board, its diversity, including gender, and how effectively the Board works together as a unit.

The Board has delegated specific responsibilities to the Audit, Nominations and Remuneration Committees. Details are described on pages 66 to 86.

The Directors have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks have been disclosed on pages 51 to 53.

Internal audit

As detailed in the Audit Committee report on pages 66 to 68, the Board, via the Audit Committee, formally considers the requirement for internal audit on an annual basis as part of its terms of reference. A formalised internal review process called a ‘health check’ has been in operation for some years. Whilst the Board recognises that this process does not constitute a fully independent internal audit function, it believes that due to the size of the Group, this provides appropriate comfort as to the operational and financial controls in place.

Shareholder relations

The Group has a website, www.*Trifast*.com, which is regularly updated to ensure that shareholders and other providers of capital are fully aware of the Group’s activities. The Group’s Registrar, Computershare, is linked to the *Trifast* website and offers services for shareholders.

The Group also works with City specialists to ensure all levels of shareholders receive *Trifast* information.

During the year being reported upon we engaged with:

Peel Hunt LLP — Stockbroker to the Company, Institutional Fund Managers

TooleyStreet Communications — Investor Relations Analysts, Private Client Brokers and Media

Edison Investment Research — Investment Research, available on the *Trifast* website

The members of the Audit, Remuneration and Nominations Committees will be available to speak to shareholders at the AGM in order that they understand the views of the shareholders. In addition, shareholders can contact them at any time by writing to *Trifast* plc, *Trifast* House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW.

Going concern

After making enquiries, the Directors have reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future. Further information is given in the Basis of Preparation, note 1. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

By order of the Board

Lyndsey Case
Company Secretary
Trifast House
Bellbrook Park
Uckfield
East Sussex
TN22 1QW

AUDIT COMMITTEE REPORT

In a year of increased focus internally and externally on culture, values and judgements made to support strategic growth, I am pleased to report good progress in improving the quality of people, processes and systems that underpin all these elements

Neil Warner, Chairman of the Audit Committee

Dear Shareholder,

I am pleased to present the Audit Committee ("the Committee") report for the year ended 31 March 2017, which has been prepared by the Committee and approved by the Board.

As a Committee, we have focused on the integrity, completeness and clarity of financial reporting, the areas where judgements and estimates are required in the financial statements and the quality and effectiveness of audit processes to complement the other risk management activities.

The Board and Committee have also focused on the recently introduced governance requirements regarding the Annual Report and consider that, taken as a whole, the 2017 Annual Report is fair, balanced and understandable with appropriate references being made throughout the various sections, which I hope you will find helpful in understanding the information and disclosures contained within them.

The Committee meetings are held to coincide with key dates within the financial reporting and audit cycle and I also meet with management on an ad-hoc basis. I would like to thank the Committee members, the executive management team and our external auditor, KPMG LLP ('KPMG') for the open discussions that take place at our meetings and the importance they all attach to its work.

On behalf of the Audit Committee

Neil Warner
Chairman of the Audit Committee
12 June 2017

Committee membership and attendance

In accordance with the Code, the Audit Committee consists entirely of the Independent Non-Executive Directors and met three times in the year

	Attendance in 2016/17
Neil Warner (Chairman)	3
Jonathan Shearman	3
Scott Mac Meekin	3

The external auditor KPMG, the Non-Executive Chairman, the Chief Executive, the Chief Financial Officer and the Company Secretary are also invited to attend meetings, although it is only the Committee Chairman and its members who are entitled to be at a meeting of the Committee.

The Board are satisfied that the members of the Committee have the breadth of knowledge, experience and financial dynamics to effectively fulfil their responsibilities. The Chairman, Neil Warner, has significant, recent and relevant financial experience as a former CFO of a FTSE 250 company and through his other Non-Executive appointments. The Director's summary biographies can be found on pages 54 to 56 of this Report.

Role and responsibilities

The Committee operates within its terms of reference, which are reviewed on an annual basis and are available on the Company's website or on request to the Company Secretary.

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

- the integrity and compliance of the financial information provided to shareholders including the strategic report, financial results, announcements and financial statements
- the appropriateness of accounting policies and the supporting key judgements and estimates
- whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable
- the Company's system of internal controls and risk management including the identification of principal risks and their mitigation and the requirement for a formal internal audit function (see pages 51 to 53 for Risk Management)

- the external audit process and external auditors, making recommendations to the Board on appointment, remuneration, performance, expertise, independence and objectivity, along with the effectiveness of its scope, of the external auditor
- the processes for compliance with laws, regulations and ethical codes of practice including procedures for detecting, monitoring and managing the risk of fraud and the adequacy and security for its employees in relation to whistleblowing

Key matters considered and activities during the year

During the year, the Committee met to agree the audit strategy for the full year audit, reviewed the results of the external audit for the financial year and reviewed the external auditor's half year review and the half year results. It also considered the results of the internal review process ('health checks') carried out as part of the cycle (more details of this process are given in the section 'internal audit' below) and finally it reviewed the Annual Report and the financial statements contained within it.

The Committee reports to the Board on how it has discharged its responsibilities on a regular basis.

The Committee's prime areas of focus have been:

- the integrity, completeness and consistency of financial reporting and disclosures
- the areas where significant judgements (during the year, at and post the balance sheet date) and estimates are required in the financial statements
- the materiality level to apply to the audit
- whether the going concern basis of accounting should continue to apply in the preparation of the annual financial statements; and
- the appropriateness of the bases of disclosure in the company's viability statement
- the appropriateness of transactions separately identified and disclosed as one-off in order to highlight the underlying performance for the periods presented in the financial statements
- the appropriateness of transactions presented in Alternative Performance Measures (APM's) in order to compare relevant results for the periods presented in the financial statements
- the key assumptions, judgements and estimates as detailed in note 31 to the financial statements
- to review the Group's cyber risk strategy to ensure controls and testing are in place to mitigate the Group's exposure to this growing risk

Financial reporting and significant financial risks

The Committee concluded that there were two significant financial risks arising from the financial statements which would require particular consideration during the year:

- **Valuation of customer-specific specialised inventory (recurring)**
  The Group has significant inventory holdings which are specific to individual customer requirements. The Board recognises that as the business continues to grow the Group is required to carry additional inventory to meet its transactional and OEM business. This carries with it an increased exposure to recoverability of these balances. The Committee is satisfied that sufficient focus is given to this whole area and, in particular, the adequacy of provisions made for customer specific, slow moving and obsolete inventory.
- **Valuation of goodwill and other intangible assets (recurring)**
  The determination of whether or not goodwill has been impaired requires a review of the value in use of the asset. The main judgements in relation to the review were considered to be the achievability of the long term business plan and the impact upon the plan of macroeconomic and regulatory issues. In addition, the Committee reviewed the discount rates used in projecting future cash flows to ensure they were within an acceptable range. The calculation of the value in use was undertaken and the Committee reviewed the conclusion, including sensitivity calculations. The Committee also held discussions with KPMG. The Committee concurred with management's conclusion that goodwill is not impaired.

Internal audit

A formalised internal review process called a 'health check' has been in operation for some years and all business units are the subject of a health check on a rotational basis. The reviews, covering both operational and financial controls, are carried out by senior Group finance personnel, from Head Office, who are separated from the day to day activities within the entity which is the subject of the review. All health checks are presented by the Chief Financial Officer to the Audit Committee and remedial actions agreed. Whilst the Board recognises that this process does not constitute a fully independent internal audit function, it believes that due to the size of the Group, this provides appropriate comfort as to the operational and financial controls in place.

AUDIT COMMITTEE REPORT

Internal control

The Board is ultimately responsible for the system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve strategic business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Corporate Governance Code requires that the Board reviews the effectiveness of the system of internal controls, in accordance with section C.2, including those of an operational and compliance nature, as well as internal financial controls. Having done so, the Committee is of the view that there is an appropriate ongoing process for identifying, evaluating and managing significant risks. Operating policies and controls are in place and have been in place throughout the year under review, and cover a wide range of issues including financial reporting, capital expenditure, information technology, business continuity and management of employees. Detailed policies ensure the accuracy and reliability of financial reporting and the preparation of Financial Statements including the consolidation process.

The key elements of the Group's ongoing processes are:

- a full detailed review of the business risks undertaken as part of the ongoing day-to-day procedure of the business
- an organisational structure with clearly defined lines of responsibility and delegation of authority
- that Group policies for financial reporting, accounting, financial risk management, information security, capital expenditure appraisal and Corporate Governance are well documented
- that detailed annual budgets and rolling forecasts are prepared for all operating units and reviewed and approved by the Board
- that performance is monitored closely against budget and material variances reported to the Board
- that the Committee is to deal with any significant control issues raised by the auditor
- that a formal schedule of matters specifically reserved for decisions by the Board is maintained
- that capital expenditure is controlled by the budgetary process with authorisation levels in place. Any single item of capital expenditure over £50,000 goes to the Board for approval with detailed written proposals and financial analysis of expected returns

There were no significant control deficiencies identified during the year.

External auditor

The external audit is a continuous process. At the start of the audit cycle, KPMG present their audit strategy identifying their assessment of the key risks for the purposes of the audit and the scope of their work. For 2017 these risks were: the calculation of customer-specific inventory and valuation of goodwill. More detail is set out in KPMG's report on pages 91 to 94.

During the year the FRC's Audit Quality Review team reviewed our external auditor's (KPMG) audit of our 2016 financial statements. We have discussed the report with KPMG and the Audit Quality Review team. The review identified three areas for improvement in the audit which KPMG have addressed for the audit of our 2017 financial statements. Overall, the results of the review raised no issues which cast doubt on the fundamental quality of our audit or raised issues about our financial reporting.

KPMG reports to the Committee at both the half and full year, setting out their assessment of the Group's judgements and estimates in respect of key risks and the adequacy of the reporting. The Chairman of the Committee speaks to the lead audit director before each meeting and the whole Committee meets with KPMG in private at least once a year without executive management present. The Committee reviews the external auditor's performance and ongoing independence and concluded that the external audit process is operating effectively and KPMG continues to prove effective in its role as external auditor.

Non-audit services provided by KPMG

In order to ensure the independence and objectivity of the external auditor, the Committee has a policy which provides clear definitions of services that the external auditor can and cannot provide. Tax compliance and advisory services are currently provided by another professional services firm PricewaterhouseCoopers LLP ('PwC'). The policy also establishes a formal authorisation process, including either the tendering for non-audit services or pre-approval by the Committee for allowable non-audit work.

The fees in relation to non-audit services are found in note 5 of the Annual Report. These relate to tax compliance services for PSEP and *TR* Formac in Malaysia.

Reappointment of external auditor

Following the completion of the audit, the Committee reviews the effectiveness and performance of KPMG with feedback from Committee members, senior executive management and finance personnel, covering overall quality, independence and objectivity, business understanding, technical knowledge, responsiveness and cost effectiveness.

The Committee acknowledges the new EU rules with regard to auditor rotation and the requirement for companies to put audit services contracts out to tender at least every ten years (outside of transitional rules). KPMG has been our auditor for over 20 years. The current lead audit director at KPMG was appointed in September 2016 and will be required to stand down no later than the Annual General Meeting in 2020. Accordingly, and in line with the arrangements set out by the EU, the Committee continues to recommend to the Board that the tendering of the external contract should be either at the next rotation of audit lead director or earlier, if appropriate circumstances arise. There are no contractual obligations which restrict the Audit Committee's choice of external auditor. The Committee and the Board have concluded that KPMG provides an effective audit and have recommended their reappointment at the 2017 AGM.

NOMINATIONS COMMITTEE REPORT

The Nominations Committee's key focus is to evaluate and examine the skills and characteristics that are needed in Board members to ensure the leadership team has the right balance of skills to deliver its progressive strategy for the benefit of all stakeholders

Malcolm Diamond MBE, Chairman of the Nomination Committee

Role

The Committee keeps under review and regularly evaluates the composition of the Board and its Committees in order that they retain and reflect the appropriate balance of skills, knowledge, experience and independence to ensure their continued effectiveness.

Appropriate succession plans for the Non-Executive Directors, the Executive Directors and the Group's senior management are also kept under review.

The Nominations Committee's terms of reference are available on the website or on request to the Company Secretary.

Committee membership and attendance

The Nominations Committee consists of two Independent Non-Executive Directors, including the Senior Independent Non-Executive Director, the Chairman and the CEO.

Boardroom diversity

Appointing the best people to the Board is critical to the success of the Company. The Committee has therefore concluded that while diversity, including gender diversity, is important when reviewing the composition of the Board and possible new appointees, the single most important factor is to identify and recruit/ develop people based on skills, leadership and merit. Given our commitment to appointing the best people and making sure that all employees have an equal chance of developing their careers with the Group, the Committee does not think it is appropriate to set targets for Board appointments; however, the current Executive Board comprises a 50:50 gender balance.

	Attendance in 2016/17
Malcolm Diamond MBE (Chairman)	2
Neil Warner	2
Jonathan Shearman	2
Mark Belton	2

Succession planning

The Nominations Committee has always had a robust plan to ensure that the Company's successful culture, business model and growth strategy firmly established by the Senior Executive Board and the senior management team can be sustained well into the future.

It is clearly evidenced that management development throughout the Group has prospered on the basis of promotion from within.

Mark Belton is now into his second year as CEO, as is Clare Foster as CFO, and both have presided over a record year for revenue and profitability over the Company's 43 year history, supported by Lyndsey Case, who was promoted to Company Secretary on 1 April 2016.

In summary, the leadership team has the right experience, knowledge and determination to positively lead and take *Trifast* to the next stage of its growth aspirations.

Malcolm Diamond MBE
Chairman of the Nominations Committee
12 June 2017

DIRECTORS' REMUNERATION REPORT

We want this Executive team to continue into the next stage of growth for the Company whilst operating a Policy that is fit for purpose

Jonathan Shearman, Chairman of the Remuneration Committee

Dear Shareholder,

Introduction

As Chairman of the *Trifast* plc Remuneration Committee (the 'Committee'), I am pleased to introduce our remuneration report for 2017 which has been prepared by the Committee in accordance with the relevant legal and accounting regulations, then approved by the Board.

The role of the Committee is to ensure that the remuneration provided to our Executive Directors motivates them, aligns them with delivery of our strategy and creates shareholder value in a sustainable manner. In addition, it is our task to ensure that the remuneration received by the Executive Directors is proportionate to the performance achieved and the returns received by you as shareholders.

To fulfil our role, the Committee undertook a review of the Company's remuneration Policy ('Policy') during the year and consulted with shareholders on proposed changes to the current Policy. Details of the proposed Policy are set out in this report and I look forward to your support for the changes at the 2017 AGM.

Key 2017 remuneration outcomes

This year has been another successful one for *Trifast*. At Actual Exchange Rates (AER), our revenue grew by 15.6%, we delivered growth of 28.3% in underlying diluted Earnings per Share and ROCE remained extremely healthy at 19.9%. In addition, over the past year, our shareholders have benefitted from an increase in Total Shareholder Return ('TSR') of c.70%, a substantial outperformance against the FTSE Small Cap and industry benchmarks.

Our Annual Report sets out the key areas where we have made substantial progress against our strategic priorities with some key highlights including the successful integration of Kuhlmann into our business, opening a new distribution and technical centre in Barcelona and the continuing enhancement of our manufacturing capacity.

It is now nearly two years since Mark Belton moved into the role of Chief Executive Officer with Clare Foster joining as Chief Financial Officer. Any management change involves significant risks, but the Committee is delighted with the successful transition that has taken place and already seen Mark and Clare playing key roles in *Trifast*'s success. They, together with the continued support of Malcolm Diamond, Geoff Budd and Glenda Roberts, are overseeing a significant transformation of the business which will further benefit shareholders in the years to come.

In arriving at the annual bonus and deferred equity outcomes for the 2017 financial year, the Committee assessed the achievement of the Group's financial performance targets and the Executive team's personal performance targets that were set at the start of the year:

- Underlying diluted earnings per share growth of 28.3% exceeded the stretch target of 22%
  - It is worth noting that for the deferred equity element of the bonus scheme, the maximum performance target (threshold) was achieved ignoring the positive impact of currency movements in the year
- ROCE of 19.9% ensured that the underpin of ROCE exceeding group WACC + 2% (12%) was met
- Each Executive Director's personal objectives were met such that there was no requirement to apply a reduction to the formulaic bonus outcome based on the achievement of the EPS target and the ROCE underpin
- As a result, each Executive Director will receive the maximum annual bonus entitlement of 100% of salary and the maximum deferred equity award of 100% of salary

The Committee is comfortable that the 2017 annual bonus and deferred equity outcomes reflect the underlying performance of the Company.

Proposed remuneration Policy and structural changes

The remuneration structure that shareholders approved in 2014 and 2015 was designed for a specific purpose, pre-dominantly to bridge a period of management transition during a time when long-term target setting was difficult. Whilst the current Policy has been effective, given the Company's development since 2015, the Committee now feels comfortable setting long-term targets that would allow a more traditional remuneration model to be operated.

The Committee also acknowledges that a number of shareholders voted against the current Policy and its implementation given its focus on the short-term. We take shareholder feedback seriously and the changes to our remuneration Policy have been designed to reflect these views. The Committee also consulted, more recently, with its major shareholders regarding the introduction of the new Policy. Those shareholders will note that we have responded to many of the issues raised and made changes, highlighted in this statement, in an effort to ensure that we adopt a Policy that has the support of a large majority of our shareholders. We are grateful for the time shareholders have taken to review and comment on the Policy we are proposing and will continue to engage with our shareholders on remuneration matters and take account of those views.

Overall, the Policy has been constructed to provide management with a remuneration opportunity that is competitive against companies of a similar size and complexity, but with a greater emphasis on the variable elements of the package than those peers. Broadly, the Committee targeted lower quartile salaries combined with an above median incentive opportunity to provide a total remuneration opportunity at or approaching the median. As such, management will be well rewarded if material long-term sustainable value is delivered for shareholders but total remuneration is limited to the fixed elements of the package if performance falls below expectations.

The significant changes from the current Policy are in relation to the simplification of the annual bonus and the introduction of a traditional long-term incentive arrangement with a three year performance period.

The new Policy has been specifically designed to meet the following objectives:

- Alignment with the long-term business strategy during the Group's next stage of development
- Focus on the key performance metrics that drive shareholder value creation
- Motivate, retain and attract top talent from a competitive talent pool
- Align the interests of executives and shareholders
- Be in line with UK corporate governance best practice

Further details of the new Policy can be found on the pages hereafter in the Directors' Policy Report but outlined below are the key highlights.

Base salary and Non-Executive Director fees

The Committee determined that Executive Director base salaries will not usually be increased by a higher percentage than the average annual increase in salaries for UK employees. Larger increases may be awarded if, subject to performance, there is i) a material change in the role and responsibilities of the Executive Director, or ii) an Executive Director has been appointed at below the market level to reflect experience, or iii) an Executive Director has been promoted internally and their salary is below the market level.

As you will be aware, with effect from 1 April 2017, Malcolm Diamond transitioned from Executive Chairman to Non-Executive Chairman. In light of changes to the composition of the Executive team and the shift of responsibilities of Executive Directors, the Committee decided it was an appropriate time to review and adjust base salary levels. In line with the current and proposed Policy, set out in this report, with effect from 1 April 2017 the Committee will make the following salary increases:

- CEO: Increase base salary from £250,000 to £300,000
- CFO: Increase base salary from £200,000 to £230,000
- Other Executive Directors: Increase base salary from £200,000 to £210,000

In addition, given Malcolm Diamond's transition from Executive to Non-Executive Chairman, the Committee has determined that his fee will reduce from £200,000 to £150,000 from 1 April 2017 with a further reduction to £125,000 from 1 April 2018. This reduction reflects the Chairman's phased reduced time commitment to the role.

The Committee considered whether base salary increases should be staged over a number of years given their impact on the overall remuneration package. However, the Committee felt that given strong individual and corporate performance a one-time immediate increase was appropriate.

There will be no change to our Policy in relation to Non-Executive Director fees. The Board reviewed Non-Executive Director fees which have been unchanged for three years and compared current fee levels to levels in organisations of comparable size and complexity. In order to ensure Non-Executive Director fees reflect the increasing level of responsibility and time commitment as the Company grows, fees paid from 1 April 2017 will be based on a maximum of the following:

- NED base fee: £42,000
- SID fee: £6,000
- Audit / Remuneration Committee Chair: £8,000
- Audit / Remuneration Committee member: £5,000

DIRECTORS' REMUNERATION REPORT

Annual Bonus

The annual bonus is being simplified. The primary performance condition will remain as Earnings per Share ("EPS") growth (75% of opportunity) alongside the introduction of a range of Strategic and Operational measures (25%) such as financial and operational excellence, growth strategy, customer satisfaction, people and risk mitigation. At least 40% of the Strategic and Operational measures will be linked to quantitative metrics and for FY2018 the Committee has determined to assess 10% of the total bonus opportunity against a ROCE target to ensure earnings growth is of a quality nature. These measures have been introduced to provide a holistic assessment of corporate performance. EPS will be measured on an organic growth basis only i.e. the impact of acquisitions and share buybacks will be stripped out from the reported EPS figure.

The maximum opportunity will be decreased to 125% of base salary (from 200%) due to the introduction of a standalone Long Term Incentive Plan. Up to 100% of base salary will be paid in cash with any bonus in excess of this being deferred into shares for three years. The deferral period was increased from two to three years based on feedback from the shareholder consultation, as was the exclusion of share buybacks in the EPS calculation.

Long-Term Incentive Plan (LTIP)

A more traditional long-term incentive plan is being introduced to help shift some focus towards longer-term performance. Awards under the new LTIP will vest over a three year performance period with a proportion of awards being subject to a holding period of up to two years.

Awards will be subject to the satisfaction of EPS growth (70% of opportunity) and relative TSR (30%) performance conditions and the maximum annual opportunity will be 150% of base salary. A new shareholding requirement of 200% of salary will also be implemented alongside the LTIP. The LTIP has been designed to be in line with market practice in terms of structure and features stretching performance conditions which support the business strategy and therefore aligns the interests of management and shareholders.

Performance conditions

EPS has been chosen as the primary performance condition for the annual bonus and LTIP as the Committee feels it is the most appropriate measure of growth for *Trifast* over the coming Policy cycle and provides a clear line of sight for the Executive team. The weighting of EPS in the annual bonus and LTIP has been reduced in response to shareholder feedback. The Committee is comfortable that the balance of EPS, Strategic and Operational and relative TSR provides a set of measures that will drive underlying performance in the short- and long-term which will translate to absolute and relative shareholder returns.

Looking Ahead

The company has had a number of years of successfully implementing its strategy, evidenced by our record EPS performance as well as value created for shareholders. We remain committed to the delivery of further growth from both organic and acquisitive sources.

Furthermore, the Committee believes that a key reason for the successes of the business has been having the right management team in place. We want this four strong Executive team to continue into the next stage of growth for the Company whilst operating a Policy that is fit for purpose. In order to do so we look forward to your support in approving our proposals at July's AGM.

Jonathan Shearman
Chairman of the Remuneration Committee
12 June 2017

Directors' remuneration Policy

This section of the remuneration report contains details of the Policy which is being proposed at the AGM on 27 July 2017 and, if approved, will be effective from that date. As set out in the Chairman's statement, the proposed Policy has been developed to support the business strategy in the next stage of the Company's growth.

1) Policy tables — Executives

Base Salary	**Purpose** To provide competitive salary levels recognising the market value of the role and individual's skills, experience and performance as well as their contributions and enable the recruitment and retention of high calibre Executives **Operation** Base salary is set annually on 1 April. Base salary levels are reviewed annually by the Committee, taking account of Company performance, individual performance and levels of increase for the broader *Trifast* employee population. The Committee also considers the impact of any base salary increase on the total remuneration package. Increases awarded each year will be set out in the statement of implementation of Policy	**Maximum opportunity** The maximum annual salary increase will not normally exceed the average increase which applies across the wider *Trifast* (UK) employee population (typically inflation based) Larger increases, than the above maximum, may be awarded if subject to performance there is i) a material change in the role and responsibilities of the Executive Director, or ii) an Executive Director has been appointed at below the market level to reflect experience, or iii) an Executive Director has been promoted internally and their salary is below the market level **Changes from Policy approved at the 2014/2015 AGM** No substantive changes
Benefits	**Purpose** To provide market-competitive benefits **Operation** The Company provides the following ongoing benefits: • Company car (or car allowance) • Private medical insurance • Permanent health insurance • Critical illness cover and life cover In addition, the Company pays additional benefits when specific business circumstances require it. For example, for a non-UK Executive the Company may consider providing specific benefits appropriate for the local market. The Company reimburses all necessary and reasonable business expenses	**Maximum opportunity** Capped at the cost of providing the benefits **Changes from Policy approved at the 2014/2015 AGM** No change
Pension	**Purpose** To offer market-competitive levels of pension provision **Operation** Executive Directors participate in defined contribution pension arrangements. Executive Directors may request a pension allowance to be paid in cash, after deducting employer National Insurance costs, in place of defined contribution arrangements	**Maximum opportunity** 20% of base salary **Changes from Policy approved at the 2014/2015 AGM** No change

DIRECTORS' REMUNERATION REPORT

Annual Bonus	**Purpose** To encourage and reward delivery of short-term organic growth alongside the execution of the Company's annual strategic priorities in line with shareholder interests **Operation and performance measures** Each year Executive Directors are eligible to participate in the annual bonus. The Committee will select performance measures which it considers appropriate to support the Company's strategic priorities and the delivery of value to shareholders. The individual targets and the weightings will be set annually by the Committee The annual bonus will reward for Earnings Per Share (EPS) growth and Strategic and Operational performance over the financial year as set out below: • 75% of maximum bonus opportunity will be based on organic EPS growth • 25% of maximum bonus opportunity will be based on a basket of Strategic and Operational measures. This basket will include measures relating to the following themes: financial and operational excellence, growth strategy, customer satisfaction, people and risk mitigation. The Committee will determine the three or four most appropriate targets each year in line with the business plan and at least 40% of these measures will be based on quantifiable metrics In relation to the EPS element, the impact of current and previous year acquisitions and share buybacks will be excluded from the calculation of EPS when determining performance outcomes. The performance measures that have been selected, in the Committee's view, most appropriately reflect the Company's strategy to: • Generate strong and sustainable organic earnings growth for the benefit of shareholders • Focus on delivering challenging specific Strategic and Operational targets which aid in long-term value creation A financial underpin will apply such that in order for a payment under the Strategic and Operational element to be made the Company will need to achieve at least the threshold level of EPS growth Performance targets will be disclosed prospectively, unless they are deemed commercially sensitive by the Board in which case the targets and their achievement will be reported on retrospectively Malus will apply during the bonus year and the share deferral period and clawback will apply for a period of two years post bonus payment and/or share vesting Circumstances where malus and clawback could apply include misstatement of accounts, fraud or gross misconduct by the employee and / or any assessment of performance being based on error, or inaccurate or misleading information	**Maximum opportunity and timing of payments** The annual bonus will be in the form of cash with a deferred share component The maximum annual award level is 125% of base salary The maximum amount that can be paid as cash is 100% of base salary and any remainder would be paid as deferred shares A deferral period of three years will apply to any portion of the annual bonus over 100% of base salary that is deferred into shares The percentage of bonus earned for differing levels of performance is: • Threshold: 10% – 35% of maximum opportunity • Target: 45% – 70% of maximum opportunity • Stretch: 75% – 100% of maximum opportunity **Changes from Policy approved at the 2014/2015 AGM** Decoupling of short-term and long-term incentive by removing the majority of the deferred share elements and the introduction of a more traditional Long-Term Incentive Plan (discussed below) Introduction of the Strategic and Operational measures to replace personal performance which acted as a payout moderator in the previous Policy Reduced annual maximum award from 200% to 125% of base salary Change in the deferral structure, whereby Executives are required to defer any bonus over 100% of salary into shares for three years

SAYE	**Purpose** Facilitate equity involvement for Executives and staff **Operation** The *Trifast* Savings Related Share Option Scheme is HMRC approved. The Scheme offers three and five year savings contracts which provide an option to purchase shares after maturity at a discount to the share price on the date the contract is taken out (the maximum discount is 20% of mid-market price)	**Maximum opportunity** Annual savings limit in line with HMRC limit **Changes from Policy approved at the 2014/2015 AGM** No change
Long-Term Incentive Plan	**Purpose** To incentivise delivery of the Group's long-term business strategy and sustainable value for shareholders and aid in the recruitment and retention of senior Executives **Operation and performance measures** The Committee may make an annual award of shares to each Executive Director in the form of nil-cost options under the Long-Term Incentive Plan (LTIP). The Committee will select performance measures at the time of grant taking into account the Company's long-term business strategy. The individual targets and the weightings will be set at grant by the Committee Performance will be measured against EPS growth and relative Total Shareholder Return (TSR) targets over three financial years as set out below: • 70% of the LTIP award will be based on EPS growth; and • 30% of the LTIP award will be based on relative TSR versus the FTSE Small Cap Index (excluding investment trusts) The EPS targets and relative TSR measures for future LTIP awards will be disclosed in the implementation of Policy section of the annual report on remuneration The EPS and relative TSR measures have been selected to reward senior Executives for the generation of strong and sustainable long-term earnings and the delivery of long-term sustainable value for the benefit of shareholders On vesting, 50% of after tax vested awards may be sold immediately. Thereafter, 25% of after tax vested awards will be subject to a one year holding period and the remaining 25% of after tax vested awards will be subject to a two year holding period Malus will apply during the vesting period and clawback will apply for a period of two years post vesting The circumstances where malus and clawback could apply include the misstatement of accounts, fraud or gross misconduct by the employee and / or any assessment of performance being based on error, or inaccurate or misleading information	**Maximum opportunity** The proposed annual award level is to grant awards of 150% of base salary. The maximum award level will be 250% of base salary and this would only be considered in certain exceptional recruitment circumstances 25% of the LTIP award will vest for threshold performance **Changes from Policy approved at the 2014/2015 AGM** Introduction of a new long-term incentive plan
Shareholding Guidelines	**Operation** A 200% of salary shareholding requirement for all Executive Directors. This is to be built up over five years and shall be effective at the start of the new Policy The Committee will annually review the progress against achievement of these guidelines	**Changes from Policy approved at the 2014/2015 AGM** Changed from minimum holding of 250,000 *Trifast* shares over five years

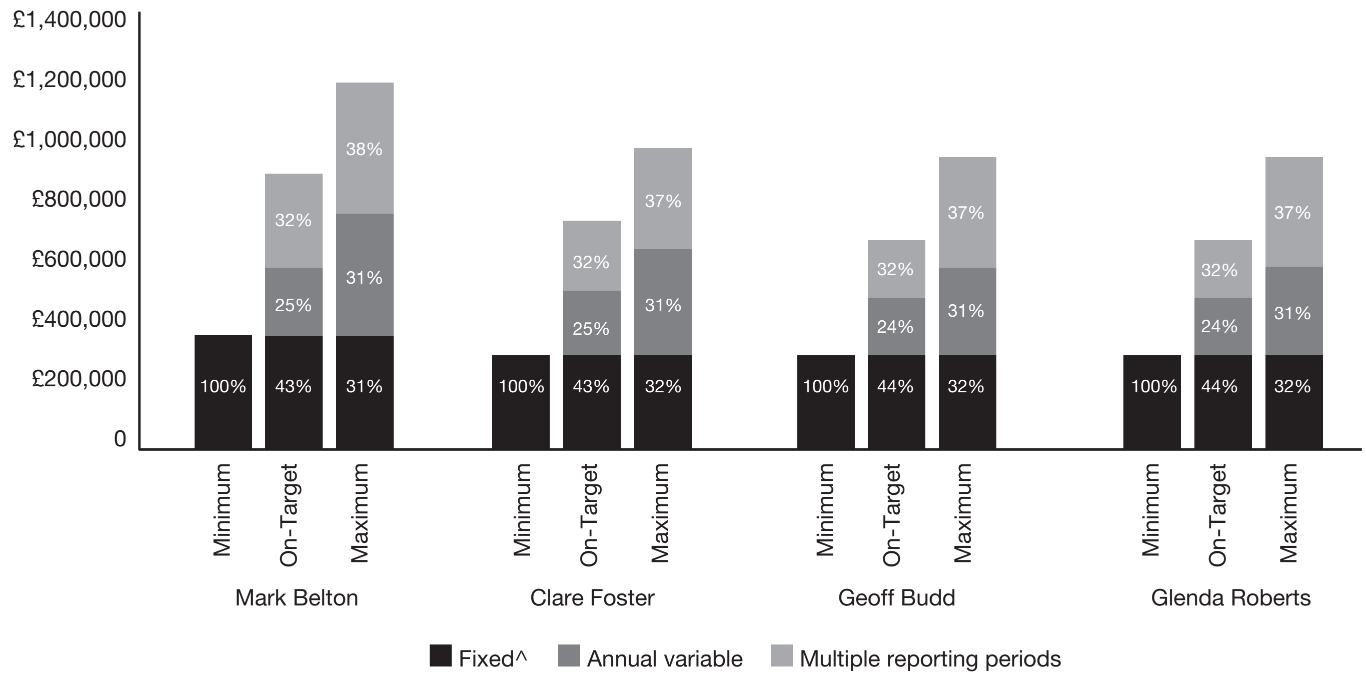
DIRECTORS' REMUNERATION REPORT

Legacy incentive awards

All unvested legacy awards granted under the deferred equity arrangement will continue to be operated as per our previous remuneration Policy approved by shareholders.

2) Illustration of remuneration Policy

The chart below illustrates how applying our remuneration Policy would lead to levels of pay that vary with performance for each of the Executive Directors:



The assumptions used in determining the level of payouts are set out in the table below:

Scenario	Fixed^	Annual variable (annual bonus)	Multiple reporting periods (LTIP)
Minimum	The value of these elements is set out in the policy table and the implementation of proposed Policy for the financial year ending 31 March 2018 in this report	**0% of maximum (0% of salary)**	**0% of maximum (0% of salary)**
On target		**57.5% of maximum (71.88% of salary)**	**62.5% of maximum (93.75% of salary)**
Maximum		**100% of maximum (125% of salary)**	**100% of maximum (150% of salary)**

^ Fixed costs include salary, pension and all benefits

Notes

- The minimum payout scenario assumes no incentive payout
- For annual bonus, the target payout is 57.5% of maximum (this is the mid-point of the target payout range of 45% to 70% of maximum). For LTIP, the target payout is 62.5% of maximum (the mid–point between threshold vesting (25%) and maximum vesting (100%)
- The maximum payout scenario assumes all incentives payout

3) Policy on recruitment arrangements

The Committee's approach to Executive Director recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role. The remuneration package for any new recruit would be assessed following the same principles as for the current Executive Directors, as set out in the remuneration Policy table.

Remuneration element	Treatment under Policy
Base salary, pension and other benefits	The salary level will be set taking into account a number of factors including market practice, the individual's experience and responsibilities, other pay structures within *Trifast* and will be consistent with the salary Policy for existing Executive Directors The Executive Director shall be eligible to receive pension and other benefits in line with *Trifast*'s Policy
Annual bonus and LTIP	The Executive Director will be eligible to participate in the Annual Bonus and LTIP as set out in the remuneration Policy table. The maximum level of variable remuneration that may be offered is 275% of base salary consistent with that of existing Executive Directors. The exceptional award limit in the LTIP allows this to be increased to 375% of base salary in the year of recruitment (where the increased award of 250% of salary is above the normal LTIP maximum of 150% of salary)
Share buy-outs and replacement awards	The Committee's Policy is not to provide replacement awards as a matter of course. However, should the Committee determine that the individual circumstances of recruitment justify the provision of a replacement award, the value of any incentives that will be forfeited on cessation of a director's previous employment will be calculated taking into account the following: • The proportion of the performance period completed on the date of the director's cessation of employment • The performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied • Any other terms and conditions having a material effect on their value ('lapsed value') The Committee may then grant a replacement award up to the equivalent value as the lapsed value. The replacement award will be made in equity under 9.4.2(R) of the listing rules subject to a holding period during which cessation of employment will generally result in forfeiture and subject to the satisfaction of performance targets
Other	The Company may meet certain mobility costs, including relocation support, expatriate allowances, temporary living and transportation expenses as appropriate in cases where the new Executive is relocated from one work base to another
Changes from previous Policy approved at the 2014/15 AGM	Changes in the Recruitment Policy reflect changes to the remuneration Policy

DIRECTORS' REMUNERATION REPORT

4) Policy on payment for loss of office – cessation of employment and Change of Control

The following tables shows how the Committee would expect to treat Executive Directors on cessation of employment or upon a Change of Control.

Cessation of employment

Notice periods	The notice periods for all Executive Directors is 12 months
Circumstances of departure of Executive Directors	A 'good leaver' is a person whose cessation of employment is for one of the following reasons: • death • ill-health • injury or disability • redundancy • retirement • employing company ceasing to be a Group company • transfer of employment to a company which is not a Group company • where the person is designated a good leaver at the discretion of the Committee A participant who is not a 'good leaver' is a 'bad leaver'
Base salary, pension and other benefits	Base salary and all taxable benefits (medical, private health insurance, car allowance and life assurance) are paid in lieu of notice. Neither notice nor a payment in lieu of notice will be given in the event of gross misconduct
Annual bonus	Unless the Remuneration Committee determines otherwise, if a participant is a 'good leaver', then any cash bonus payable in the year of cessation will be pro-rated for time and performance will be tested at the normal date and will be paid at the usual bonus payment date Where a participant is a 'good leaver' and there is a deferred bonus payable in the year of cessation, then the portion of the bonus that is required to be deferred will remain subject to deferral and will vest on the original vesting date. The Remuneration Committee may exercise discretion to pay any deferred element to a 'good leaver' in cash at the usual bonus payment date. Any unvested deferred shares would vest on the usual vesting date unless the Committee exercises discretion to allow for vesting at the date of cessation Participants that are 'bad leavers' will forfeit any cash bonus in the year of cessation and any unvested deferred shares
LTIP	The treatment under the LTIP is as follows: • For good leavers, unvested LTIP awards will be pro-rated for the proportion of the performance period completed on cessation • The good leaver will be given the option to have performance assessed on cessation with the award vesting at that time or waiting until the normal vesting date for performance to be assessed • Anyone who is not a good leaver will be a bad leaver. Bad leavers will forfeit all unvested awards • All leavers will remain subject to the sale restrictions under the holding period irrespective of their employment status • Where a participant ceases employment during the two year holding period, they will have six months from the date they cease employment to exercise their vested awards
Changes from previous Policy approved at the 2014/15 AGM	Some minor changes have been made to the treatment of awards for 'good leavers' to reflect market best practice

Change of control

Annual bonus	The treatment under the annual bonus is as follows: • Cash bonus for the year in which a change of control event occurs will be pro-rated for time and performance. At the Board's discretion, the Board may consider whether to dis-apply pro-rating for time • Unvested deferred share awards will vest on change of control In the event of an internal corporate reorganisation, the Board may decide to replace unvested deferred share awards with equivalent new awards over shares in the acquiring company
LTIP	The treatment under the LTIP is as follows: • Unvested awards will vest early subject to (i) the extent that any applicable performance targets have been satisfied at that time and (ii) pro-rating to reflect the reduced period of time between grant and early vesting as a proportion of the vesting period that has then elapsed • At the Board's discretion, the Board may consider whether to dis-apply pro-rating for time In the event of an internal corporate reorganisation, the Board may decide to replace unvested awards with equivalent new awards over shares in the acquiring company

5) Discretions retained by the Remuneration Committee

The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of the annual bonus and LTIP (the LTIP being operated in general terms according to the rules to be approved by shareholders).

The areas where discretion is retained includes, but is not limited to, the following:

- The participants
- The timing of an award
- The size of an award
- The determination of vesting and/or payout
- Discretion required when dealing with a change of control or restructuring of the Group
- Determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends)

These discretions, which in certain circumstances can be operated in both an upward and downward manner, are consistent with market practice and are necessary for the proper and fair operation of the plans so that they achieve their original purpose. However, it is the Committee's Policy that there should be no element of reward for failure and any upward discretion will only be applied in exceptional circumstances.

In addition, the Committee has the discretion to amend the Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

6) Consideration of conditions elsewhere in the Group

The remuneration Policy throughout the Company is based on ensuring that we can attract and retain the most suitable people. This principle is consistent with that applied to the development of our remuneration Policy for Executive Directors. Employee views were not specifically sought in determining this Policy and no comparison metrics were used.

Salary and benefit packages are linked to personal and business performance. All employees receive additional bonus payments (as business performance allows), this together with inflation based salary reviews should ensure the company remains competitive within the employment market.

All UK employees are eligible to participate in the SAYE scheme. Furthermore, senior management are also eligible to participate in a Long-Term Equity scheme.

DIRECTORS' REMUNERATION REPORT

7) Policy table – Non-Executive Directors

Non-Executive Director remuneration is not performance related and is not pensionable. The only other payments made to them are mileage allowances at HMRC rates and expenses for items incurred during the fulfilment of their roles. An explanation of the Policy with regards to Non-Executive Directors is set out in the table below:

Non-Executive Directors	**Objective** To attract and retain individuals with the requisite skills and experience to perform the role **Operation** Set annually on 1 April and determined by the Board. Non-Executive Directors are paid a base fee and additional fees for Committee membership and chairmanship. An additional fee is also payable to the Senior Independent Director Any increases in fees will be determined based on time commitment and take into consideration the level of responsibility	**Maximum opportunity** The previous column sets out the factors that will be taken into consideration in determining Non-Executive Director fees **Changes from Policy approved at the 2014/2015 AGM** None

8) External Directorships

Executive Directors are permitted to hold external directorships or offices with the prior approval of the Board. If approved, they may retain the fees payable from such appointments. No Executive Director currently holds an external directorship

9) Contracts

During the year all Executive Directors had rolling service contracts, details of each Board members' contract are detailed below:

Executive Director	Notice period	Date of signing
MR Belton	12	26 July 2012
CL Foster	12	1 October 2015
GP Budd	12	26 July 2012
GC Roberts	12	26 July 2012

Non-Executive Director	Notice period	Date of signing
MM Diamond	3	1 April 2017
NW Warner	3	16 June 2015
JPD Shearman	3	26 July 2012
SW Mac Meekin	3	25 April 2013

When setting notice periods, the Committee has regard for market practice and corporate governance best practice. For new appointments the notice period for Executive Directors will be set at 12 months and at three months for Non-Executive Directors. The Director contracts are kept at the Company's Registered office.

Annual Report on remuneration — audited information

This section of the remuneration Report contains details as to how the Company's remuneration Policy was implemented during the year ended 31 March 2017.

1) Executive Director single figure for remuneration

	Salary £000	Annual bonus[1] Cash £000	Deferred equity (face value) £000	Taxable benefits[2] £000	Pensions[3] £000	Total £000
MM Diamond[4]	**200**	**200**	**200**	**21**	**–**	**621**
Prior year	200	100	200	21	–	521
JC Barker (retired 30 September 2015)	**–**	**–**	**–**	**–**	**–**	**–**
Prior year	125	62	125	9	–	321
MR Belton[5]	**250**	**250**	**250**	**14**	**47**	**811**
Prior year	225	113	225	14	45	622
CL Foster[6]	**200**	**200**	**200**	**15**	**36**	**651**
Prior year	100	50	100	7	20	277
GP Budd	**200**	**200**	**200**	**17**	**34**	**651**
Prior year	190	95	190	16	38	529
GC Roberts	**200**	**200**	**200**	**20**	**36**	**656**
Prior year	180	90	180	18	36	504
Totals	**1,050**	**1,050**	**1,050**	**87**	**153**	**3,390**
Prior year totals	1,020	510	1,020	85	139	2,774

1. See additional details for variable pay element of remuneration below
2. Taxable benefits consisted of the cost of providing a Company car (or car allowance), private medical insurance and critical illness cover
3. Mark Belton, Clare Foster, Geoff Budd and Glenda Roberts are members of the Company's non-contributory pension plan (2016: Mark Belton, Clare Foster, Geoff Budd and Glenda Roberts). This is an HMRC approved defined contribution scheme. The rate of Company contribution to this scheme is 20% of base salary. From 1 April 2016, the Executives were provided the option to take pension payments in the form of a cash allowance, after a deduction for Employer's National Insurance
4. Malcolm Diamond has transitioned from Executive Chairman to Non- Executive Chairman as of 1 April 2017
5. All prior year figures for Mark Belton reflect his position as Group FD during the first half of the 2016 financial year and Group CEO thereafter
6. All prior year figures for Clare Foster reflect her appointment to the Board on 1 October 2015 as Group CFO

Additional details for variable pay element of remuneration: annual bonus and deferred equity awards

A portion of the annual bonus for the year ended 31 March 2017 will be paid in cash following the publication of the annual results and the remainder deferred in equity for three years. In accordance with the existing Directors' remuneration Policy, all five Executive Directors have been awarded a cash bonus and deferred equity bonus as a percentage of base salary of 100% and 100% (2016: 50% and 100%). This is equivalent to 100% of the maximum annual bonus opportunity.

The performance targets, actual performance achievement and resulting annual bonus as a percentage of the base salaries of the Executive Directors are summarised below for the year ended 31 March 2017. It should be noted that in relation to EPS, when assessing performance for the deferred equity element of the bonus scheme, to align with the new proposed Policy, the Committee ignored the unexpected EPS FX gain of 1.5 pence from currency movements following BREXIT. The maximum performance target for deferred equity was still achieved.

Performance measure	Weighting	Threshold performance target	Maximum cash performance target*	Maximum deferred equity performance target*	Actual EPS	Actual EPS excluding FX gain	Bonus achieved^ Cash	Deferred
Group EPS†	100%	10.8p	12.2p	11.2p	12.8p	11.3p	100%	100%

* Maximum performance EPS is stated after the deduction of any incremental bonus payments
^ As percentage of salary
† Underlying diluted EPS (see note 25)

In the year under review, the Group's ROCE was 19.9% which was in excess of the underpin of 12% (WACC +2%). In addition, the Committee determined that all personal performance measures were met in the year such that no reduction to the formulaic outcome of the cash bonus and deferred equity awards was required.

The personal performance measures across the Executive team for the year ended 31 March 2017 included the following – establishment of a Spanish operation; increased co-operation across our manufacturing sites; better consideration of strategic risks and distribution of equity to key management below the board.

DIRECTORS' REMUNERATION REPORT

The Committee is satisfied that individual performance outcomes for the Executive team appropriately reflected overall company performance in the year and given the level of performance against the corporate goals that individual performance outcomes were acceptable.

The Committee did not exercise discretion during the year.

The number of shares needed to award the face value of the deferred equity bonus is based on the average share price from 1 January to 31 March. In 2017 this was 499,900 shares and 210p (2016: 868,186 shares and 117p).

2) Non-Executive Director single figure for remuneration

	Core fee £000	Chairing of Audit or Rem Committee £000	Committee membership £000	Senior Independent Director £000	Total £000
NW Warner	**40**	**5**	**5**	**5**	**55**
Prior year[1]	32	4	4	4	44
JPD Shearman	**40**	**5**	**5**	**–**	**50**
Prior year	40	5	5	–	50
SW Mac Meekin	**40**	**–**	**5**	**–**	**45**
Prior year	40	–	5	–	45
NS Chapman – retired 16 June 2016	**–**	**–**	**–**	**–**	**–**
Prior year	19	2	2	2	25
Totals	**120**	**10**	**15**	**5**	**150**
Prior year totals	131	11	16	6	164

1. All prior year figures for Neil Warner reflect his appointment to the Board on 16 June 2015 as a Non-Executive Director

3) Payments to past Directors and for loss of office

As set out in the 2016 annual report on remuneration, contractual payments were made to JC Barker until 30 June 2016. These payments were provided in relation to a consulting service agreement and made after his retirement from the Board and amounted to £67,000 (2016: £134,000). Further, as reported last year 624,465 shares vested, subject to a two year clawback period on 30 June 2016. The value of these shares as at 30 June 2016 was £861,762.

4) Statement of Directors' shareholdings

	Shareholding Requirement[1]	Current beneficial holding[2]	Deferred shares without performance measures	Current shares which count toward shareholding requirements[3]	Unvested SAYE options	**Total of all interests at 31 March 2017**	**Shareholding requirement met?**
Executive Directors							
Malcolm Diamond	250,000	1,053,800	692,253	1,746,053	16,982	**1,763,035**	**Yes**
Mark Belton	250,000	268,000	712,646	980,646	16,822	**997,468**	**Yes**
Clare Foster	250,000	—	180,335	180,335	16,822	**197,157**	**No**
Geoff Budd	250,000	232,264	643,266	875,530	—	**875,530**	**Yes**
Glenda Roberts	250,000	150,000	594,278	744,278	17,571	**761,849**	**Yes**
Non-Executive Directors							
Neil Warner	N/A	22,750	N/A	22,750	N/A	**22,750**	**N/A**
Jonathan Shearman	N/A	N/A	N/A	N/A	N/A	**N/A**	**N/A**
Scott Mac Meekin	N/A	N/A	N/A	N/A	N/A	**N/A**	**N/A**

1. By 31 March 2019
2. Including options exercised in the year
3. Total of current beneficial holding and deferred equity awards subject to continued employment only

Deferred equity bonus shares:

Name	2014 Number of shares	2014 Face value (£)	2015 Number of shares	2015 Face value (£)	2016 Number of shares	2016 Face value (£)	**2017 Number of shares**	**2017 Face value (£)**	**Total Number of shares**	**Total Face value (£)**
Malcolm Diamond	234,568	190,000	192,233	200,000	170,233	200,000	**95,219**	**200,000**	**692,253**	**790,000**
Mark Belton	209,877	170,000	192,233	200,000	191,512	225,000	**119,024**	**250,000**	**712,646**	**845,000**
Clare Foster[1]	—	—	—	—	85,116	100,000	**95,219**	**200,000**	**180,335**	**300,000**
Geoff Budd	203,704	165,000	182,622	190,000	161,721	190,000	**95,219**	**200,000**	**643,266**	**745,000**
Glenda Roberts	172,840	140,000	173,010	180,000	153,209	180,000	**95,219**	**200,000**	**594,278**	**700,000**

* Outside of the malus and clawback noted in our existing Executive Director remuneration Policy, the deferred equity bonus shares have no further performance measures attached once awarded. A service condition of three years, with a good leaver clause applying

1. appointed 1 October 2015

Historic long term incentive awards

The options that were agreed with shareholders and granted on the change of management in 2009, requiring a three month average share price greater than 51p, combined with a ROCE in excess of 10%, vested during the year ended 31 March 2013. None of the options granted to the Board remain outstanding at 31 March 2017 (2016: 2,000,000).

2009 share options:

Name	Outstanding at 1 April 2016	Options exercised^	**Outstanding at 31 March 2017**
Executive Directors			
Malcolm Diamond	1,000,000	(1,000,000)	**–**

^ Excluding SAYE plans (see previous table)

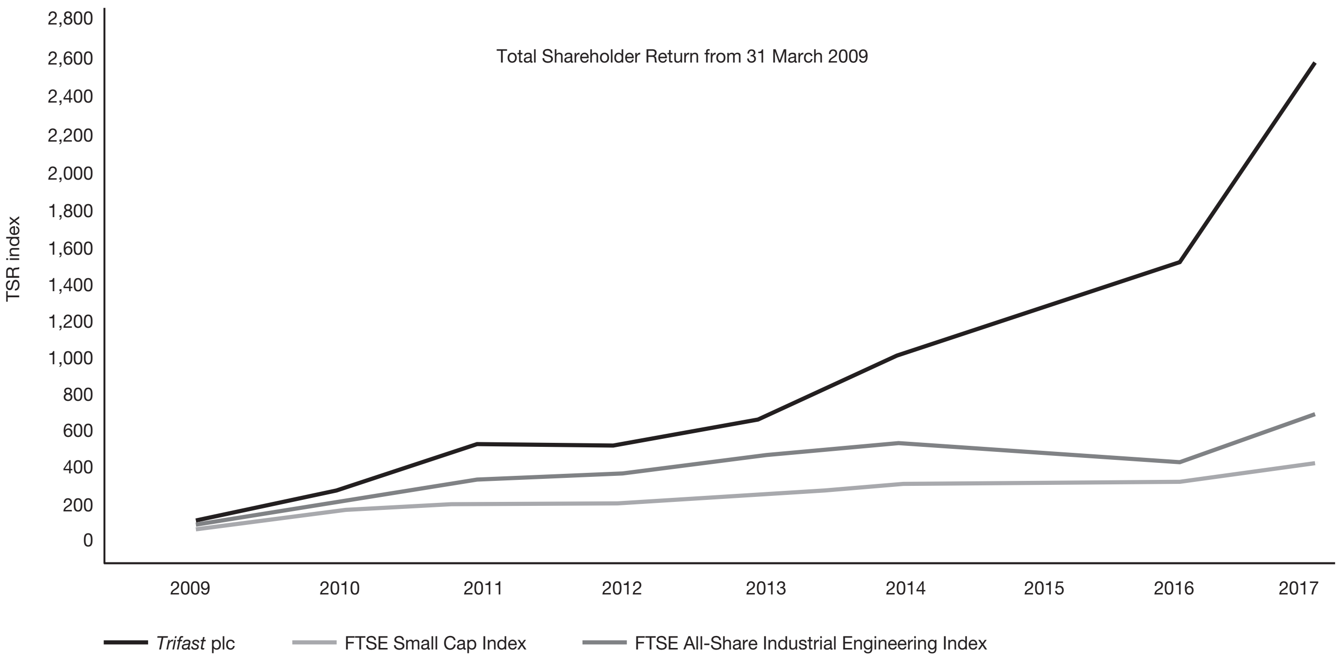
No other Executive or Non-Executive Directors have outstanding options under the 2009 share option scheme.

The aggregate gains made on exercising share options in the year totalled £2,030,000 (2016: £nil).

There have been no changes in the interests of any Directors between 31 March 2017 and 13 June 2017.

Annual report on remuneration — Unaudited information
5) Performance graph

The graph below sets out the Total Shareholder Return performance of the Company compared to the FTSE Small Cap Index and FTSE All-Share Industrial Engineering Index over an eight year period from 31 March 2009. The Remuneration Committee believes it is appropriate to monitor the Company's performance against these indices as the Company is a constituent of both.



DIRECTORS' REMUNERATION REPORT

6) Performance and pay

The table below shows the single figure remuneration and levels of bonus and equity payouts for the Group CEO during the past eight years:

Year	Total remuneration £000	Annual cash bonus payout against maximum	Equity award payout against maximum
2017	811	100%	100%
2016	641†	50%	100%
2015	766	100%	100%
2014	643	80%	100%
2013	1,263	30%	100%*
2012	327	35%	N/A*
2011	265	45%	N/A*
2010	176	N/A*	N/A*

* This was a year considered as part of the performance period for the 2009 option scheme

† Includes a full year of CEO remuneration; including remuneration paid to JC Barker for 1 April 2015 to 30 September 2015 and remuneration for MR Belton from 1 October 2015 to 31 March 2016

7) Percentage change in CEO remuneration

The table below compares the percentage increase in the CEO's total pay (excluding pension) with that of the UK division which is the most appropriate allowing a consistent tax regime and inflationary environment. In both cases, salaries are reviewed annually in April:

		2017 £000	2016 £000	Change
Group CEO*	Salary	**250**	250	0%
Mark Belton	Taxable benefits	**14**	16	-13%
	Annual bonus — cash	**250**	125	100%
	Annual bonus — deferred	**250**	250	0%
UK employees	Salary	**10,565**	10,036	5.3%
	Taxable benefits	**457**	362	26.2%
	Annual bonus	**1,058**	918	15.3%

* The calculation for 2016 reflects the change in Group CEO as follows: Jim Barker – 1 April 2015 to 30 September 2015 and Mark Belton – 1 October 2015 to 31 March 2016

8) Relative importance of spend on pay

The following table shows the relative spend on pay during the past two financial years when compared to other disbursements from profit:

	Disbursements from profit during year to 31 March 2017	Disbursements from profit during year to 31 March 2016	Change
Dividend distributions	**£3.31m**	**£2.44m**	35.7%
Group spend on pay (including Directors)	**£26.00m**	**£23.74m**	9.5%
Other payroll costs (including bonus)	**£9.48m**	**£7.78m**	21.9%

9) Implementation of proposed Policy for the financial year ending 31 March 2018

The remuneration Policy's implementation (proposed and subject to shareholder approval at the 2017 AGM) for the forthcoming year is summarised as follows:

Element	Policy	
Structure	The main elements of Director remuneration are:	
	Base salaries/total fees effective 1 April 2017 are as follows:	
	Mark Belton (Chief Executive Officer)	— £300,000
	Clare Foster (Chief Financial Officer)	— £230,000
	Geoff Budd (Commercial Director & European Managing Director)	— £210,000
	Glenda Roberts (Group Sales Director)	— £210,000
	Malcolm Diamond (Non-Executive Chairman)	— £150,000
	Neil Warner (Non-Executive Director)	— £60,000
	Jonathan Shearman (Non-Executive Director)	— £55,000
	Scott Mac Meekin (Non-Executive Director)	— £50,000

Element	Policy
Structure	

Annual bonus:

- Maximum opportunity: 125% of base salary for each of the Executive Directors. Any bonus award above 100% of base salary will be deferred into *Trifast* shares for three years
- Performance measures: 75% of maximum bonus opportunity will be based on organic EPS growth, and 25% of maximum bonus opportunity based on a range of Strategic and Operational measures
- 40% of the Strategic and Operational measures will be linked to a minimum ROCE target
- A financial underpin will apply such that in order for a payment under the Strategic and Operational element the Company will need to achieve at least the threshold level of organic EPS growth set out below
- The organic underlying diluted EPS growth targets will be as follows:
  - 5% organic EPS growth for threshold payout
  - 7.5% organic EPS growth for target payout
  - 10% organic EPS growth for maximum payout
  - Straight-line in between these performance levels
- In relation to organic EPS growth, the impact of current and previous year acquisitions and share buybacks will be excluded from the calculation of EPS when determining performance outcomes
- The Committee has established four Strategic and Operational measures for FY2018. Details are included below. Full disclosure of the measures, the targets and their achievement will be provided in the FY2018 Directors remuneration report:
  - ROCE: minimum of 15%
  - Growth strategy: establish fully functional acquisition team
  - Customer satisfaction: commercially sensitive
  - Risk mitigation: commercially sensitive

The table below sets out the percentage of the overall maximum bonus payable at each performance level.

Performance Level	% of maximum bonus opportunity achieved		
	EPS	Strategic & Operational	Total
Threshold	10%	0%–25%	10%–35%
Target	45%	0%–25%	45%–70%
Maximum	75%	0%–25%	75%–100%
Threshold to maximum	Straight line vesting between Threshold & Target and Target & Maximum		

Long term incentive plan

- Annual award of 150% of base salary for each of the Executive Directors
- Performance measures: 70% of opportunity will be based on Underlying diluted Earnings Per Share growth, and 30% of opportunity based on a relative TSR versus the FTSE Small Cap Index (excluding investment trusts)
- The performance targets will be as follows:

Vesting % of maximum opportunity achieved	Performance required	
	EPS growth p.a.	Relative TSR*
Below threshold (0%)	Below 5%	Below FTSE Small Cap Index (excluding investment trusts)
Threshold (25%)	5%	Equal to FTSE Small Cap Index (excluding investment trusts)
Maximum (100%)	15%	8% p.a. outperformance of FTSE Small Cap Index (excluding investment trusts)
Threshold to maximum	Straight line vesting between Thresholds & Maximums	

* TSR growth for *Trifast* and the FTSE Small Cap Index (excluding investment trusts) will be measured using a three month average prior to the start and the end of the three year performance period

- The Remuneration Committee wishes to ensure a fair approach when assessing the impact of unexpected FX movements (translation) as a result of Brexit for LTIP awards granted in the financial year ending 31 March 2018
- As a result, the Committee will offset the financial year ended 31 March 2017 EPS FX gain of 1.5 pence through a reduction of the base year EPS to the extent to which these gains have reversed over the performance period

Pension and Benefits

Pensions and benefits will be provided in line with the remuneration Policy for Executive Directors.

Non-Executive Director fees effective 1 April 2017 are based on a maximum of the following benchmarking guidance:

- Base fee: £42,000
- SID fee: £6,000
- Audit / Remuneration Committee Chair: £8,000
- Audit / Remuneration Committee member: £5,000

In line with policy, Non-Executive Directors only receives fees as set out above.

DIRECTORS' REMUNERATION REPORT

10) Functioning of Remuneration Committee

The role of the Committee is to ensure that the remuneration arrangements for Executive Directors provide them with the motivation to deliver our strategy and create shareholder value in a sustainable manner. In addition, it is our task to ensure that the remuneration received by the Executive Directors is proportionate to the performance achieved and the returns received by you as shareholders.

To fulfil our role, the Committee undertook a review of the Company's remuneration Policy ('Policy') during the year and consulted with shareholders on proposed changes to the current Policy.

The Committee is composed entirely of Non-Executive Directors. Members have no day-to-day involvement in the running of the business. No Executive Director sits on the Committee. The Remuneration Committee is formally constituted with written Terms of Reference. A copy of the Terms of Reference is available to shareholders by writing to the Company Secretary, whose details are set out on the inside back cover of this publication.

Alongside numerous conference calls and meetings with advisors, the Committee had three formal meetings during the year. All members of the Committee attended each of these meetings. On most occasions, the Executive Chairman, CEO and CFO were invited to attend to ensure the Committee was in possession of all the relevant facts. During these meetings the Committee initially confirmed the final remuneration outcome for the year to 31 March 2016, considered any appropriate changes and targets for the year to 31 March 2017 and then the structure of the newly proposed Policy, including reflecting on shareholder feedback.

During the year the Committee received independent advice from PwC in relation to the remuneration Policy review. The fees paid by the Company to PwC for services to the Committee during the financial year was £38,950 (excl. VAT). The Group also retains PwC with regard to taxation services and consulting services in the ordinary course of business of *Trifast*. The Committee believes that this does not create a conflict of interest and the advice they receive is independent and objective. PwC is a signatory to the Remuneration Consultants' Code of Conduct which requires its advice to be objective and impartial.

The Committee consults with the Company Secretary regarding issues on areas of remuneration and Corporate Governance. With regard to senior Executives in the Company (excluding Board Directors), the Committee also takes advice from the Executive Board.

	Attendance in 2016/2017
Jonathan Shearman (Chairman)	3
Neil Warner	3
Scott Mac Meekin	3

Effective 1 April 2017 and in line with the Committee's Terms of Reference, Malcolm Diamond was appointed a member of the Committee.

11) Statement of AGM voting

The Group is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. The Committee acknowledges that a number of shareholders voted against the current Policy given its focus on the short-term. We take shareholder feedback seriously and the changes to our remuneration Policy have been designed to reflect these views.

The Committee also consulted, more recently, with its major shareholders regarding the introduction of a new Policy. Those shareholders will note that we have responded to many of the issues raised during the consultation and made changes which are highlighted in this Report. We are grateful for the time shareholders have taken to review and comment on the Policy and we will continue to engage with our shareholders on remuneration matters and take account of those views.

The table below shows the actual voting on the 2016 remuneration report at the AGM held on 27 July 2016:

	Votes for	**%**	**Votes against**	**%**	**Votes withheld**
2016 remuneration report	75,225,941	98.4	1,183,970	1.6%	3,194

The following table sets out actual voting in respect of the approval of the 2015 remuneration Policy at the AGM held on 16 September 2015:

	Votes for	**%**	**Votes against**	**%**	**Votes withheld**
2015 remuneration Policy	53,684,927	80.2	13,288,674	19.8	1,828,689

This Report was approved by the Board of Directors and signed on its behalf by:

Jonathan Shearman
Chairman of the Remuneration Committee
12 June 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- we consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

On behalf of the Board

Clare Foster
Chief Financial Officer

12 June 2017

OUR FINANCIALS

KPMG

Independent auditor's report

to the members of Trifast plc only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Trifast plc for the year ended 31 March 2017 set out on pages 95 to 139. In our opinion:

— the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2017 and of the group's profit for the year then ended;

— the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);

— the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Overview		
Materiality: group financial statements as a whole	£0.89m (2016: £0.7m) 5% (2016: 5%) of normalised profit before tax	
Coverage	100% (2016: 92%) of group profit before tax	
Risks of material misstatement		**vs 2016**
Recurring risks	Carrying amount of inventory	◄►
	Recoverability of goodwill	◄►

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows (unchanged from 2016):

	The risk	Our response
Carrying amount of inventory (£41.9 million; 2016: £39.4m) Refer to page 67 (Audit Committee Report), page 104 (accounting policy) and page 119 (financial disclosures).	A proportion of the group's inventory is manufactured to meet specific customer requirements. There is a risk over the recoverability of these balances if a customer experiences financial stress or there is a demand issue with a customer's product that includes a part manufactured by Trifast. Our audit focused on this customer-specific inventory.	Our procedures included: **Tests of details:** — we assessed whether old and slow moving inventory is provided against in accordance with the group accounting policy and in compliance with accounting standards. We considered the estimation method applied through historical trend analysis; — we analysed customer-specific inventory balances by age and challenged the group's assumptions of the expected usage based on our knowledge and experience of the industry in which the customer operates; — we inspected a sample of service level agreements to compare customers' minimum purchase commitments to year-end inventory levels and considered any residual risk of recoverability; and **Assessing transparency:** — we considered the adequacy of the group's disclosures about the degree of estimation involved in arriving at the inventory provision.
Recoverability of goodwill (£29.3 million; 2016: £27.4m) Refer to page 67 (Audit Committee Report), page 103 (accounting policy) and pages 114 to 116 (financial disclosures).	Volatility in certain of the group's markets has meant that recoverability of individual elements of the group's goodwill presented a risk. In addition as assessment of recoverability is dependent on inherently uncertain forecasting it was a key judgemental area that our audit concentrated on. In particular the recoverability of goodwill at one component (PSEP) was more sensitive to changes in forecast assumptions than other components, has the lowest value of headroom in management's base case projections and demonstrated lower headroom compared to the prior year.	Our procedures included: **Control design:** — we tested the group's budgeting procedures upon which the forecasts are based and the principles and integrity of the group's discounted cash flow model; **Benchmarking assumptions:** — we compared the group's assumptions to externally derived data as well as our own assessments based on our knowledge of the client and experience of the industry in which it operates. Specifically we compared their assumptions such as projected revenue growth, profitability and discount rates, to industry norms, components' historical performance and external data sources; **Sensitivity analysis:** — we performed sensitivity analyses for these key inputs and assumptions, and identified whether any cash generating units were particularly sensitive to impairment; and **Assessing transparency:** — we assessed whether the group's disclosures related to the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £0.89 million (2016: £0.7 million), determined with reference to a benchmark of group profit before tax, normalised to exclude costs of exercise of executive share options, of £17.9 million of which it represents 5%, (2016 £14.2 million, determined with reference to group profit before tax normalised to exclude that year's accelerated share based payment and acquisition costs, of which it represents 5%).

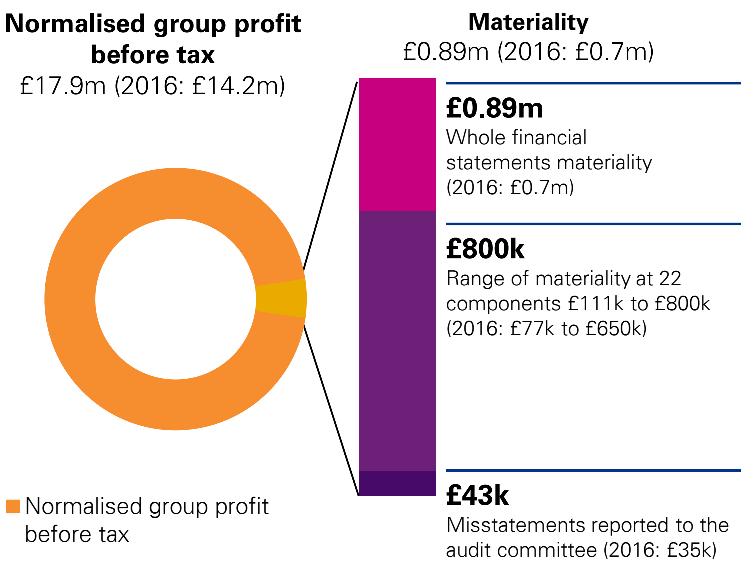
We report to the audit committee any corrected or uncorrected misstatements exceeding £43,000 (2016: £35,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

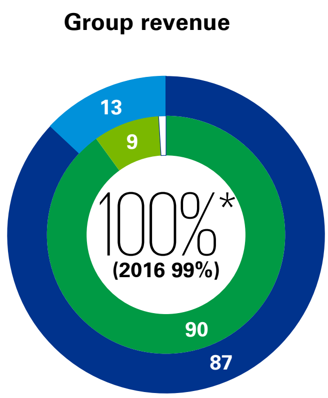
Of the group's 22 (2016: 21) reporting components, we subjected 10 (2016: 11) to audits for group reporting purposes. We conducted reviews of financial information (including enquiry) at a further 8 (2016: 7) non-significant components. These components were not individually significant enough to require an audit for group reporting purposes but a review was performed due to the size and risk profile of these components.

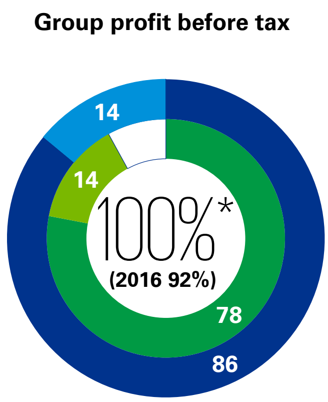
The components within the scope of our work accounted for the percentages illustrated opposite.

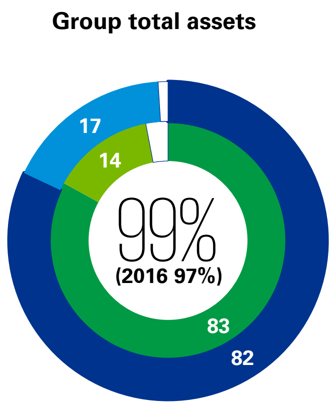
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £111,000 to £800,000 (2016: £77,000 to £650,000), having regard to the mix of size and risk profile of the Group across the components. The work on 8 of the 18 reporting components subject to audit or review (2016: 8 of the 18 reporting components subject to audit or review) was performed by component auditors and the rest by the Group team. The group team performed procedures on the items excluded from normalised group profit before tax.

The Group team visited 1 (2016: 1) component location in Italy (2016: Singapore). Telephone conference meetings were also held with that component auditor and others that were not physically visited. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.









Full scope for group audit purposes 2017
Specified risk-focused audit procedures 2017
Full scope for group audit purposes 2016
Specified risk-focused audit procedures 2016
Residual components

* Rounded to nearest whole percent

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

— the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

— the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

— we have not identified material misstatements in those reports; and

— in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

— the directors' viability statement on page 50, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the three years to 31 March 2020; or

— the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

— we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy; or

— the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

— the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Under the Listing Rules we are required to review:

— the directors' statements, set out on page 65, in relation to going concern and longer-term viability; and

— the part of the Corporate Governance Statement on pages 64 to 65 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 87, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Mark Sheppard (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
RH11 9PT
12 June 2017

KPMG

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2017

	Note	**2017 £000**	2016 £000
Continuing operations			
Revenue	3	**186,512**	161,370
Cost of sales		**(128,495)**	(113,366)
Gross profit		**58,017**	48,004
Other operating income	4	**395**	317
Distribution expenses		**(3,964)**	(3,202)
Administrative expenses before separately disclosed items		**(33,430)**	(28,326)
IFRS2 charge	2, 22	**(1,512)**	(1,687)
Acquired intangible amortisation	2, 12	**(1,273)**	(974)
Net acquisition costs	2, 32	—	(264)
Profit on sale of fixed assets	2	**195**	—
Costs on exercise of executive share options	2	**(567)**	—
Total administrative expenses		**(36,587)**	(31,251)
Operating profit	5, 6, 7	**17,861**	13,868
Financial income	8	**60**	60
Financial expenses	8	**(581)**	(851)
Net financing costs		**(521)**	(791)
Profit before taxation	2, 3	**17,340**	13,077
Taxation	9	**(4,642)**	(2,852)
Profit for the year (attributable to equity shareholders of the Parent Company)		**12,698**	10,225
Earnings per share			
Basic	25	**10.72p**	8.78p
Diluted	25	**10.40p**	8.50p

The notes on pages 101 to 139 form part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2017

	2017 £000	2016 £000
Profit for the year	**12,698**	10,225
Other comprehensive income/(expense) for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**8,486**	4,764
Loss on a hedge of a net investment taken to equity	**(2,155)**	(2,537)
Other comprehensive income recognised directly in equity	**6,331**	2,227
Total comprehensive income recognised for the year		
(attributable to the equity shareholders of the Parent Company)	**19,029**	12,452

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2017

	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2016	**5,837**	**21,161**	**8,569**	**48,183**	**83,750**
Total comprehensive income for the year:					
Profit for the year	—	—	—	**12,698**	**12,698**
Other comprehensive income for the year	—	—	**6,331**	—	**6,331**
Total comprehensive income recognised for the year	—	—	**6,331**	**12,698**	**19,029**
Issue of share capital (note 24)	**177**	**217**	—	**(53)**	**341**
Share based payment transactions (including tax)	—	—	—	**1,888**	**1,888**
Dividends (note 24)	—	—	—	**(3,310)**	**(3,310)**
Total transactions with owners	**177**	**217**	—	**(1,475)**	**(1,081)**
Balance at 31 March 2017	**6,014**	**21,378**	**14,900**	**59,406**	**101,698**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2016

	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2015	5,809	20,978	6,342	38,551	71,680
Total comprehensive income for the year:					
Profit for the year	—	—	—	10,225	10,225
Other comprehensive income for the year	—	—	2,227	—	2,227
Total comprehensive income recognised for the year	—	—	2,227	10,225	12,452
Issue of share capital (note 24)	28	183	—	—	211
Share based payment transactions (including tax)	—	—	—	1,847	1,847
Dividends (note 24)	—	—	—	(2,440)	(2,440)
Total transactions with owners	28	183	—	(593)	(382)
Balance at 31 March 2016	5,837	21,161	8,569	48,183	83,750

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2017

	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2016	**5,837**	**21,161**	**1,521**	**16,013**	**44,532**
Total comprehensive income for the year:					
Profit for the year	**—**	**—**	**—**	**4,814**	**4,814**
Total comprehensive income recognised for the year	**—**	**—**	**—**	**4,814**	**4,814**
Issue of share capital (note 24)	**177**	**217**	**—**	**(53)**	**341**
Share based payment transactions (including tax)	**—**	**—**	**—**	**1,758**	**1,758**
Dividends (note 24)	**—**	**—**	**—**	**(3,310)**	**(3,310)**
Total transactions with owners	**177**	**217**	**—**	**(1,605)**	**(1,211)**
Balance at 31 March 2017	**6,014**	**21,378**	**1,521**	**19,222**	**48,135**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2016

	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2015	5,809	20,978	1,521	5,586	33,894
Total comprehensive income for the year:					
Profit for the year	—	—	—	11,068	11,068
Total comprehensive income recognised for the year	—	—	—	11,068	11,068
Issue of share capital (note 24)	28	183	—	—	211
Share based payment transactions (including tax)	—	—	—	1,799	1,799
Dividends (note 24)	—	—	—	(2,440)	(2,440)
Total transactions with owners	28	183	—	(641)	(430)
Balance at 31 March 2016	5,837	21,161	1,521	16,013	44,532

STATEMENTS OF FINANCIAL POSITION

at 31 March 2017

		Group		Company	
		2017	2016	**2017**	2016
	Note	**£000**	£000	**£000**	£000
Non-current assets					
Property, plant and equipment	10, 11	**19,258**	17,171	**2,574**	2,362
Intangible assets	12, 13	**39,682**	38,259	—	—
Equity investments	14	—	—	**41,440**	41,440
Deferred tax assets	15, 16	**2,359**	2,165	**685**	836
Total non-current assets		**61,299**	57,595	**44,699**	44,638
Current assets					
Inventories	17	**41,926**	39,438	—	—
Trade and other receivables	18	**49,360**	43,386	**31,382**	33,613
Cash and cash equivalents	19, 26	**24,645**	17,614	**2,587**	1,406
Total current assets		**115,931**	100,438	**33,969**	35,019
Total assets	3	**177,230**	158,033	**78,668**	79,657
Current liabilities					
Bank overdraft	19, 26	—	33	—	2,273
Other interest-bearing loans and borrowings	20, 26	**14,872**	16,901	**11,077**	12,091
Trade and other payables	21	**37,145**	33,030	**4,362**	5,720
Tax payable		**2,471**	2,773	—	—
Provisions	23	**76**	76	—	—
Total current liabilities		**54,564**	52,813	**15,439**	20,084
Non-current liabilities					
Other interest-bearing loans and borrowings	20, 26	**16,221**	16,675	**14,930**	14,866
Provisions	23	**1,111**	1,117	—	—
Deferred tax liabilities	15, 16	**3,636**	3,678	**164**	175
Total non-current liabilities		**20,968**	21,470	**15,094**	15,041
Total liabilities	3	**75,532**	74,283	**30,533**	35,125
Net assets		**101,698**	83,750	**48,135**	44,532
Equity					
Share capital		**6,014**	5,837	**6,014**	5,837
Share premium		**21,378**	21,161	**21,378**	21,161
Reserves		**14,900**	8,569	**1,521**	1,521
Retained earnings		**59,406**	48,183	**19,222**	16,013
Total equity		**101,698**	83,750	**48,135**	44,532

The notes on pages 101 to 139 form part of these financial statements.

These financial statements were approved by the Board of Directors on 12 June 2017 and were signed on its behalf by:

Malcolm Diamond MBE
Director

Mark Belton
Director

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2017

	Note	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Cash flows from operating activities					
Profit for the year		**12,698**	10,225	**4,814**	11,068
Adjustments for:					
Depreciation, amortisation and impairment/(reversal)		**3,123**	2,331	**76**	(6,676)
Unrealised foreign currency loss/(gain)		**165**	(119)	**—**	(256)
Financial income		**(60)**	(60)	**(28)**	(32)
Financial expense		**581**	851	**350**	406
(Gain)/loss on sale of property, plant and equipment and investments		**(184)**	15	**—**	—
Dividends received		**—**	—	**(10,814)**	(8,532)
Equity settled share based payment charge		**1,512**	1,687	**1,145**	1,224
Taxation charge/(credit)		**4,642**	2,852	**402**	(277)
Operating cash inflow/(outflow) before changes in working capital and provisions		**22,477**	17,782	**(4,055)**	(3,075)
Change in trade and other receivables		**(3,075)**	(1,360)	**4,653**	(3,914)
Change in inventories		**(273)**	(421)	**—**	—
Change in trade and other payables		**3,764**	(58)	**(1,361)**	(3,743)
Change in provisions		**(6)**	(70)	**—**	—
Cash generated from/(used in) operations		**22,887**	15,873	**(763)**	(10,732)
Tax paid		**(5,136)**	(3,080)	**—**	—
Net cash from/(used in) operating activities		**17,751**	12,793	**(763)**	(10,732)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**198**	16	**—**	—
Interest received		**60**	91	**26**	32
Acquisition of subsidiary, net of cash acquired	32	**(1,471)**	(7,684)	**—**	—
Acquisition of property, plant and equipment and intangibles	10, 11, 12	**(2,948)**	(2,339)	**(288)**	(2)
Dividends received		**—**	—	**10,814**	8,532
Net cash (used in)/from investing activities		**(4,161)**	(9,916)	**10,552**	8,562
Cash flows from financing activities					
Proceeds from the issue of share capital, net of acquisition	24	**341**	181	**341**	181
Proceeds from new loan		**2,236**	11,451	**2,100**	9,252
Repayment of borrowings		**(7,030)**	(8,969)	**(5,120)**	(1,825)
Payment of finance lease liabilities		**(6)**	(31)	**—**	—
Dividends paid	24	**(3,310)**	(2,440)	**(3,310)**	(2,440)
Interest paid		**(581)**	(895)	**(346)**	(419)
Net cash (used in)/from financing activities		**(8,350)**	(703)	**(6,335)**	4,749
Net change in cash and cash equivalents		**5,240**	2,174	**3,454**	2,579
Cash and cash equivalents at 1 April	19	**17,581**	15,014	**(867)**	(3,446)
Effect of exchange rate fluctuations on cash held		**1,824**	393	**—**	—
Cash and cash equivalents at 31 March	19	**24,645**	17,581	**2,587**	(867)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

1 Accounting policies

a) Significant accounting policies

Trifast plc ('the Company') is a company incorporated in the United Kingdom. The registered office details are on page 147.

The Consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group). The Company financial statements present information about the Company as a separate entity and not about its Group. The profit after tax for the Company is £4.8m (2016: £11.07m).

Statement of compliance

Both the Company financial statements and the Consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs') except as explained below:

On publishing the Company financial statements here together with the Consolidated financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Consolidated and Company financial statements.

b) Basis of preparation

The financial statements are prepared in Sterling, rounded to the nearest thousand. They are prepared on the historical cost basis with the exception of certain items which are measured at fair value as disclosed in the accounting policies below.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects current and future periods.

Judgements made by management in the application of Adopted IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 31.

Going concern

A review of the business activity and future prospects of the Group are covered in the accompanying Strategic report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are specifically described in the Business review on pages 32 to 41. Detailed information regarding the Group's current facility levels, liquidity, credit, interest and foreign exchange risk are provided in note 26.

Current trading and forecasts show that the Group will continue to be profitable and generate cash. The banking facilities and covenants that are in place provide appropriate headroom against our forecasts.

Considering the current forecasts, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c) Basis of consolidation

i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to direct relevant activities of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

ii) Transactions eliminated on consolidation

Intra-Group balances, and any unrealised gains and losses or income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

1 Accounting policies (continued)

d) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Sterling at average rates of exchange for the period, where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity, the translation reserve. They are released into the income statement as part of the gain or loss on disposal.

e) Hedge of net investment in foreign operations

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity in the translation reserve. The ineffective portion is recognised immediately in the income statement. The effective portion is recycled and recognised in the income statement upon disposal of the operation.

f) Property, plant and equipment

i) Owned assets

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (j)).

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 April 2004, the date of transition to Adopted IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of transition.

ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The depreciation rates are as follows:

Freehold and long leasehold buildings	—	2% per annum on a straight-line basis or the period of the lease
Short leasehold properties	—	period of the lease
Motor vehicles	—	20–25% on a straight-line basis
Plant and machinery	—	10–20% per annum on a straight-line basis
Fixtures, fittings and office equipment	—	10–25% per annum on a straight-line basis

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment. Where relevant, residual values are reassessed annually.

iii) Leased assets

The rental charges on assets held under operating leases are taken to the profit and loss account on a straight-line basis over the life of the lease.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described in accounting policy (o).

1 Accounting policies (continued)

iv) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

g) Intangible assets

i) On business combinations

All business combinations are accounted for by applying the acquisition method. In respect of business combinations that have occurred since 1 April 2004, goodwill represents the difference between the fair value of the consideration transferred and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities are expensed as incurred.
Any contingent consideration payable is recognised at fair value at the acquisition date. For non-equity amounts any subsequent changes to the fair value are recognised in the profit and loss.

Positive goodwill arising on acquisitions is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment (see accounting policy (j)).

Goodwill arising on acquisitions before 1 April 1998 was written off to reserves in the year of acquisition. Under IFRS1 and IFRS3, this goodwill will now remain eliminated against reserves. Goodwill arising on acquisitions after 1 April 1998 but before 31 March 2004 is included on the basis of its deemed cost, which represents the amortised amount recorded under UK GAAP as at 31 March 2004. The classification and accounting treatment of business combinations that occurred prior to 1 April 2004 has not been reconsidered in preparing the Group's year-end balance sheets.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

ii) Other intangible assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (j)).

Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

iv) Amortisation

Amortisation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are tested systematically for impairment at each annual balance sheet date.

The amortisation rates of other intangible assets per annum are as follows:

Customer relationships	—	6.7% to 12.5%
Technology	—	6.7% to 10%
Order backlog	—	100%
Other	—	20% to 33%

h) Non-derivative financial instruments

i) Investments in subsidiaries

Investments in subsidiaries are held in the Company balance sheet at historic cost net of any impairment (see accounting policy (j)).

1 Accounting policies (continued)

ii) Trade and other receivables

Trade and other receivables are recognised initially at their fair value, and subsequently at amortised cost less impairment losses (see accounting policy (j)).

iii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents only for the purpose of the Statements of cash flows.

iv) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost.

v) Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequently they are measured at amortised cost.

i) Inventories

Inventories are stated at the lower of cost and net realisable value with provision being made for obsolete and slow moving items.
In determining the cost of raw materials, consumables and goods purchased for resale, a first-in first-out purchase price is used and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. For work in progress and finished goods manufactured by the Group, cost is taken as production cost, which includes an appropriate proportion of attributable overheads based on normal operating capacity.

j) Impairment

The carrying amounts of the Group's assets, other than inventories (see accounting policy (i)), and deferred tax assets (see accounting policy (p)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Financial assets are considered to be impaired if objective evidence indicates that one or more events has had a negative effect on the estimated future cash flows of that asset.

For goodwill and other intangible assets that have an indefinite useful life, the recoverable amount is estimated at each annual balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement unless the asset is recorded at a revalued amount in which case it is treated as a revaluation decrease.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

i) Calculation of recoverable amount

The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed. An impairment loss on any other asset is assessed at each reporting date and is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1 Accounting policies (continued)

k) Share capital

i) Dividends

Dividends to the Company's shareholders are recognised as a liability and deducted from shareholders' equity in the period in which the shareholders' right to receive payment is established.

ii) Classification of share capital issued by the Group

Share capital issued by the Group is treated as equity as it is a non-derivative that confers no contractual obligations upon the Company or the Group to deliver cash or other financial assets with another party under conditions that are potentially unfavourable.

l) Employee benefits

i) Defined contribution plans

The Group operates Defined Contribution Pension Schemes which include stakeholder pension plans. The assets of these schemes are held separately from those of the Group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period. The Group pays fixed contributions and will have no legal or constructive obligation to pay further amounts.

ii) Share based payment transactions

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of cash settled awards is recognised as an expense with a corresponding increase in liabilities over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the award. Any changes in the liability are recognised in profit or loss.

Where the Company grants awards over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the share based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised in equity or liabilities depending on the method of settlement. Amounts recharged to the subsidiary are recognised as a reduction in the cost of investment in the subsidiary.

iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal plan to terminate employment before the normal retirement date.

m) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

n) Revenue

Revenue from the sale of goods rendered is recognised net of VAT in the consolidated income statement when the significant risks and rewards of ownership have been transferred to the buyer. In accordance with normal practice, this will be on dispatch of goods or at the point of customer acceptance where appropriate.

o) Expenses

i) Operating lease payments

Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated income statement as an integral part of the total lease expense.

1 Accounting policies (continued)

ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

iii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested. Interest income is recognised in the consolidated income statement as it accrues, using the effective interest method. Net finance costs also include the amortisation of arrangement fees and related costs.

p) Taxation

Tax on the profit or loss for the period presented comprises current and deferred tax. Tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend. Information as to the calculation of income tax on the profit or loss for the period presented is included in note 9.

q) Operating segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular geographical economic environment whose operating results are reviewed regularly by the Group's Chief Operating Decision Maker (the Board) in order to allocate resources and assess its performance and for which discrete financial information is available.

The Group operates in a number of geographical economic environments. The Company only operates in one business segment, being the manufacture and logistical supply of industrial fasteners and category 'C' components.

r) Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options and deferred equity awards granted to employees.

1 Accounting policies (continued)

t) Underlying measure of profits and losses

The Group believes that underlying operating profit and underlying profit before tax provide additional guidance to statutory measures to help understand the underlying performance of the business during the financial period. The term 'underlying' is not defined under Adopted IFRS. It is a measure that is used by management to assess the underlying performance of the business internally and is not intended to be a substitute measure for Adopted IFRSs' GAAP measures. The Group defines these underlying measures as follows:

Underlying profit before tax is profit before taxation and separately disclosed items (see note 2).

Underlying profit after tax is profit after taxation but before separately disclosed items (see note 2) and is used in the calculation of underlying earnings per share.

Underlying operating and segment results (see note 3) are operating and segment profit before separately disclosed items.

It should be noted that the definitions of underlying items being used in these financial statements are those used by the Group and may not be comparable with the term 'underlying' as defined by other companies within the same sector or elsewhere.

Separately disclosed items are included within the income statement caption to which they relate.

u) Separately disclosed items (see note 2)

Separately disclosed items are those significant items which in management's judgement should be highlighted by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

v) Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 Financial Instruments (effective date 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018)

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. This means that it will be effective for the year ending 31 March 2019 for *Trifast*. The Group is currently performing an assessment of the potential impact of the adoption but do not anticipate it being material.

- IFRS 16 Leases (effective date 1 January 2019)

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. This will be effective for *Trifast* in the year ending 31 March 2020. The Group plans to perform an assessment of the impact of IFRS 16 on the financial statements during the current financial year. Given the value of the Group's operating lease commitments, it is expected it will have a material impact on the values of gross assets and gross liabilities recognised in the financial statements.

2 Underlying profit before tax and separately disclosed items

	Note	**2017 £000**	2016 £000
Underlying profit before tax		**20,497**	16,002
Separately disclosed items within administrative expenses			
IFRS2 share based payment charge	22	**(1,512)**	(1,687)
Acquired intangible amortisation	12	**(1,273)**	(974)
Net acquisition costs	32	—	(264)
Profit on sale of fixed assets		**195**	—
Costs on exercise of executive share options		**(567)**	—
Profit before tax		**17,340**	13,077

	Note	**2017 £000**	2016 £000
Underlying EBITDA		**22,868**	18,150
Separately disclosed items within administrative expenses			
IFRS2 share based payment charge	22	**(1,512)**	(1,687)
Net acquisition costs	32	—	(264)
Profit on sale of fixed assets		**195**	—
Costs on exercise of executive share options		**(567)**	—
EBITDA		**20,984**	16,199
Acquired intangible amortisation		**(1,273)**	(974)
Depreciation and non-acquired amortisation		**(1,850)**	(1,357)
Operating profit		**17,861**	13,868

There were no separately disclosed items in 2017 (2016: £nil) other than the amounts detailed above.

During the period the IFRS2 charge decreased slightly due to the acceleration in the prior year of the 2014, 2015 and 2016 Deferred Equity Bonus charges for retiring Directors, offset by a charge for the 2017 Deferred Equity Bonus scheme for Directors and the addition of a new Deferred Bonus Award scheme for senior managers. £1.1m (2016: £1.6m) relates to the Deferred Equity Bonus scheme for Directors of which £0.1m (2016: £0.8m) relates to retiring Directors. £0.3m (2016: £nil) represents the charge for the Deferred Bonus Award scheme for senior managers. The remaining £0.1m (2016: £0.1m) relates to the SAYE scheme.

The increase in the acquired intangible amortisation charge is primarily due to the acquisition of Kuhlmann in the prior year now having a full year effect.

During the year the remaining 2m options granted under the 2009 executive share option scheme were exercised. The Company incurred £0.6m of employer's National Insurance in relation to these exercises and the acceleration of the 2014, 2015 and 2016 Deferred Equity Bonus awards.

Obsolete plant and machinery was sold in our Italian manufacturing company Viteria Italia Centrale. The profit recorded on this sale was £0.2m.

Management feel it is appropriate to remove the one off costs and certain non-trading items discussed above to better allow the reader of the accounts to understand the underlying performance of the Group. Further reconciliations of underlying measures to GAAP measures can be found in note 34.

3 Operating segmental analysis

Segment information, as discussed in note 1 (q), is presented in the consolidated financial statements in respect of the Group's geographical segments. This reflects the Group's management and internal reporting structure, and the operating basis on which individual operations are reviewed by the Chief Operating Decision Maker (the Board).

Performance is measured based on each segment's underlying profit before finance costs and income tax as included in the internal management reports that are reviewed by the Chief Operating Decision Maker. This is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within the industry.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Goodwill and intangible assets acquired on business combinations are included in the region to which they relate.

Geographical operating segments

The Group is comprised of the following main geographical operating segments:

— UK

— Europe: includes Norway, Sweden, Hungary, Ireland, Holland, Italy, Germany, Spain and Poland

— USA: includes USA and Mexico

— Asia: includes Malaysia, China, Singapore, Taiwan, Thailand and India

In presenting information on the basis of geographical operating segments, segment revenue and segment assets are based on the geographical location of our entities across the world, and are consolidated into the four distinct geographical regions, which the Board use to monitor and assess the Group.

March 2017	UK £000	Europe £000	USA £000	Asia £000	Common costs £000	Total £000
Revenue						
Revenue from external customers	66,825	67,231	5,900	46,556	—	186,512
Inter segment revenue	2,443	613	123	7,262	—	10,441
Total revenue	69,268	67,844	6,023	53,818	—	196,953
Underlying operating result	6,538	9,818	334	8,005	(3,677)	21,018
Net financing costs	(145)	(73)	—	20	(323)	(521)
Underlying segment result	6,393	9,745	334	8,025	(4,000)	20,497
Separately disclosed items (see note 2)						(3,157)
Profit before tax						17,340
Specific disclosure items						
Depreciation and amortisation	423	1,626	25	973	76	3,123
Assets and liabilities						
Segment assets	40,348	68,289	3,742	58,876	5,975	177,230
Segment liabilities	(19,535)	(13,689)	(294)	(11,581)	(30,433)	(75,532)

3 Operating segmental analysis (continued)

March 2016	UK^ £000	Europe £000	USA £000	Asia* £000	Common costs ^ £000	Total £000
Revenue						
Revenue from external customers	64,156	54,030	4,602	38,582	—	161,370
Inter segment revenue	2,057	341	97	6,276	—	8,771
Total revenue	66,213	54,371	4,699	44,858	—	170,141
Underlying operating result	6,172	6,880	401	6,730	(3,390)	16,793
Net financing costs	(278)	(107)	(2)	(29)	(375)	(791)
Underlying segment result	5,894	6,773	399	6,701	(3,765)	16,002
Separately disclosed items (see note 2)						(2,925)
Profit before tax						13,077
Specific disclosure items						
Depreciation and amortisation	231	1,181	22	833	64	2,331
Assets and liabilities						
Segment assets	36,525	63,568	3,164	50,295	4,481	158,033
Segment liabilities	(15,792)	(14,952)	(385)	(9,679)	(33,475)	(74,283)

^ Including the offset of the UK overdrafts from Common costs, as allowable under financing agreements with HSBC

*Historically this was stated after eliminating revenue between Asian entities. However management believe it is more appropriate to include this in the inter segment revenue number above and therefore this has been restated to £6.3m from £5.8m. In FY2017 the equivalent adjustment was £0.3m

There were no material differences in Europe and USA between the external revenue based on location of the entities and the location of the customers. Of the UK external revenue £11.3m (2016: £10.4m) was sold into the European market. Of the Asian external revenue, £4.6m (2016: £3.9m) was sold into the American market and £5.5m (2016: £5.9m) sold into the European market.

Revenue is derived solely from the manufacture and logistical supply of industrial fasteners and category 'C' components.

4 Other operating income

	2017 £000	2016 £000
Rental income received from freehold properties	**152**	139
Other income	**243**	178
	395	317

5 Expenses and auditor's remuneration

Included in profit for the year are the following:

	Note	**2017 £000**	2016 £000
Depreciation and non-acquired amortisation	10,12	**1,850**	1,357
Amortisation of acquired intangibles	12	**1,273**	974
Operating lease expense	27	**2,529**	2,507
Net foreign exchange gain		**(46)**	(661)
(Gain)/loss on disposal of fixed assets		**(184)**	15

Auditor's remuneration:

	2017 £000	2016 £000
Audit of these financial statements	**38**	41
Audit of financial statements of subsidiaries pursuant to legislation	**222**	208
Taxation compliance services	**15**	15
Other assurance services	**28**	27
Other services relating to transaction services	—	60

6 Staff numbers and costs

The average number of people employed by the Group (including Directors) during the year, analysed by category, was as follows:

	Group Number of employees 2017	2016
Office and management	**107**	109
Manufacturing	**318**	307
Sales	**182**	180
Distribution	**597**	589
	1,204	1,185

The aggregate payroll costs of these people were as follows:

	Group 2017 £000	2016 £000
Wages and salaries (including bonus)	**30,873**	27,514
Share based payments	**1,512**	1,687
Social security costs	**2,811**	2,400
Contributions to defined contribution plans (see note 22)	**1,795**	1,613
	36,991	33,214

7 Directors' emoluments

	2017 £000	2016 £000
Directors' emoluments	**2,337**	1,779
Deferred equity (face value)	**1,050**	1,020
Company contributions to money purchase pension plans	**107**	139
Pension cash payments	**46**	—
	3,540	2,938

The emoluments of individual Directors are shown in the Remuneration Report on pages 70 to 86.

The aggregate of emoluments of the highest paid Director was £0.81m (2016: £0.62m), which included deferred equity (at face value) of £0.25m (2016: £0.23m), Company pension contributions of £0.03m (2016: £0.05m) made to a money purchase scheme on his behalf and pension cash payments of £0.02m (2016: £nil). During the year, the highest paid Director exercised 18,000 SAYE share options (2016: nil).

The annual IFRS2 charge relating to Board deferred equity bonuses given in 2014, 2015, 2016 and 2017 was £1.13m (2016: £1.22m). The highest paid Director's element of this charge was £0.23m (2016: £0.27m).

	Number of Directors 2017	2016
Retirement benefits are accruing to the following number of Directors under money purchase schemes	**4**	4
The number of Directors who exercised share options was	**2**	—

See pages 70 to 86 of the Remuneration Report for more details.

Directors' rights to subscribe for shares in the Company are also set out in the Remuneration report.

8 Financial income and expense

	2017 £000	2016 £000
Financial income		
Interest income on financial assets	**60**	60
Financial expenses		
Interest payable on bank loans and hire purchase liabilities	**581**	851

9 Taxation

Recognised in the income statement	2017 £000	2016 £000
Current UK tax expense:		
Current year	**520**	554
Adjustments for prior years	**(8)**	210
	512	764
Current foreign tax expense:		
Current year	**4,756**	3,052
Adjustments for prior years	**(138)**	19
	4,618	3,071
Total current tax	**5,130**	3,835
Deferred tax expense (note 15):		
Origination and reversal of temporary differences	**(454)**	(196)
Adjustments for prior years	**(34)**	(787)
Deferred tax income	**(488)**	(983)
Tax in income statement	**4,642**	2,852

Tax recognised directly in equity	2017 £000	2016 £000
Current tax recognised directly in equity — IFRS2 share based tax credit	**(522)**	(70)
Deferred tax recognised directly in equity — IFRS2 share based tax charge/(credit)	**130**	(90)
Total tax recognised in equity	**(392)**	(160)

Reconciliation of effective tax rate ('ETR') and tax expense	2017 £000	ETR %	2016 £000	ETR %
Profit for the period	**12,698**		10,225	
Tax from continuing operations	**4,642**		2,852	
Profit before tax	**17,340**		13,077	
Tax using the UK corporation tax rate of 20% (2016: 20%)	**3,468**	**20**	2,615	20
Tax suffered on dividends	**264**	**2**	133	2
Retention tax	**102**	**1**	71	–
Non-deductible expenses	**190**	**1**	223	2
Tax incentives	**(274)**	**(2)**	(123)	(1)
IFRS2 share option (credit)/charge	**(1)**	—	112	1
Deferred tax assets not recognised	**511**	**3**	72	–
Different tax rates on overseas earnings	**540**	**3**	256	2
Adjustments in respect of prior years	**(180)**	**(1)**	(558)	(4)
Tax rate change	**22**	—	51	—
Total tax in income statement	**4,642**	**27**	2,852	22

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. Deferred tax has been calculated based on these enacted rates.

At a consolidated level there is a provision for £1.2m (2016: £1.2m) relating to open enquiries with a tax authority. Negotiations with the tax authority are ongoing and the Group expects to settle the liability within a year. The Group has consulted with an external tax advisor to determine an appropriate amount to recognise on the balance sheet. The amount recognised is an estimate and therefore the final outcome could vary to what is provided in the financial statements. There has been no movements in the provision during the year. The amount recognised in the Company financial statements is £nil (2016: £nil).

10 Property, plant and equipment — Group

	Land and buildings £000	Leasehold improvements £000	Plant and equipment £000	Fixtures & fittings £000	Motor vehicles £000	Total £000
Cost						
Balance at 1 April 2015	15,620	888	23,665	4,857	556	45,586
Additions	93	31	1,676	480	36	2,316
Acquisitions	30	—	—	233	22	285
Disposals	—	(7)	(116)	(286)	(31)	(440)
Effect of movements in foreign exchange	527	21	935	71	30	1,584
Balance at 31 March 2016	16,270	933	26,160	5,355	613	49,331
Balance at 1 April 2016	16,270	933	26,160	5,355	613	49,331
Additions	319	30	2,174	349	31	2,903
Disposals	—	(103)	(792)	(490)	(80)	(1,465)
Effect of movements in foreign exchange	911	54	1,955	194	54	3,168
Balance at 31 March 2017	**17,500**	**914**	**29,497**	**5,408**	**618**	**53,937**
Depreciation and impairment						
Balance at 1 April 2015	4,197	629	20,687	3,994	456	29,963
Depreciation charge for the year	223	66	755	269	44	1,357
Acquisitions	3	—	—	94	16	113
Disposals	—	(7)	(107)	(267)	(28)	(409)
Effect of movements in foreign exchange	230	15	809	56	26	1,136
Balance at 31 March 2016	4,653	703	22,144	4,146	514	32,160
Balance at 1 April 2016	4,653	703	22,144	4,146	514	32,160
Depreciation charge for the year	262	65	947	500	47	1,821
Disposals	—	(103)	(786)	(482)	(80)	(1,451)
Effect of movements in foreign exchange	308	44	1,607	146	44	2,149
Balance at 31 March 2017	**5,223**	**709**	**23,912**	**4,310**	**525**	**34,679**
Net book value						
At 1 April 2015	11,423	259	2,978	863	100	15,623
At 31 March 2016	11,617	230	4,016	1,209	99	17,171
At 31 March 2017	**12,277**	**205**	**5,585**	**1,098**	**93**	**19,258**

Included in the net book value of land and buildings is £10.85m (2016: £10.30m) of freehold land and buildings, and £1.43m (2016: £1.32m) of long leasehold land and buildings.

11 Property, plant and equipment — Company

	Land and buildings £000	Fixtures & fittings £000	Total £000
Cost			
Balance at 1 April 2015	3,563	569	4,132
Additions	—	2	2
Balance at 31 March 2016	3,563	571	4,134
Balance at 1 April 2016	3,563	571	4,134
Additions	288	—	288
Balance at 31 March 2017	**3,851**	**571**	**4,422**
Depreciation and impairment			
Balance at 1 April 2015	1,155	553	1,708
Depreciation charge for the year	61	3	64
Balance at 31 March 2016	1,216	556	1,772
Balance at 1 April 2016	1,216	556	1,772
Depreciation charge for the year	74	2	76
Balance at 31 March 2017	**1,290**	**558**	**1,848**
Net book value			
At 1 April 2015	2,408	16	2,424
At 31 March 2016	2,347	15	2,362
At 31 March 2017	**2,561**	**13**	**2,574**

Included in the net book value of land and buildings is £2.56m (2016: £2.35m) of freehold land and buildings. This is provided as security over the property loan. See note 26 for further details.

12 Intangible assets — Group

	Goodwill £000	Other £000	Total £000
Cost			
Balance at 1 April 2015	38,678	10,148	48,826
Acquisitions	1,187	3,651	4,838
Additions	—	23	23
Disposals	—	(742)	(742)
Effect of movements in foreign exchange	1,597	1,214	2,811
Balance at 31 March 2016	41,462	14,294	55,756
Balance at 1 April 2016	41,462	14,294	55,756
Additions	—	45	45
Effect of movements in foreign exchange	2,298	945	3,243
Balance at 31 March 2017	**43,760**	**15,284**	**59,044**
Amortisation and impairment			
Balance at 1 April 2015	13,835	2,829	16,664
Amortisation for the year	—	974	974
Disposals	—	(742)	(742)
Effect of movements in foreign exchange	190	411	601
Balance at 31 March 2016	14,025	3,472	17,497
Balance at 1 April 2016	14,025	3,472	17,497
Amortisation for the year	—	1,302	1,302
Disposals	—	—	—
Effect of movements in foreign exchange	414	149	563
Balance at 31 March 2017	**14,439**	**4,923**	**19,362**
Net book value			
At 1 April 2015	24,843	7,319	32,162
At 31 March 2016	27,437	10,822	38,259
At 31 March 2017	**29,321**	**10,361**	**39,682**

The amortisation charge is recognised in administrative expenses in the income statement. Of the £1.30m charge in the year, £1.27m relates to amortisation on acquired intangibles.

12 Intangible assets — Group (continued)

Other intangible assets are made up of:

- Customer relationships acquired as part of the acquisition of PSEP. The remaining amortisation period left on these assets is 6.75 years
- Customer relationships, technology know-how and technology patents acquired as part of the acquisition of VIC. The average remaining amortisation period on these assets is 10.72 years (maximum 12.17 years).
- Customer relationships and order backlog acquired as part of the acquisition of Kuhlmann. The average remaining amortisation period on these assets is 8.50 years.

There were £nil impairments made during 2017 (2016: £nil).

The following cash generating units have carrying amounts of goodwill:

	2017 £000	2016 £000
Special Fasteners Engineering Co. Ltd (Taiwan)	**10,834**	9,780
TR Fastenings AB (Sweden)	**1,063**	1,063
Lancaster Fastener Company Ltd (UK)	**1,245**	1,245
Serco Ryan Ltd (within *TR* Fastenings Ltd) (UK)	**4,083**	4,083
Power Steel and Electro-Plating Works SDN Bhd (PSEP) (Malaysia)	**763**	753
Viterie Italia Centrale (VIC) (Italy)	**9,731**	9,020
TR Kuhlmann GmbH (Germany)	**1,498**	1,389
Other	**104**	104
	29,321	27,437

The £1.05m, £0.71m, £0.11m and £0.01m increases in the goodwill of SFE, VIC, Kuhlmann and PSEP respectively refer to foreign exchange gains as these investments are held in Singapore Dollars, Euros and Malaysian Ringits.

The Group tests goodwill annually for impairment. The recoverable amount of cash generating units is determined from value in use calculations.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. In this method, the free cash flows after funding internal needs of the subject company are forecast for a finite period of four years based on actual operating results, budgets and economic market research. Beyond the finite period, a terminal (residual) value is estimated using an assumed stable cash flow figure.

The values assigned to the key assumptions represent management's assessment of future trends in the fastenings market and are based on both external and internal sources of historical data. Further information on sources of data used can be found in each description of the key assumptions below.

The recoverable amount of Special Fasteners Engineering Co. Ltd (Taiwan), Viterie Italia Centrale (Italy) and Serco Ryan Ltd (within *TR* Fastenings Ltd) (UK) have been calculated with reference to the key assumptions shown below:

	SFE		**VIC**		**Serco**	
	2017	2016	**2017**	2016	**2017**	2016
Long term revenue growth rate	**2.0%**	2.0%	**2.0%**	2.0%	**2.0%**	2.0%
Discount rate — post-tax	**8.2%**	8.8%	**8.9%**	9.6%	**6.8%**	8.2%
Discount rate — pre-tax	**9.9%**	10.6%	**12.4%**	13.9%	**8.5%**	10.2%
Terminal EBIT margin	**16.0%**	16.0%	**17.4%**	20.0%	**11.0%**	9.0%

The downward movement in the terminal EBIT margin for VIC has resulted largely from a revised assumption in the long term €:$ rate. This reflects more recent trends continuing for the longer term.

Long term revenue growth rate

Four year management plans are used for the Group's value in use calculations. Long term growth rates into perpetuity have been determined as the lower of:

- the nominal GDP rates for the country of operation
- the long term compound annual growth rate in EBITDA in years six to ten estimated by management.

12 Intangible assets — Group (continued)

Post-tax risk adjusted discount rate

The discount rate applied to the cash flows of each of the Group's operations is based on the Weighted Average Cost of Capital ('WACC') (using post-tax numbers). The cost of equity element uses the risk free rate for ten year bonds issued by the government in the respective market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systemic risk of the specific Group operating company.

In making this adjustment, inputs required are the equity market risk premium (that is, the increased return required over and above a risk-free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole.

In determining the risk adjusted discount rate, management has applied an adjustment for the systemic risk to each of the Group's operations determined using an average of the betas of comparable listed fastener distribution and manufacturing companies and, where available and appropriate, across a specific territory. Management has used a forward-looking equity market risk premium that takes into consideration studies by independent economists, the average equity market risk premium over the past ten years and the market risk premiums typically used by investment banks in evaluating acquisition proposals.

To calculate the pre-tax discount rate we have taken the post-tax discount rate and divided this by one minus the applicable tax rate. We consider this an appropriate approximation of the pre-tax rate. The table above discloses the discount rate on a post and pre-tax basis. This takes into account certain components such as the various discount rates reflecting different risk premiums and tax rates in the respective regions. Overall, the Board is confident that the discount rate adequately reflects the circumstances in each location and is in accordance with IAS36.

Terminal EBIT margin

The margins used in the value in use calculations are based on historic performance adjusted for any known or expected changes to occur to existing operations based on management plans. Key adjustments relate to known efficiency gains from increased volumes achieved in the business as well as the transactional foreign exchange impact based on forecast rates.

Sensitivity to changes in assumptions

The impairment test carried out on PSEP assumes a compound annual sales growth rate over the four year period cash flows are projected of 5.2%, reducing to 2.0% for the terminal year. The basis for this sales growth is a combination of new contracts that PSEP has won and additional new business that is expected to follow from fulfilling these initial contracts and further extending relationships with these multinational OEM customers.

Using the assumptions above for sales growth, a terminal EBIT margin of 12.3% and a post-tax discount rate of 10.2% (pre-tax discount rate 13.5%) the recoverable amount of the CGU was estimated to be higher than its carrying amount by £1.0m.

Whilst the year to 31 March 2017 has been very encouraging for PSEP, with sales growth of 6.2%, showing the outlook is improving as a result of the proactive actions the Group are taking, it is possible the estimated start of production dates for the newly awarded sales contracts could be delayed or the new follow on business might come through at lower levels than predicted. If the growth rates were to reduce to 1.5% over the four year period management projects cash flows and also in the terminal year, i.e assuming that growth falls below expected regional GDP forecasts (4.4% per the Economist Intelligence Unit), with terminal EBIT margin and discount rates remaining the same as the above, this would lead to a small impairment of c.£0.3m.

In order for the unit's recoverable amount to equal its carrying amount, in absence of any other changes, the sales growth rate would have to fall to c.2.0%.

The calculation is also sensitive to budgeted EBIT margins with a break even point of c.11.0%, but as an established business with a good track record of consistent margin achievement and strong cost control, despite recent trading level fluctuations, management consider the major sensitivity to be the timing of the revenue growth.

Excluding PSEP, management believe that no reasonably possible change in any of the key assumptions would cause the carrying value of any other cash generating unit to exceed its recoverable amount.

13 Intangible assets — Company

	Other £000
Cost	
Balance at 1 April 2015, 31 March 2016 and 31 March 2017	62
Amortisation and impairment	
Balance at 1 April 2015, 31 March 2016 and 31 March 2017	62
Net book value	
At 1 April 2015, 31 March 2016 and 31 March 2017	—

14 Equity investments — Company

Investments in subsidiaries

	£000
Cost	
Balance at 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	42,585
Provision	
Balance at 1 April 2015	7,885
Reversal of provision	(6,740)
Balance at 31 March 2016 and 31 March 2017	**1,145**
Net book value	
At 1 April 2015	34,700
At 31 March 2016	41,440
At 31 March 2017	**41,440**

Details of principal subsidiary and associate undertakings, country of registration and principal activity are included in note 33.

All subsidiaries have a reporting date concurrent with *Trifast* plc, except *TR* Formac (Shanghai) Pte Ltd which has a reporting date of 31 December due to local regulatory requirements.

The reversal of the provision in prior year relates to *TR* Fastenings Inc. An impairment review was conducted using the value in use methodology and this determined that the asset is now fully recoverable.

In FY2017 the Company's investment in it's fully owned subsidiary *TR* Fastenings Inc was sold at cost to *Trifast* Overseas Holdings Ltd in a share for share exchange. This led to no change in the net book value of the equity investments held by the company.

15 Deferred tax assets and liabilities — Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 £000	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000
Property, plant and equipment	**(81)**	(70)	**1,697**	1,743	**1,616**	1,673
Intangible assets	**(115)**	(53)	**2,191**	2,240	**2,076**	2,187
Inventories	**(774)**	(737)	**—**	—	**(774)**	(737)
Provisions/accruals	**(537)**	(327)	**188**	159	**(349)**	(168)
IFRS2 Share based payments	**(835)**	(903)	**—**	—	**(835)**	(903)
Tax losses	**(457)**	(539)	**—**	—	**(457)**	(539)
Tax (assets)/liabilities	**(2,799)**	(2,629)	**4,076**	4,142	**1,277**	1,513
Tax set-off	**440**	464	**(440)**	(464)	**—**	—
Net tax (assets)/liabilities	**(2,359)**	(2,165)	**3,636**	3,678	**1,277**	1,513

A potential £2.10m (2016: £1.62m) deferred tax asset relating to the Company's trapped management losses was not recognised on the grounds that recovery of these losses is highly unlikely.

Movement in deferred tax during the year

	1 April 2016 £000	Recognised in income £000	Recognised in equity^ £000	**31 March 2017 £000**
Property, plant and equipment	1,673	(135)	78	**1,616**
Intangible assets	2,187	(270)	159	**2,076**
Inventories	(737)	15	(52)	**(774)**
Provisions/accruals	(168)	(188)	7	**(349)**
IFRS2 Share based payments	(903)	(62)	130	**(835)**
Tax losses	(539)	152	(70)	**(457)**
	1,513	(488)	252	**1,277**

Movement in deferred tax during the prior year

	1 April 2015 £000	Recognised in income £000	Recognised in equity^ £000	31 March 2016 £000
Property, plant and equipment	1,522	92	59	1,673
Intangible assets	2,274	(259)	172	2,187
Inventories	(571)	(155)	(11)	(737)
Provisions/accruals	(143)	(30)	5	(168)
IFRS2 Share based payments	(649)	(164)	(90)	(903)
Tax losses	(53)	(467)	(19)	(539)
	2,380	(983)	116	1,513

^ Amounts recognised in equity include the deferred tax on IFRS2 share based payments and the equity element of foreign exchange differences taken to reserves

16 Deferred tax assets and liabilities — Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 £000	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000
Property, plant and equipment	**—**	—	**164**	175	**164**	175
Provisions/accruals	**(1)**	(39)	**—**	—	**(1)**	(39)
IFRS2 Share based payments	**(684)**	(797)	**—**	—	**(684)**	(797)
Tax (assets)/liabilities	**(685)**	(836)	**164**	175	**(521)**	(661)

A potential £2.10m (2016: £1.62m) deferred tax asset relating to the Company's trapped management losses was not recognised on the grounds that recovery of these losses is uncertain.

Movement in deferred tax during the year

	1 April 2016 £000	Recognised in income £000	Recognised in equity £000	**31 March 2017 £000**
Property, plant and equipment	175	(11)	—	**164**
Provisions/accruals	(39)	38	—	**(1)**
IFRS2 Share based payments	(797)	(24)	137	**(684)**
	(661)	3	137	**(521)**

Movement in deferred tax during the prior year

	1 April 2015 £000	Recognised in income £000	Recognised in equity £000	31 March 2016 £000
Property, plant and equipment	217	(42)	—	175
Provisions/accruals	(2)	(37)	—	(39)
IFRS2 Share based payments	(489)	(204)	(104)	(797)
	(274)	(283)	(104)	(661)

17 Inventories — Group

	2017 £000	2016 £000
Raw materials and consumables	**4,903**	4,067
Work in progress	**1,972**	1,458
Finished goods and goods for resale	**35,051**	33,913
	41,926	39,438

In 2017, inventories of £115.5m (2016: £100.0m) were recognised as an expense during the year and included in cost of sales. Inventories have been written down by £1.7m (2016: £1.2m) in line with the Group's stock provisioning policy. Such write-downs were recognised as an expense during 2017. No significant specific stock provisions have been reversed in the year.

No inventories are pledged as security for liabilities.

The carrying amount of inventories carried at fair value less costs to sell is £0.6m (2016: £1.0m).

18 Trade and other receivables

	Group		Company	
	2017 **£000**	2016 £000	**2017** **£000**	2016 £000
Trade receivables	**47,497**	41,931	—	—
Non trade receivables and prepayments	**1,863**	1,455	**183**	41
Amounts owed by subsidiary undertakings	—	—	**31,199**	33,572
	49,360	43,386	**31,382**	33,613

An explanation of credit risk and details of the security held over receivables is provided in note 26.

19 Cash and cash equivalents/bank overdrafts

	Group		Company	
	2017 **£000**	2016 £000	**2017** **£000**	2016 £000
Cash and cash equivalents per Statements of financial position	**24,645**	17,614	**2,587**	1,406
Bank overdrafts per Statements of financial position	—	(33)	—	(2,273)
Cash and cash equivalents per Statements of cash flows	**24,645**	17,581	**2,587**	(867)

20 Other interest-bearing loans and borrowings

This note provides information about the Group and Company's existing interest-bearing loans and borrowings. For more information about the security provided by the Group and Company over loans or the Group and Company's exposure to interest rate, foreign currency and liquidity risk, see note 26.

			Current		Non-current	
Initial loan value	**Rate**	**Maturity**	**2017** **£000**	2016 £000	**2017** **£000**	2016 £000
Group						
Asset based lending	Base + 1.49%	—	**3,280**	3,144	—	—
PSEP acquisition loan	Fixed 3.14%	2016	—	1,170	—	—
VIC unsecured loan	EURIBOR + 1.95%	2020	**513**	476	**1,283**	1,665
Kuhlmann unsecured loan	EURIBOR + 1.55%	2024	—	18	—	132
Finance lease liabilities	Various	2017-19	**2**	2	**8**	12
Group and Company						
Facility A VIC acquisition loan	EURIBOR + 1.50%	2021	**3,208**	2,091	**12,830**	14,866
Facility B Revolving Credit Facility	LIBOR/EURIBOR + 1.50%	2019/2021	**7,869**	10,000	—	—
Property Loan	LIBOR + 1.25%	2021	—	—	**2,100**	—
Total Group			**14,872**	16,901	**16,221**	16,675
Total Company			**11,077**	12,091	**14,930**	14,866

21 Trade and other payables

	Group		Company	
	2017 **£000**	2016 £000	**2017** **£000**	2016 £000
Trade payables	**19,302**	17,164	—	—
Amounts payable to subsidiary undertakings	—	—	**954**	2,630
Deferred consideration	—	1,348	—	1,348
Non-trade payables and accrued expenses	**15,322**	13,149	**2,073**	1,623
Other taxes and social security	**2,521**	1,369	**1,335**	119
	37,145	33,030	**4,362**	5,720

22 Employee benefits

Pension plans

Defined contribution plans

The Group operates a number of defined contribution pension plans, which include stakeholder pension plans whose assets are held separately from those of the Group, in independently administered funds.

The total expense relating to these plans in the current year was £1.80m (2016: £1.61m) and represents contributions payable by the Group to the funds.

At the end of the financial year, there were outstanding pension contributions of £0.12m (2016: £0.12m), which are included in creditors.

Share based payments

The Group Share Options (including SAYE plans) provide for an exercise price equal to the average quoted market price of the Group shares on the date of grant. In the case of SAYE, this price is discounted in line with HMRC limits. The vesting period is generally three, five or seven years. The options expire if they remain unexercised after the exercise period has lapsed. Furthermore, options are forfeited if the employee leaves the Group before the options vest, unless for retirement, redundancy or health reasons. The options are equity settled.

The number and weighted average exercise prices of share options are as follows:

	2017		2016	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding at beginning of year	**3,486,706**	**0.35**	3,567,961	0.26
Granted during the year	**438,175**	**1.07**	495,264	1.05
Forfeited/lapsed during the year	**(141,909)**	**0.47**	(32,068)	0.91
Exercised during the year	**(2,496,555)**	**0.14**	(544,451)	0.33
Outstanding at the end of the year	**1,286,417**	**1.00**	3,486,706	0.35
Exercisable at the end of the year	**—**	**—**	2,024,685	0.09

The options outstanding at 31 March 2017 had a weighted average remaining contractual life of 1.7 years (2016: 2.8 years) and exercise prices ranging from £0.25 to £1.07 (2016: £0.085 to £1.05).

The weighted average share price at the date of exercise for share options exercised in 2017 was 173.00p (2016: 114.30p).

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on Black Scholes, Binomial Lattice and Monte Carlo models.
The contractual life of the option is used as an input into this model.

Board deferred equity bonus shares

The Board deferred equity bonus shares have been discussed in more detail in the Remuneration report (pages 70 to 86).

The number of deferred equity bonus shares is as follows:

	Deferred equity bonus shares
Outstanding at beginning of year	**3,372,922**
2017 deferred equity bonus shares awarded	**499,900**
2014, 2015, 2016 Accelerated deferred equity bonus shares exercised*	**(1,050,044)**
Outstanding at end of year	**2,822,778**

* The accelerated deferred equity bonus shares exercised were for J Barker and T Tan in line with their good leaver statuses on retirement

The above includes 95,354 shares for 2016, 144,943 for 2015 and 185,282 for 2014 for T Tan relating to his employment as *TR* Asia MD. He did not sit on the main plc Board prior to retirement on 31 December 2015.

These nil cost options are subject to a three year service period and the fair value has been calculated using the Discounted Dividend model. This is based on expected dividends over the three year term. They are equity settled shares.

The weighted average share price at the date of exercise for share options exercised in 2017 was £1.35 (2016: no shares exercised).

The options outstanding at 31 March 2017 had a weighted average remaining contractual life of 1.6 years (2016: 2.2 years).

22 Employee benefits (continued)

Senior manager deferred bonus shares

The number of deferred bonus shares is as follows:

	Deferred bonus shares
Outstanding at beginning of year	—
Granted during the year	**1,744,094**
Outstanding at end of year	**1,744,094**

This is a new nil-cost option scheme implemented in the year. The shares granted in the year are subject to a base award and a multiplier award. The base award requires a three year service period to be achieved and is also subject to personal performance conditions being met during the performance period. The multiplier award is determined by a non-market performance condition. This requires the Group's underlying organic profit before tax in the financial year 2019 to be £18.5m (representing a compound annual growth rate of 5.0% from 31 March 2016) for the total payout to be 1.5x the base award. A maximum payout of 2.0x the base award can be achieved if this metric is £21.3m (representing a compound annual growth rate of 10.0% from 31 March 2016). If it falls between £18.5m and £21.3m the multiplier applied is calculated on a straight line basis to determine the number of awards. If it is below £18.5m the multiplier used is 1.0x.

The awards were granted on 30 December 2016 and are due to vest in December 2019. The method of settlement for these shares are a mixture of equity and cash settled. The fair value has been calculated using the Discounted Dividend model. This was at grant date for the equity settled awards. The fair value for the cash settled awards are remeasured at the reporting date.

In line with IFRS2 the amount recognised as an expense has been adjusted to reflect the number of awards for which the service and non-market performance conditions are expected to be met.

Date of grant	Type of instrument	Valuation model	No. out-standing on 31 March 2017	Share price on date of grant (£)	Exercise price (£)	Expected volatility %	Vesting period (yrs)	Expected life (yrs)	Risk-free rate %	Expected annual dividend %	Fair value (£)
01/10/2010	SAYE 7 Year	Black Scholes	6,490	0.370	0.250	47.86	7.00	7.00	2.43	1.36	0.20
01/10/2011	SAYE 7 Year	Black Scholes	7,920	0.410	0.450	47.63	7.00	7.00	0.56	0.00	0.19
01/10/2012	SAYE 5 Year	Black Scholes	47,139	0.460	0.350	48.08	5.00	5.00	1.37	1.09	0.21
01/10/2012	SAYE 7 Year	Black Scholes	5,280	0.460	0.350	48.08	7.00	7.00	1.93	1.09	0.24
01/10/2013	SAYE 5 Year	Black Scholes	21,000	0.680	0.500	46.06	5.00	5.00	1.55	1.19	0.31
01/10/2014	SAYE 3 Year	Black Scholes	204,120	1.050	1.000	35.76	3.00	3.00	1.23	1.33	0.26
01/10/2014	SAYE 5 Year	Black Scholes	111,201	1.050	1.000	35.76	5.00	5.00	1.73	1.33	0.33
01/10/2015	SAYE 3 Year	Black Scholes	336,304	1.140	1.050	35.20	3.00	3.00	0.77	1.84	0.28
01/10/2015	SAYE 5 Year	Black Scholes	120,562	1.140	1.050	34.60	5.00	5.00	1.17	1.84	0.33
01/10/2016	SAYE 3 Year	Black Scholes	366,580	1.720	1.070	33.83	3.00	3.00	0.40	1.63	0.68
01/10/2016	SAYE 5 Year	Black Scholes	59,821	1.720	1.070	32.80	5.00	5.00	0.70	1.63	0.71
Total Share Options			**1,286,417**								
18/09/2014	Board deferred equity	DDM^	820,989	1.050	n/a	n/a	2.79	2.79	n/a	1.33	1.02
09/09/2015	Board deferred equity	DDM^	740,098	1.160	n/a	n/a	3.79	3.79	n/a	1.81	1.11
15/07/2016	Board deferred equity	DDM^	761,791	1.350	n/a	n/a	4.00	4.00	n/a	2.07	1.28
31/03/2017*	Board deferred equity	DDM^	499,900	2.140	n/a	n/a	4.00	4.00	n/a	1.40	2.05
30/12/2016	SM deferred bonus equity	DDM^	1,641,732	2.050	n/a	n/a	3.00	3.00	n/a	1.46	1.96
30/12/2016	SM deferred bonus cash	DDM^	102,362	2.050	n/a	n/a	3.00	3.00	n/a	1.40	2.05
Total			**5,853,289**								

^ Discounted Dividend model

* Final date of grant will be date of formal agreement

Expected volatility was determined by calculating the historic volatility of the Group's share price over one, two and three years back from the date of grant. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total charges of £1.51m and £1.69m in relation to share based payment transactions in 2017 and 2016 respectively. Of this, £16,412 (2016: £nil) relates to cash settled awards to which a liability is recognised on the balance sheet. The remaining amount relates to equity settled awards.

22 Employee benefits (continued)

As at 31 March 2017, outstanding options to subscribe for ordinary shares of 5p were as follows:

Grant date/employees entitled	**Number of instruments**	**Contractual life of options**
01/10/10/SAYE	6,490	Oct 2017
01/10/11/SAYE	7,920	Oct 2018
01/10/12/SAYE	52,419	Oct 2017, 2019
01/10/13/SAYE	21,000	Oct 2018
01/10/14/SAYE	315,321	Oct 2017, 2019
01/10/15/SAYE	456,866	Oct 2018, 2020
01/10/16/SAYE	426,401	Oct 2019, 2021
Total outstanding options	1,286,417	
Board deferred equity bonus shares	2,822,778	Sep 2017, 2018, 2019, Jul 2020
Senior manager deferred bonus shares	1,744,094	Dec 2019
Total	**5,853,289**	

All options require continued employment from grant date to the later of vesting date or exercise date.

23 Provisions

Group	**Restructuring costs £000**	**Dilapidations £000**	**Total £000**
Balance at 31 March 2016	**76**	**1,117**	**1,193**
Provisions utilised during the year	**—**	**(6)**	**(6)**
Balance at 31 March 2017	**76**	**1,111**	**1,187**

The restructuring provision relates to onerous leases arising from the 'right-sizing' of our portfolio of properties within the UK. Dilapidations also relate to properties. Both will be utilised by vacation.

In respect of onerous leases and dilapidation provisions, external advisors were used to provide estimates of potential costs and likelihood of sub-letting. The future cash flows were then discounted using risk free rates over the length of the leases.

All amounts represent a best estimate of the expected cash outflows although actual amounts paid could be lower or higher.

Group	**Restructuring costs £000**	**Dilapidations £000**	**2017 Total £000**	2016 Total £000
Non-current (greater than 1 year)	—	**1,111**	**1,111**	1,117
Current (less than 1 year)	**76**	—	**76**	76
Balance at 31 March	**76**	**1,111**	**1,187**	1,193

In respect of the Company there are £nil provisions (2016: £nil).

24 Capital and reserves

Capital and reserves — Group and Company

See Statements of changes in equity on pages 97 and 98.

Reserves

The translation reserve comprises all foreign exchange differences arising from the translation of foreign operations, as well as from the translation of liabilities that hedge the Group's net investment in foreign subsidiaries.

The merger reserve has arisen under Section 612 Companies Act 2006 and is a non-distributable reserve.

Share capital

	Number of ordinary shares	
	2017	2016
In issue at 1 April	**116,747,887**	116,174,086
Shares issued	**3,546,599**	573,801
In issue at 31 March — fully paid	**120,294,486**	116,747,887

The total number of shares issued during the year was 3,546,599 for a consideration of £0.3m (2016: 573,801 shares for £0.2m). These were settled in cash other than issues of 1,050,044 shares from the deferred equity award scheme due to the early retirement of Jim Barker and Thomas Tan which were issued for nil cost.

In FY2016, all shares were issued for cash, excluding 29,350 shares for £0.3m as part of the consideration of the acquisition of Kuhlmann (see note 32).

	2017 £000	2016 £000
Allotted, called up and fully paid		
Ordinary shares of 5p each	**6,014**	5,837

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

During the year the following dividends were recognised and paid by the Group:

	2017 £000	2016 £000
Final paid 2016 — 2.00p (2015: 1.50p) per qualifying ordinary share	**2,376**	1,743
Interim paid 2016 — 0.80p (2015: 0.60p) per qualifying ordinary share	**934**	697
	3,310	2,440

After the balance sheet date a final dividend of 2.50p per qualifying ordinary share (2016: 2.00p) was proposed by the Directors and an interim dividend of 1.00p (2016: 0.80p) was paid in April 2017.

	2017 £000	2016 £000
Final proposed 2017 — 2.50p (2016: 2.00p) per qualifying ordinary share	**3,007**	2,376
Interim paid 2017 — 1.00p (2016: 0.80p) per qualifying ordinary share	**1,203**	934
	4,210	3,310

Subject to Shareholder approval at the Annual General Meeting which is to be held on 27 July 2017, the final dividend will be paid on 13 October 2017 to Members on the register at the close of business on 15 September 2017. The ordinary shares will become ex-dividend on 14 September 2017.

25 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2017 was based on the profit attributable to ordinary shareholders of £12.7m (2016: £10.2m) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2017 of 118,493,886 (2016: 116,388,265), calculated as follows:

Weighted average number of ordinary shares

	2017	2016
Issued ordinary shares at 1 April	**116,747,887**	116,174,086
Effect of shares issued	**1,745,999**	214,179
Weighted average number of ordinary shares at 31 March	**118,493,886**	116,388,265

Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2017 was based on profit attributable to ordinary shareholders of £12.7m (2016: £10.2m) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2017 of 122,143,769 (2016: 120,345,662), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2017	2016
Weighted average number of ordinary shares at 31 March	**118,493,886**	116,388,265
Effect of share options on issue	**3,649,883**	3,957,397
Weighted average number of ordinary shares (diluted) at 31 March	**122,143,769**	120,345,662

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options and deferred equity awards were outstanding.

Underlying earnings per share

		2017 EPS			2016 EPS	
EPS (total)	**Earnings £000**	**Basic**	**Diluted**	**Earnings £000**	**Basic**	**Diluted**
Profit after tax for the financial year	**12,698**	**10.72p**	**10.40p**	10,225	8.78p	8.50p
Separately disclosed items:						
IFRS2 share based payment charge	**1,512**	**1.28p**	**1.24p**	1,687	1.45p	1.40p
Acquired intangible amortisation	**1,273**	**1.07p**	**1.04p**	974	0.84p	0.81p
Net acquisition costs	—	—	—	264	0.23p	0.22p
Costs on exercise of executive share options	**567**	**0.48p**	**0.46p**	—	—	—
Profit on sale of fixed assets	**(195)**	**(0.17p)**	**(0.16p)**	—	—	—
Tax charge on adjusted items^	**(193)**	**(0.16p)**	**(0.16p)**	(1,132)	(0.97p)	(0.94p)
Underlying profit after tax	**15,662**	**13.22p**	**12.82p**	12,018	10.33p	9.99p

^ For the 2016 calculation this includes adjusting for the recognition of the deferred tax asset in *TR* Fastenings Inc

The 'underlying diluted' earnings per share is detailed in the above tables. In the Directors' opinion, this best reflects the underlying performance of the Group and assists in the comparison with the results of earlier years (see note 2).

26 Financial instruments

(a) Fair values of financial instruments

There is no significant difference between the fair values and the carrying values shown in the balance sheet.

(b) Financial instruments risks

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business, and the Group continues to monitor and reduce any exposure accordingly. Information has been disclosed relating to the individual Company, only where a material risk exists.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a predetermined amount. Bad debt insurance is taken out on all key accounts where the cost is appropriate given the risk covered. All overdue debts are monitored regularly and customers are put on credit hold if payments are not received on time. The carrying amount of trade receivables represents the maximum credit exposure for the Group. Therefore, the maximum exposure to credit risk at the balance sheet date was £47.50m (2016: £41.93m), being the total carrying amount of trade receivables net of an allowance. Management does not consider there to be any significant unimpaired credit risk in the year-end balance sheet (2016: £nil).

At the balance sheet date there were no significant geographic or sector specific concentrations of credit risk.

	2017 £000	2016 £000
Amounts less than 90 days past due	**46,911**	41,491
Amounts more than 90 days past due	**586**	440
	47,497	41,931

For balances neither past due nor impaired credit quality is considered good and no credit exposures have been identified (2016: nil).

When the Group is satisfied that no recovery of the amount owing is possible, at that point the amounts considered irrecoverable are written off against the trade receivables directly.

Impairment losses

The movement in the allowance for impairment in respect of receivables during the year was as follows:

	2017 £000	2016 £000
Balance at 1 April	**(803)**	(754)
Impairment movement	**(72)**	(49)
Balance at 31 March	**(875)**	(803)

There are no significant losses/bad debts provided for specific customers. Impairments are recognised where a credit exposure has been identified whether amounts are past due or not.

(ii) Liquidity and interest risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group holds net debt and hence its main interest and liquidity risks are associated with the maturity of its loans against cash inflows from around the Group. The Group's objective is to maintain a balance of continuity of funding and flexibility through the use of loans and banking facilities as applicable.

26 Financial instruments (continued)

The Group banking facilities with HSBC comprise:

- a term loan facility of €25.0m ('Facility A') used to fund the acquisition of VIC (balance at 31 March 2017: €18.75m)
- a revolving multi-currency credit facility ('RCF') of up to £15.0m with an option to increase the facility by £20m ('Facility B') (balance at 31 March 2017: £7.9m)
- a property loan of £2.1m (balance at 31 March 2017: £2.1m)

The obligations of *Trifast* under Facility A and Facility B are guaranteed by the UK non-dormant subsidiaries of the Company.

Interest on facility A and B is charged at the aggregate rate of LIBOR/EURIBOR plus a margin of 1.50%, in accordance with a formula incorporating the ratio of consolidated net debt against the consolidated underlying EBITDA of the Group. Interest on the property loan is charged at LIBOR plus a margin of 1.25%.

Facilities A and B were restructured in October 2016. At the same time, the property loan was taken out, secured on the Group's premises in Uckfield.

In addition the Group has an Asset Based Lending ('ABL') facility providing up to a maximum of £15.0m secured over the receivables of *TR* Fastenings Limited. This facility charges a marginal interest rate of 1.49% above base.

In June 2015, VIC took out a €3m repayment loan with MPS in Italy to part fund the de-factoring of their receivables. Interest is charged at 1.95% above EURIBOR until maturity in 2020.

Covenant headroom

The current and modified UK term facilities are subject to quarterly covenant testing as follows:

Interest cover:	Underlying EBITDA to net interest to exceed a ratio of three.
Debt Service cover:	Underlying EBITDA to debt service to exceed a ratio of one.
Net Debt cover:	Total net debt to underlying EBITDA not to exceed a ratio of 2.75.

These covenants currently provide significant headroom and forecasts indicate no breach is anticipated.

Liquidity tables

The following are the contractual maturities of the existing financial liabilities, excluding bank overdrafts and finance lease liabilities:

	2017				
	Carrying amount/ contractual cash flows^ £000	**Less than 1 year £000**	**1 to 2 years £000**	**2 to 5 years £000**	**5 years and over £000**
Non-derivative financial liabilities					
Company					
Facility A — VIC acquisition loan	**16,038**	**3,208**	**4,276**	**8,554**	—
Facility B — Revolving credit facility	**7,869**	**7,869**	—	—	—
Property loan	**2,100**	—	—	**2,100**	—
Total Company	**26,007**	**11,077**	**4,276**	**10,654**	—
Group					
Asset based lending	**3,280**	**3,280**	—	—	—
VIC unsecured loan	**1,796**	**513**	**513**	**770**	—
Total Group	**31,083**	**14,870**	**4,789**	**11,424**	—

^ Excluding interest charges

26 Financial instruments (continued)

Finance lease liabilities at 31 March 2017 are £0.01m (2016: £0.01m). The Kuhlmann unsecured loan was paid off in full in October 2016.

	2016				
	Carrying amount/ contractual cash flows^ £000	**Less than 1 year £000**	**1 to 2 years £000**	**2 to 5 years £000**	**5 years and over £000**
Non-derivative financial liabilities					
Company					
Facility A — VIC acquisition loan	16,957	2,091	3,964	10,902	—
Facility B — Revolving credit facility	10,000	10,000	—	—	—
Total Company	26,957	12,091	3,964	10,902	—
Group					
Asset based lending	3,144	3,144	—	—	—
PSEP acquisition loan	1,170	1,170	—	—	—
VIC unsecured loan	2,141	476	476	1,189	—
Kuhlmann unsecured loan	150	18	18	54	60
Total Group	33,562	16,899	4,458	12,145	60

^ Excluding interest charges

Liquidity headroom

Trading forecasts show that the current facilities provide sufficient liquidity headroom. The Group continues to maintain positive relationships with a number of banks and the Directors believe that appropriate facilities will continue to be made available to the Group as and when they are required.

Available existing facilities at 31 March 2017 (excluding bank overdrafts and finance lease liabilities):

	2017			2016		
	Available facilities £000	**Utilised facilities £000**	**Un-utilised facilities £000**	Available facilities £000	Utilised facilities £000	Un-utilised facilities £000
Company						
Facility A — VIC acquisition loan	**16,038**	**16,038**	—	16,957	16,957	—
Facility B — Revolving credit facility	**15,000**	**7,869**	**7,131**	10,000	10,000	—
Property loan	**2,100**	**2,100**	—	—	—	—
Total Company	**33,138**	**26,007**	**7,131**	26,957	26,957	—
Group						
Asset based lending	**15,000**	**3,280**	**11,720**	17,000	3,144	13,856
PSEP acquisition loan	—	—	—	1,170	1,170	—
VIC unsecured loan	**1,796**	**1,796**	—	2,141	2,141	—
Kuhlmann unsecured loan	—	—	—	150	150	—
Total Group	**49,934**	**31,083**	**18,851**	47,418	33,562	13,856

In addition, an accordion facility of £20.0m as been written into the main HSBC RCF facility agreement, providing potential additional finance under currently agreed terms subject to credit approval.

Interest risk

The Group monitors closely all loans outstanding which currently incur interest at floating rates. When interest rate exposure risk becomes significant the Group makes use of derivative financial instruments, including interest rate swaps and caps. The only instrument held at the balance sheet date relates to Facility A, where a cap of 1% EURIBOR is in place (2016: 1%). The Group will continue to review this position going forward.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates the split between fixed and variable interest rates at the balance sheet date.

26 Financial instruments (continued)

Further details of the rates applicable on interest-bearing loans and borrowings is given in note 20.

All assets and liabilities in place at year end bear interest at a floating rate and therefore may change within one year.

Interest rate table (including bank overdraft and finance lease liabilities)

	Group		Company	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Fixed rate instruments				
Financial liabilities	**—**	(1,170)	**—**	—
	—	(1,170)	**—**	—
Variable rate instruments				
Financial assets	**24,645**	17,614	**2,587**	1,406
Financial liabilities^	**(31,093)**	(32,439)	**(26,007)**	(29,230)
	(6,448)	(14,825)	**(23,420)**	(27,824)

^ £16.0m of the variable rate financial liability balance in the Group and the Company relates to Facility A and has a 1% EURIBOR interest rate cap in place

Sensitivity analysis

A change of one point in interest rates at the balance sheet date would change equity and profit and loss by £0.3m (2016: £0.2m). This calculation has been applied to risk exposures existing at the balance sheet date.

This analysis assumes that all other variables, in particular foreign currency rates, remain consistent and considers the effect of financial instruments with variable interest rates. The analysis is performed on the same basis for the comparative period.

(iii) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than local functional currency. The Group faces additional currency risks arising from monetary financial instruments held in non-functional local currencies.

Operational foreign exchange exposure

Where possible the Group tries to invoice in the local currency at the respective entity. If this is not possible, then to mitigate any exposure, the Group tries to buy from suppliers and sell to customers in the same currency.

Where possible the Group tries to hold the majority of its cash and cash equivalent balances in the local currency at the respective entity.

Monetary assets/liabilities

The Group continues to monitor exchange rates and buy or sell currencies in order to minimise open exposure to foreign exchange risk. The Group does not speculate on exchange rates. No foreign exchange derivative financial instruments are held at the balance sheet date (2016: a flexible forward contract to cover 50% ($3.0m) of the HY1 2017 €:$ transactional risk within VIC). The 2016 year end value of this contract was not significant and therefore no disclosures have been provided below. The Group will continue to review this position going forward.

The €25m VIC acquisition loan and the RCF utilised facility of €9.2m (£7.9m) are net investment hedged against the net asset value of VIC and *TR* Kuhlmann. Therefore all foreign exchange movements that are being hedged are taken to the translation reserve. All other loans are held in the local currency of the relevant company and so are excluded from the analysis below.

The Group's exposure to foreign currency risk is as follows (based on the carrying amount for cash and cash equivalents held in non-functional currencies):

31 March 2017	**Sterling £000**	**Euro £000**	**US Dollar £000**	**Singapore Dollar £000**	**Total £000**
Cash and cash equivalents exposure	**733**	**3,213**	**5,895**	**290**	**10,131**

31 March 2016	Sterling £000	Euro £000	US Dollar £000	Singapore Dollar £000	Total £000
Cash and cash equivalents exposure	139	3,140	4,345	409	8,033

26 Financial instruments (continued)

Sensitivity analysis

Group

A 1% change in significant foreign currency balances against local functional currency at 31 March 2017 would have changed equity and profit and loss by the amount shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the comparative period.

		Equity & profit or loss	
		2017	2016
Foreign currency	Local currency	**£000**	£000
US Dollar	Sterling	**(2)**	(2)
EURO	Sterling	**(19)**	(21)
US Dollar	Singapore Dollar	**(31)**	(21)
US Dollar	Taiwanese Dollar	**(20)**	(14)

(c) Capital management

The Group's objectives when managing capital are to ensure that all entities within the Group will be able to continue as going concerns, while maximising the return to shareholders through the optimisation of the debt and equity balance. We regularly review and maintain or adjust the capital structure as appropriate in order to achieve these objectives, consistent with the management of capital for previous periods. The Group has various borrowings and available facilities (see section (b) (ii) Liquidity and interest risk) that contain certain external capital requirements ('covenants') that are considered normal for these types of arrangements. As discussed above, we remain comfortably within all such covenants.

Identification of the total funding requirement is achieved via a detailed cash flow forecast which is reviewed and updated on a monthly basis.

The capital structure of the Group is presented below:

	2017	2016
	£000	£000
Cash and cash equivalents (note 19)	**24,645**	17,581
Borrowings (note 20)	**(31,093)**	(33,576)
Net debt	**(6,448)**	(15,995)
Equity	**(101,698)**	(83,750)
Capital	**(108,146)**	(99,745)

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Less than one year	**2,910**	2,698	**31**	27
Between two and five years	**5,023**	5,587	**37**	42
More than five years	**3,047**	1,282	**—**	—
Total	**10,980**	9,567	**68**	69

The Group leases a number of offices, warehouse and factory facilities under operating leases.

Group

During the year £2.53m was recognised as an expense (2016: £2.51m) in the income statement in respect of operating leases.

Company

During the year £0.04m (2016: £0.05m) was recognised as an expense in the income statement in respect of operating leases.

28 Contingent liabilities

Company

The Company has cross guarantees on its UK banking facilities with its three UK subsidiaries. The amount outstanding at the end of the year was £nil (2016: £2.34m).

29 Related parties

Group and Company

Compensation of key management personnel of the Group

Full details of the compensation of key management personnel are given in the Directors' remuneration report on pages 70 to 86.

Transactions with Directors and Directors' close family relatives

During 2017 a relative of the Chairman provided IT/Marketing consultancy services totalling £12,000 (2016: £12,000) on an arm's length basis and with terms similar to other third party suppliers. The outstanding balance at 31 March 2017 was £1,000 (2016: £1,000).

There were no other related party transactions with Directors, or Directors' close family relatives in the year (2016: £nil).

Related party transactions

Details of principal subsidiary undertakings, country of registration and principal activities are included in note 33.

Company related party transactions with subsidiaries — income/expenditure 2017

	Rent income £000	Income management fees £000	Loan interest £000	Total income £000	Expenditure management fees £000	Loan interest £000	Total expense £000
TR Fastenings Ltd	**290**	**470**	—	**760**	**399**	—	**399**
TR Southern Fasteners Ltd	—	**17**	—	**17**	—	—	—
TR Norge AS	—	**21**	—	**21**	—	—	—
TR Fastenings AB	—	**49**	—	**49**	—	—	—
TR Miller BV	—	**67**	**26**	**93**	—	—	—
Lancaster Fastener Co Ltd	—	**29**	—	**29**	—	—	—
TR Hungary Kft	—	**49**	—	**49**	—	—	—
Viterie Italia Centrale SPA	—	**104**	—	**104**	—	**3**	**3**
TR Kuhlmann GmbH	—	**49**	—	**49**	—	—	—
TR Asia Investments Pte Ltd	—	**569**	—	**569**	—	—	—
TR Fastenings Inc	—	**55**	—	**55**	—	—	—
TR Fastenings España – Ingenieria Industrial, S.L.	—	—	**1**	**1**	—	—	—
TR Fastenings Poland Sp Zoo	—	—	**1**	**1**	—	—	—
	290	**1,479**	**28**	**1,797**	**399**	**3**	**402**

Company related party transactions with subsidiaries — income/expenditure 2016

	Rent £000	Income management fees £000	Loan interest £000	Total £000	Expenditure management fees £000
TR Fastenings Ltd	290	405	—	695	314
TR Southern Fasteners Ltd	—	25	—	25	—
TR Norge AS	—	31	—	31	—
TR Fastenings AB	—	49	—	49	—
TR Miller BV	—	75	31	106	—
Lancaster Fastener Co Ltd	—	28	—	28	—
TR Hungary Kft	—	35	—	35	—
Viterie Italia Centrale SPA	—	97	—	97	—
TR Asia Investments Pte Ltd	—	498	—	498	—
TR Fastenings Inc	—	56	—	56	—
	290	1,299	31	1,620	314

29 Related parties (continued)

	2017		2016	
	Balances receivables £000	**Balances payables £000**	Balances receivables £000	Balances payables £000
TR Fastenings Ltd	**812**	—	621	63
TR Southern Fasteners Ltd	**4**	—	2	—
TR Norge AS	**6**	—	3	—
TR Fastenings AB	**16**	—	4	—
TR Miller Holding B.V.	**408**	—	797	—
Lancaster Fastener Company Ltd	**26**	—	31	—
TR Hungary Kft	**6**	—	3	—
Viterie Italia Centrale SPA	**23**	**687**	16	—
TR Kuhlmann GmbH	**16**	—	—	—
TR Fastenings Inc	**14**	—	5	—
TR Asia Investments Holdings Pte Ltd	**472**	—	465	—
TR Formac Pte Ltd	**26**	—	—	—
TR Formac (Malaysia) SDN Bhd	**8**	—	—	—
TR Formac (Shanghai) Pte Ltd	**8**	—	—	—
Special Fasteners Engineering Co Ltd	**10**	—	—	—
Power Steel & Electro-Plating Works SDN Bhd	**15**	—	—	—
TR Fastenings España - Ingenieria Industrial, S.L.	**350**	—	—	—
TR Fastenings Poland Sp Zoo	**30**	—	25	—
Non-trading dormant subsidiaries	—	**267**	—	267
Trifast Overseas Holdings Ltd	**28,496**	—	31,212	2,300
Trifast Holdings B.V.	**453**	—	388	—
	31,199	**954**	33,572	2,630

All related party transactions are on an arm's length basis.

30 Subsequent events

There are no material adjusting or non-adjusting events subsequent to the balance sheet date.

31 Accounting estimates and judgements

The preparation of financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported annual amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates, although, unless otherwise stated, management do not consider that the range of possible outcomes for each estimate or judgement would result in a material adjustment to the relevant balance sheet carrying value.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Group believes the principal accounting estimates, assumptions and uncertainties employed in the preparation of these financial statements are:

- Recoverable amount of goodwill (note 12)

IAS36 Impairment of Assets seeks to ensure that the carrying amount of goodwill is not held at an amount greater than its recoverable amount. The recoverable amount is determined as the higher of fair value less costs to sell and value in use. Management use the value in use model to determine whether goodwill is recoverable. This involves estimating the future performance of a cash generating unit (CGU) that goodwill has been allocated to. The key estimates used in determining the future performance of a CGU are: revenue growth rate, discount rate and terminal EBIT margin. To determine the revenue growth rate and terminal EBIT margin management considers the historic performance of the business, nominal GDP rates in the country of operation and any known or expected changes to occur to existing operations. To calculate an appropriate discount rate, management consider external sources of data based on current market conditions. The assumptions used for each significant CGU relating to these key estimates, including changes to the assumptions applied in previous years, are disclosed in note 12.

31 Accounting estimates and judgements (continued)

Note 12 also discloses if a reasonable possible change in a key assumption would cause the carrying amount of goodwill to exceed its recoverable amount for a CGU. From the impairment tests conducted on PSEP, management have identified that if the sales growth was not achieved, it is possible an impairment of £0.3m would need to be recognised. Further details behind the assumptions to arrive at the £0.3m impairment are disclosed in the note.

- Inventory valuation (note 17)

Inventories are stated at the lower of cost and net realisable value with a provision being made for obsolete and slow moving items. Initially, management makes a judgement on whether an item of inventory should be classified as standard or customer specific. This classification then determines when a provision is recognised. Management then estimates the net realisable value of the stock for each individual classification. A provision is made earlier for customer specific stock (compared to standard) because it carries a greater risk of becoming obsolete or slow moving given the fastenings are designed specifically for an individual customer. The amount of write downs recognised as an expense in the period relating to this estimate is detailed in note 17.

- Fair values for IFRS2 charge (note 22)

Accounting standards require fair values to be measured for each share based payment scheme and the cost is recognised in the financial statements over the relevant vesting periods. IFRS2 Share-Based Payments is very prescriptive in determining whether an award is equity or cash settled so there is little judgement for management to make here. Judgement is then used to determine which valuation model is appropriate to calculate the fair value and then subsequently the estimates are determined based on the inputs required for each model. These calculations are complex and therefore the Directors use external advisors to determine which is the most appropriate valuation model and subsequently the estimates required. The valuation model used for the Board deferred equity bonus and senior management deferred bonus schemes is the Discounted Dividend model which uses the expected annual dividend as its key estimate. The valuation model used for the SAYE scheme is the Black Scholes model. The key estimates used in this model are: expected volatility, expected life and expected annual dividend. The figures used for these key estimates are disclosed in note 22. Crossing both models there is also an estimate made for the lapse rate to arrive at the number of awards expected to vest. The lapse rate for the Board deferred equity bonus shares is 0% and for the senior management deferred bonus and SAYE schemes it is 3%. A higher lapse rate during the vesting period will reduce the IFRS2 expense - a lower lapse rate will increase the expense.

Since the fair values for the equity settled awards are only calculated at the grant date, the estimates used in the calculation will not be updated (except for the number of awards expected to vest). Also, they do not result in an asset or liability being recognised, instead the credit goes direct to equity. The fair value for the cash settled awards are required to be re-measured at each reporting date and therefore the estimates will be updated. The carrying amount of the liability at the period end was £16,412 (2016: £nil).

- Income taxes (notes 9,15 and 16)

To arrive at the amounts recognised in the balance sheet the Directors are required to estimate certain decisions that are still pending from tax authorities. The pending decisions relate to potential tax exposures from open enquiries. The Directors use external tax advisors to arrive at their decisions regarding these estimates. The final position taken by a tax authority could differ from the estimates made by the Directors which could impact the liability recognised on the balance sheet which is £1.2m (2016: £1.2m). As explained in note 9 the open enquiries are expected to be settled within a year. The amount provided is at the upper end of the range of possible outcomes and we do not anticipate the final settlement significantly exceeding the amount recognised.

32 Acquisition of Kuhlmann Befestigungselemente GmbH & Co. KG ('Kuhlmann')

Please note all figures below are as disclosed in the 31 March 2016 Annual Report. Therefore the figures in sterling are using applicate exchange rates relating to the year ended 31 March 2016.

On 1 October 2015, the Group acquired Kuhlmann for a total consideration of €8.5m (£6.2m). The initial amount of €6.8m (£4.9m) was paid on completion in cash and €0.04m (£0.03m) was satisfied by the allotment of 29,350 ordinary shares in the Company. Consideration of €1.7m (1 October 2015: £1.2m, 31 March 2016: £1.3m) was deferred for 12 months with payment made in September 2016. The cash consideration was met from the Group's existing bank facilities.

The Group is investing in Kuhlmann to further develop the opportunities in the German market and the acquisition of Kuhlmann was earnings enhancing in the first full year of ownership.

Based in Verl, close to Bielefeld, Germany, Kuhlmann was founded in 1996 and employs 18 staff. It is a well-respected highly efficient distributor of industrial fastenings within the domestic German market. Its emphasis is on delivering high quality products and services to its well-established longstanding customer base in the principal sectors of machinery and plant engineering, sheet metal processing and industrial. Kuhlmann's management team and previous owners, Frank Niggebrügge, Eric Hütter and Peter Henning, continue to run the business with the support of the operational management team and staff who will remain within the business.

For the year ended 31 December 2014, Kuhlmann reported revenue of €6.7m (£5.4m) and profit before tax of €1.7m (£1.4m). Gross assets at the same date were €1.4m (£1.1m).

In the six months since acquiring Kuhlmann to 31 March 2016, the subsidiary contributed £0.5m to the consolidated underlying operating profit for the year and £2.5m to the Group's revenue. If the acquisition had occurred on 1 April 2015, Group revenue would have increased by an estimated £2.4m and consolidated operating profit would have been increased by an estimated £0.6m. In determining these amounts management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same as if the acquisition had occurred on 1 April 2015.

The acquisition had the following effects on the Group's assets and liabilities.

	Provisional fair value disclosed^ £000	Adjustments to provisional fair values £000	Recognised fair value £000
Property, plant and equipment	176	(2)	174
Intangible assets	3,651	—	3,651
Inventories	463	(6)	457
Trade and other receivables	420	3	423
Cash and cash equivalents	583	—	583
Trade and other payables	(297)	(18)	(315)
Deferred tax liabilities	(1,011)	1,011	—
Net identifiable assets and liabilities	3,985	988	4,973
Consideration paid:			
Initial cash price paid	4,897	—	4,897
Equity instruments issued	31	—	31
Deferred consideration at fair value	1,232	—	1,232
Total consideration	6,160	—	6,160
Goodwill on acquisition	2,175	(988)	1,187

^ These amounts were disclosed in the Half Yearly Financial Report for the six months ended 30 September 2015

32 Acquisition of Kuhlmann Befestigungselemente GmbH & Co. KG ('Kuhlmann') (continued)

The fair value of trade receivables is £0.4m. The gross contractual cash flows to be collected are £0.4m. The best estimate at acquisition date of the contractual cash flows not to be collected is £nil.

The values previously disclosed in the Half Yearly Financial Report were provisional and were given for information purposes only since the acquisition was completed so close to 30 September 2015. An in-depth analysis has now been completed and led to adjustments to provisional fair values as disclosed in the table above. As part of this analysis it was identified that a tax deduction can be obtained locally for amortisation relating to acquired intangibles. Therefore on acquisition there was no temporary difference between the tax base and accounting net book value of these assets and hence no deferred tax liability was recognised.

Intangible assets that arose on the acquisition include the following:

- £3.3m of customer relationships, with an amortisation period deemed to be 10 years
- £0.4m of other intangibles, with an amortisation period deemed to be under 1 year

Goodwill is the excess of the purchase price over the fair value of the net assets acquired. Locally a tax deduction is available for Goodwill which is amortised over 15 years. It mostly represents potential synergies, e.g. cross-selling opportunities between Kuhlmann and the Group, and Kuhlmann's assembled workforce.

Effect of acquisition

The Group incurred costs of £0.26m in relation to the acquisition of Kuhlmann which have been included in administrative expenses in the Group's consolidated statement of comprehensive income and form part of separately disclosed items, see note 2. The foreign exchange losses of £0.55m made on the €1.7m deferred consideration and €6.8m external loan are part of the Group's net investment hedging and therefore have been recognised in the exchange reserve.

33 Trifast plc subsidiaries

Name	Country of incorporation or registration	Issued and fully paid share capital	Principal activity
Europe			
Trifast Overseas Holdings Ltd	United Kingdom	£112	Holding Company
Trifast Holdings B.V.	Netherlands	€18,428	Holding Company
TR Fastenings Ltd	United Kingdom	£10,200	Manufacture and distribution of fastenings
TR Southern Fasteners Ltd	Republic of Ireland	€254	Distribution of fastenings
TR Norge AS	Norway	NOK 300,000	Distribution of fastenings
TR Miller Holding B.V.	Netherlands	€45,378	Distribution of fastenings
Lancaster Fastener Company Ltd	United Kingdom	£40,000	Distribution of fastenings
TR Fastenings AB	Sweden	SEK 1,500,000	Distribution of fastenings
TR Hungary Kft	Hungary	HUF 68,257,300	Distribution of fastenings
TR Fastenings Poland Sp. Z o.o	Poland	PLN 50,000	Distribution of fastenings
Viterie Italia Centrale SPA	Italy	€187,200	Manufacture and distribution of fastenings
VIC Sp. Z o.o.	Poland	PLN 50,000	Distribution of fastenings
TR Kuhlmann GmbH	Germany	€25,000	Distribution of fastenings
TR Fastenings España - Ingenieria Industrial, S.L.	Spain	€3,085	Distribution of fastenings
Asia			
TR Asia Investment Holdings Pte Ltd	Singapore	S$4	Holding Company
TR Formac Pte Ltd	Singapore	S$315,000	Manufacture and distribution of fastenings
TR Formac (Malaysia) SDN Bhd	Malaysia	MYR 480,000	Manufacture and distribution of fastenings
TR Formac (Shanghai) Pte Ltd	China	US$200,000	Distribution of fastenings
Special Fasteners Engineering Co Ltd	Taiwan	TW$100,000,000	Manufacture and distribution of fastenings
TR Formac Fastenings Private Ltd	India	INR 18,850,000	Distribution of fastenings
Power Steel & Electro-Plating Works SDN Bhd	Malaysia	MYR 4,586,523	Manufacture and distribution of fastenings
TR Formac Co. Ltd	Thailand	THB 20,000,000	Distribution of fastenings
Americas			
TR Fastenings Inc	USA	US$1,168,063	Distribution of fastenings
Dormants			
Trifast Systems Ltd	United Kingdom	£100	Dormant
Ivor Green (Exports) Ltd	United Kingdom	£5,000	Dormant
Charles Stringer's Sons & Co.Limited	United Kingdom	£18,000	Dormant
Fastech (Scotland) Ltd	United Kingdom	£100	Dormant
Micro Screws & Tools Ltd	United Kingdom	£1,000	Dormant
Trifast International Ltd	United Kingdom	£2	Dormant
Rollthread International Ltd	United Kingdom	£10,000	Dormant
TR Group Ltd	United Kingdom	£100	Dormant
Fastener Techniques Ltd	United Kingdom	£73,939	Dormant
Trifix Ltd	United Kingdom	£100	Dormant
Serco Ryan Ltd	United Kingdom	£3,000	Dormant
TR Europe Ltd	United Kingdom	£2,500	Dormant
Trifast Qualifying Employee Share Ownership Trustee Ltd	United Kingdom	£2	Dormant
KNH Verwaltungs GmbH	Germany	€1	Dormant

The only changes in ownership during the year were due to the addition of *TR* Fastenings España - Ingenieria Industrial S.L. and the transfer in ownership of *TR* Fastenings Inc to *Trifast* Overseas Holdings Ltd from *Trifast* Plc.

All of the above subsidiaries have been included in the Group's financial statements.

Percentage of ordinary shares held		
Group	Company	Office Address
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	—	Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands
100%	—	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	—	Mallow Business & Technology Park, Mallow, Co. Cork, P51 HV12, Republic of Ireland
100%	—	Masteveien 8, NO-1481 Hagan, Norway
100%	—	Kelvinstraat 5, 7575 AS, Oldenzaal, Netherlands
100%	—	Stevant Way, Northgate, White Lund Industrial Estate, Morecambe, LA3 3PU, UK
100%	—	Box 4133, Smedjegatan 6, 7tr, SE-131 04 Nacka, Sweden
100%	—	Szigetszentmiklós, Leshegy út 8, 2310 Hungary
100%	100%	Al Jerozolimskie 56c, 00-803 Warszawa, Poland
100%	—	Via Industriale, 19, 06022 Fossato Di Vico (PG), Italy
100%	—	Wroclaw, ul Wiosenna 14/2, Poland
100%	—	Lerchenweg 99, 33415 Verl, Germany
100%	—	Calle De La Cilencia 43, Viladecans, Barcelona, CP 08840, Spain
100%	—	57 Senoko Road, Singapore 758121
100%	—	57 Senoko Road, Singapore 758121
100%	—	1 & 3 Lorong Iks Juru 11, Taman Industri Ringan Juru, 14100 Simpang Ampat, Seberang Perai (S), Pulau Pinang, Malaysia
100%	—	No. 1222, JinHu Road, Pudong, Shanghai, PR China. 201206
100%	—	9F.-3 No. 366, Bo Ai 2nd Rd., Kaohsiung 81358, Taiwan, R.O.C
100%	—	Plot No:180, Door No:2, 10th Cross Street, Mangala Nagar, Porur, Chennai-600 116, India
100%	—	Jalan Pengapit 15/19, Section 15, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia
100%	—	29/1, Piya Place Langsuan, 6th Floor, Unit no.6H, Soi Langsuan, Ploenchit Rd., Lumpini, Patumwan, Bangkok 10330 Thailand
100%	—	11255 Windfern Road, Houston, TX. 77064
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	International House, Stanley Boulevard, Hamilton Intnl Technology Park, Blantyre, Glasgow, Scotland, G72 0BN
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
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100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	—	Lerchenweg 99, 33415 Verl, Germany

34 Alternative Performance Measures

The Annual Report includes both GAAP measures and Alternative Performance Measures (APMs). The latter of which are considered by management to better allow the readers of the accounts to understand the underlying performance of the Group. A number of these APMs are used by management to measure the KPIs of the business (see pages 28 and 29 for Key Performance Indicators) and are therefore aligned to the Group's strategic aims. They are also used at Board level to monitor financial performance throughout the year.

The APMs used in the Annual Report (including the basis of calculation, assumptions, use and relevance) are detailed in note 2 (underlying profit before tax, EBITDA and underlying EBITDA) and below.

- Constant Exchange Rate (CER) figures

These are used predominantly in the Business review and give the readers a better understanding of the performance of the Group, regions and entities from a trading perspective. They have been calculated by translating the 2017 income statement results (of subsidiaries whose presentational currency is not sterling) using FY2016 average annual exchange rates to provide a comparison which removes the foreign currency translational impact. The impact of translational gains and losses made on non-functional currency net assets held around the Group have not been removed.

- Underlying diluted EPS

A key measure for the Group as it is one of the measures used to set the Directors' variable remuneration, as disclosed in the Directors' remuneration report. The calculation has been disclosed in note 25.

- Return on capital employed (ROCE)

Return on capital employed is a key metric used by investors to understand how efficient the Group is with its capital employed. The calculation is detailed in the Glossary on page 145. The numerator is underlying EBIT which has been reconciled to operating profit below. Note 2 explains why the separately disclosed items have been removed to aid understanding of the underlying performance of the Group.

	Note	**2017 £000**	2016 £000
Underlying EBIT/Underlying operating profit		**21,018**	16,793
Separately disclosed items within administrative expenses			
IFRS2 share based payment charge	22	**(1,512)**	(1,687)
Acquired intangible amortisation		**(1,273)**	(974)
Net acquisition costs	32	**—**	(264)
Profit on sale of fixed assets		**195**	—
Costs on exercise of executive share options		**(567)**	—
Operating profit		**17,861**	13,868

- Normalised net debt

The calculation, assumptions, use and relevance are disclosed in the net debt section of the Business review on page 36.

- Underlying cash conversion as a percentage of underlying EBITDA

This is another key metric used by investors to understand how effective the Group were at converting profit into cash. Since the underlying cash conversion is compared to underlying EBITDA, which has removed the impact of IFRS2 share based payment charges (see note 2), the impact of these have also been removed from the underlying cash conversion. The adjustments made to arrive at underlying cash conversion from cash generated from operations are detailed below. To reconcile operating profit to underlying EBITDA, see note 2.

	2017 £000	2016 £000
Underlying cash conversion	**22,249**	15,873
Costs on exercise of executive share options	**(567)**	—
Movement in trade payables due to exercise of share options	**1,205**	—
Cash generated from operations	**22,887**	15,873

34 Alternative performance measures (continued)

- Underlying effective tax rate

This is used in the underlying diluted EPS calculation. It removes the tax impact of separately disclosed items in the year to arrive at a tax rate based on the underlying profit before tax.

One off tax adjustments have also been removed from the calculation as they are unlikely to repeat and therefore do not reflect recurring trading performance. In FY2017 the one-off adjustment relates to a deferred tax asset not recognised for losses in the year due to significant tax deductions available from the exercise of executive share options. In FY2016 the adjustment related to the recognition of deferred tax assets in *TR* Fastenings Inc on the grounds that recovery was considered probable.

	2017 Profit impact £000	**Tax impact £000**	**ETR %**	2016 Profit impact £000	Tax impact £000	ETR %
Profit before tax	**17,340**	**(4,642)**	**26.8%**	13,077	(2,852)	21.8%
Separately disclosed items	**3,157**	**(192)**	**6.1%**	2,925	(1,132)	38.7%
Underlying profit before tax	**20,497**	**(4,834)**	**23.6%**	16,002	(3,984)	24.9%

SHAREHOLDER INFORMATION

INVESTOR PERCEPTION STUDY

Ian Robinson
DuplexIR

DuplexIR investor perceptions report for *Trifast* plc

As part of its compliance with the UK Governance Code, *Trifast* engaged DuplexIR to undertake an investor perceptions study. The broader purpose of the study was to ensure that *Trifast*'s directors, both executive and non-executive had a full and clear understanding of how the investment community views and understands *Trifast*. At a more detailed level the objectives were to:

- Examine how the equity market understands *Trifast*'s operations, finances and strategy – considering in greater detail the mix between manufacturing and distribution, and also the role that acquisitions play
- Understand how the market views *Trifast* as an investment – to understand whether all areas of value are being appreciated, that broader expectations are not unrealistic, and that areas of risks and uncertainty are not being ignored
- Review how investors and analysts regards management and their performance
- Consider what can be done to improve investor communications and shareholder engagement

The study was conducted over a period of four weeks, from 26 September to 21 October 2016, in two parts. The first part was a web based survey of institutional investors and broking investment analysts using the DuplexIR investor feedback platform. The second was a number of one to one discussions with a selection of these investors and analysts. The questions were set out by DuplexIR, in consultation with the senior management of *Trifast*. Survey responses were obtained from all but two of *Trifast*'s leading active institutional shareholders, seven analysts, and four non-holding institutions. The one to one interviews were conducted with three analysts and three institutional shareholders.

The results of the survey and the one to one conversations suggested that the balance between manufacturing and distribution appears to be well understood by both current investors and analysts. The role of acquisitions within the company also appears to be appreciated. Importantly, there was no evidence that *Trifast* is seen by investor or analysts as simply an industry consolidator. Although current investors and analysts generally expect further acquisitions at some point, the impression was not given that anything was anticipated or demanded or required in the short term. Even though they are not seen as a necessary part of the business model, acquisitions are clearly seen as part of the longer term investment case, and something that management are good at.

With regard to how the investor and analysts assess the value of *Trifast*, there was a clear bias towards distributors rather than manufacturers as valuation comparators. Manufacturing business are typically more highly valued by institutional investors than distributors and it appears some aspects of *Trifast*'s value could well be being overlooked by the market as a whole. The responses to questions regarding what extra information investors and analysts require also suggest that some aspects of the business, such as the strength of the relationships with customer and value add of working at design stages, might be given greater value by the market, if further supporting evidence was presented.

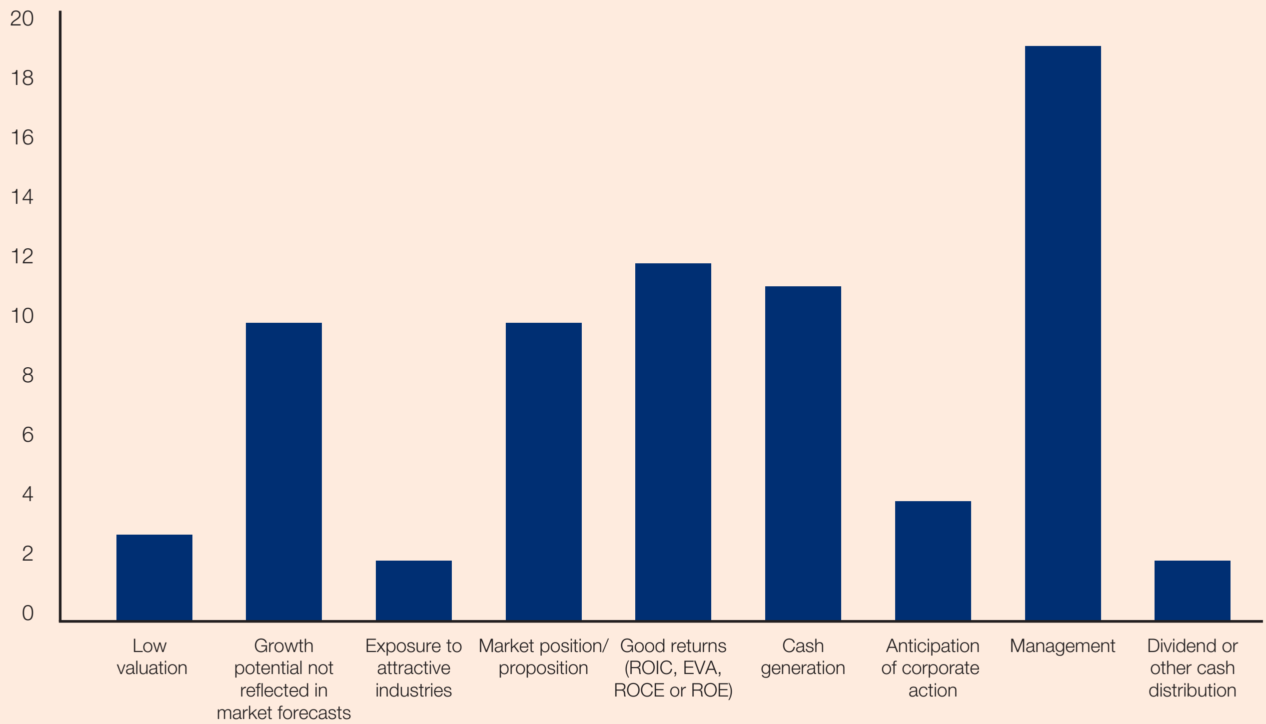
As shown in the chart below, the survey responses showed that the management are one of the main investment attractions of *Trifast* and the one to one discussions reaffirmed this. Perhaps inevitably, given his historical role in the growth and success of *Trifast*, Malcolm Diamond was mentioned more often than the current management in on line comments and one to one discussion. The overall message was that investors and analysts alike were happy to see the baton passed, but a number of participants expressed a wish for Malcolm to remain involved in some way going forward.

Across the survey and interviews there were no significant issues identified with the way that *Trifast* communicates with investors. Those suggestions that there were for improvement in investor relations mainly related to the potential benefits of a capital markets day or site visit, and to the desire for some greater visibility into exactly where *Trifast* is adding value for its customers.

All participants in the study were happy with the amount of access to management and there was a clear view that strategy, operational objectives and guidance have all been well set and communicated in recent years.

"All participants in the study were happy with the amount of access to management and there was a clear view that strategy, operational objectives and guidance have all been well set and communicated in recent years"

Survey question – Which of the following (maximum 5 selections) are key investment attractions of Trifast?



Source: DuplexIR survey

GLOSSARY OF TERMS

AER
Actual Exchange Rate.

Assets
Anything owned by the Company having a monetary value; e.g. fixed assets such as buildings, plant and machinery, vehicles (these are not assets if rented and not owned) and potentially including intangibles such as trademarks and brand names, and current assets, such as inventory, debtors and cash.

Average Capital Employed
Averaged using month-end balances and opening capital employed. Capital employed is the sum of net assets and net debt.

Balance sheet (or Statements of financial position)
These provide a 'snapshot' at a particular date in time of who owns what in the Company, and what assets and debts represent the value of the Company.

The balance sheet is where to look for information about short-term and long-term debts, gearing (the ratio of debt to equity), reserves, inventory values (materials and finished goods), capital assets, cash, and the value of shareholders' funds. The balance sheet equation is:

Capital + Liabilities (where the money came from)
= Assets (where the money is now)

CAGR
Compounded Annual Growth Rate.

Cash flow
The movement of cash in and out of a business from day-to-day direct trading and other non-trading effects, such as capital expenditure, tax and dividend payments.

Category 'C' components
Low value components that are wrapped up into our supply proposition for a customer.

CER
Constant Exchange Rate.

Current assets
Cash and anything that is expected to be converted into cash within 12 months of the balance sheet date. For example debtors or inventory.

Current liabilities
Money owed by the business that is generally due for payment within 12 months of balance sheet date. For example: creditors, bank overdrafts or tax.

Depreciation
The proportion of cost relating to a capital item, over an agreed period, (based on the useful life of the asset), for example, a piece of equipment costing £10,000 having a life of five years might be depreciated over five years at a cost of £2,000 per year.

This would be shown in the income statement as a depreciation cost of £2,000 per year; the balance sheet would show an asset value of £8,000 at the end of year one, reducing by £2,000 per year; and the cash flow statement would show all £10,000 being used to pay for it in year one.

Dividend
A dividend is a payment made per share, to a company's shareholders and is based on the profits of the year, but not necessarily all of the profits. Normally a half year dividend is recommended by a company board whilst the final dividend for the year is proposed by the board of directors and shareholders consider and vote on this at the Annual General Meeting.

Dividend Cover
Underlying diluted earnings per share over proposed dividend per share in the year.

Earnings before
There are several 'Earnings before…..' ratios. The key ones being:

- PBT — Profit/earnings before taxes
- EBIT — Earnings before interest and taxes
- EBITDA — Earnings before interest, taxes, depreciation, and amortisation
- Underlying — Profit before separately disclosed items (see note 2)

Earnings relate to operating and non-operating profits (e.g. interest, dividends received from other investments).

GAAP
Generally Accepted Accounting Practice.

Gearing
The ratio of debt to equity, usually the relationship between long-term borrowings and shareholders' funds.

Goodwill
Any surplus money paid to acquire a company that exceeds its net assets fair value.

ICAEW
Institute of Chartered Accountants in England & Wales.

Intellectual Property ('IP')
This is an intangible asset such as a copyright or patent.

Copyright is the exclusive right to produce copies and to control an original work and is granted by law for a specified number of years.

A patent is a government grant to an inventor, assuring the inventor the sole right to make, use and sell an invention for a limited period.

Multinational OEMs
We use this term to include all Original Equipment Manufacturers (OEMs), Tier 1 suppliers in the automotive sector and relevant key sub-contractors in the other sectors we service.

P/E ratio (price per earnings)
The P/E ratio is an important indicator as to how the investing market views the health, performance, prospects and investment risk of a plc. The P/E ratio is arrived at by dividing the share price by the underlying diluted earnings per share.

Profit
The surplus remaining after total costs are deducted from total revenue.

Profit and loss account (P&L) (or income statement)
The P&L shows how well the company has performed in its trading activities and would cover a trading account for a period.

The P&L shows profit performance and typically shows sales revenue, cost of sales/cost of goods sold, generally a gross profit margin, fixed overheads and/or operating expenses, and then a profit before tax figure ('PBT').

Retained profit/earnings
Business profit which is after tax and dividend payments to shareholders; retained by the business and used for reinvestment.

Reserves
The accumulated and retained difference between profits and losses year-on-year since the company's formation.

Return on capital employed ('ROCE')
A fundamental financial performance measure. A percentage figure representing profit before interest and tax against the money that is invested in the business.

Underlying EBIT ÷ average capital employed (net assets + net debt) × 100 = ROCE

Statements of cash flow
The statements of cash flows show the movement and availability of cash through and to the business over a given period. For any business 'cash is king' and essential to meet payments for example to suppliers, staff and other creditors.

Share capital
The balance sheet nominal value paid into the company by shareholders at the time(s) shares were issued.

Shareholders' funds
A measure of the shareholders' total interest in the company, represented by the total share capital plus reserves.

Trademark
The name or a symbol used by a manufacturer or dealer to distinguish its products from those of competitors. A registered trademark is one that is officially registered and legally protected.

Working capital
Current assets less current liabilities, representing the required investment, continually circulating, to finance inventory, debtors, and work in progress.

FIVE YEAR HISTORY

Five year history - 'A growth story'

	2013	2014	2015	2016	2017
Revenue	£121.5m	£129.8m	£154.7m	£161.4m	**£186.5m**
GP%	26.0%	27.7%	29.0%	29.7%	**31.1%**
Underlying operating profit*	£8.0m	£9.7m	£15.3m	£16.8m	**£21.0m**
Underlying operating profit margin*	6.6%	7.5%	9.9%	10.4%	**11.3%**
Operating profit	£7.2m	£9.4m	£12.8m	£13.9m	**£17.9m**
Operating profit margin	5.9%	7.2%	8.3%	8.6%	**9.6%**
Underlying EBITDA*	£9.2m	£10.8m	£16.5m	£18.2m	**£22.9m**
Underlying PBT*	£7.3m	£9.2m	£14.3m	£16.0m	**£20.5m**
PBT	£6.4m	£8.9m	£11.8m	£13.1m	**£17.3m**
Underlying ROCE %*	12.1%	16.3%	18.6%	18.5%	**19.9%**
Dividend per share	0.80p	1.40p	2.10p	2.80p	**3.50p**
Dividend increase %	60.0%	75.0%	50.0%	33.3%	**25.0%**
Dividend cover*	5.9×	4.3×	4.1×	3.6x	**3.7x**
Underlying diluted EPS*	4.73p	5.95p	8.68p	9.99p	**12.82p**
Diluted EPS	4.18p	5.76p	7.07p	8.50p	**10.40p**
Net debt	£5.2m	(£2.0m)	£13.4m	£16.0m	**£6.4m**
Underlying cash conversion % of underlying EBITDA*	85.3%	109.5%	50.2%	88.9%	**97.3%**
Share price at 31 March	57p	87p	103p	127p	**211p**

* Before separately disclosed items, see note 2

COMPANY AND ADVISERS

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FINANCIAL CALENDAR

AGM	**27 July 2017**
Final dividend payment date	**13 October 2017**
Half-yearly results	**November 2017**
Trading update	**February 2018**
Financial year end	**31 March 2018**
Pre-close trading update	**April 2018**
Preliminary results	**June 2018**

Trifast plc

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