Trifast plc

Annual report
for the year ended 31 March 2018

Celebrating 45 years
Holding the world together
est. 1973

Celebrating 45 years

Holding the world together

est. 1973

The Group continues to go from strength to strength, all thanks to our dedicated and skilled management and staff who, from humble beginnings, are now c. 1,300 colleagues working in 31 divisions in 18 countries across three continents

Contents

1973-1983

1973
TR Fastenings in Uckfield, UK established by Mike Timms and Mike Roberts

First UK in-house manufacturing facility established and the Hank name purchased
1976

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

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

1984-1995

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

1993
Acquired Fastener Techniques (UK)

1994
Obtained a full listing on the London Stock Exchange

Acquired Southern Industrial Fasteners (Southern Ireland)
1994

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

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

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

Acquired FCF (Sweden)
1999

2000
Set up greenfield distribution site in Hungary

Acquired SFE (Taiwan)
2001

1996-2007

2008-2018

2003
Acquired the globally recognised trademark of Pozidriv

2005
Acquired Serco Ryan (UK)

2009
Business restructured and new strategy implemented

2011
Acquired PowerSteel and Electro-Plating Works (Malaysia)

2014
Acquired Viterie Italia Centrale (Italy)

2015
Acquired Kuhlmann Befestigungselemente (Germany)

2016
Set up greenfield distribution site in Spain

2018
Acquired PTS, East Grinstead, UK

The growth story is set to continue…

- Organically and through our proactive acquisition strategy
- Further strengthening of our geographical, products and technical capabilities
- Innovation – being at the forefront of fastener development
- Continue to add value and differentiate
- Investing in our people, plant and digital infrastructure

Trifast plc

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

Our 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

Design and application engineering expertise providing fastener solutions to customer application problems

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

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

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

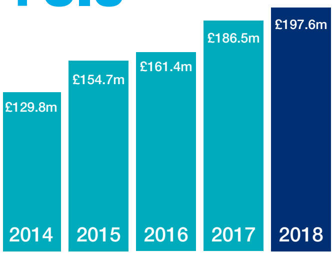
A strong balance sheet and flexible banking facilities provide the confidence to invest for growth

Progressive dividend policy and creating shareholder value

Financial highlights

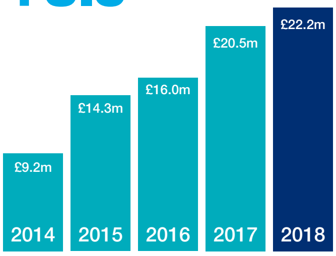
Revenue

+6.0%



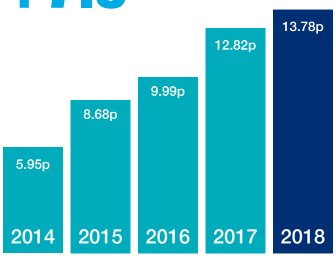
Underlying profit before tax*

+8.5%



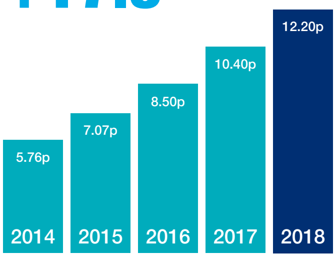
Underlying diluted earnings per share*

+7.5%



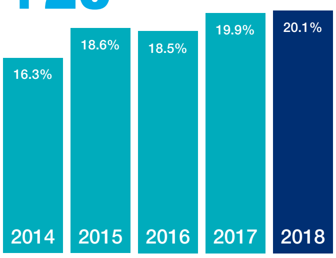
Diluted earnings per share

+17.3%



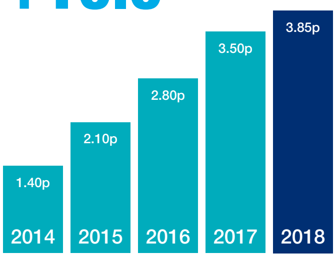
Return on capital employed*

+20 bps



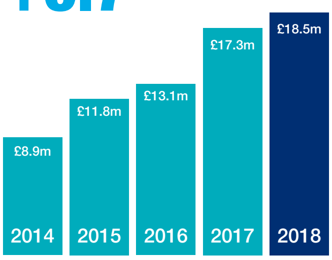
Dividend per share

+10.0%



Profit before tax

+6.7%



* Before separately disclosed items (see note 2 in the financial statements). The relevance of these measures and calculations are also discussed in note 2, note 25 and the glossary on page 160. For reconciliations to equivalent GAAP measures, please see note 34 in the financial statements and the five year history on page 162.

Operational highlights

The investment driven growth story continues . . .

- Total revenue increase of 6.0% at Actual Exchange Rate (AER), 4.0% at Constant Exchange Rate (CER)
- Sales to multinational OEMs contribute over 65% of Group turnover
- At 30.5% gross margin remains 50bps above target
- Underlying profit before tax increased 8.5% at AER, 5.4% at CER
- Total dividend of 3.85p, an increase of 10% on the prior year
- An investment of up to £15.0m to transform our IT infrastructure and business processes has been approved, underpinning our future growth and generating an estimated ROI of >25% p.a. at the point of full realisation
- Targeted warehouse expansions support double digit growth in key locations
- Capital investment rises to £3.7m, increasing our manufacturing capacity and capabilities
- Precision Technology Supplies (PTS), a key distributor of stainless steel fastenings in the UK, acquired on 4 April 2018, expected to be earnings enhancing in FY2019

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

Visit our technical and commercial site **www.trfastenings.com**

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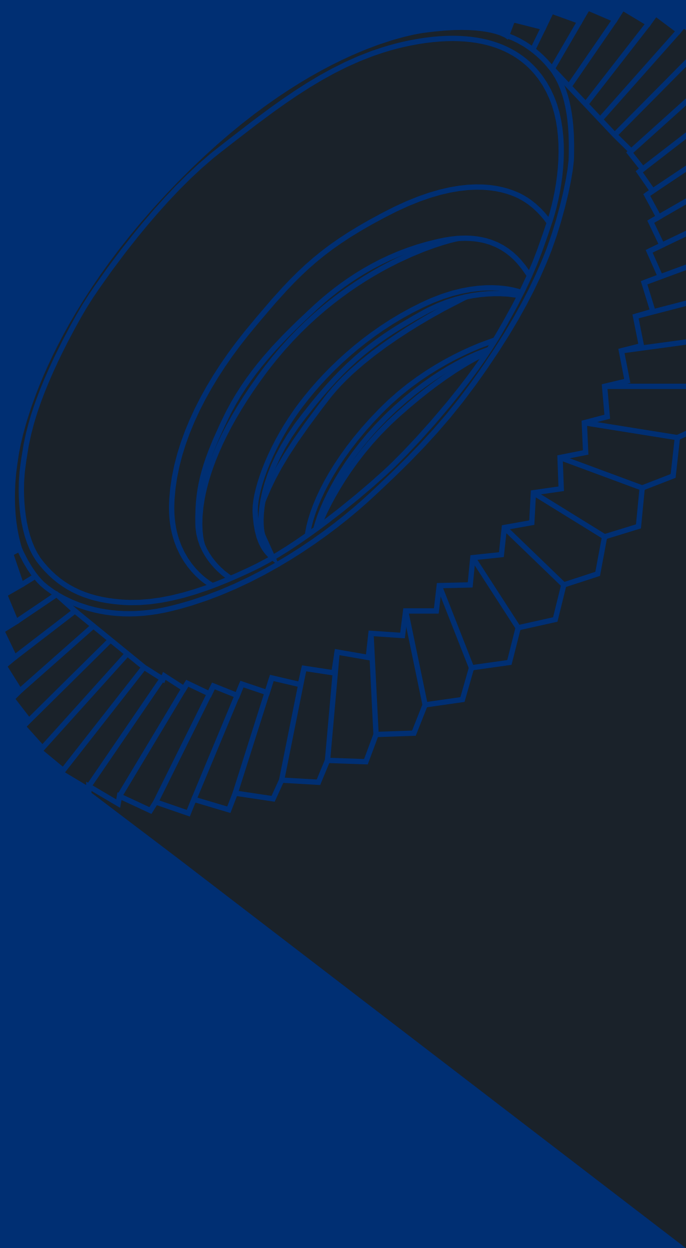
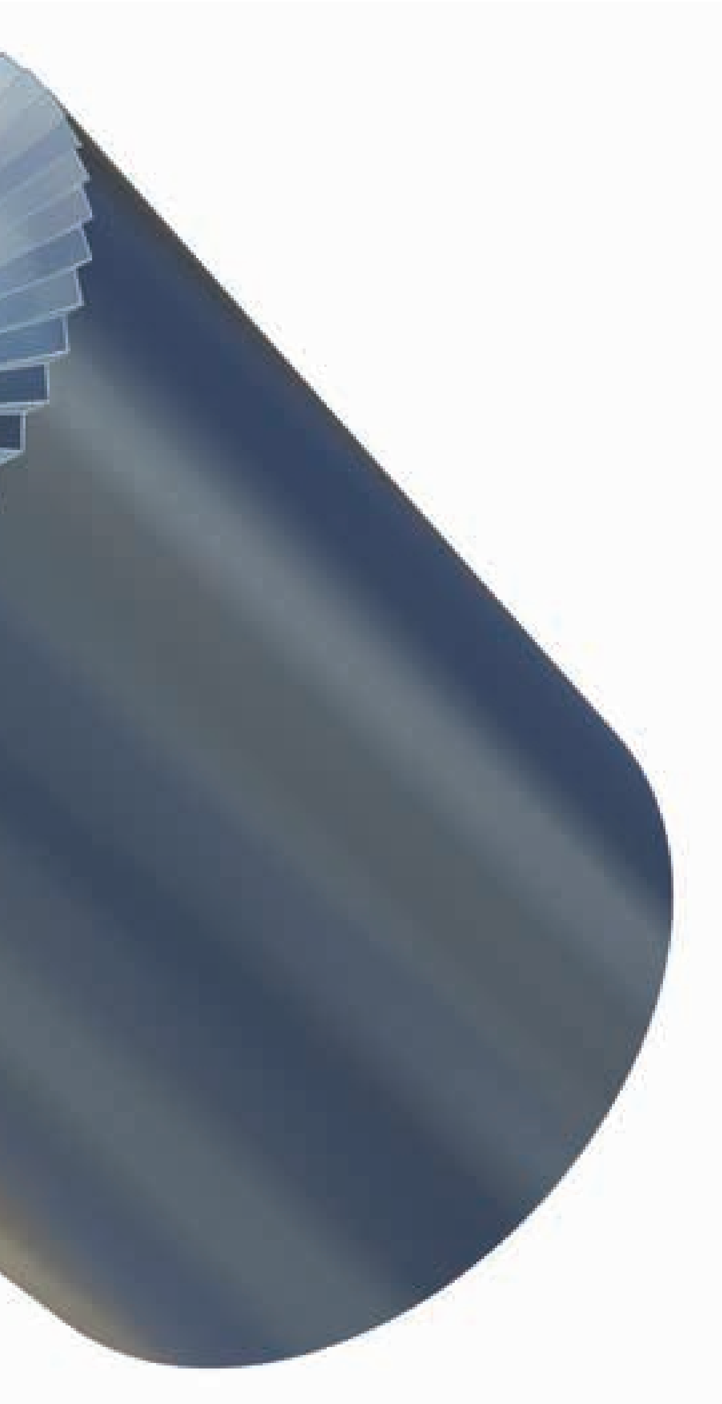
tr-fastenings

Strategic report





Contents

TR – recognised as a market leader and global brand

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.

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 ... ?

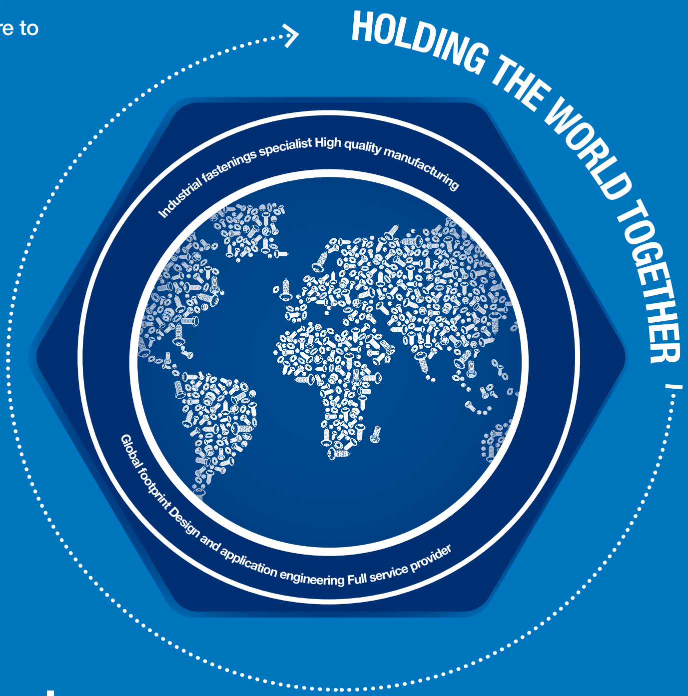
Could you:

- 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 45 years.

We quite literally have been:



'holding the world together'


PSEP

The world of *Trifast*

Our sites are based in 31 global locations:

UK
Belfast
Birmingham
East Grinstead*
East Kilbride
Manchester
Newton Aycliffe
Poole
Uckfield
Lancaster

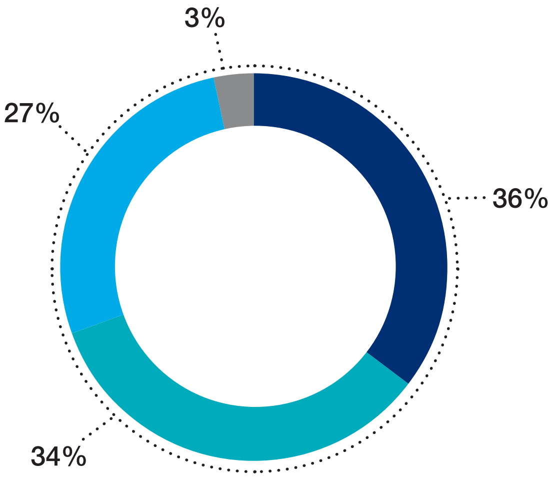
Europe
Germany – Verl
Holland – Oldenzaal
Hungary – Szigetszentmiklos
Ireland – Mallow
Italy – Fossato di Vico
Norway – Skytta
Poland – Warsaw
Spain – Barcelona
Sweden – Nacka, Tidaholm & Gothenburg

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

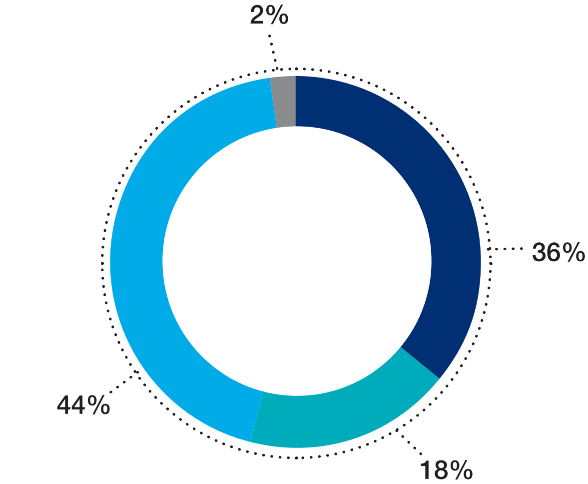
USA
Houston

* PTS acquisition on 4 April 2018

Revenue by region (including intercompany revenues)

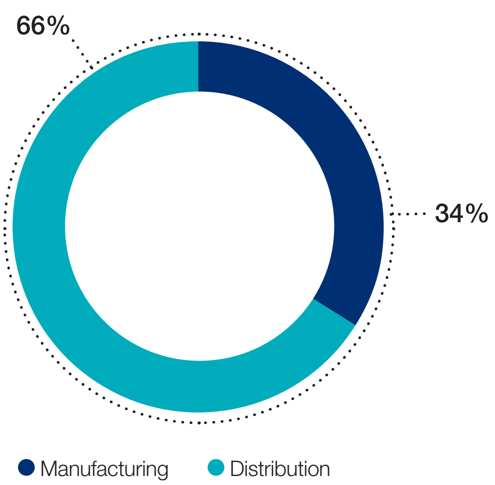


Employees by region

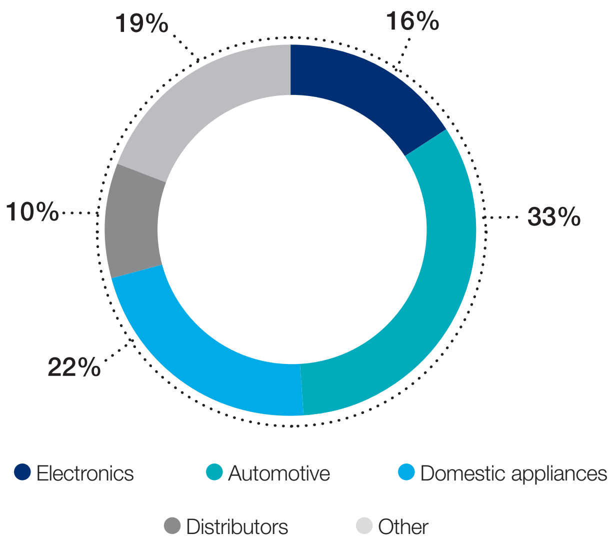


UK · Europe · Asia · USA

Manufacturing & distribution



Customer sectors



"As we acknowledge yet another strong, progressive and profitable year for Trifast, I would like to offer my sincere thanks, admiration and gratitude to all our colleagues across our various locations within our Group

Chairman's letter

A solid record of delivering growth

Dear Shareholder

The commercial, political and macro-economic uncertainties of this year have dominated all news media in such an unrelenting negative stream that any semblance of positive news seems to have been all but eclipsed.

However, as can be demonstrated within this report, global manufacturing (upon which *Trifast* relies for its continuing annual growth) has steadily flourished in the UK, Europe, Asia and North America, thus supporting the rationale for, and subsequently reinforcing, our decision to make extensive capital and personnel investment across our entire customer service network over the last couple of years.

Our solid record of delivering organic revenue growth in recent times has provided the financial strength and confidence to underpin the teams' judgement that this is the optimum time in our development to further strengthen our operating, manufacturing and digital platforms across the world.

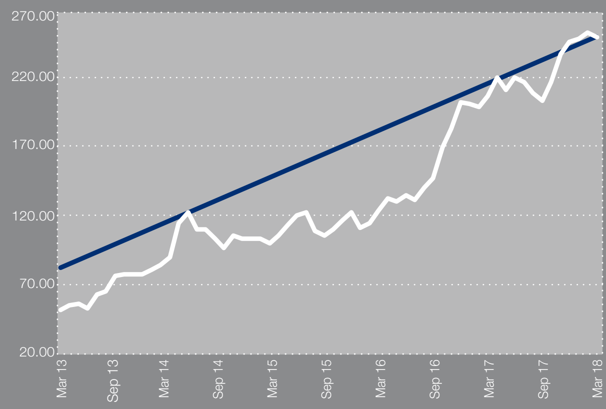
With over 65% of revenue deriving from multinational OEMs, we have carefully examined what will continue to differentiate *Trifast* from our competitors going forward and maintain our growth momentum.

In addition to our excellent service levels and high quality products, we have identified specialist worldwide sourcing together with technical development for customer new designs through in-house engineering and production resources, as "must haves" within our service offering, all of which should future proof the *Trifast* business.

To fully coordinate these facilities into a one-stop service offering on a global scale, there has to be an integrated management information system (MIS). This is where Project Atlas, our significant investment in our IT infrastructure and business processes, comes in so that a customer who requires identical components for their assembly plants in say China, Germany or the US can rely on just one of our customer support teams based, for example, in Holland or Sweden, to organise the entire supply and traceability function. This will ensure consistency for our customers who assemble identical equipment in their geographically spread plants. Likewise, our aim is to enable our procurement managers based, say in Italy, to be able to pinpoint an actual individual *TR* factory machine within the Group, that has the optimum capacity at that moment in time to quickly satisfy an urgent customer order, rather than the traditional process which is to quote an average delivery time based on the entire factory loading (typically some six to eight weeks). This is where our markets are looking and so *Trifast* must be ready.

All these initiatives are aimed at *Trifast* remaining widely acknowledged by the market as being truly world class. However, no financial business investment will provide a realistic return without the support of its people – which in turn can only come

Share price (p)



from consistent care and attention, complemented by motivation and appropriate training provided by our team leaders.

Therefore we have grown our HR team to ensure a strong focus, which this year, for the first time, has included a Group wide staff survey, further details are contained on page 28.

Following recent publicity about large scale outsourcing providers, I am extremely reassured by our preference to retain key company functions within the Group. This is reflected in our culture, which shareholders recognise, which is very robust in developing skills in-house. This is clearly demonstrated through our first-class specialists who manage our IT, HR, Quality and Marketing functions for the entire Group with very little recourse for external help.

As we acknowledge yet another strong, progressive and profitable year for *Trifast*, I would like to offer my sincere thanks, admiration and gratitude to all our colleagues across the various locations within our Group who have fully displayed their commitment and abilities against the stretching challenges set by the Board on behalf of all our shareholders.

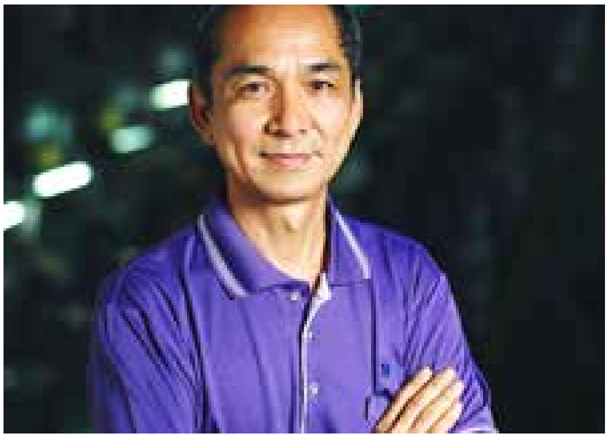
Finally, on behalf of all stakeholders, I would like to thank all staff for their hard work and dedication and congratulations on another year of great achievement.

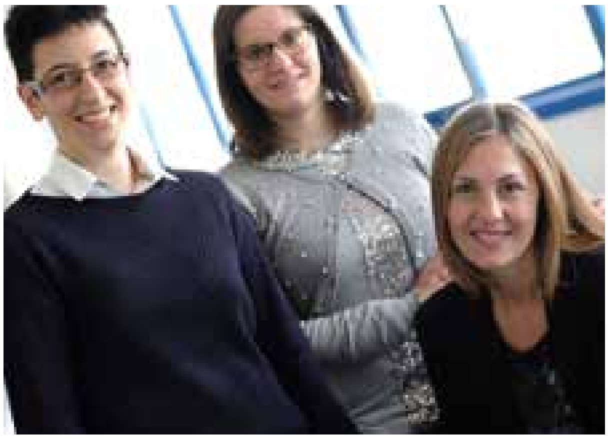
Malcolm Diamond MBE

Malcolm Diamond MBE
Chairman
11 June 2018

Trifast culture

The *Trifast* core values are at the forefront of our activities and our relationships with our colleagues. Employees across all of our locations are aware of *TR* values and these form part of our performance management system across the Group





Core values

T — **Trust**

R — **Respectful** of each others' abilities

I — **Integrity** / open & honest

F — **Fairness**

A — **Adding** value and embedding quality in everything we do

S — **Striving** to achieve excellence / continual improvement

T — **Team** player acting for the good of the Group, recognising the bigger picture

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P — **People** focused / handling with empathy

L — **Leadership** giving the empowerment to employees to take responsibility for their own actions

C — **Commercially** minded / entrepreneurial & innovative

Our people continued

The lead team

1
Geoff Budd
Commercial Director &
European Managing Director
(retired from the Board 31 March 2018)

2
Glenda Roberts
Group Sales Director

3
Clare Foster
Chief Financial Officer

4
Mark Belton
Chief Executive Officer

5
Malcolm Diamond MBE
Non-Executive Chairman

6
Neil Warner
Senior Independent
Non-Executive Director

7
Jonathan Shearman
Independent Non-Executive
Director

8
Scott Mac Meekin
Independent Non-Executive
Director

Read the **Director's biographies** on pages 72 and 73

Specialisation and focus

– the keys to success

Recently, Geoff Budd represented *TR* at a global fastener forum in Taiwan and he addressed a global audience of manufacturers, distributors, customers and suppliers from across the industrials space. This summarises Geoff's address:

"The evolution of the Taiwanese fastener industry also mirrors the development of *TR*.

In the 1980's I attended the original Taiwanese fastener show in Taipei. It gave an opportunity to see numerous potential suppliers in a short space of time. It became clear that there were several traders, some large producers and many small manufacturers. The traders played a crucial role at the time, offering overseas customers a variety of products, from a network of smaller producers who, for the most part depended on the language skills and international knowledge the traders had gained, to enable them to export. For many in the Taiwan industry at the time, this forum opened the supply base in Taiwan, providing new information on many potential suppliers and making price comparisons between many factories basically producing the same thing all too easy.

Another major difference between that forum and today's is that many of the then exhibitors have since dramatically developed their businesses. Many of the traders have become leading manufacturers with multiple sites - in Taiwan, China and elsewhere. SFE, acquired by *TR* in 2001, also made that important transition from trader to manufacturer.

Looking at the automotive sector for example, a key market for *TR*. Over time the production of automotive fasteners has become more and more important. In general, just as standard production declined in Europe and moved to Asia – firstly to Japan followed by Taiwan – so market forces and the relentless search for low cost production, have led to China, Malaysia, Philippines, Indonesia, and Vietnam all winning significant shares in the supply of standard fasteners.

Taiwanese manufacturers, and TIFI, recognised it was essential to raise their standard of quality and reliability, particularly to satisfy automotive requirements. Initially, adopting ISO 9000 – 9002 and TS16949, many formed alliances and associations to make higher value, licensed fasteners. This process also raised quality standards - as the requirement of licences had to be attained.

The most successful companies today are those that have become real specialists. That specialism is critical - the depth of knowledge and expertise, technologies and skills to accurately and consistently meet the exacting demands of the automotive industry, which accounts directly or indirectly for more than a quarter of all global fastener demand.

While it is probably the most important, it is not the only driver of specialism. We expect to see Taiwanese producers successfully following similar development routes - a few into aerospace or medical, many more into construction products. What they all have in common is the recognition that in this transparent world, they must stand out from the others – and will only do so in the long term through manufacturing and product excellence, efficiency and productivity.

Within Europe there are still some very profitable and successful companies which provide application solutions, often with high levels of automation. Solutions that take cost out of the joint and improve assembly efficiency.

Another way to achieve success is to make difficult-to-produce parts, by investing in equipment that others do not have; the more complex the part, the greater the added value providing a more sustainable business at higher prices.

At SFE, we have focused on producing high volume automotive parts for customers. We hold several licenses and have invested in production equipment to offer a wide range of capabilities.

In the years to come people in our industry will look back at the products made today and identify the development and evolution that took place. One thing is certain, it will be a different world, already electric vehicles are changing the shape of demand and the machinery needed to make the fasteners required.

Openness and transparency between customer and suppliers, entering a relationship of true mutual trust, ensures the best possible outcomes. *TR* enjoys just such trust relationships with many Taiwanese fastener producers and looks forward to continuing to do so for many, many years.

> ***"We live at a time when reducing the number of vendors is a key objective to many customers. Collaboration with 'trusted partners' is a vital ingredient, working together to achieve the best supply solutions for customers***

Overall, Geoff has served the business for 42 years. Although, relinquishing his PLC duties he remains working with the operational team at *TR* focusing on commercial and technical aspects of the business in the UK, Europe and Asia.

Our people continued

Without our people we would not be able to achieve the results and have the success that we do. All our employees contribute positively to our effectiveness and to our overall performance.

We have c. 1,300 employees based in our 31 locations across the globe, all of whom deliver high quality service, technical expertise and product quality to our customers.

Group

Colin Coddington
Group IT Director

Helen Toole
Group HR Director

Maddy Webb
Director of Quality

Martin Greenwood
Director of Supply Chain Development

Abi Burnett
Head of Marketing

Lyndsey Case
Company Secretary

Dan Griggs
Group Financial Controller

Ian Carlton
Head of Integrated Business Leadership Processes

"We are working within a team that is positive, proactive and brilliant, driving to improve our supply chain through positive communications with the supply base creating information to help our suppliers work smarter. Throughout the business there are innovative ideas, which are discussed and implemented, and people are recognised for their input and achievements

Martin Greenwood
Director of Supply Chain Development

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 Fastener Company

Jason Collyer
Managing Director
Precision Technology Supplies
(acquired 4 April 2018)

"The Lancaster Fastener division of the Trifast Group forms an essential supporting stock interface between the fastener distributor and the Asian manufacturer, reacting largely to the infill demands of the global fastener distribution industry

Sam Wilson
Managing Director
Lancaster Fasteners

USA

Gary Badzioch
Managing Director
USA

Joe Haymes
Strategic Sales Manager
USA

> ***Our team is what TR Fastenings embodies as a strategy; a diverse, energetic team, able to keep up with the global marketplace, leveraging its global footprint while relying on its most important asset, its employees. When someone asks who do you work for, we "all" proudly respond TR Fastenings, our second family***
>
> **Gary Badzioch**
> Managing Director, USA

HK Tan
General Manager
TR Formac, Malaysia

Phua Yong Sang
General Manager
China

Wilson Chen
General Manager
Taiwan

Ping Siong Tong
General Manager
TR PSEP, Malaysia

Victor Cheong
Country Manager
India

David Ng
Country Manager
Thailand

Endy Chin
General Manager
Singapore & Philippines

> ***The best part about being part of a diverse team is having access to a vast compendium of knowledge and experience, granting us opportunities to collaborate on projects by synergising our specialities. As TR Asia expands our business and venture into new markets, our team strives to deliver the high standards of service quality that is associated with the TR brand name***
>
> **Charlie Foo**
> Managing Director, Asia

Hai Joo Toh
Financial Controller
Asian Region

Charlie Foo
Managing Director
TR Asia

Asia

Europe

Geoff Budd
Director
TR Europe

Dara Horgan
Location Head
Ireland

Jan-Erik Storvse
General Manager
Norway

Roberto Bianchi
Managing Director
Sweden

> ***I have worked with TR for over 23 years. A rapidly growing location and an expanding team, I am responsible for all aspects of Southern Ireland, contributing to the Group's success. The Company's mission and objectives have always been clear and transparent. Being part of the TR Group brings its own extensive global resources with the support of manufacturing in the UK, Europe and Asia. The combination of these gives TR Southern Fasteners the edge to supply to a range of small, medium and large Irish manufacturers***
>
> **Dara Horgan**
> Location Head
> Ireland

Ron Vlutters
Managing Director
Holland

Raul Fernandez
Commercial Director
Spain

Frank Niggebrügge
Managing Director
Germany

Peter Henning
Director
Germany

Francesco Cricco
Supply Chain Director
Italy

Karol Gregorczyk
Sales & Development Director
Italy

Zoltan Csengeri
Location Head
Hungary

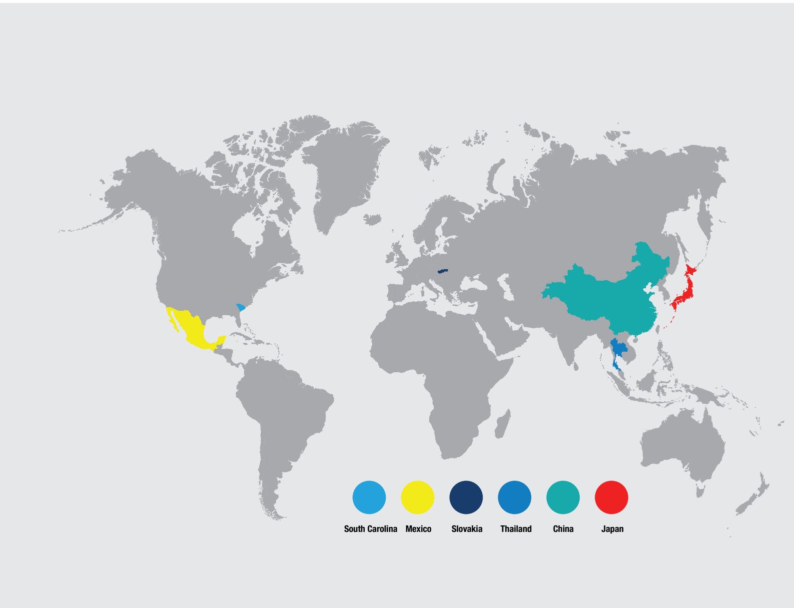
Global marketplace

We have produced another solid year's figures and we are continuing to develop the sectors where we have enjoyed success previously, particularly in our sales to European distributors, global expansion in the automotive sectors and the new market opportunities that are emerging. The next year is going to be anything but dull...

Extending our distributor base

Over the last ten years we have been developing sales to other distributors and extending the range of *TR* Branded products that we manufacture and distribute. This also assists in developing our *TR* brand in the marketplace. Since Brexit we have seen the sales of our products into our European distributors grow robustly. This is due to the quality and service we are able to offer as well as through developing and supporting new distributors in territories including Russia, USA, Israel, Bulgaria, Latvia, Portugal and Finland. We also ensure that we have well managed stock levels available for fast shipment. We have enthusiastic sales teams based in the UK both in Lancaster Fastener and in *TR* Uckfield, who totally understand the needs of this industry sector. The *TR* commodity and product teams support the self-clinch, sheet metal fasteners, security products, the plastics range, and the new enclosure product portfolio giving technical support to the distributors.

> **“*Having our own manufacturing, a global footprint and being in a position to give technical support is a winning formula***



Heat map showing areas of growth for *Trifast*

Key sectors for *TR*

We have routes to market for each of the different sectors we support and make a conscious effort to look after the smaller SME's that are often neglected. We see these as the “acorns to oak trees” and they are a vital part in the promotion of our *TR* Brands. They appreciate the ‘one-stop shop’ approach where they come to *TR* for a comprehensive range of parts that are in stock, supported by a well experienced dedicated team to look after them.

Domestic appliances

We continue to develop sales to the domestic appliances sector, particularly with our Italian company *TR* VIC and in *TR* in Asia. Product development is key in this sector as many companies strive to keep the cost of their product down in the traditional products where competition is fierce. Working with them on product rationalisation or smarter solutions is part of the supply chain offering. However, the new product developments in cordless vacuum cleaners has created a whole new market, and we are fortunate enough to be manufacturing parts for the major brands which has boosted our sales. Additionally, the craze for everyone having their own coffee machine at home or in their workspace has generated additional sales, and once again we are in the major brands which has created a new and very buoyant addition to this sector.

Electronics and technology

Lighting and LED is a large part of the product we supply in Europe to facilities in Poland, Hungary and Spain. This can be for use in street lighting, stadiums, architectural installations and for domestic use with the LED transformation leading the way. The IT enclosure market sector continues to grow fuelled by the need for the cabinets that house the communications and IT systems in offices and buildings; we are supplying the hardware for many of the major brands. We primarily opened up *TR* España to develop the automotive Tier1's in this territory so we have been encouraged by our success in securing electronics business with a number of companies through being established in Spain.

Automotive

Automotive is our fastest growing sector to date and the potential for the Group is significant. During 2017 the global automotive sector grew by 3.4% and 2018 is anticipated to grow by 3.6%. European manufacturers have produced 15 million cars for the first time. China's automotive market sales are expected to grow by 4.7% this year and they already produce over 28 million vehicles a year. *TR* Shanghai is heavily involved with the Tier1's, where we have been supplying the same platform and product in Europe as the builds have expanded to China thus creating additional revenue for us. Automotive sales are now 36% of their turnover and have grown rapidly from a very low base four years ago. Originally *TR* Shanghai was involved solely in the European marques but increasingly we are now supporting Chinese brands, and are rapidly developing our business in Japan where we have begun supplying our existing Tier 1 customers in their local branches.

Global strategic team

Global Account Directors

Glenda Roberts
Group Sales Director

Chris Black
Director of Automotive Business Development

Jeremy Scholefield
Director of Strategic Business

Roberto Bianchi
Director of Swedish OEM Development

Martin Greenwood
Director of Supply Chain Development

Kevin Rogers
Plastic Products Sales Development Manager

Phil Callaghan
Group Logistics Manager

Jo Devlin
Head of Projects Strategic Team

Spain produces 2.9 million vehicles, of which over 80% are exported, this is expected to grow by a further 5.6% this year. This growth will be helped by Ford agreeing to invest €880 million in Spain to manufacture the new KUGA this year. We opened *TR* España in 2017 and we are delighted to have already secured sizeable contracts for production builds thereby justifying the capital investment. Being close to the clusters of the automotive OEM's and Tier1's is essential. Many of the HQs and design centres for the major Tier1's are in Spain. This helps us in the negotiations to secure business for the builds that are manufactured outside of the country.

Many European and US car manufacturers are producing on three continents on a common platform, JLR, BMW, VW, Ford and Volvo to name a few.

When we are successful in winning the nomination to supply the Tier 1 who might be manufacturing the seats, the IP console, airbag assemblies etc., then *TR* is in pole position to secure that business globally providing we remain competitive. The fact we are approved to supply, have stock and can start supply with proven product is a key factor in why we are securing more business in Asia and the USA. Having our own manufacturing, a global footprint and able to give technical support is a winning formula.

New opportunity for *TR*

The latest technology of electric vehicle ("EV") development, autonomous driving and new motability concepts will shake the market up and therefore it will open exciting avenues for us with existing global customers and also newly emerging ones. One example would be the EV charging units that will be needed in the many thousands to support the EV development. We will be seeing electronic highways developed across the world and these EV charging units are fastener rich, and we have the capability to be able to supply a high percentage of the parts that are used in their assembly.

Enhancing the skills base to support growth

To support the continuing globalisation of many of the major OEM's there have been further developments to the concept of the global strategic team which has been in place for 17 years. Currently we have three Global Account Directors (GADs). Jeremy Scholefield (electronics and technology), Chris Black (automotive development) and Roberto Bianchi (Swedish OEM development). Each GAD has a wealth of experience and their role is of strategic importance working with our sites globally and the corporate HQs of the major accounts we support.

Many of these customers have multiple sites and the coordination of how we give consistent service and support at senior level, through negotiations, and commercial activity is vital.

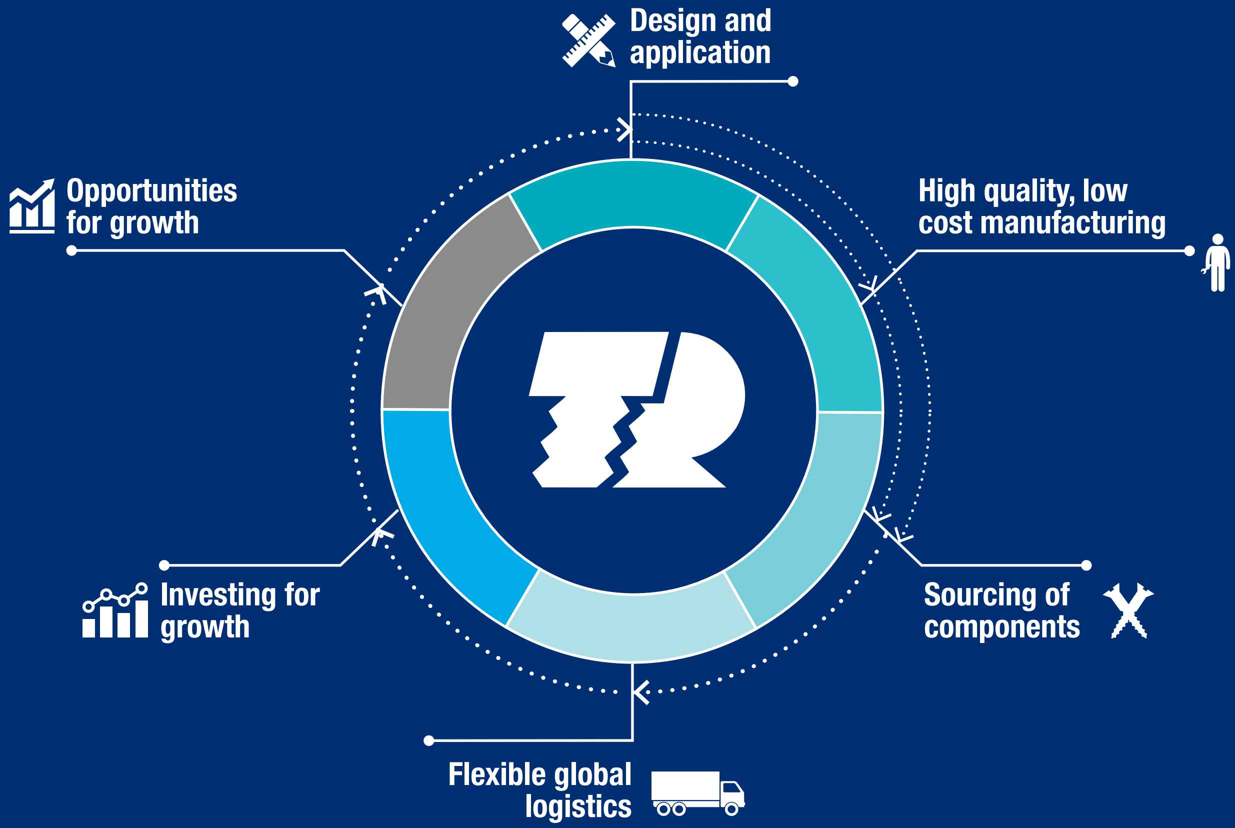
In addition, we have Strategic Account Managers (SAMs) who report to the GADs. They work closely at regional or continent level with the customer's manufacturing sites and with our teams and Business Development Managers (BDM's) at local level ensuring the information flow between all parties is at the optimum level. We are recruiting additional SAMs, preferably with technical knowledge, to compliment the necessary account management skills that this role requires and our investment into our IT infrastructure and underlying policies via Project Atlas will underpin this.

The Group sales strategy is firmly embedded in this structure and is working well and is reflected in the results we have achieved with the large multinational companies.

Glenda Roberts
Group Sales Director

Our 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 blend of high quality in-house manufacturing, our long-standing customer relationships, sourcing know-how and adaptable, consistently reliable global logistics



What we offer

TR is a recognised and established global brand across a wide range of manufacturing sectors. 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, often complex components and logistical solutions to production lines across the world.

Our business model is specifically designed to make sure that we are always building value for both our long established and ever expanding customer base. Value created not just for today, but also for the longer term.

So how do we do it?

Design and application

A large proportion of our sales are driven by customer specific assembly components 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 and design process, helping our multinational OEM customers to make the right fastener design decisions before full scale production begins. While staff at our growing number of Technical Innovation Centres around the world, work on creating design solutions to proactively take to market.

Our engineering value add continues beyond design and enquiry stage with our technically skilled engineers delivering cost savings to customers throughout the supply relationship. Through specific component design or process applications we add value and generate efficiencies on an ongoing basis. Working with our customers to reduce product volume, assembly time or weight, this in turn helps us to manage price discounting demands, win customer loyalty and further enhance our reputation.

High quality, low cost manufacturing

Our eight manufacturing plants spread across Asia, Europe and the UK provide reliable, timely and high quality product to our key multinational OEMs around the world. The parts we choose to manufacture in-house tend to require more complex manufacturing processes and/or stricter quality requirements. This allows us to make best use of our extensive engineering know-how to drive the greatest value add for our customers.

Each of our factories provide a different combination of manufacturing capabilities, from sector specialisms, specific quality and certification requirements, to fastener sizing and secondary processing. Having access to such a variety of manufacturing capabilities means we are better able to meet the varied demands of our existing global customers, whilst also providing us with the widest opportunity for future growth.

Regardless of specialism, all our factories are regularly externally audited, giving our customers complete confidence in the continuing quality of our supply.

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.

Our experienced sourcing teams have the know-how to allow us to operate as a buffer in our customers' supply chains. Where available sourcing options in the market are less mature and reliable, we add value by working with suppliers and holding intermediary stock levels to remove end supply problems for our customers.

In a rapidly changing world, at both the micro and macro-economic 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.

Flexible global logistics

We have been a global supplier of fasteners and related components for 45 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 local third party warehousing and 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 can 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 around the world.

Investing for growth

Nothing stands still in this ever-changing world. 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, manufacturing capabilities and quality, our business infrastructure or in finding the next successful acquisition.

Ongoing capital expenditure in new manufacturing and inspection plants within our factories is almost routine, with recent investment at our Italian and Taiwanese sites, and significant ongoing investment into our Singaporean site. But it is not just about investing in our manufacturing capacity, sustained growth in several of our key distribution locations over the last few years is driving investment into our warehousing in Northern Ireland, China, Holland and looking ahead into the US as well. Whilst investment in our people, not just via recruitment, but also through training programmes and succession planning has become an important part of our successful growth strategy.

Opportunities for growth

The strong relationships we have built with our key global multinational OEMs over the last 45 years are considered a significant asset to the Group. We continue to prioritise the development, protection and maintenance of these relationships to grow market share across the world. To further support this, a significant investment project, Project Atlas, is currently underway into our global enquiry portal systems, as well as the integration of our wider IT infrastructure and business processes. This investment will bring our global businesses closer together, to ensure that we can continue to meet the ever increasing demands of our multinational OEM customers.

But it is 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.

Whilst as a wider business, we also look 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.

Innovation

– Technical, application and design engineering

Partnering our customer
As a Full Service Provider (FSP) we engage at a deeper level with our customers. This allows us the opportunity to be involved in the early development of a new product or in problem solving a new application. Over the last ten years we have consciously focused on the recruitment of technical and application engineers to support *TR* locations and Business Development Managers (BDM's). This early involvement and problem solving capability is proving to be the added value that our customer base, particularly the multinational OEMs that are the mainstay of our business, require of us.

Adding value
We are in a unique situation, compared to competitors, of having the knowledge and technical support of our own eight manufacturing locations to provide additional support. We have experienced increased activity with major customers interested in seeing their product manufactured on site which is an invaluable experience. This includes the numerous audits of our facilities and capabilities where we are attaining high scores which assists in securing nominations for new business and it builds their confidence in *TR*.

Technical centres for the future
The next stage in this development is to open 'technical and innovation centres' in the heart of automotive and electronics clusters of manufacturing. Our Swedish team were given a brief to find a campus environment, close to the design centres of the major customers that we support there today, in a futuristic building in Gothenburg. They exceeded the brief and during November 2017 we moved in to serviced offices on the Docklands and have three full-time Application Engineers based there. The building we occupy is a 'hot house' purely for companies involved in the automotive sector and electric vehicle (EV) development. The design centres for Volvo, Geely, Ericsson and many more are within walking distance of our centre, and the expanding city will be home to another 7,000 people moving in to this area of engineering excellence. The product designed in this city will influence their OEM manufacturing sites globally and the Tier1's that support them. The *TR* team based in Gothenburg is engaging with other *TR* teams in Europe, China, USA and India on an increasing basis to ensure that we secure the business that we have been involved in as and when it goes global.

We are also emulating this plan at our Waterside Park location, located in Birmingham, in the next few months. The technical centre, with a conference and training suite, is being housed in our newly extended automotive facility adjacent to the main distribution hub. This will enable our technical application engineers to invite customers into the facility, discuss new projects and test product real time into their components. Having the space and equipment to invite customers' engineers in to assist them will, we believe, be invaluable. The HQ for our global quality team is also based there, so the necessary testing and the latest measuring equipment will be incorporated into that facility.

Electric vehicle development
The emergence of the EV development is the hottest topic at the moment and we are already engaged with, and on the builds of, prestigious models through the Tier1's. The interiors of the vehicles are becoming more futuristic, but they still require car seats, IP console and air bag assemblies the same as a conventional diesel or petrol engine car, so the vast majority of the parts we already supply will remain the same. We are involved however with the battery manufacturers and changing technology.

This has spawned a new business opportunity for us, best illustrated in the diagram within this article. The EV charging units create a completely new market as electronic highways will be developed to support the anticipated electric car boom. If you can imagine that, from the tip of Italy to the top of Norway, there will be a huge network of charging points along that route. We are seeing these at our service stations, in company forecourts etc. and, for us, this is a perfect product opportunity as they are essentially sheet metal cabinets filled with that industry's technology. For *TR*, it is product paradise, as the components used are products we already supply to the sheet metal industry today and are stocked. We can supply everything from the self-clinch fasteners, to the cable management and enclosure products used in the assembly. We have launched a major campaign globally to be seen as the one-stop source for EV charging units. A dedicated industry page on our technical website has been created to showcase our full capabilities.

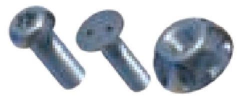
Plastic and cable management
It is five years since we launched our plastics and cable management range. Kevin Rogers, *TR* Commodity Manager, has been instrumental in developing the range with key vendors and training our staff in the product and applications. This year the sales have been substantial; we are selling this product, not just to OEMs directly but, to distributors who appreciate the service we provide, and the short lead times on special parts. We can tool up for product in under five weeks where for our competitors often the quote is 12-16 weeks.

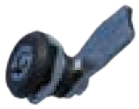
Enclosure products
The enclosure product range was soft launched last year and trialled in the UK and Southern Ireland. The interest in the product is best expressed in the number of hits on our website – over 48,000 in a short space of time. This is a more technical sell and we have been running training courses in the UK and Europe and showcasing the product at exhibitions. We are starting to see the activity and interest escalating. We are not the brand leaders but are seeking to be designed in by sheet metal companies at the same time as they are specifying the other products we already supply them. This helps to reduce their vendor base and will also give them a commercial benefit.

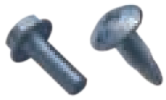
Our future lies in continuing to develop enhanced service and product offerings to our growing and established customer network.

Glenda Roberts
Group Sales Director

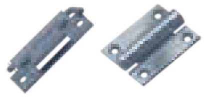

General Fasteners


Security Fasteners


Locks & Locking Systems


Threadforming Screws


Gasketing


Hinges


Clamps


Cable Management


Fasteners for Plastic


Fasteners for Sheet Metal

Innovation continued

– Technical, application and design engineering

TR retains level 2 JOSCAR status

Accreditation register is used by buyers in the defence, aerospace and security sectors.

TR Fastenings has retained level 2 status in the Joint Supply Chain Accreditation Register (JOSCAR), a database of firms that have undergone accreditation to prove they have the systems in place to supply to the aerospace, defence and security industry.

The JOSCAR system was established to aid aerospace, defence and security firms to select partners and suppliers as prime contractors across their varying requirements. Vendors are assessed on a number of issues such as business continuity, counterfeiting, IT security, supply chain procedures and modern slavery.

Having the accreditation register in place ensures that potential vendors are assessed for risk, compliance and quality of materials and services. Buyers have access to a single source of accurate, comprehensive and quality data relating to these factors, so they can make informed decisions quickly and assuredly.

Kevin de Stadler, Director of Sales, UK and Ireland at *TR* Fastenings, comments:

"We strive for the highest levels of quality in every sector that we operate in, and we understand that for the aerospace, defence, and security sectors there is an additional need to assess their suppliers against key criteria due to the high-risk nature of the work these firms carry out.

"Being part of the JOSCAR initiative is hugely important to us and shows our customers in these industries that we take our commitment to quality and standards very seriously, and we are very proud to have retained level 2 accreditation."

JOSCAR QUALIFIED STAGE 2

Full service provider

***TR* North East has invested in an ultrasonic wash facility to meet the growing needs of one of its telecommunications customers.**

Due to our ever growing usage and reliance on technology, there is an increased demand for better and faster wireless and mobile phone signals (4G etc.), yet at a reduced cost. This is the challenge that our customer is facing in the production of their radio filter technology. Our customer had a requirement for the brass components that we supply to be cleaned to give an improvement in yield, a measurement that is taken to validate the performance of the product. *TR* North East worked alongside our customer to map the requirement and have now invested in a cleaning facility on site at Newton Aycliffe to help achieve this goal.

We reviewed the specification of the customer's existing set up and replicated it at our premises in Newton Aycliffe at no additional cost to the customer. By replicating the existing system, the customer fully understands and has confidence in the process that we are carrying out on their product and we can provide back-up assistance should their equipment fail.

The cleaning process consists of a hot ultrasonic wash in a mild alkaline aqueous solution, removing any residual oil, grease and general dirt from the parts. They are then rinsed of any chemical residue in hot de-ionised water before drying, cooling and bagging to preserve cleanliness.

The initial results have shown that the investment we made is giving the customer a better product, and performance has increased by 16% in comparison to the uncleaned product, taking the measured yield to almost 100% on one of the filters tested, proving that by "going the extra mile" as a full service provider we can add value to our customer.

Group strategy

Core strategy

Focus on multinational OEMs

Against the backdrop of forecast global economic growth, *TR* is in a good position to continue to grow

This is further supported by expected global growth across all our key sectors: in automotive, domestic appliances and electronics. There are clearly some big changes already underway in the automotive sector, for example, moving more to electric vehicles, but with our focus firmly on the cabin and dashboard, as well as our proactive approach, we view these changes as providing further opportunities for growth.

Carrying on from FY2018, we 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, we will continue to make carefully targeted investments in the coming years. Working hard 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 with fastenings and related components. Our customers rely on us to deliver engineering know-how, consistent quality, price and availability to supply automotive assemblies, white goods, mobile phone base stations, computer enclosures, cash dispensers and other equipment, often into numerous sister plants around the world.

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 can avoid competing solely on price and therefore can retain and build on our business relationships for the longer term.

Performance so far

We have trading relationships with over 100 multinational OEMs. These relationships reflect where as a business we continue to see great opportunities for growth. Our strategic accounts evolve in line with the opportunities presented to us, as well as the relative positioning of our customers' underlying businesses. However, at any point in time, these will always be made up of a mixture of household names and Tier 1 manufacturers across the automotive, domestic appliances and electronics sectors.

To maintain and develop the strength of these key customer relationships, we have been reviewing our current sales and wider cross functional teams to identify where focused recruitment and investment will bring the greatest rewards. Head count and skills gap analysis is already underway across all our global and local teams. Specific key gaps have been successfully filled, but further investment is required to continue to future-proof the business and meet our multinational OEM customers' evolving needs.

At the same time, over the course of the year under review, we have made several investments into our customer relationship management systems, most specifically via the ongoing development of our global enquiry portal. Since its initial development this tool has been instrumental in allowing us to bring our teams around the world closer together so that we are better able to approach the market in a consistent and integrated manner.

Plans for the future

Over the coming years we will continue to drive investment in both our sales and cross-functional teams to support the ongoing development of our core strategy. In part this will be 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 assist this, the ongoing investment and development of our global enquiry portal is set to continue with our Group and local teams working closely together to review existing functionality against future requirements. This will be further supported by the investments we are making as part of Project Atlas into developing and integrating our wider IT and business infrastructure.

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 period to be identified as key development accounts.

Strategic pillar	KPI's	Link to strategy in action
Investing in our people	• Group total revenue • Key multinational OEM revenue • Return on capital employed ('ROCE') • Broaden skills of management	Read more on pages 26 to 29
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 30
Continue to add value and differentiate	• Group total revenue • Key multinational OEM revenue • Underlying operating margin enhancement	Read more on page 32
Acquisitions	• Group total revenue • Return on capital employed ('ROCE') • Underlying diluted earnings per share ('EPS') • Manufacturing to distribution ratio	Read more on page 34
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 36

Read about our **Key Performance Indicators (KPIs)** on page 44

Strategy in action

Investing in our people

HR team

Helen Toole
Group HR Director

Rebecca Rutter
HR Representative

Luke Murphy
UK HR Manager

> *"A positive working environment can have a very positive impact on employee performance. We are continually reviewing our working environments. Where possible we will approve investment requests to provide our employees with the best facilities that we can*

Training and development

We continue to invest in our training provision for our employees to ensure that we have the best skill sets that are relevant for each of our job roles. Our team leader training continues to be a highly successful programme allowing first time managers to learn in a safe and confidential environment. The programme comprises three modules, each run over two days. The participants learn how to operate different styles of management and carry out effective two-way communication as well as how to take a structured approach to delegation. In addition to this they participate in team working exercises and deliver a presentation on a work-based project.

Our leadership training continues and, as mentioned in previous reports, the programme is based on the theory of 'Transactional Analysis', allowing the leaders and future leaders of our Company to create a shared understanding and language around the management of their teams. It also allows those in senior positions to share experiences and to take part in coaching sessions to further develop their skills.

As many of our training courses as possible bring together our employees from different locations which creates a very powerful network across the Group with colleagues creating good working relationships and points of reference in different functions and locations.

These training programmes, together with other training that goes on around the Group, have allowed us to effectively develop our succession planning. We are now in the positive position of having an identified deputy for most of our senior managers, giving us confidence in our ability to allow the most experienced employees to work on strategic projects when the need arises, without the day-to-day management of the business being affected.

Induction training is being re-designed to ensure that new employees have the same experience in terms of their induction no matter where they start with the Group, and we are developing an 'employee portal' that will allow an interactive experience for new employees and provide video content for new starters to fully understand the Group and its global reach.

As part of Project Atlas, we are planning to invest in a new HR system that will allow us to more effectively manage our people information. A new system will also provide us with the opportunity to update our performance management process and the improved management of our training activity. We will also be able to more easily report on the Human Resource, Environmental and Health and Safety key performance indicators.

Integrated business leadership/planning ("IBL/IBP")

Part of our mission statement is 'to create a safe and fair environment to provide clear career development for staff across all of our global operations'. All our activities regarding our people are working towards the realisation of this vision.

Within the IBL/IBP framework we have been able to constructively progress the development of our key performance indicators to support this vision. We now regularly report on:

- Employee development
- Health and safety
- Environment

Through the introduction of a new HR system this process will become increasingly efficient.

Promotion
Maddy Webb
Director of Quality

I studied Metallurgy and Materials Engineering at the University of Birmingham, specialising in Physical Vapour Deposition (PVD) and Chemical Vapour Deposition (CVD) on tool steels for my dissertation. I went on to work for Bodycote heat treatment as a graduate engineer in the Plasma Nitriding and PVD/CVD coating section before becoming Laboratory Manager.

During my career I have worked as a Quality consultant setting up ISO9001 and QS9000 systems in companies across a range of industries, then moved to Lear Corporation in Coventry where I was responsible for the Quality System Management and the PPAP approval of the seat assemblies.

I joined *TR* Fastenings in 2000 as a location Quality Manager at the Stringers site in Coventry and have enjoyed the opportunities to work with teams at all sites on Quality Control and Quality Assurance projects. As part of the Group Quality team I have worked as both Supplier Quality Manager and Customer Quality Manager, giving me a unique insight into the expectations and needs of both our broad supply base and our large cross section of customers.

Quality is 'conformance to standard' and Quality is everybody's responsibility

We are committed to continually improving our business and we look for opportunities to adopt the highest standards for our products; our services and our systems to support the needs of our customers and the market sectors that we supply into.

We recognise Quality in four key areas: Quality System; Customer; Supplier and Product Quality. Our aims for these areas are categorised below:

- To have a Global Quality System that forms the backbone of our company and demonstrates commitment to recognised Quality standards
- To have a Customer Quality focus that represents the "Voice of the customer" within the business
- To have Supplier Quality processes that identify risk and enables the business to make appropriate choices when planning
- To have Product Quality processes that enable the business through controls that are appropriate to the industry sector, customer application and product risk level

Maddy Webb
Director of Quality

Promotion
Ping Siong Tong
General Manager, *TR* PSEP, Malaysia

I joined Power Steel as a Production Executive after freshly graduating from college as a Material Engineer in July 1988.

During my career with the company, I have worked within various departments; production (cold forging, thread rolling, secondary process, heat treatment & surface treatment, production planning), production engineering, quality, and engineering support to customers before becoming Manager in November 2017.

During my 30 years with Power Steel, I have visited various overseas locations, including Japan, Belgium and the USA. The training and experience that I have gained has been invaluable in assisting me within the industry.

My biggest achievement within the Company was to assist with the technical collaboration with a key automotive customer in developing their first automobile engine. 90% of the fasteners that were installed into this engine are made by Power Steel.

Looking ahead, I would like to work and present *TR* PSEP as a technology driven company that is able to assist our customers in development of new products, cost effectiveness and efficiency in application.

Ping Siong Tong
General Manager
TR PSEP Malaysia

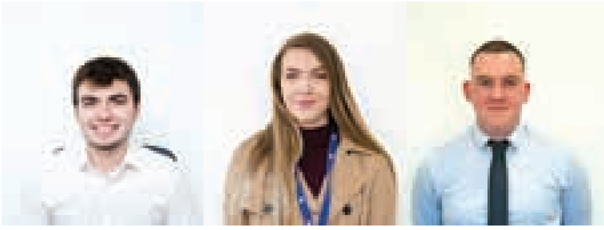
Strategy in action

continued

Investing in our people continued

Apprenticeship programme

We continue to provide development opportunities through our apprenticeship programme. This is a successful programme in that the majority of our apprentices find permanent positions within our business at the end of their apprenticeship. This year, we have taken on Ben Rees-Webbe at Bellbrook Park (sales apprentice), Lydia Ball (HR apprentice within Group HR) and one of our warehouse operatives, Bradley McCord, within our Belfast location has successfully become a sales office apprentice.



Ben Rees-Webbe Lydia Ball Bradley McCord

Apprenticeship levy

In April 2017 the UK Government introduced the 'Apprenticeship Levy' for employers of a certain size. We are now paying into this levy and will use some of the funds to spend on our apprenticeships and pay our training providers for the apprenticeship qualifications.

Employee engagement

Since the publication of our last Annual Report the Company has embarked upon a regular employee survey programme, managed by an external organisation.

The first, baseline, survey was issued to all of our employees and we received an encouraging number of responses. This survey covered a range of topics so that we could begin to gauge opinions and feelings in a number of different areas. Each subsequent survey has concentrated on the matters that have been most strongly commented upon.

The surveys allow employees to score certain statements and to leave free text comments. All surveys are anonymously completed but employees can identify themselves if they wish to, which allows for meaningful engagement. The results of the survey are grouped by the external provider so that we can receive scores against each question for each location. Any suggestions or comments that are left are linked to a location but not to an employee.

Each Entity Director receives an anonymised report for their location that details the suggestions made by employees and the scores for each question at that location. These reports have prompted positive activity to address any pressing concerns.

The survey programme will continue as we see it as a positive way to engage with our people across the Group.

In addition to the employee survey, we have also introduced an independent 'Whistleblowing' hotline. Whilst employees are encouraged to resolve issues informally and internally as often as possible, this externally provided hotline is available to all our employees for them to report anything they feel uncomfortable about. The service is multi-lingual, completely confidential and any reported incidents are fed back to the Company anonymously.

Equality

We have a respectful culture and want to encourage an inclusive environment where everyone feels comfortable to be themselves. We work and grow together and view laughing together as a sign of enjoyment of our roles and of a lively, busy environment. We need to be mindful of how our humour and comments can affect others, but we do want our working relationships to be as natural and straightforward as possible.

All our employees are recruited, trained, developed and promoted within a framework of equality. We support all our people to achieve their full potential and all employment decisions are based on the ability of the individual. Those decisions are free from any form of unlawful or unfair discrimination and are made in a fair and objective way.

Gender pay gap

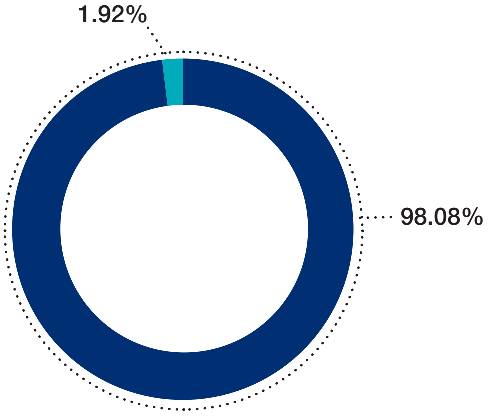
The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 brought into effect a requirement for large employers, such as ours, to report publicly each year on the differences in the aggregate pay and bonuses for men and women. The Regulations mandate how organisations in England, Scotland and Wales with 250 or more employees must calculate a standard set of key metrics on their gender pay and gender bonus gaps, and the format and medium in which they must report them. The full gender pay gap statement is included below.

Our latest gender pay gap report shows overall median and mean gender pay and bonus gap based on hourly rates of pay, and bonuses paid. Based on a median average, our female employees are paid 2.17% more than our male employees. The mean average displays our male employees are 2.5% higher paid than our female employees. This result is significantly lower than the national average of 18.1%.

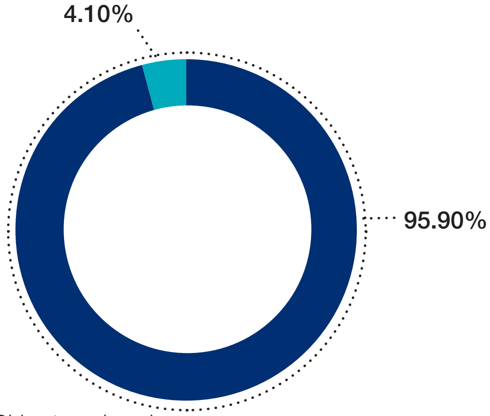
Pay and bonus	Median	Mean
Hourly pay	-2.17%	2.58%
Bonus pay	0.00%	21.00%

Gender pay gap report

Proportion of males who received a bonus



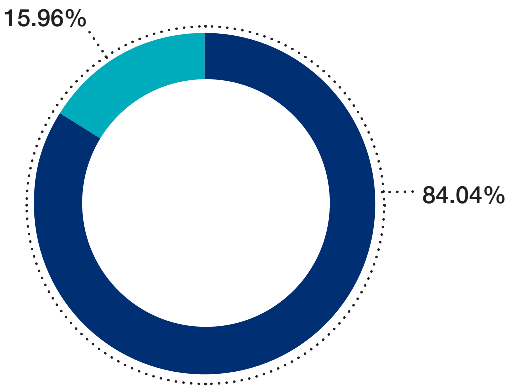
Proportion of females who received a bonus



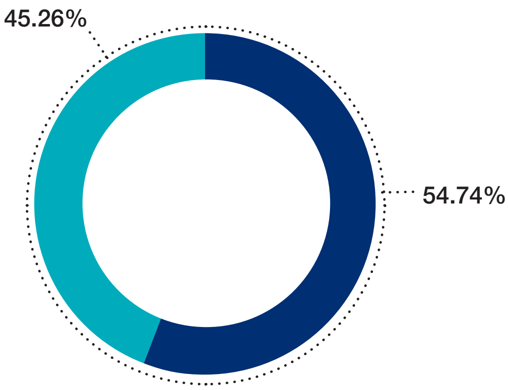
● Received a bonus ● Did not receive a bonus

These charts illustrate a difference of 2.18% between the numbers of men and women being paid a bonus. As a Company we reward all our employees, the only reason the statistics do not show 100% is due to the eligibility criteria for the bonus payments at the time of the snapshot.

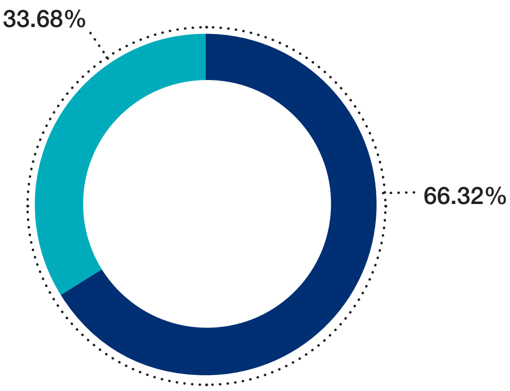
Lower quartile



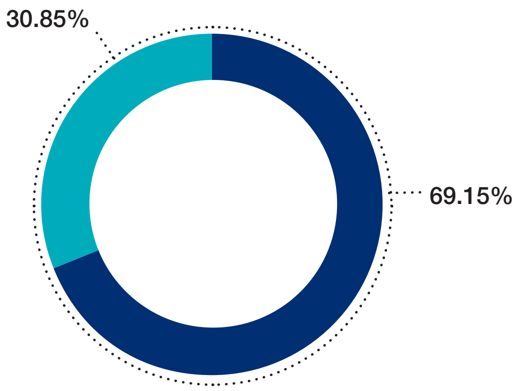
Lower middle quartile



Upper middle quartile



Upper quartile



● Male ● Female

The above charts illustrate the proportion of male and female employees in each quartile band.

The first year of the gender pay reporting for *TR* Fastenings provides reassuring data that supports our reward and recruitment strategies. Whilst these results are hugely encouraging we remain committed to ensuring equality throughout the Company and will be closely monitoring these measures on an on-going basis to ensure continued good performance. In conclusion, the results are significantly positive for *TR* Fastenings, reflecting our approach to equality in all aspects of our employment relationship.

Strategy in action

continued

Investment driven growth

Description

At *TR* we are in a sustained period of growth with FY2018 representing another record breaking year for the Group.

Growth needs investment, not just in terms of our people, but also via capital expenditure in our warehousing, manufacturing capacity and our digital capabilities.

Performance so far

Over the last year we have continued to invest in our manufacturing capabilities around the world. With significant investments into our Italian site aimed specifically at building manufacturing capacity following on from the successful installation of a £1m state-of-the-art heat treatment plant in FY2017.

By far our biggest capital investment in the year has been the new mezzanine extension within our well established and very profitable Singapore site. An investment of c. S$1.2m has constructed a mezzanine floor and allowed us to invest in additional machines. This will increase local capacity by one third, following further planned expenditure in plant and machinery.

Outside of our manufacturing sites, we have invested in our distribution, warehousing and inspection facilities in Belfast, Holland and Shanghai to support the growing revenues we are seeing in these regions. Whilst our growing presence in Spain, via our new greenfield site, is continuing to provide exciting opportunities both to better service our existing customer base and to access new multinational OEMs in the local marketplace.

Plans for the future

Looking ahead, we continue to see capital investment as a core part of our ongoing strategy for growth with further investments planned across all our manufacturing sites. By expanding our manufacturing capabilities and capacities around the world, we will not only reduce our reliance on purely distribution revenues, but enable better absorption of fixed overheads as manufacturing levels increase.

In addition, we will continue to invest in our distribution business, with further warehouse expansions planned in the coming year, most specifically to support the double-digit growth we have seen in recent years at our Houston site (Hurricane Harvey notwithstanding).

TR España
New greenfield location in Barcelona

We officially opened *TR* España at the end of 2016 in a new greenfield site on the outskirts of Barcelona. We are in an ideal location within a new modern facility which is part of the Viladecans industrial development, four miles from the airport and just off the main arterial road.

The rationale for opening was to support the global automotive Tier 1 customers in Spain and Portugal, and Barcelona was chosen due to the potential opportunities for the Company with lots of Tier 1 customers close by. Spain is the second largest automotive market in Europe, producing c. 3 million cars per annum.

We are fully operational having started from “scratch” and the new business won in both automotive and electronics has already justified the set-up decision. Being part of a large global organisation has meant that we can draw from other *TR* people’s knowledge and experiences. The support we have had has helped us "hit the ground running".

We passed the all-important ISO 9001, and have had customer audits including one with an important Japanese customer. Our pipeline is now healthy, and we have good incremental growth.

On a personal note, I’m delighted to have joined the *TR* organisation, having been in the fastenings industry for over 16 years. I am honoured to be part of an organisation that is truly global, has its own manufacturing locations which give us a leading edge, and to work with people where customers, employees and quality always comes first.

Raul Fernandez
Commercial Director
TR España

TR Formac, Shanghai
New laboratory and warehousing facility

To meet our business growth in China and North Asia, and the increased quality expectation from our multinational customers, *Trifast* has invested in a brand new laboratory and warehousing facility in Shanghai.

New rack design and improved work flow

In order to improve efficiency and resolve conflicting logistic requirements for the handling of high volume/low mix and low volume/high mix parts at the same warehouse, the multi-layer racks have been redesigned to allow efficient storage and easy identification and picking of low volume parts, while ensuring smooth transfer of high volume cargoes within the warehouse. The rack design also allowed a new work practice to be implemented which improved the work efficiency in the warehouse.

Ensuring right products leave the warehouse

The improved rack design helped to free space for a new laboratory within the same facility. New measuring and inspection equipment has been installed with more being procured and planned. This enhanced inspection capability will allow the Shanghai operation to improve its service quality and ensure that products meeting customers’ specifications are delivered on a timely basis.

Phua Yong Sang
General Manager
TR Formac, Shanghai

Strategy in action

continued

Continue to add value and differentiate

Description

Our engineering knowledge and experience, supported by our high quality manufacturing locations, means we can 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 at a time when customers are beginning to focus more and more on this. 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 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

In November 2017 we opened a *TR* Innovation and Technical Centre situated in the heart of Sweden's electric vehicle development area, Lindholmen, Gothenburg. This is a very exciting opportunity which will not only set us apart in the local market place, but will also help to support our wider growth plans in the electric vehicle space.

Our ongoing efforts to expand the products and markets we supply to, continue to mark us out from the competition. We are already seen as a market leader in the supply of certain plastic fastener solutions, and our recent entry into enclosure products continues to build our name in other parts of the market and drive growth.

We continuously undergo and pass customer audits in our manufacturing and distribution locations. With external recognition also evident in the various 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 and capabilities around the world.

Having already invested in our website and our cyber security in recent years, over the last year we have been performing a thorough review of our overall digital strategy and are now expecting to make significant additional investment in this area over the next few years via Project Atlas. A key rationale for that investment is to allow us to further differentiate ourselves in the global market place. In a disaggregated market, one of the key benefits we already offer to our multinational OEMs is our global presence and a level of consistency in the way we do business around the world.

Through this investment we will bring the *TR* business even closer together. We will drive more aligned internal processes, a more consistent global approach to the market and allow real-time sharing of key information to help better support, protect and grow our multinational OEM customer base through automating data exchange.

Our global customers are investing and evolving themselves, they are becoming more internally joined up, and as they do so they will be looking to their preferred global suppliers to evolve with them and to be able to continue to respond to their changing needs.

We believe the integration that Project Atlas will bring, will put us one step ahead of that curve, differentiating us in the now and future proofing the business, so we stay fit and ready for the challenges yet to come.

TR Fastenings opens specialist facility in Sweden

In November 2017 *TR* Fastenings opened its Technical and Innovation Centre in Gothenburg, the heart of Sweden's automotive industry.

The new facility is in the Lindholmen Science Park, which is home to many of the key players developing forward-thinking solutions for the automotive market, including electric vehicle (EV) technology. From major OEM firms and IT software developers to technical and engineering teams from Tier 1 manufacturers, Lindholmen is fast becoming a hub for automotive innovation in Europe.

The specialist Centre will allow *TR* to achieve two main objectives; to form and enhance working relationships with key customers in the region, and to provide a showroom-style location where existing and potential customers can visit, view fastener products and discuss design and manufacturing options with the highly experienced *TR* team.

TR's Technical and Innovation Centre comprises a showroom area, housing samples of *TR* products across 12 categories. Customers can examine the products and see how they are assembled and used in product applications. There is also space to host meetings, where *TR* can discuss design and manufacturing strategy with customers, partners and OEMs.

Manoj Parmar, Business Development Manager at *TR* Sweden, comments:

"The Centre offers *TR* considerable potential in terms of business development; having a base here at Lindholmen sends a strong signal that we are committed to innovation, manufacturing excellence and automotive development. There are so many exciting and successful companies operating in this space and already we've had excellent feedback from businesses who are keen to find out more about the role of fastening technology in the manufacturing process, and how our expertise can assist them in their own ventures."

Eugen Kuhnl, Engineering Manager at *TR* Sweden, adds:

"It is so valuable for both us and our customers if we can be involved early in the design process. We work closely with Tier 1 suppliers including assisting them with OEM requirements, and our expertise allows us to advise them on using the right fastening technology to get the best results. Having this platform in Gothenburg is an excellent opportunity for us to have those vital early conversations with customers and enable them to make profitable decisions."

Awards and recognition

TR Fastenings' USA team recognised for supplier excellence by Yanfeng

Photo credit: On the Run Photography

Global intelligent products provider Flex honours *TR* with preferred supplier award

TR Kuhlmann passes Kongsberg Automotive VDA 6.3 audit with a score of 96%

TR Holland receives fourth 100% delivery award from Philips

Find out more: **www.*trfastenings*.com/news/awards**

Strategy in action

continued

Acquisitions

Description

Trifast has consistently demonstrated its ability to deliver 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.

We have a detailed acquisition strategy in place to identify key criteria and geographies, which our in-house acquisition team are using. Over the course of FY2018, this strategy has been further developed by a comprehensive review and redesign of our internal monitoring, reporting and decision making processes. This has been specifically designed to allow decision making in this key part of our growth strategy to operate as effectively and efficiently as possible.

Performance so far

Reflecting a number of the key acquisition criteria mentioned above, in April 2018, *Trifast* acquired PTS for an initial consideration of £8.5m, subject to adjustment based on the net cash in the business at completion.

Based in East Grinstead, UK, PTS was founded in 1988 and employs 27 staff. It is a highly regarded distributor of stainless steel industrial fastenings and precision turned parts, primarily to the electronics, medical instruments, petrochemical, defence and robotics sectors. Its emphasis is on delivering high quality products and services, currently selling into c. 80 countries directly through its well-established distributor network, as well as digitally through its newly developed, fully integrated commercial website which lists over 43,000 products for sale.

This two-pronged approach has enabled PTS to continue to deliver strong sales growth over the last three years.

The management team and previous owners, Jason Collyer, Andy Edwards, and Andy Knight will continue to run the business on a day to day basis, alongside the current PTS operational management team and wider staff base. PTS will run as a stand-alone business within the *TR* family of businesses. Although as with other brands within the *TR* portfolio, we will be working closely with PTS management to unlock supply chain opportunities and via the Group's marketing and global sales services to open PTS up to further international markets and access to *TR*'s wider customer network.

TR has experienced a growing demand for stainless steel fastenings from a number of our global OEM customers. Adding the PTS product portfolio will widen our global stock range to enhance the Group's customer offering and provide further support to our distributor sales (currently c.10% of Group revenue).

We believe that this acquisition will be earnings enhancing in the financial year-ending 31 March 2019.

Plans for the future

Following on from our successful purchase of PTS, acquisitions will continue to be a significant part of our investment strategy in the coming years. However, there can be no doubt that some of our key acquisition geographies are more difficult to access than others for a number of reasons. This can include a lack of publicly available information, a different local business environment, as well as the sheer scale of the opportunities that are potentially available to us in certain geographies.

Now that we have our internal acquisition structure firmly established, over the current financial year our acquisition team will be working on how we can make the best use of external support options. These will be utilised to supplement our own internal capabilities and capacities and to ensure we are able to continue to be successful in this very important area of investment.

> ***"TR adds established stainless steel fastener supplier to its portfolio, to drive global product range extension and ongoing growth***


TS


TS
PRECISION TECHNOLOGY SUPPLIES
Stainless Steel Industrial Fastenings & Precision Turned Parts

Strategy in action
continued

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, to best future proof the business and to support our strategy for growth.

Performance so far
The significant investments we have made in our Italian and Singaporean factories over the last two years have increased capacity and, in the long term, will help improve efficiencies and maintain gross margins as in-house production levels increase. Across our wider manufacturing sites, we have been investing in plant and machinery to improve efficiency wherever possible. In Italy we have invested in automated packaging machinery, whilst in Malaysia these investments have been focused on additional sorting technologies.

For *TR* PSEP, we have been working much closer together 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 intercompany sales from this site have increased to 9.1% (FY2017: 0.6%), increasing overall production levels in the plant, thereby better covering our semi-fixed overheads and allowing us to continue to build the business globally in the face of a more challenging domestic market. Our internal quoting times have been significantly shortened and the direct involvement of the PSEP team with end customers has helped us to win and continue to grow substantial additional business, most notably in Japan and America.

Plans for the future
In terms of our manufacturing efficiency, in the medium term we expect to see ongoing efficiencies across all our sites as a result of the investments we have made. With one of the most exciting opportunities being our investment in Singapore where, as a result of the mezzanine expansion, we will see capacity increase by one third. This additional production will allow us to bring third party supply back in-house and make quality procedures more efficient.

But it not just about manufacturing. One of the key wins coming out of Project Atlas, our planned investment in our IT infrastructure and business processes will be to automate many of our standard processes. Be that operationally in sales, production, sourcing and quality, or across our back office functions in finance, human resources and IT itself.

Over the current year, we will be designing what those processes will look like in the future, establishing how best we can drive efficiencies, how we can free up more of our people's time so it can be spent on value-adding tasks, how we can use our increased integration to make improvements to our supplier relationship management structures and improve input costs, and how we can improve and automate reporting to help us drive the business forward and make better and quicker decisions in the context of real-time information.

This major investment is about far more than IT infrastructure, it is providing us with the opportunity to look at our business and how it operates in its entirety. Allowing us to drive out inefficiencies and growth opportunities across every element of those operations, whilst at the same time bringing us closer together, and turning *TR* into a world class international business.

Project Atlas

Stevie Meiklem
Project Lead

Niall McClure
Programme Director

> **“An investment that will underpin our ongoing organic and acquisitive growth strategy and further integrate our global business to create the Trifast of tomorrow**

As a business, we have been successfully investing for growth in a number of areas over the last few years. And whilst that investment has focused to date on increasing our manufacturing capabilities and supporting our ongoing organic distribution growth, it has become more and more apparent over that time that one area where we also need to turn our attention to, is in developing our MIS, IT infrastructure and the underlying business processes that stand alongside it.

This is not only to ensure that our systems are able to continue to support our planned business growth long into the future, but also to future proof the business and give us the opportunity to take full advantage of the significant pace of development that has been made in digital technologies in recent years.

As a result, over the course of FY2018 we have been on a journey of research and discovery. This process started with a consideration of how we could best join up our global sales and enquiry processes to support the other investments we have been making into this area of the business, but has subsequently led to a more complete review of our Enterprise Resource Planning processes and systems around the world.

The result of this comprehensive review is Project Atlas, a significant planned investment into the integration and development of the Group's IT business platform and underlying processes. This project is considered an essential part of our ongoing growth plans, both organic and acquisitive, and will allow us to continue to meet the evolving needs of our multinational OEM customers.

The four key drivers for this investment are:

- Supporting our core strategy – underpinning our ongoing growth plans and allowing us to differentiate ourselves in our core markets
- Operational efficiencies and integration – driving efficiency gains, increased automation and lowering operational gearing to support our ongoing growth story
- Improving our management information and data management – leading to better decision making, more globalised supplier management and a more proactive approach to opportunities and challenges
- Building an adaptable, scalable, stable environment – flexible, rapidly deployable and widely supported systems and processes that will form the backbone of our growing global business

1. Supporting our core strategy

"A globally consistent approach to market, supported by an integrated IT platform, will differentiate us from the competition"

- Improved Group wide access to customer activity data will allow us to better support our increasingly joined up multinational OEM customer base
- A fully integrated and more automated global enquiry process will reduce quote times and drive additional sales success
- An improved understanding of past lessons learned will continue our ongoing evolution, keeping us fit for purpose
- A state of the art IT solution will enable us to offer innovative integrated digital solutions to our key strategic customers
- Enhanced customer service and relationship management will help to further drive the *TR* sales culture
- Direct ordering and document exchange systems will facilitate more efficient ordering and delivery processes for us and our customers

Read about our **'Core strategy'** on page 24 **and 'Continue to add value and differentiate strategy'** on page 32

2. Operational efficiencies and integration

"Transforming our operating model will drive greater efficiency and a decrease in operational gearing, underpinning our ongoing growth"

- This investment will allow the improvement, and where relevant the automation, of our standard processes across our operational and support functions around the world
- Improved clarification of roles, governance, decision making and operational degrees of freedom will help to eliminate procedural bottle-necks
- Review and redesign of our rules, policies and processes to ensure we drive out inefficiencies and free up time for more value-add activities
- A globally consistent way of working across an integrated business platform will bring us closer together
- Greater integration and automation at enquiry level will facilitate increased in-house manufacturing levels, more effective utilisation of available capacity and a lower external spend
- Specific investments into warehousing technology will drive down picking errors and manual checking procedures
- A cutting edge IT platform will allow us to operate smarter and more automated VMI and logistics processes

Read about our **Operational efficiencies strategy** on page 36

Project Atlas continued

3. Improving our management information and data management

"Information is power. What we know, who we know and how together we will leverage that information is the difference between winning and losing in today's competitive market"

- Improved access to real-time, Group wide management information will allow better decision making and an increased ability to capture opportunities and manage challenges in a changing world
- As a business we will spend less time on generating and reporting data and more time on growing the business
- Improved access to our Group wide product and supplier data will help us further develop and globalise our supplier networks and reduce input costs
- Accelerating the speed of business and automating operational decision making will allow us to be more proactive not reactive
- Improved customer demand planning capabilities will help us to limit stock holding increases as we continue to grow
- Enhanced group wide product data management processes will drive more effective stock ordering and holding levels
- Increased Group wide supply information will aid combined logistics planning and access to greater efficiencies of scale

4. Building an adaptable, scalable and stable environment

"The right IT platform and underlying processes will form the solid integrated backbone on which our global business can continue to grow"

Before Atlas	After Atlas
Systems and processes have been built around an outdated delivery model based on national customer relationships and a geographic P&L bias, leading to workarounds to support our ongoing core multinational OEM strategy to grow	**An IT platform and underlying processes specifically tailored to support the way we and our customers do business across the world**
Ageing equipment and software coming to end-of-life, leading to increasingly high costs to maintain	**Significant ongoing investment by our chosen leading global software provider - automatic upgrades and ever increasing connectivity will future proof our IT infrastructure without significant additional investment**
Reliance on in-house technical capability in a number of key locations	**Cloud based technology, with widely available support. Facilitating the implementation of global IT shared services wherever possible**
Non-scalable, inflexible, slow and expensive to change	**Flexible, scalable and rapidly deployable, supporting both our acquisition strategy and ongoing organic growth in an ever changing marketplace**

Outline timeline and scoping

Given the scale of this investment programme there are likely to be points of evolution and change during the course of the project as we look to secure and build the best solution for the business and its future growth plans. Some key considerations will only be fully visible to us as we move through the various stages of the project plan. In the context of this, we have set out below an overview of the programme and the expected timetable.

Our timeline

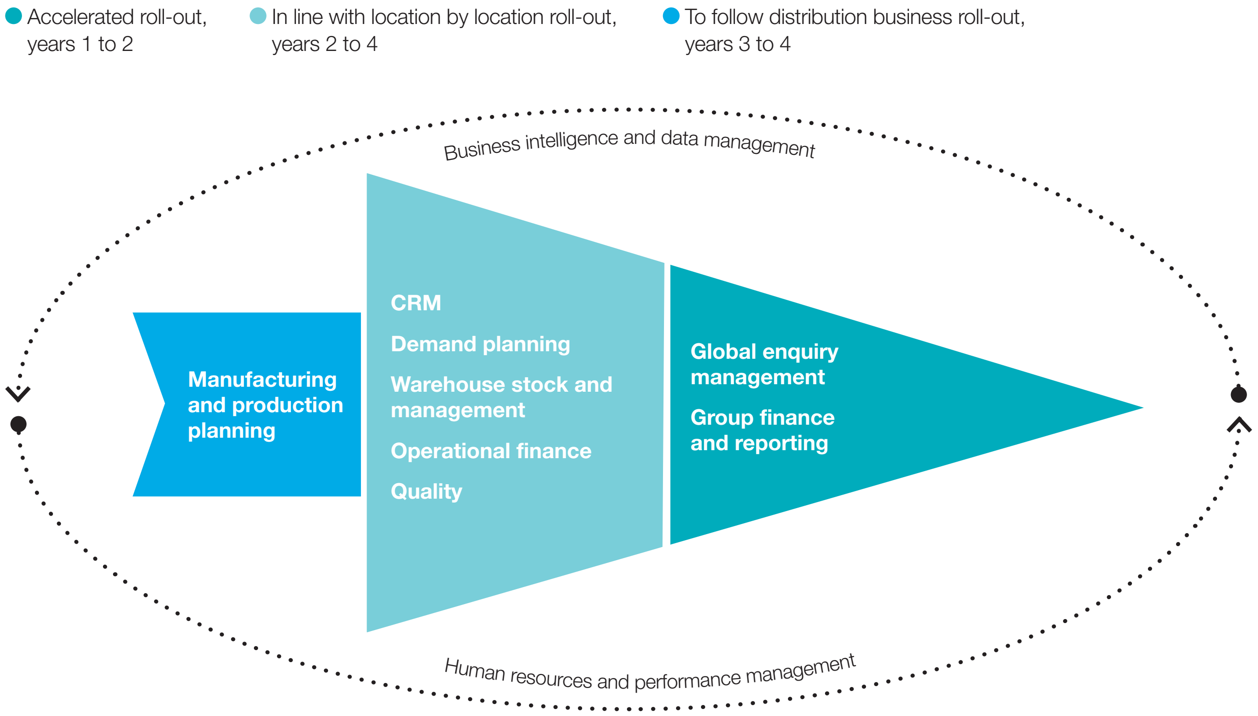
Phase		Approximate timing of roll-out
1	Distribution entities currently using our bespoke software solution – Tribune	Years 2-3
2	Distribution entities using other IT platforms	Year 3
3	Manufacturing entities	Years 3-4
4	Transactional entities (in-fill stockists/ manufacturers)	Timing & scope still to be confirmed
	Subsequent acquisitions	Post phase 3, and where appropriate, within 90 days of completion

In FY2019, our first full year of the project, our key focus will be on the review, redesign and documentation of our underlying rules, policies and processes Group wide. This is an important part of the overall project, as this will identify and develop our detailed requirements. These will then go on to drive the design and build phase of a new IT platform that has been specifically tailored to best facilitate our underlying business model and growth plans.

The current financial year will focus primarily on our distribution businesses, whilst keeping in close communication with our manufacturing teams to ensure the design and build of our new business platform will be fit for purpose across the Group network.

And the scope…?

The scope of the investment programme is not just an IT implementation, it will incorporate a comprehensive review and redesign of our entire ERP rules, policies and business processes around the Group.



Outside of the above, we are also considering the timing and scoping for how this affects other areas of our business, including: marketing, contracts management, acquisition activities, and document storage.

Project Atlas continued

High level cost-benefit analysis

This project clearly represents a major multi-year organic investment programme for *Trifast* and after the necessary consideration, the Board has signed off on a budget of up to £15m (to cover phases 1 to 3). Given the scale and complexity of the programme, this budget will be closely monitored and may be subject to change as we further develop and refine the scope and timings of this investment.

As already noted, this project is about far more than an IT platform, with this element representing only about a third of the overall cost. A significant portion of the budgeted spend has been assigned to a comprehensive review and redesign of our business processes which in turn will drive improvements in our operating and commercial effectiveness. In addition, we are planning a substantial investment in change management, training and user adoption to ensure our people are ready to adopt and deliver the expected benefits.

Change management and adoption

"Project Atlas is about far more than an IT system. This project will fundamentally change the way that we operate together as a business"

This is not just an investment in technology. Project Atlas is also about investing in our people. The only way to secure the full benefits from the project is to ensure the highest possible levels of user adoption across the Group. This requires fully educated and trained individuals around the Group who understand the rationale for the changes taking place, the functionality of the system and the rules, policies and processes that will affect them.

We are safeguarding this engagement in a number of ways. Our recently recruited Change Programme Manager has led the development of a comprehensive change management strategy and related Internal Communications Plan. This is now being translated into a detailed training programme to be rolled out across all levels of our business.

Read about our **'Investing in our people strategy'** on pages 26 to 29

Projects of this nature often fail as a result of a focus on the 'IT box' and an inadequate regard for the importance of bringing users fully on board. At *Trifast*, we see this investment as being as much about our people as our processes and therefore have assigned a significant portion of the budget to this. This will help to ensure not only the ongoing success and benefit realisation of the project, but will also assist in bringing our Group-wide businesses closer together.

The Board expects there to be material benefits from the investment programme. The estimated ROI of >25% p.a., at the point of full benefit realisation (FY2023), compares favourably to our current ROCE of 20.1% and we are confident that this project has the ability to create significant shareholder value in its own right as well as creating the capacity for our expected ongoing growth

As a consequence of the work undertaken to date on this project, we have incurred direct costs of £0.4m in FY2018, largely relating to project team and consultancy costs. We have excluded these costs from our underlying results, (see note 2), to reflect the unusual scale and one-off nature of this project. We anticipate continuing to do so in order to provide shareholders with a better understanding of our underlying trading performance during this period of significant investment.

Project Governance

"Such a significant investment demands the right team, with extensive experience, and the very best in project governance"

As shareholders would expect with *Trifast*, we are not underestimating the demands of delivering this significant investment programme. We set out below the key elements of project governance that we have put in place to ensure that this project is able to stay both on track and on budget so as to secure its full benefits in the coming years.

Key external advisors

We have been through a very rigorous tender process to identify both our leading global software provider and, as a separate exercise, also our global implementation partner. Moreover, we have engaged an independent Project Assurance partner and they will be responsible for routinely reviewing our progress and that of our partners throughout the life of the project to help us to remain on track.

In-house Project Atlas team

To complement these external advisors, we have successfully established the main components of an experienced in-house project team.

Stevie Meiklem **Project Lead**	Stevie has worked for *Trifast* for 26 years. Operations Director on the Board of *TR* Fastenings Limited (UK) and also oversees our *TR* Hungary operations. Stevie's role is project lead, helping to drive support for the ongoing successful roll out of the project in the wider business
Niall McClure **Programme Director**	Niall joined *Trifast* in April 2017 Very experienced Programme Director, with 22 years working on substantial projects across a range of industries Niall was recruited to oversee the initial scoping period and will go on to direct the ongoing development and roll-out of the project
Other key project team members	
Change Programme Manager	Recruited
IT Project Manager	Recruited
Project Management Officer	In place, internal re-allocation
Project Planner	Recruited
Change analyst	To be recruited
Test and Training Manager	Recruited
Business Analysts (x 5)	Recruited
Training and test team	To be recruited

Steering Committee

The Project Atlas Steering Committee, including all three Main Board Executive Directors, as well as our Group HR Director and Group IT Director, will be responsible for overseeing the overall Atlas project.

Data Governance Board

There can be no doubt that data is a valuable asset to the Group. In line with best practise, we have set up a separate Data Governance Board with a detailed Data Strategy to ensure that as a business we can properly understand, trust, share, secure and keep up to date this most valuable resource.

Conclusion

The start of Project Atlas is a very exciting time for *Trifast* as a business. The scale and scope of this multi-year investment programme will change the way that we operate around the world. It will underpin our ongoing growth story and ensure we are able to continue to meet and exceed the ever evolving needs of our Multinational OEM customers.

Post-Atlas, the *Trifast* of tomorrow will be a more streamlined, integrated global business. Better able to leverage off our customer and supplier relationships, faster to face the opportunities and challenges of an ever changing world, and with a lower operational gearing to support our future profitable growth story.

The benefits case for the project speaks for itself. The returns we expect to see in the form of increasing sales, reducing input costs and operational efficiencies made this project a logical investment to approve.

The Board are fully committed to Project Atlas and we look forward to providing regular updates as we progress and deliver the project and the resulting benefits in the coming years.

> ***"With the Project Atlas investment, Trifast will transcend from being a leading international company into a truly World Class global industrial player***

KPIs

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

Where we refer to underlying this is defined as being before separately disclosed items. Where we refer to EBITDA this is defined as earnings before interest, tax, depreciation and amortisation. For definitions and reconciliations to GAAP measures see note 2, note 25, note 34 and the glossary.

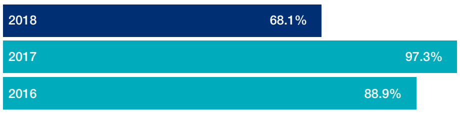
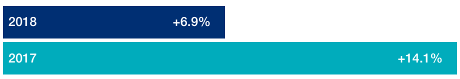
The following represents a selection of these indicators:

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 62.7% to £197.6m (2013: £121.5m), equating to 10.2% 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 490bps, from 6.6% in 2013 to 11.5% in 2018. This represents margin growth since 2013 of 11.8% 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 204.6% (or 25.0% 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. The Group continued to be cash generative in FY2018 with a normalised conversion rate of 68.1%, increasing to 78.2% net of a £2.5m investment in stock to normalise stock weeks (2013: 85.3%).
Return on capital employed ('ROCE')		ROCE measures the return that we can 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 10.7% p.a. to 20.1% (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 9.05p to 13.78p (2013: 4.73p).
Strategic multinational OEM revenue		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 maintaining and expanding our manufacturing capabilities and capacities around the world, we will reduce our reliance on purely distribution revenues and be better able to manage unit price production costs to maintain our ongoing profitability.

Historic performance	Position on target?
	✓
	✓
	✓
	✓
	✓
	✓
	✓

Historic performance	Position on target?
Over the last five years, 26% of UK employees have completed the management development programme.	✓
	✓

Key to strategic pillar icons

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

Business review

Our Group performance

Unless stated otherwise, amounts and comparisons with prior year are calculated at constant currency (Constant Exchange Rate 'CER'), see note 34 for definition and explanation of rates used. Where we refer to 'underlying' this is defined as being before separately disclosed items. Where we refer to 'EBITDA' this is defined as being earnings before interest, tax, depreciation and amortisation. For definitions and reconciliations to GAAP measures see note 2, note 25, note 34 and the glossary.

Our Group performance:

	FY 2018 CER	FY 2018 AER	FY 2017	Growth at CER	Growth at AER
Revenue	**£193.9m**	**£197.6m**	£186.5m	+4.0%	+6.0%
Gross profit	**£59.2m**	**£60.2m**	£58.0m	+2.0%	+3.8%
GP%	**30.5%**	**30.5%**	31.1%	-60bps	-60bps
Underlying operating profit ('UOP')	**£22.1m**	**£22.7m**	£21.0m	+5.1%	+8.1%
UOP %	**11.4%**	**11.5%**	11.3%	+10bps	+20bps
Operating profit ('OP')	**£18.4m**	**£19.0m**	£17.9m	+3.1%	+6.3%
OP%	**9.5%**	**9.6%**	9.6%	-10bps	+0bps
Underlying EBITDA	**£24.0m**	**£24.7m**	£22.9m	+4.9%	+7.8%
Underlying EBITDA %	**12.4%**	**12.5%**	12.3%	+10bps	+20bps
Underlying profit before tax	**£21.6m**	**£22.2m**	£20.5m	+5.4%	+8.5%
Profit before tax	**£17.9m**	**£18.5m**	£17.3m	+3.4%	+6.7%
Underlying diluted EPS	**13.39p**	**13.78p**	12.82p	+4.4%	+7.5%
Diluted EPS	**11.82p**	**12.20p**	10.40p	+13.7%	+17.3%
Underlying ROCE		**20.1%**	19.9%		+20bps

Gross margin

30.5%

(2017: 31.1%)

Underlying diluted EPS at AER

13.78p

(2017: 12.82p)

The Group has continued to perform well across all our regions, delivering another year of strong organic growth. Revenues have increased by 4.0% at CER and are up 6.0% to £197.6m at Actual Exchange Rate ('AER') for FY2018.

The largest source of growth continues to be from our multinational OEMs, with sales to these contributing over 65% of our Group turnover.

We are particularly pleased to report that, despite the effects of anticipated purchase price inflation and the upfront costs of our ongoing investments into manufacturing capacity in our European region, we have been able to maintain gross margins 50bps above our 30.0% target at 30.5% (2017: 31.1%). Whilst good cost control across the business, even in a period of investment driven growth, has allowed our underlying operating margins to remain at an historic high of 11.4% (2017: 11.3%), up 5.1% to £22.1m at CER, 8.1% to £22.7m at AER (2017: £21.0m).

All of the above has helped to drive strong AER growth in both our underlying PBT, up 8.5% to £22.2m (2017: £20.5m) and our underlying diluted EPS, up 7.5% to 13.78p (2017: 12.82p).

GAAP measures commentary (at AER)

After considering separately disclosed items (see note 2), PBT grew 6.7% to £18.5m (2017: £17.3m). The reduced growth, when compared to that at underlying PBT, is due to increased IFRS2 charges and Project Atlas costs, partially offset by the profit on disposal of the factory at PSEP (see note 2 for further details). Diluted EPS increased by 17.3% at AER to 12.20p (2017: 10.40p). The improved growth, when compared to that at underlying diluted EPS, is mainly due to the finalisation of a fully provided historic tax position in the UK, leading to a prior year corporation tax adjustment of £0.9m (see the taxation section for further details).

Business review continued

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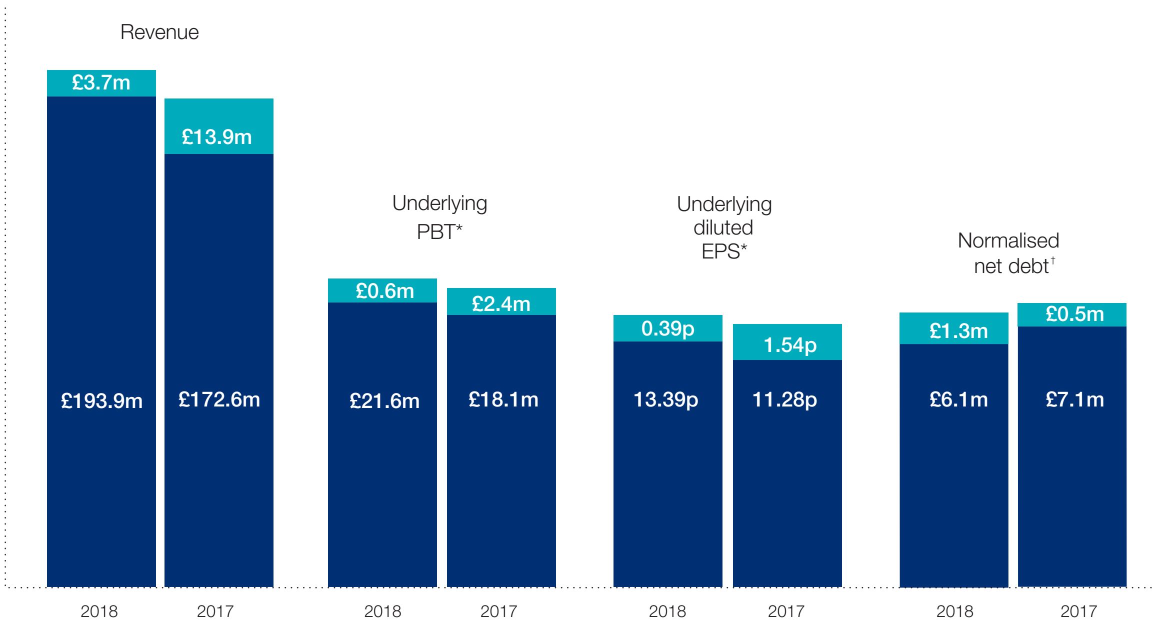
Given the ongoing weakening of sterling since June 2016, CER continues to be the best way of understanding the positive progress of our underlying business. To aid understanding, the impact of this on our key metrics is illustrated in the graph below.

FX effects



* Before separately disclosed items which are shown in the financial statements.
† Before outstanding NI and income tax on share options.
For PBT and diluted EPS, see page 52

AER CER

Dividend policy

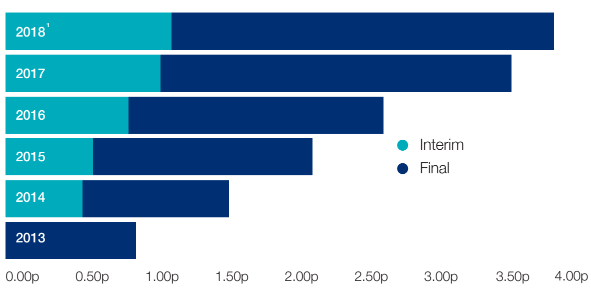
With a proven track record, a strong balance sheet and an established strategy for growth we remain committed to a progressive dividend policy.

As a result the Directors are proposing, subject to shareholder approval, a final dividend of 2.75p per share. This together with the interim dividend of 1.10p (paid on 12 April 2018), brings the total for the year to 3.85p per share, an increase of 10.0% on the prior year (2017: 3.50p). The final dividend will be paid on 12 October 2018 to shareholders on the register at the close of business on 14 September 2018. The ordinary shares will become ex-dividend on 13 September 2018.

The 2018 final proposed dividend means that over the last five years dividends have grown from 0.80p to 3.85p, equating to a compound annual growth rate ('CAGR') of 37%.Over the same time, dividend cover has fallen, now representing a cover of 3.6x.

Trifast plc, the parent company, is a non-trading company which derives its distributable reserves from dividends paid by subsidiary companies. The Board considers the dividend policy and distributable reserves at least twice a year in line with announcing results. 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, any acquisitions and the working capital requirements of a growing business. The distributable reserves at 31 March 2018 were £21.4m.

Dividend progression



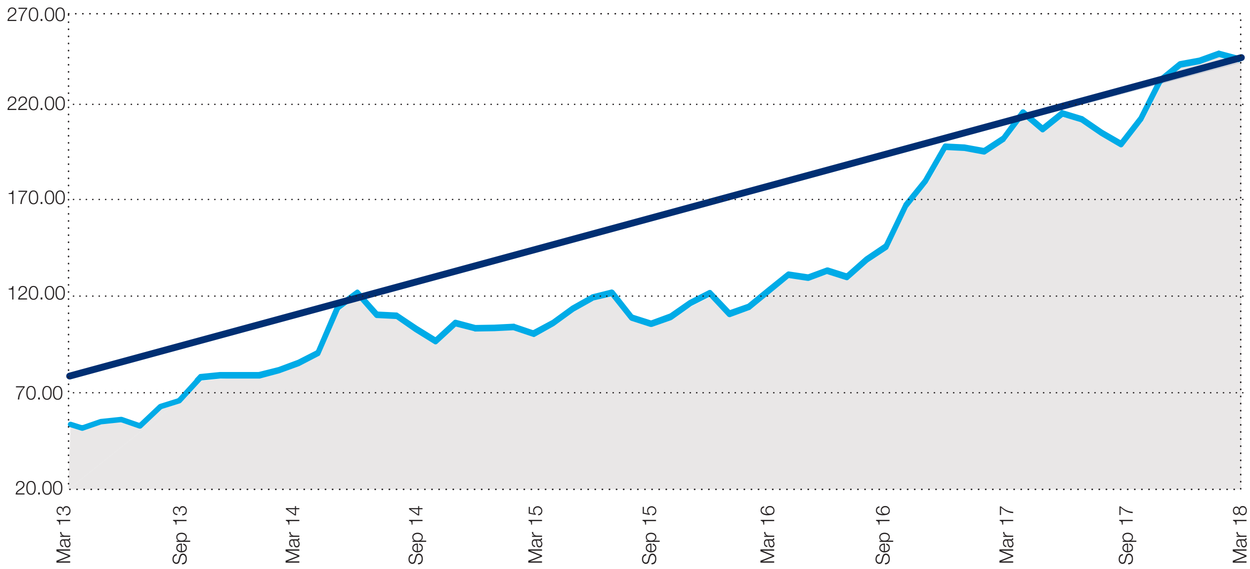
1. To be approved at the 2018 AGM

Dividend cover

Share price – recovery to growth:

The significant increase in our share price over the last five years illustrates the *TR* story of successful and sustainable growth (compound annual growth rate: 34.9%).

Share price (p)



Revenue

As in 2017, this year's key revenue message continues to be one of consistent growth across all of our regions.

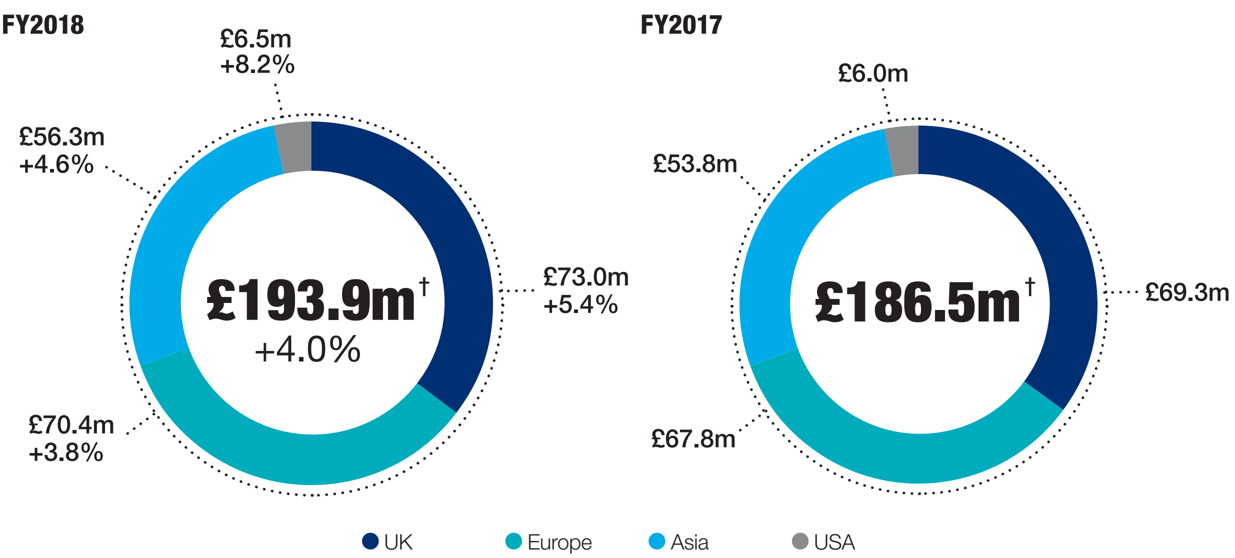
Our European operations have exited the year strongly, with revenues in HY2 growing by 5.2% at CER (7.5% at AER) and leading to a year-on-year revenue growth of 3.8% at CER, 8.6% at AER (2017: 9.8% of which 4.6% was organic at CER). This good regional performance is particularly commendable, as it follows abnormally high sales volumes in our Italian domestic appliances business in 2017, as we supported a global product recall programme for one of our key accounts. Our most significant trading gains in 2018 have arisen in the automotive sector in Holland and Sweden, with both of these sites achieving double digit CER revenue growth of 15.4% and 13.6% respectively.

In Asia, we have seen continued good growth, with a year-on-year increase of 4.6% to £56.3m (6.3% at AER, 2017: 6.5%) coming out of sustained high trading levels following a very strong first half of the year. Trading has increased almost across the board, with Shanghai showing the strongest individual growth at 9.6%. This is mostly in the automotive sector as we expand into a number of our multinational OEM customers both locally and into Japan.

For our UK businesses, despite the ongoing uncertainties surrounding Brexit, it has been another year of strong growth. Overall total revenues are up 5.4% to £73.0m (2017: 4.6% to £69.3m). With the biggest increase continuing to be seen across our European distribution businesses, growing 23.4% to £10.0m at AER. Outside of this, growth has largely come from increased sales to our core multinational OEMs across a number of sectors.

In the US, we are very pleased to report a return to higher growth levels following a slow HY1 as a result of Hurricane Harvey. A very strong HY2, predominantly in the automotive sector, has seen year-on-year growth increase back up to 8.2%, £6.5m (6.8% at AER, HY1 2018: 3.7%; 2017: 12.3%).

Revenue by region (CER)*



* Regional revenues include intercompany
† Group revenue, after eliminating intercompany

Business review continued

Unless stated otherwise, amounts and comparisons with prior year are calculated at constant currency (Constant Exchange Rate 'CER'), see note 34 for definition and explanation of rates used. Where we refer to 'underlying' this is defined as being before separately disclosed items. Where we refer to 'EBITDA' this is defined as being earnings before interest, tax, depreciation and amortisation. For definitions and reconciliations to GAAP measures see note 2, note 25, note 34 and the glossary.

Gross profit

The Group's gross margin of 30.5% means we have remained a comfortable 50bps above our long held, but only recently achieved, 30.0% target (2017: 31.1%).

The expected gross margin decrease from prior year is primarily from our European operations. This is most specifically within our Italian business where, as previously reported, the impact of purchase cost increases in the second half of 2017 have continued into 2018. In addition to this there was a planned increase in fixed production costs as we invest in manufacturing capacity to support future growth. Positive margin movements in other parts of our European business have helped to offset the effect of this, reducing the overall gross margin fall in the region by (150)bps.

In the UK, gross margins have held steady, with the net impact of purchase price inflation, following the protracted weakness of sterling, having been relatively modest to date.

Whilst in Asia, gross margins have also remained consistent, as growth driven production cost benefits have helped to successfully offset the impact of e-bidding pricing pressures at one of our key electronics multinational OEMs.

In the US gross margins have fallen by 560bps as the result of product mix changes and an increased focus on the automotive sector. The negative impact of this has been exaggerated in 2018 by reduced sales volumes due to Hurricane Harvey as well as one-off set-up costs, relating to the start of production for one of the region's biggest automotive customers.

Underlying operating margin

Underlying operating margins have remained broadly in line, up 10bps to 11.4% (11.5% at AER, 2017: 11.3%). This reflects strong cost control at overhead level, offsetting the gross margin reduction and generating an overall increase in underlying operating profit of 5.1% to £22.1m (AER: up 8.1% to £22.7m).

In Europe the underlying operating margin has reduced by 230bps to 12.2% (12.3% AER, 2017: 14.5%) largely as the result of the gross margin movements noted above. Whilst additional overhead spend has mainly been incurred to support our new greenfield site in Spain. With sales invoicing now firmly underway and a strong pipeline of opportunities, *TR* Espana remains a very exciting area of organic growth for us.

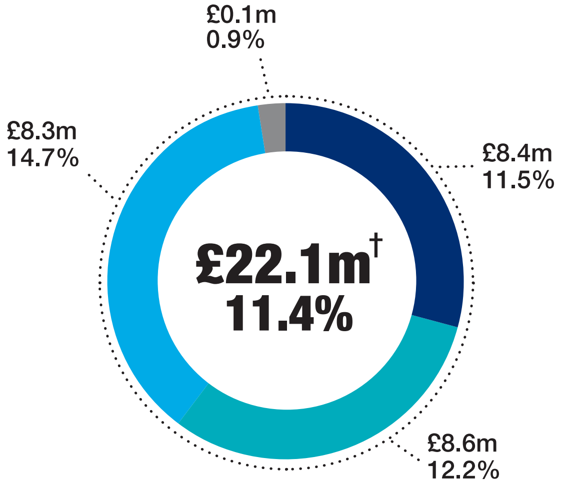
Offsetting the reduction in Europe, we have seen a 210bps underlying operating margin increase in our UK region to 11.5% (2017: 9.4%), reflecting the benefits of ongoing revenue growth over a semi-fixed cost base.

In Asia, margins have remained consistent at 14.7% (14.7% at AER, 2017: 14.9%). The benefits of increased sales have been largely offset by a £(0.4)m foreign exchange loss on translation of the balance sheet due to the recent weakening of the US$ (2017: loss of £(0.2)m). In conjunction with additional overhead investments in the region to support ongoing growth, not least of which is the new warehouse and inspection facilities at our Shanghai location, opened in November 2017.

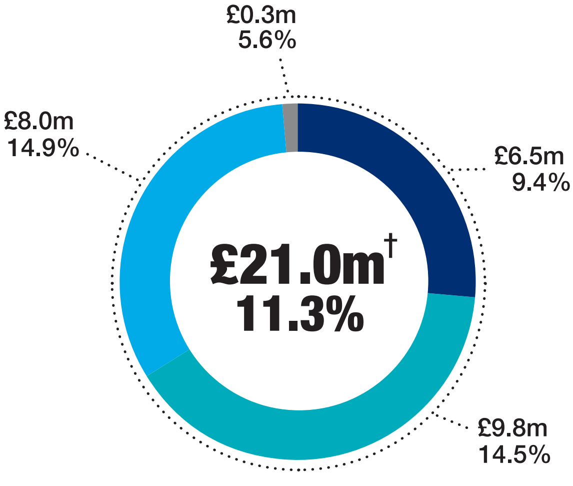
In our small, but fastest growing region, the USA, decreased gross margins have fed directly down to underlying operating profit level. However, as in prior periods, low underlying operating margins continue to be expected in this region given the level of investments for future growth being made here.

Underlying operating profit and margin by region (CER)*

FY2018



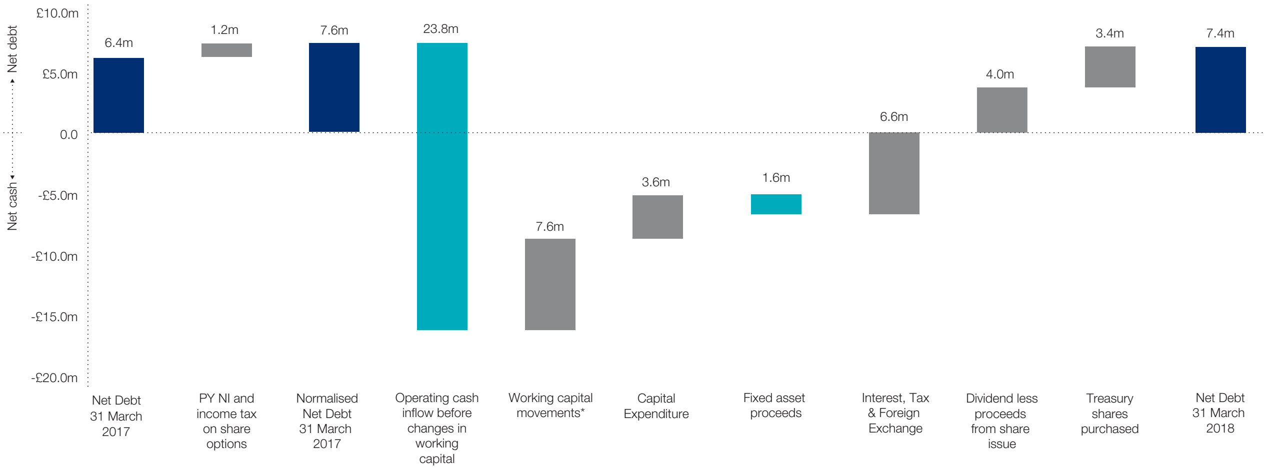
FY2017



● UK ● Europe ● Asia ● USA

* Before separately disclosed items which are shown in note 2
† After deducting central costs

Net debt bridge (AER)



* Excluding outstanding NI and income tax on share options

Underlying operating margin (continued)

GAAP measures commentary (at AER, refer to table on page 52)

After considering separately disclosed items, the Group's operating margin at 9.6% (2017: 9.6%) is consistent with last year and broadly in line with the 10bps increase at underlying operating margin level. Operating margins in the UK have increased by 160bps to 10.7% (2017: 9.1%). The 50bps reduction from that achieved at underlying operating margin level is due to increased IFRS2 costs as there is now a full year's charge for the Senior Manager deferred bonus shares (2017: 3 months), (see note 22). For Europe, the operating margins have reduced by 240bps to 10.5% (2017: 12.9%). This reduction is in line with the reduction in underlying operating profit, as reduced amortisation charges are offset by the profit on disposal of PPE in VIC last year and an increase to the IFRS2 charge for the same reasons as noted above. Asia's operating margin has increased by 10bps to 14.7% (2017: 14.6%), compared to a reduction at underlying operating profit of 30bps, due to the profit on disposal of the factory in PSEP, partially offset by an increase to the IFRS2 charge. USA operating margins have reduced 530bps to 0.1% (2017: 5.4%), compared to a reduction at underlying operating profit of 470bps, due to an increase to the IFRS2 charge.

Net financing costs (at AER)

Interest costs remain at £0.5m (2017: £0.5m) reflecting a broadly consistent average gross debt balance of around £30m year-on-year, to support our ongoing investments for growth.

Taxation (at AER)

The 2018 effective tax rate ("ETR") of 18.5% is significantly lower than our underlying 2018 ETR of 23.3%.

The main reason for this difference is due to the finalisation of a fully provided historic tax position in the UK relating to a combination of EU loss relief claims (£0.6m) for losses made in the run up to the closure of TR France in 2007 and EU dividend relief claims (£0.6m) to cover dividends paid up to Trifast plc between the years of 2007 to 2009. The provision in the accounts at 31 March 2017 was £1.2m whereas the final settlement agreed on 7 September 2017 was £0.3m, leading to a prior year corporation tax adjustment of £0.9m.

Due to the size and the nature of this amount we have removed the net impact of these from our underlying ETR (see note 9).

The underlying Effective Tax Rate ('ETR') has remained in line at 23.3% (2017: 23.6%).

Subject to future tax changes and excluding prior year adjustments, our normalised underlying ETR is expected to remain in the range of c.23-25% going forward.

Net debt

Our net debt position increased by £1.0m to £7.4m (2017: £6.4m). Some £1.2m of this increase is due to the payment out of cash held specifically at 31 March 2017 to settle the national insurance and income tax payments relating to the Chairman, Malcolm Diamond's, exercise of 1,000,000 share options on 17 February 2017.

Capital expenditure of £3.6m (net of £0.1m paid in April 2018) in the period (2017: £2.9m) supports the Board's ongoing investment in the business, most specifically within our manufacturing sites, with the most significant additional capacity project in the final stages of completion in Singapore via the construction of a new mezzanine floor. In addition, £3.4m has also been used to acquire 1,500,000 5p ordinary shares on the open market via the *Trifast* EBT.

In February 2018, we received an additional cash inflow relating to the successful disposal of our second property in PSEP, Malaysia. This office building had been rented out to the same automotive Tier 1 company since before our acquisition of PSEP in 2011. In August 2017, the property was vacated and as we retained no ongoing commercial requirement for the additional space, a decision was made to sell. The profit of £0.6m and the net proceeds of £1.6m generated on disposal have been shown outside of our underlying results (see note 3), but have impacted positively on our year end net debt position.

Although our cash is held across a number of currencies around the world, our gross debt continues to be held predominantly in € and this has led to a £1.3m net increase in net debt mainly from the relative strengthening of the Euro in the period.

Outside of these movements, as expected our cash generation has reduced with a conversion rate of underlying EBITDA to underlying cash of 68.1% (FY2017: 97.3%). Our investment in gross stock in the period includes an extra £2.5m to normalise the very low position we ended 2017 on. Without the impact of this, our conversion rate of underlying EBITDA to underlying cash would be higher at 78.2%.

Business review continued

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Banking facilities

As at 31 March 2018 the headroom on our banking facility was £24.0m (2017: £18.9m). The reason for this marked increase is that on 20 February 2018 and in preparation for the acquisition of Precision Technology Supplies ('PTS') on 4 April 2018, we requested the release of £11.0m from our Accordion facility with HSBC.

We continue to have access to a residual Accordion facility of £9.0m within our Group banking facilities. This provides a degree of potential flexibility to debt finance future acquisitions and further investments as required.

However, following on from the successful acquisition of PTS in April 2018 and given our significant investment plans under Project Atlas into our Group business platform, we have already started discussions in order to secure access to additional funds and thereby maintain an appropriate degree of funding flexibility. This process will be ongoing over the coming month.

Return on capital employed (at AER)

As at 31 March 2018, the Group's shareholders' equity had increased to £110.3m (2017: £101.7m). This £8.6m movement is made up of retained earnings of £13.3m, net of own shares held by the EBT of £(3.4)m, share issues totalling £0.2m and a foreign exchange reserve loss of £(1.5)m which arose due to a relative strengthening of sterling against the US$ and our key Asian currencies in the financial year.

Over this increased asset base, our very strong trading performance has led to a higher underlying ROCE of 20.1% (2017: 19.9%).

Looking ahead

Group outlook:

Ongoing and future investment plans

As a Group, we continue to invest in our operations around the world to support our ongoing growth story.

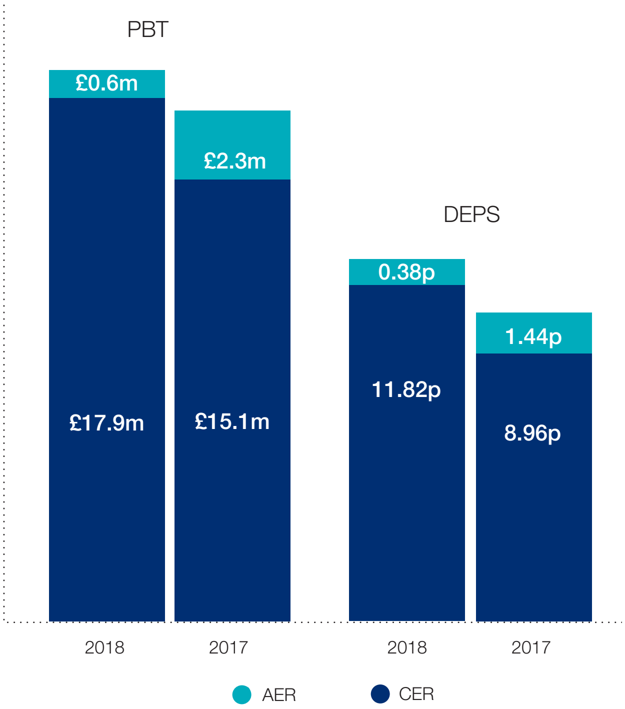
In manufacturing, our capital expenditure plans will continue to increase capacity, most noticeably at both our Italian and Singaporean sites. This will reduce our per-part production costs by bringing more manufacturing in-house in the future.

On the distribution side of the business, we have already expanded warehousing capacity in Shanghai and Northern Ireland to support the strong growth we are seeing in both of these markets. In 2019 we will see further targeted expansions in some of our other of high growth sites, including Holland. Moving into our new site in the USA in April 2018, represents one of our biggest warehousing investments in recent years. This has increased capacity significantly, to not only better support existing trading levels following a CAGR of 16% over the last five years, but also to future proof the business for further growth.

In Europe, we will continue to invest into our rapidly expanding greenfield distribution site in Spain. Whilst the successful setup in November 2017 of a *TR* Innovation and Technical Centre situated in the heart of Sweden's electric vehicle development area, Lindholmen, Gothenburg, is already helping to develop our presence in this important developing market.

GAAP measures

FX effect GAAP measures



Operating profit and margin by region (AER)

Region	2018 Profit £m	2018 Margin	2017 Profit £m	2017 Margin
UK	7.8	10.7%	6.3	9.1%
Europe	7.8	10.5%	8.7	12.9%
Asia	8.4	14.7%	7.9	14.6%
USA	—	0.1%	0.3	5.4%
Total†	**19.0**	**9.8%**	**17.9**	**9.6%**

† After deducting central costs

Complementing all above, we are continuing to invest in both our global and local sales resources and supporting teams. With specific plans for 2019 already approved for Holland, Shanghai, Germany and the USA.

As previously highlighted, significant investments are also planned to improve our digital and business management systems to help facilitate the improved integration of our global business. A major part of this investment is the commencement of Project Atlas, an up to £15.0m multi-year project to significantly develop and integrate our existing IT infrastructure and business processes across the world. This project is essential to support our ongoing growth plans and to meet the evolving needs of our multinational OEM customers. It is expected to generate substantial cost and growth benefits across the Group, providing a return on investment of over 25% p.a. once fully implemented, and underpinning our future growth strategy.

Acquisitions

We were delighted to announce the acquisition of PTS on 4 April 2018. Being able to successfully acquire such a high quality, growing operation in a complementary part of the market was a key win for us and we look forward to reporting back on the joint successes that we expect to follow.

Our newly established internal acquisitions structure and team will continue to drive our ongoing proactive and reactive activities in this area. This will be supported by the use of external expertise where appropriate, to improve our access to key acquisition geographies.

Outlook

As expected, 2018 has delivered another year of strong growth, with ongoing investment across all our regions. This, together with a robust balance sheet, good banking relationships and access to facilities as well as a proven track record of profitable investment, means the Group is in a great position to keep moving forward.

The current year has started well, with a robust pipeline in place, and the Board remains confident of delivering on its expectations.

There are, of course, some risks that we cannot fully control. Competitive pricing pressures are, and always have been, a factor in our industry but focusing on being a distributor and manufacturer of specialist industrial fastenings, we are better protected from some of the volatilities of the market. However, we are not always immune from the behaviour that certain parts of the industry periodically employ and whilst we are currently in a period of sustained growth across all of our sectors, ultimately, we remain susceptible on some level to the underlying success of our key strategic accounts.

As ever, wider macroeconomic factors continue to exist that we cannot fully mitigate, including the ongoing volatility in the foreign currency and raw materials markets, the expected wash through of input cost pressures in the UK due to the protracted weakness of Sterling, as well as the wider potential implications of Brexit on our business and the UK economy.

Notwithstanding the above, as an international business with over 70% of our revenues now being generated outside of the UK, and a very well-balanced geographical and sector spread, the Board remains confident we will continue to have the flexibility and foresight to carry on successfully investing for growth, while facing any challenges head on as and when they arise.

Business review continued

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UK

Dave Fisk
Managing Director
TR Fastenings UK

Sam Wilson
Managing Director
Lancaster Fastener

"Strong revenue growth of 5.4% to £73.0m (2017: £69.3m) and the successful acquisition of PTS on 4 April 2018, means the UK remains an exciting region for future growth

Regional performance

This has been another very strong year for the UK with revenues increasing by 5.4% to £73.0m (2017: £69.3m). A key driver of that growth continues to be sales into our European distributors where our commitment to quality, product range and reliable supply is helping to build growth.

Outside of that, we have seen increases at a number of our key multinational OEMs, showing that the core strategy continues to bear fruit.

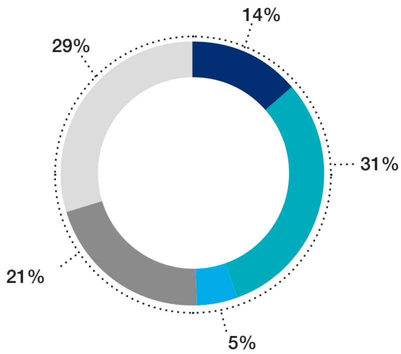
Across the UK business we have seen only a muted impact of purchase price inflation to date in our gross margins. This is as a result of our ability to defer negotiations, to pass pricing increases on wherever possible and also due to the stock holdings we maintain. We do expect the impact of this to be more marked in the current year as stocks wash through, although we will continue to work hard to mitigate this as far as possible.

Underlying operating margins have performed very well in the year, with a 210bps increase to historically high levels of 11.5% (11.5% at AER, 2017: 9.4%). This reflects strong cost control, despite the investments for growth that have been made, and a growing sales line against what is a relatively fixed cost base.

In our Lancaster operations, we have seen remarkable double digit sales growth for the Company resulting in an exceptional set of figures up 12.5% on the prior year at £6.4m (2017: £5.7m).

Here, it is export sales across most central European and Scandinavian countries that have produced the strongest growth at 19% and our ranges of stainless steel product introduced to specifically complement several of the carbon steel ranges has provided strong sales figures. With the acquisition of PTS completed just after the year end, our penetration into the stainless steel part of the market is only set to increase.

Revenue by sector



Looking ahead

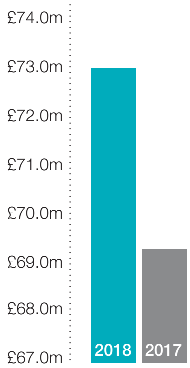
Two new product ranges have been recently introduced in Lancaster with early enquiries resulting in immediate sales on stock arrival. The introduction of a range of "Castle" CRH drive machine screws is expected to play a major part in sales growth for this part of the business next year with further product range development also budgeted for 2019.

Notwithstanding the recent publicity around reducing automotive production volumes in the North-East as the result of lower diesel sales, we continue to see the UK region as a good mature market for us to operate in. There remain growth opportunities in the distributor market as well as across a number of our key sectors. And we look forward to bringing PTS on board in the current year and growing together.

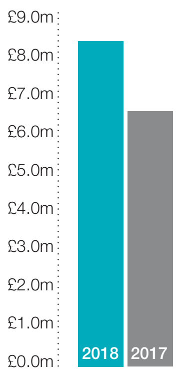
Whilst the UK is not a focus area for our proactive acquisition search, as always we will continue to react positively to any opportunities that may arise to ensure that we keep all options for growth open to us.

Currently the UK economy is continuing to perform reasonably well 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.

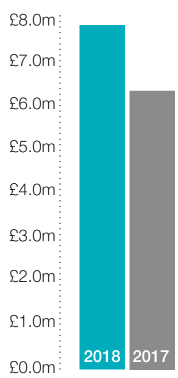
Revenue*



Underlying operating profit



Operating profit



* Including intercompany revenues

Europe

Geoff Budd
Director
TR Europe

"A strong exit to the year, with HY2 generating 5.2% growth at CER (7.6% at AER)

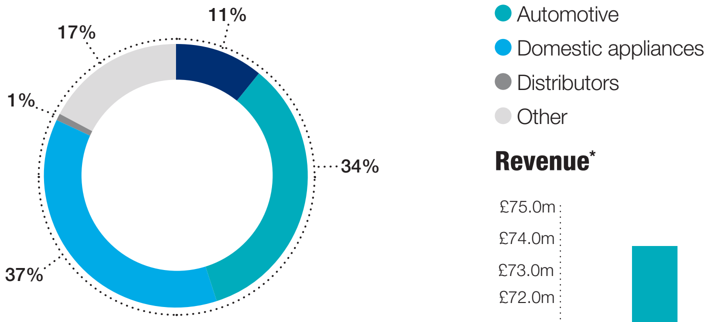
Regional performance

Revenue growth across the region has been good at 3.8% to £70.4m (2017: £67.8m), reflecting a much stronger exit to the year, with HY2 generating 5.2% of growth at CER. Sales were particularly strong from our automotive divisions, most notably in Sweden and Holland with both sites having an outstanding year, and gaining more new business primarily to a number of our strategic automotive multinational OEMs. Our *TR* Kuhlmann operation in Germany has continued to go from strength to strength reporting revenue growth of 14.1% in the year to £6.9m (2017: £6.0m) and strong underlying operating margins.

In the domestic appliances sector we have experienced a more challenging year following on from abnormally high sales in 2017 as the result of a global product recall program at one of our key multinational OEMs. By the end of the financial year, trading had returned to a more normalised level. Despite its inherent challenges and competitive pressures, we continue to see the domestic appliances sector in the region as providing ongoing opportunities.

TR Sweden opened a *TR* Innovation and Technical Centre in Gothenburg, the heart of Swedish electric vehicle car production. This is allowing us to work more closely with key customers in this very productive area. Our newly formed entity in Spain commenced trading at the beginning of the financial year and already we are seeing evidence of the benefit of being in that location not only with customers in Spain, but also across the region. In particular our operations in Holland, are cooperating well, helping to support automotive sourcing requirements in Spain and follow up on other business opportunities in the region.

Revenue by sector



Underlying operating margins have reduced in the year, by (230)bps to 12.2% (2017: 14.5%). This fall returns underlying operating margins for the region to more normalised levels and has largely been felt at gross margin level following decreases in our Italian business due to known input pricing inflation and investments for capacity growth ahead of production volumes.

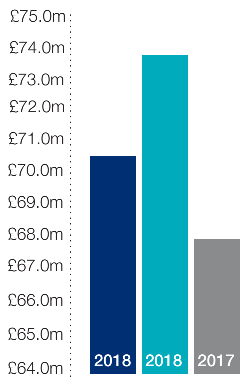
Looking ahead

Over the course of FY2018 our Italian operations have continued to receive significant capital expenditure (€1.0m). This has focused on additional plant and machinery to make best use of the growing capacity as a result of the successful installation of the new heat treatment plant in FY2017. This strategic investment plan will continue to roll out in to FY2019, albeit at a lower level, to drive production volumes and efficiencies going forward. The achievement of TS16949 accreditation in FY2017 continues to open up opportunities to grow and is helping to re-balance our regional reliance on the domestic appliances sector. Automotive growth in our Italian operations has been high at 41.4% to €2.8m (2017: 72.5%, €2.0m).

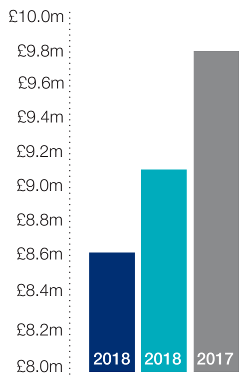
We continue to see Europe as a key growth market for the Group across not just automotive, but also our other key sectors. Although we do note, that overall growth is forecast to reduce to below 0.5% in the region's domestic appliances sector, which may make conditions in this particular part of the market place more challenging for us going forward. Notwithstanding that, recent investments are continuing to provide ongoing opportunities for growth, whilst the planned warehouse expansion in Holland will help to support both existing and additional business.

On the non-organic side, we will carry on with our proactive search for our next successful acquisition with a particular eye on Eastern Europe and the strong automotive markets operating there.

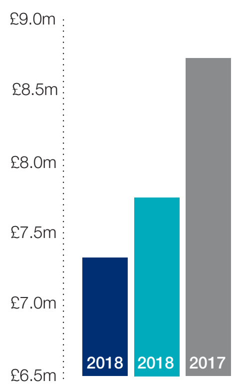
Revenue*



Underlying operating profit



Operating profit



* Including intercompany revenues

- CER
- AER

Business review continued

Unless stated otherwise, amounts and comparisons with prior year are calculated at constant currency (Constant Exchange Rate 'CER'), see note 34 for definition and explanation of rates used. Where we refer to 'underlying' this is defined as being before separately disclosed items. Where we refer to 'EBITDA' this is defined as being earnings before interest, tax, depreciation and amortisation. For definitions and reconciliations to GAAP measures see note 2, note 25, note 34 and the glossary.

USA

Gary Badzioch
Managing Director
TR Fastenings Inc.

"What a year? A Hurricane, a major site move and double digit growth in HY2

Regional Performance

This has been a very strong year of revenue growth for our US region up 8.2% year-on-year to £6.5m (2017: £6.0m), with a notable return to double digit growth in HY2 following a slower start in HY1 due to Hurricane Harvey.

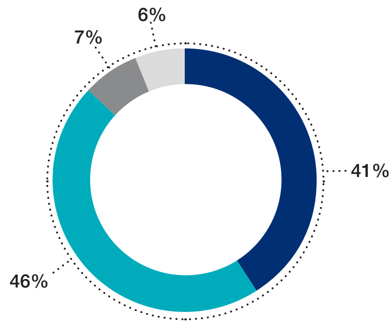
As reported last year we have continued our focus on the automotive sector seeing significant growth from it. This now represents 46% (2017: 26%) of our revenue.

We have found our niche in this buoyant USA market, despite there being capable long established vendors in position already. We are a major supplier to the Tier1's in Europe and the knowledge we have gained in supplying to these multinationals has put us in an advantageous situation in the local market. We have knowledge of and understand their stringent quality requirements and finishes, and we hold stocks which has enabled us to supply samples and support prebuilds with very short lead times.

Having manufacturing within the *Trifast* Group gives us a distinct advantage and flexibility over other distributors, with PSEP, Malaysia becoming an important part of our supply chain over the last 12 months.

Hurricane Harvey however was a distraction that we could have done without in the first half of the year. We had early warnings of its arrival so we were able to ensure we had no interruption in our supply to customers. We shipped early with their agreement covering several weeks of product. The roads were flooded and impassable but due to our risk management planning our staff worked from home fully connected to our systems so that we had little customer impact. The building was not flooded and we supported our team, some of whom had been marooned for five days. However the hurricane did impact on one of our major electronics customers and their subcontractors.

Revenue by sector



They were not operational for four months and this did affect our turnover, but we are now back in a recovery and almost at previous revenue levels. We have increased our internal/external sales teams to support this important sector and, as a result, we have had success in opening a number of new and interesting accounts.

Underlying operating margins fell sharply in the year by 470bps to 0.9% (2017: 5.6%) as a result of the change in focus away from higher margin electronics sales to the automotive sector. This has been compounded by the issues at one of our key multinational OEM customers following the Hurricane as well as our ongoing investments for growth. Looking ahead, underlying operating profits will remain depressed for the medium term while we continue to invest to grow this important regional market.

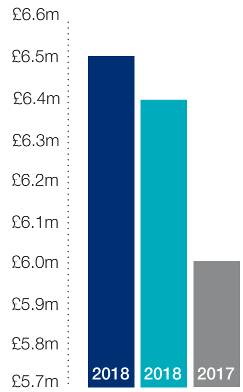
Looking ahead

Mexico is of strategic importance to us and we have exhibited at the Fastener show in Mexico again in FY2018 with the aim to increase our sales and gain *TR* brand awareness . This year we are exhibiting at the Fastener Show in Cleveland for the first time, and also at Automechanika in Mexico City. Our biggest practical challenge in recent years, following CAGR of 16% over the last 5 years, has been space. The larger diameter product we supply to automotive, and additional staff, have necessitated a move to a new much larger facility. This is a perfect showcase both to have space for an enlarged quality and engineering workspace and the all-important technical centre.

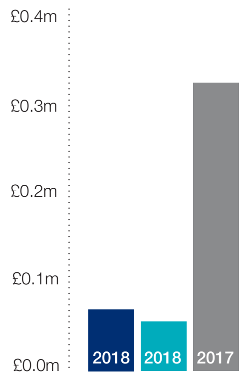
Looking ahead, there are several exciting geographical markets in the USA presenting opportunities for growth. We intend to exploit such opportunities going forward not only to drive growth, but also to ensure we keep a balanced portfolio of both domestic and export business in the current political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

With our stronger team and new premises, we hope to cement our ability to continue growth at a double digit rate for the foreseeable future.

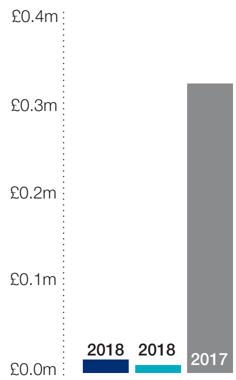
Revenue*



Underlying operating profit



Operating profit



* Including intercompany revenues

- CER
- AER

Asia

Charlie Foo
Managing Director
TR Asia

"2017 was an exciting year for Asia, with key wins being seen off the back of increasing Group integration

Regional performance

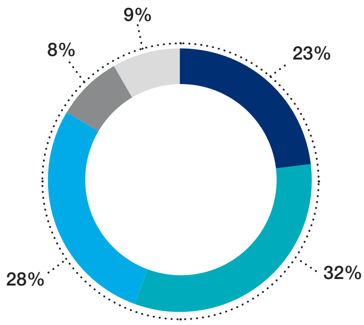
Revenue growth has been strong with a year-on-year increase of 4.6% to £56.3m (2017: £53.8m) and higher trading being seen across almost all sites. The strongest growth has been in our Shanghai operations, where near double digit growth predominantly into the automotive sector has bolstered results. Our new warehouse and inspection facility is helping to support that ongoing growth and with the recruitment of a representative in Japan, we are successfully pushing further into this key regional market.

The world saw much change from two events in the political arena: when America elected a new President at end of 2016 and when a simple majority of 51.9% caused Brexit in June 2016. There is no doubt that all these major changes in the world has caused much impact to the business environment, particularly in the tremendous fluctuation of all major currencies since then and until now.

However, due to prudent cost control and sensible investment, all our Asia manufacturing sites are undeterred and continue to go from strength to strength. Establishing new networks and offices in various new locations has helped our customers and us to grow in new directions in 2018. We anticipate these new areas will contribute significant new growth to our business.

Underlying operating profit margins in the region remain the highest in the Group at 14.7% (2017: 14.9%) reflecting the benefit of similar gross margins against a reduced overhead and distribution cost base. With the successful construction of our S$1.2m capital investment in the mezzanine floor at our Singapore site, we expect per unit production costs to decrease with more manufacturing being brought in-house.

Revenue by sector



Another key change in the year has been the marked increase in the level of intercompany manufacturing that the region has been providing to the wider Group. This is up by 18.6% against the prior year to £7.9m at AER (2017: £6.7m). We believe that there remains further to go with this across certain of our sites, most specifically PSEP, in Malaysia. Here we have seen a big increase in the manufacturing support being provided for key automotive wins in Shanghai and the USA. This is already generating 9.1% (2017: 0.6%) of local revenues, although ably assisted by our investments in our IT infrastructure and business processes via Project Atlas, we expect this number to continue to grow in the coming years.

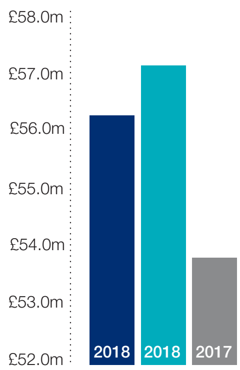
Looking ahead

To grow is to invest, a motto by our top management. We will continue to actively invest into human capital, production/quality equipment and upgrading our system to serve our customers faster in service, supply and cost effectiveness globally.

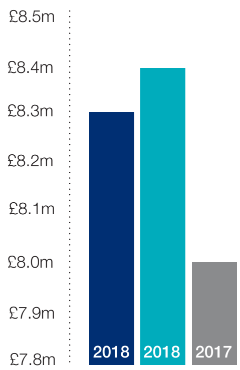
There can be no doubt that our market remains competitive, with an e-bidding process having taken place at one of our key electronics multinational OEMs in the year as well as restructuring issues reducing demand for one key domestic automotive customer in the region. However these things are just a part of life in our industry and with our good sector and geographical reach across the region as well as the huge amount of expertise and experience that we have within the business, we continue to see the Asia region as a driver for ongoing investment driven growth.

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 identify and review acquisition opportunities as they arise.

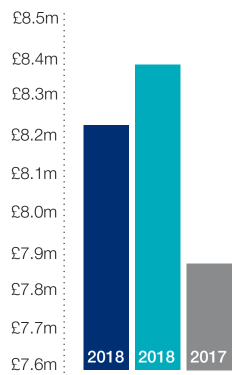
Revenue*



Underlying operating profit



Operating profit



* Including intercompany revenues

- CER
- AER

Corporate social responsibility

Health, Safety & Environmental team

Jenni Morland
European Health, Safety and Environmental Manager

Kelly Bennett
Environmental Health and Safety Co-ordinator

Tracey Nixon-Mordica
Compliance Co-ordinator

Health, safety and environment

Trifast is committed to providing a safe and fair environment, we enforce this commitment through our Health and Safety, and Environmental Management systems and our continuous improvement cycles surrounding them. We have now achieved ISO14001:2015 accreditation in all our European and USA facilities, and are setting our sights on achieving ISO45001 accreditation. Our sites in Asia are currently in transition over to the new standard with three now accredited and the remaining sites due for accreditation before October 2018.

We have completed an 18 month project to implement processes and procedures in-line with ISO14001: 2015 Environmental Management Systems standard, in our European and USA facilities, this has given us a firm grasp on our businesses environmental aspects and Impacts, allowing us to control and minimise our effect on the global and local environment.

The ISO14001 project has now focused our mind on ongoing objectives and targets for the company, we have targeted ourselves to reduce our carbon footprint per owned or leased sqm floor space by 5% by June 2020, and to reduce our waste streams to landfill by 10% by June 2020. These are challenging targets, but supported by the structure of ISO14001, we are confident of achieving them.

We have a firm responsibilities and support framework in place for our Health, Safety and Environmental management, which ensures continuity of the company strategy from the CEO to the operational staff, supported by the H, S & E team.

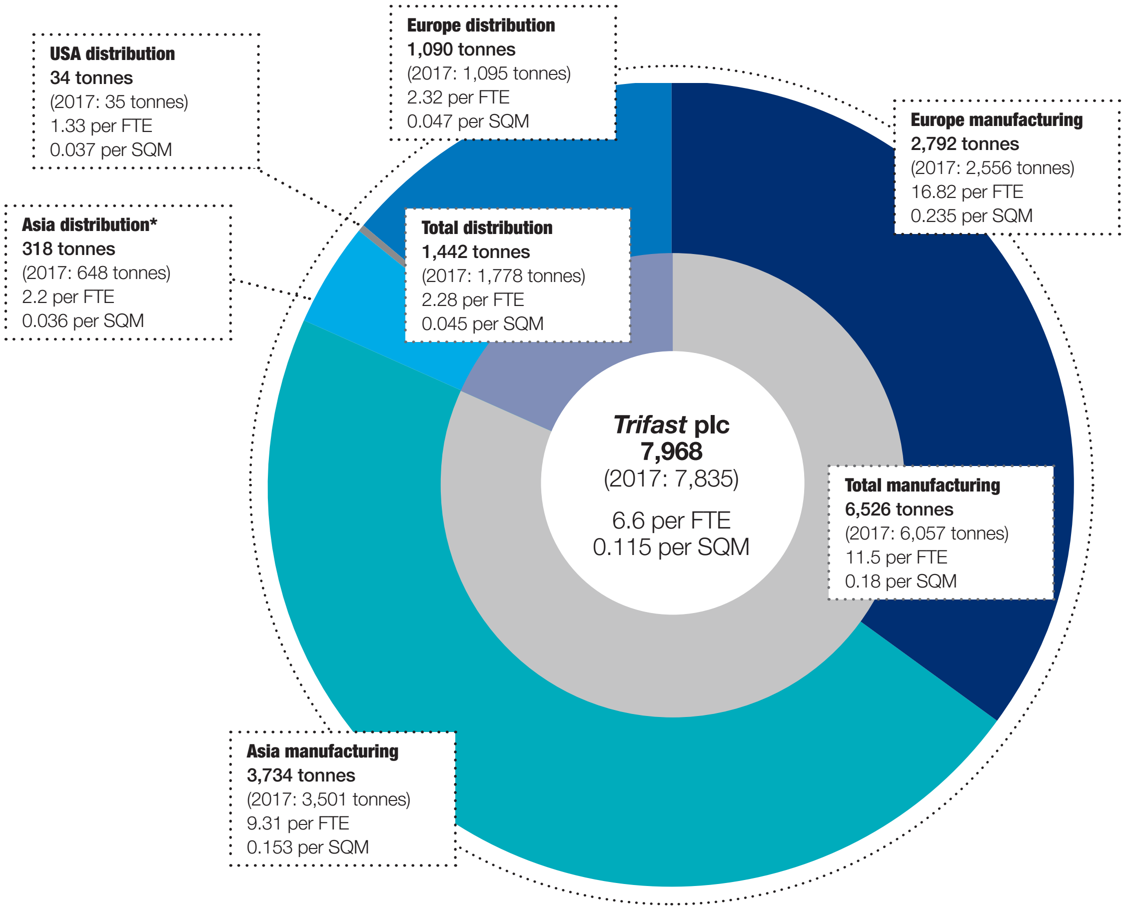
In November we held our annual Health, Safety and Environmental Representatives meeting – again welcoming our colleagues from around Europe to join. In this two day conference we discuss all aspects relating to Health, Safety and Environment including the current ISO14001 accreditation and the upcoming ISO45001 project, ensuring that we are meeting requirements, and providing on the spot training, information, advice and support to all our representatives. This meeting is proving to be very popular and was attended by 25 colleagues.

Through firm policies on Health and Safety, *Trifast* commits to:

- Provide safe and healthy working conditions which aim for the prevention of work related injury or ill health
- To eliminate hazards, so far as is reasonably practical, and reduce occupational health and safety risk
- Conduct its activities in full knowledge of, and compliance with, the requirements of applicable legislation, approved Codes of Practice and other requirements agreed by top management

In addition to this, our Environmental Policy commits us to:

- Minimise energy consumption per full time equivalent ('FTE') and square metre as is reasonably practical
- Prevent pollution as far as is reasonably practical
- 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 seen a reduction in its Asia distribution CO_2e emissions, due to offices being moved to more efficient premises

Carbon footprint 2017–2018

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

Data period for reporting	**01/04/2017 – 31/03/2018**	01/04/2016 – 31/03/2017
Total scope 1 Emission	**1,840 tonnes CO_2e**	1,710 tonnes CO_2e
Purchased Fuels	**1,334 tonnes CO_2e**	1,90 tonnes CO_2e
Company Vehicle use	**506 tonnes CO_2e**	520 tonnes CO2e
Total scope 2 Emission	**6,128 tonnes CO_2e**	6,125 tonnes CO_2e
Purchased Electricity	**6,128 tonnes CO_2e**	6,125 tonnes CO_2e
Total GHG Emissions	**7,968 tonnes CO_2e**	7,835 tonnes CO_2e

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)

Code of conduct

A new and updated Code of Conduct has been produced to allow all the Group's CSR policies and statements to be available in one place. This is a hard copy document and is also available on our website. Our updated Modern Slavery statement for 2017 can also be found on our website.

Business and the community

Our HR Director continues in her role as an Enterprise Adviser for a local Community College. This role is to encourage relationships between the business and the local school community. Because of this position, we have attended careers fairs and had positive interaction with several pupils from the College, both in their own environment and at our business premises. We have a continuing dialogue with the senior management team at the College to discuss future activities to encourage their pupils to learn about business, engineering and manufacturing.

As a result of this relationship we have been able to sponsor one of their pupils to go to the NASA Space Centre on an educational trip. We are also providing some funding for their activity under the Prince William Award. This worthwhile and challenging programme supports children and young people in developing their skills and abilities for their future years and provides wide support in the areas of personal development, behaviour and welfare. We are looking forward to being involved with some of these activities in partnership with the College and to hearing about their successes.

We also maintain our sponsorship of local business awards and we always like to sponsor the 'Young Employee of the Year' category to encourage the young people within our local communities.

Trifast in the community

GROUP:

Newick "Scrummies" fall from the skies

Trifast's Company Secretary, Lyndsey Case, was one of four Newick RFC 'scrummies' (the nickname for wives and girlfriends of rugby players) that decided to take to the skies and raise money for a local charity. The ladies undertook a daring skydive in Headcorn and, despite the unsettled weather adding to the challenge, they achieved their goal, much to the delight of all involved. Together, Lyndsey, Sarah, Kerry and Cecilia, raised £3,982 for Sussex-based charity, St.Peter & St James' Hospice.

ASIA:

"Go Green" furniture donation

Every year, the PSEP team supports the "Go Green, Recycle for Charity" initiative. Last year, employees donated unwanted office furniture to the Pertubuhan Amal Seri Sinar charity home. A total of 30 items were donated, from tables to cabinets and the objective was to give furniture to those who needed it whilst also supporting a sustainable and recycling-led community effort.

EUROPE:

Stockholm students to design build and race electric car at Silverstone

TR is assisting a team of mechanical design and engineering students from Sweden to compete in Formula Student, Europe's most established educational motorsport contest. The team, from Stockholm's highly regarded KTH Royal Institute of Technology, is designing and building an all-electric dual-engine single seater racing car.

German team runs up a great total for charity

TR Kuhlmann, raised €300 for humanitarian projects in Uganda by taking part in a charity run last summer.

Irish homeless charity benefit from double donation

Employees from *TR* Southern Fasteners have been busy taking part in various activities to raise funds for local charity, Helping Hands Action Group based in Cork, Southern Ireland. The amount raised was over €700, which was topped up to €1,000 by *TR*.

UK – SOUTH EAST:

TR Uckfield score with football club

TR Fastenings has agreed a first-time sponsorship of Brighton & Hove Albion Football Club. Known by its fans as the 'Seagulls' this local club debuted in the UK Premier League for the first time in 2017. *TR* is amongst a number of local businesses showing their support to the club and the local community.

UK – NORTH EAST:

"Likely Lads" complete gruelling bike ride for local boy

Regan Golightly and Troy Race from *TR* Newton Aycliffe successfully completed a demanding 50-mile bike ride around the North-East and, in the process raised £2,000 for 13 year-old local boy Kyran Richmond who has Juvenile Batten Disease, a rare genetic metabolic neurodegenerative condition with no cure currently known.

No valley too deep, no mountain too high for Avril

Avril McNeil, who works within the automotive strategic support at *TR*'s North East division, completed an exhausting series of white-knuckle zip wire challenges across sheer mountain faces and deep caverns in the Welsh countryside. The challenge successfully smashing her target raised over £600 for the Sir Bobby Robson Foundation.

NORTHERN IRELAND:

All Ireland champions race onto the international kit car scene

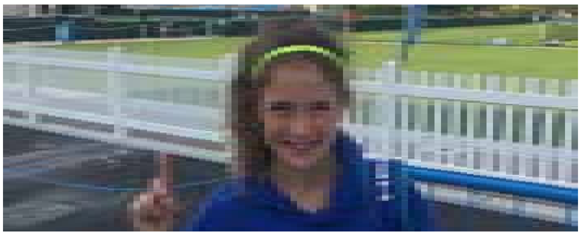
Six students from Ballyclare secondary school represented Northern Ireland in the Greenpower Educational Trust's F24 Kit Car International Final. The regional team at *TR* were delighted to assist and supplied parts and components for the electric vehicle used by the team, who secured their place in the international grand final by winning the Northern Ireland heats and being crowned F24 All Ireland Champions.

SCOTLAND:

***TR's* Scottish team pulls together to support local food bank**

Staff at *TR*'s Scottish operation have pulled together and delivered a generous donation to a local food bank, the team had undertaken a food drive earlier in the year as one of the local food banks was struggling to keep up with the demand for support in the area and this initiative was welcomed by the community and its beneficiaries.

GROUP SPORT SPONSORSHIPS:



Tennis:

TR is proudly continuing its sponsorship of tennis prodigy 12 year-old Amelia Devlin. Currently she is ranked no.2 for her age group in the Sussex rankings. Amelia started playing tennis when she was four and with the same coach trains five times a week after school and competes regularly at a regional level. Under the sponsorship plan, Amelia has been placed onto a new coaching plan under the team at Brighton Virgin Active, led by Rhys Hanger, one of the most respected tennis coaches in the UK.

Hockey:

As part of an initiative to support the community surrounding its Oldenzaal site, *TR* Holland has embarked on sponsorship deals with two local sports clubs, Hockey Bully and Oldenzaal Water Polo club. For Hockey Bully, a girls' hockey team, our dutch operation has joined forces with other local firms to purchase jackets for the team, in exchange for *TR* branding appearing alongside the pitch and on the club's website.

Handball:

TR Hungary has become a sponsor of the Dabas VSE handball club, home to one of the 12 teams that play in the nation's premier league. The team is based just a short drive from *TR*'s distribution site in Leshegy on the southern outskirts of Budapest.

Triathlon:

The Company has been delighted to continue its sponsorship of Jamie Bedwell, a young star who following an accident in 2016 is successfully returning to competitive racing.

Marketing report

The focus for the Marketing team is to support *TR*'s global growth strategy by working with our worldwide locations to support them with relevant material they can circulate and promote to their customers.

Marketing team

Abi Burnett
Head of Marketing

Sian Whitlock
Marketing Executive

Jessica D'Silva
Marketing Administrator

Tom Dewhurst
Marketing Projects Assistant

Victoria Chappell
Creative Designer

Events

Exhibitions continue to be a key route to market for *TR*. We have worked closely with our teams in the USA, Europe and Asia to ensure we are covering all target areas. To support our key automotive sector, we exhibited at Automechanika Birmingham, Elmia Subcontractor in Sweden and Fastener Fair in Mexico with great success. We have also been attending and exhibiting at forums and 'meet the buyer' events for the automotive and electronics industries throughout Europe. We have found these focused events a huge success, enabling us to start positive conversations with key contacts.

We have also exhibited at several end user and distributor events to promote the ever-growing range of *TR* proprietary products and specialist fasteners including Blech Expo, Fastener Fair Stuttgart and the Taiwan International Fastener Show. We are excited to say that we are exhibiting at the first ever Fastener Fair USA in 2018 and we are again returning to Fastener Fair Stuttgart in 2019 due to our ongoing success with this prestigious event.

During FY2019, we have plans to exhibit again at Automechanika in Birmingham (our third appearance at this successful event for us) and, for the first time, we will also be exhibiting at Automechanika in Mexico, with automotive team members from across the Group, as well as attending a number of forums and trade events as they proved so fruitful last year.

Multilingual marketing

To ensure our global teams always have access to the relevant sales materials they need, we continue to grow the range of multi-lingual literature we produce for distribution to our customers. This year we have seen the 'Introduction to *TR*', 'Enclosure Hardware', 'Self-Clinch' and 'Core Product' brochures all available in German, and after working with the teams in Asia and Europe, our automotive brochure is also printed in German, Japanese, Chinese and Spanish. We also highlight the key services offered by *TR* and have produced a new manufacturing brochure for our Malaysian plant, *TR* PSEP. Looking forward, we intend to produce a Group manufacturing brochure showcasing the capabilities of our eight factories across the globe.

Online marketing

A fundamental tool for our teams and customers is our global technical and commercial website, which details the 50,000 products available including a new range of 3D models, interactive installations and 'how it works' animations, all developed in-house. With visitor numbers growing to over 350,000 and page views increasing by 30%, the ongoing need to keep our data and content relevant and up-to-date is vital - a task that is undertaken by working closely with our website team.

Product innovation has been a focal point, and we have developed an additional section online to showcase how *TR* is growing as an innovator in the market. Animations created in-house show how the new products work and are installed. This asset library will continue to grow as the team advances and develops new techniques in 3D modelling.

The launch of our new enclosure hardware range increased our product range by over 5,000 parts and visits to these pages on our website have climbed to over 48,000. We worked with the team in Ireland to promote this new range to their customers which includes hinges, locking systems, clamps and terminals as well as gaskets and accessories. The promotion achieved great success, seeing over 690 website visits from Ireland in the few months after marketing to their database began.

Digital marketing continues to grow as a key method of communication. Our marketing campaigns are developing to fit a range of media to give the customer the full experience. Email, web, social media, advertising and PR are all disciplines we have used for a long time. For example, when promoting exhibitions, a typical campaign would include website promotion coupled with emails to customers, regular updates and interaction on our social media accounts including Facebook, Twitter and LinkedIn. In addition, we actively distribute press releases to all relevant publications and online advertising slots including newsletters and show directory entries.

The seasonal campaigns we send out to our customer base, such as ‘Find the hidden Easter eggs’ include email, social media and web promotion. These campaigns increase visits to our website by up to 48% in some areas. We also send product-focused emails to key customer groups, which often see a 40% open rate, well above the industry average, highlighting the need to be as targeted as possible with our promotions.

The ongoing digital and printed press coverage we receive has grown, reflecting a 49% increase since 2016. More and more we have been studying trends in the marketplace which has helped us to be more proactive to opportunities within industry topics, such as writing opinion pieces on issues such as electric vehicles and cybersecurity. *TR* has extensive knowledge across its global team and we are continually looking at the many different channels we can adopt to share our expertise and experiences such as social media, online forums, on and offline press and our technical and commercial website.

Branding

To embed the *TR* brand across all continents, we have been working with locations to increase the amount of promotional activity they conduct. We recently met with the Asian teams to discuss their branding and promotional activities. Focusing on key strengths for these locations and having an insight into the way that they currently market to their customers enables us to really target how we promote *TR* within Asia.

The Group marketing team has been working to update the corporate imagery used within *TR*’s global sites. The Belfast location is a prime example of how we worked together when it relocated to larger premises which needed to be styled. We worked with them directly to ensure that corporate guidelines were followed as they have been developed to allow for all designs to showcase the capabilities not only of the individual location but that of the Group.

Our objective is to roll out a strong Group corporate identity across the various disciplines, mediums and to all our operations around the world that truly reflect *TR* as a united brand inspiring confidence in those looking to use our services, whichever route they have used to find us.

Developing our websites

TR website team

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

Technical and commercial website for customers

The *TR* website

The *TR* website continues to go from strength to strength, averaging over 50,000 visits per month.

In July 2017 we added over 700 interactive 3D models and animations showing how our products work, which were viewed over 22,000 times in the first six months.

In October 2017, we added a product innovation section to the site which allows us to showcase new fastening technology and gauge interest prior to major investment. The first two products to be showcased in this way were:

Rotite®

A new helical thread that speeds up the assembly process and offers weight and joint strength advantages over traditional fastenings methods.

EPW

Designed and patented by *TR* VIC, EPW is a self-extruding thread that can dramatically speed up the assembly process.

Both these products have been well received and may well be added to our product portfolio soon.

In March 2018 we finished creating data output tools for our website which allow us to use our data in other areas of the business. At the heart of our website is a central database of dimensional and performance data on over 50,000 products which we will now be using to generate artwork for all our printed product brochures. This will save us a huge amount of time as well as cut down any potential errors in our printed material.

Looking ahead

We've got a lot planned for the next 12 months including:

- More products
- More downloadable CAD models
- Artificial Intelligence (AI) interface for our fastener knowledgebase
- Detailed industry section animations on the home page to help highlight the varied sectors we supply
- Enhanced support service pages
- Interactive product configurators

IR website for investors

The *Trifast* website

With the number of regulatory changes recently, we are working hard to ensure that we continue to have the opportunity to profile our business, strategy and objectives to investors, customers, colleagues and the media.

This year has involved reviewing the whole IR investor programming and activities, studying how we do it now, can this be improved, what materials should we enhance and revamp; how do we ensure that everyone is able to continue to have the opportunity to be kept up to date of developments and opportunities.

Therefore, in the first instance we see our dedicated investor portal supported by the technical and commercial website remain key investor perception tools.

Technology advances at a pace and user habits change daily as we all use a wider range of instruments through which we seek to gain access to digital content quickly and effectively.

Following the successful technical and commercial site relaunch in 2016/17 we set about looking to ‘warm up’ the investor site. So, this year, we have chosen to revamp the investor site bringing in extra functionality and digital content to the web platform. We also invited the operational teams around the business to contribute to the project.

We researched and spent the last year reviewing our investor site and feedback which with a few technical software subtle changes has, since 2010 delivered a cost-effective well informed simple, clean and informative window to the *Trifast* business. Indeed, it has served us well and we have been delighted to pick up several awards for it over the years.

In June this year we re-launched the investor platform to coincide with the roll-out of our 45th anniversary marketing profiling. All the images on the site have been taken in-house around the Group and reflect our people. We will be continually working to provide the right level of content to the reader which reflects the *TR* culture, business model and performance.

We believe that the investor and technical and commercial websites are ‘the window for new investors, customers and commentators so it is important to strike the right balance across the sites and we actively encourage our people to help with the outcome, both internally and externally. We have always operated an open door for visits and welcome constructive feedback from all stakeholders, both current and potential – this we believe helps us in providing the right level of profile and a better understanding of our business, its people and investment opportunity.

With the change in the research landscape following MifiD it is essential for small caps like us to keep the profile in the eye of the investment community. At *Trifast*, we consider that we are proactively achieving this through a mix of regulatory and corporate news, digital comms, capital market days and investor roadshows. We strongly believe the investor website supports these initiatives and provides a solid, well informed understanding into the workings of a specialist engineering group.

We aim to deliver an IR/ PR strategy concisely to ensure market commentators and investors feel well informed on the business, its people, strategy and future and overall understand the investment proposition…. we hope you agree.

Risk management

Global IT team

Colin Coddington
Group IT Director

Stephen Hopkins
IT Operations Manager

Ataur Rahman
Technical Manager

Peter Webb
Software Development Manager

Kerry Moran
Support Desk Manager

John Paton
Global Security Architect

David France
Group Chief Privacy Officer

Damian White
Systems Engineer

Stephen Maxwell
Web Developer

Chris Tull
Support Desk Analyst

Alex Canham
Systems Engineer

Tim Vince
Software Developer

Lucy Sinden
Support Desk Analyst

Graham Morrison
Junior Technician

Dan Perrin
Support Desk Analyst

2018 is going to be remembered for the introduction of the new General Data Protection Regulation (GDPR), which is a major change to the old Data Protection Act (DPA) that has remained stagnant for the last 20 years. *Trifast*, with the help of its Group IT, Group Legal, Group HR and Group Marketing departments, identified the importance of aligning the business to this new Regulation and have fully embraced the changes that will be required by the business to comply with the new Regulations. With the employment of a Global Security Architect whose responsibility covers all things cyber and employment of Group Chief Privacy Officer (DPO), we have implemented a comprehensive framework of activities including due diligence, policy and procedure development and supplier reviews that covers the identification of the PII (Personally Identifiable Information) we hold, how we protect it, how we control it and how we will respond if we have a data breach.

Alongside GDPR, Group IT have introduced a clear annual Group security governance program that includes IT policies, penetration (PEN) tests and comprehensive health checks that not only cover the IT Infrastructure but also includes auditing all aspects of security, data, IT insurance and ISO27001.

We have also introduced an 'Information Security Awareness' program for all staff that highlights the importance of protecting not only the Company's data but also the individual's data and a GDPR training programme for all staff involved with data processing. It is crucial in any modern organisation that employees are educated in information security awareness as the employee is often the first and last line of defence against cyber security attacks.

Phishing attacks are becoming more and more frequent with thousands of phishing emails received into the business every day. Group IT have complex filtering software that manages to block 90% of these emails leaving the unsuspecting employee as the last line of defence. Empowering the employees with knowledge on how to identify and avoid activating these type of attacks is crucial to keeping the business safe, which is why we are introducing specific phishing attack software that not only identifies if a suspicious mail/link has been activated but also trains the employee on why they shouldn't have clicked the link and how to identify in the future.

The recent moves by local governments to shut down Botnets (software that takes over computers and sends out malicious emails by the millions) has shown a steep reduction in the email traffic received by *Trifast*. Dropping from 37.5 million mails in FY2017 to 25.3 million mails in FY2018.

Introduction of the GDPR (especially Articles 25 and 35) has meant a fresh look has been taken at the data that is held by *Trifast* and the new approaches (privacy by design and privacy by default) needed when rolling out new systems and new locations to incorporate these approaches. Not only does the type of data, purpose it is held for, legal basis for the processing and location of the data need to be identified, but also the need to ensure that it is only held for the minimum required period. This means setting up processes to automatically delete data in a secure manner that has reached its 'end-of-life' and being able to respond to legitimate user requests for their data to be removed.

It is essential that the existing security protocols are continually monitored, maintained and reviewed in line with Article 32 of the GDPR to ensure that *TR* is not subject to a data breach which now brings with it potential severe penalties as well as the obvious loss of intellectual confidence.

Cyber security has become a most important factor when planning to roll out integrated computer systems both within the UK and across the world and the Global IT team have been, and will continue to be, heavily involved in the development of Project Atlas, our significant planned investment into the Group's global IT infrastructure.

Overview > incoming mail summary

Message category	%	Messages
Stopped by reputation filtering	88.6	22.4m
Stopped as invalid recipients	0.8	203.0k
Spam detected	1.1	272.7k
Virus detected	0.0	2,928
Detected by advanced malware protection	0.0	490
Messages with malicious URLs	0.1	20.2k
Stopped by content filter	0.0	10.6k
Total threat messages:	**90.6**	**22.9m**
Marketing messages	1.8	461.3k
Social networking messages	0.2	48.8k
Bulk messages	0.7	177.1k
Total graymails:	**2.7**	**687.2k**
Clean messages	6.7	1.7m
Total attempted messages:	**100.0**	**25.3m**

Risk management

continued

Viability statement

In line with provision C.2.2 of the code, the Directors have assessed the prospects of the Company considering 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 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.

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 FY2019 and FY2020 which has been approved by the Board and a more top down view aligned to the Group's strategic objectives for FY2021. 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 69 to 71 to perform stress testing on the forecast 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 and customs arrangements. 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 FY2017 and FY2018, although in time there is a risk that this could reverse if the relative value of Sterling were to increase again. We have also started to experience some pricing pressures due to the extended weakness of Sterling against the US Dollar and recent increases in raw material pricing. In the longer term, as a global business with worldwide logistics and over 70% of our revenue generated outside of the UK, we consider we 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 manufacturing moves out of the UK 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 45 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 best practice 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 could be negatively impacted as a result of a cyber threat or data loss.

The scenarios above are hypothetical and purposefully severe for 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. Our planned investment in our digital infrastructure via Project Atlas will complement this. 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 to maintain liquidity 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 based on 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 51.2% 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. Quality is moving further up the agenda across all sectors of our client base and we are continuing to invest to meet this	▶
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 remained high with movements of c. 5% 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
continued

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 several 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	▶
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 can 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 several 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	▶

Risk	Description and potential impact	Current mitigation	Has the risk materialised?	Trend
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 weeks 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	
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 and we hold ISO/ IEC 27001:2013 accreditation in our Group IT function	The Group has not to date experienced any significant cyber security threats but at the macro-level risk continues to increase	
Impact of BREXIT:	**FX/ Transaction risk/ pricing pressures** The prolonged weakness in Sterling has brought 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	We have started to see input price increases impacting our UK margins over the second half of FY2018. However, if the more recent relative weakening of the US$ continues, then we would expect the impact of this to begin to stabilise	
	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 several 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 now is increasingly 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. The automotive sector is our largest UK sector and government led discussions are ongoing with several of the UK's major car manufacturers. We have seen no evidence of a Brexit-led contraction in investment to date, but 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

Board biographies

Mark Belton

Chief Executive Officer

Length of service
19 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

Clare Foster

Chief Financial Officer

Length of service
3 years; appointed to the plc Board on 1 October 2015

Key areas of expertise
All aspects of *Trifast*'s financial management, accounting governance and strategic planning and implementation across all levels

Committee membership
By invitation

Geoff Budd

Commercial Director & European Managing Director

Length of service
42 years; appointed to the plc Board in 1986 (retired from the Board 31 March 2018)

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 of 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
28 years as Director of *TR* Fastenings Limited (UK) and Director for *TR* Fastenings Inc (USA) since July 2012; appointed to the plc Board in 2010

Key areas of expertise
Global sales & marketing experience in logistics & global supply chain, Key Account Management (KAM) and Customer Relationship Management (CRM)

Committee membership
By invitation

Malcolm Diamond MBE

Non-Executive Chairman

Length of service
Total 43 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 discoverIE plc (formerly known as ACAL plc), a leading designer and manufacturer of specialist electronic components (Ticker: DSCV), in November 2015 before being appointed Non-Executive Chairman in April 2017

Committee membership
Chairman of the Nominations Committee and by invitation

Neil Warner

Senior Independent Non-Executive Director

Length of service

3 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

Scott Mac Meekin

Independent Non-Executive Director

Length of service

5 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

Jonathan Shearman

Independent Non-Executive Director

Length of service

9 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

Lyndsey Case

Company Secretary

Length of service

18 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

	Female	Male
***Trifast* plc Board as at 31 March 2018**	25%	75%
Executive and senior managers	28%	72%
All other employees	32%	68%
***Trifast* Executive Board as at 31 March 2018**	50%	50%

The Strategic report was approved by the Board of Directors on 11 June 2018 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

My views on the role of . . .

Non-Executive Director (NED)

My experience as a NED has been founded across a number of disciplines:

			Years in position?
Nobo plc	office communication equipment	Senior Independent Director	2
Emperor Ltd	creative marketing agency	Chairman	3
48 Fitzroy Ltd	creative marketing agency	Chairman	4
Sytner plc	prestige car dealer network	Senior Independent Director	1
Centurion Electronics	automotive rear seat entertainment systems	Senior Independent Director	4
Reliance plc	FM and security group	Senior Independent Director	10
Dechra Pharmaceuticals Group plc	international specialist veterinary pharmaceuticals	Senior Independent Director	3
Unicorn VCT fund plc	Venture Capital Trust	Non-Executive Director	9
Jacksons Fencing Ltd	major manufacturer of wood and steel fencing and gates	Chairman	2
The Beauty Works Ltd	UK distributors of electrical hair treatment products	Senior Independent Director	9
CWO Stonemasons Ltd	Royal Warrant holders	Chairman	9
Flowtech Fluidpower plc*	hydraulic & pneumatic specialist manufacturers & distributors	Senior Independent Director	4
discoverIE plc*	global specialist electronic components	Chairman	3
Trifast plc*	global industrial components for high volume assembly	Chairman	See note †

NB. * current

† see Board biographies on page 72

It is widely accepted (and expected) that the key duty of a NED is to safeguard the interests of the company's shareholders, delivered by focusing on not only the constant widening of the scope of corporate governance, but also on recommended best practice from City institutions and financial regulators.

This is best achieved by ensuring that the Board comprises the relevant mix of appropriate skills and experience among the incumbent independent directors.

This especially applies to the chairs of the Audit, Remuneration and Nominations committees.

In addition to the prescribed disciplines is the need for relevant business or sector experience to support or question the strategic objectives being pursued by the executive directors.

More recently, corporate governance now requires robust and clear codes of stipulated company practice regarding anti-slavery, anti-bribery, gender equality and risk management. This has considerably extended the duties of NEDs in support of the actions required by the executive team.

However, all the above can be viewed simply as what is generally expected, with no visible element of individual NED style or interpretation as basic guidelines.

My view has always been that it is also important to maintain a degree of pastoral care for the exec colleagues on my board - especially the CEO and CFO. Not only are their roles highly demanding, often on a 24/7 "open all hours" accessibility but can be lonely and also vulnerable to anecdotal upward reporting from subordinates who are either politically motivated or protecting their own positions in the company.

There is an old saying "who gives the boss a stroke"? In other words, everyone has a need for peer recognition and praise where due (in any sphere of human interaction). Sadly, it seems to be unusual for the "boss" to experience this from internal colleagues, as it can be taken for granted by many that their status or level of financial reward somehow alleviates their need for basic emotional reassurance. Conversely, it is also rare for colleagues to openly criticise their leader's actions or decisions if they disagree, as they assume it could imperil their ongoing career.

This is when balanced judgement and discretion is required by the NEDs to react honestly, promptly and directly to the situation - whether it is positively affecting the individual or business - or indeed, negatively.

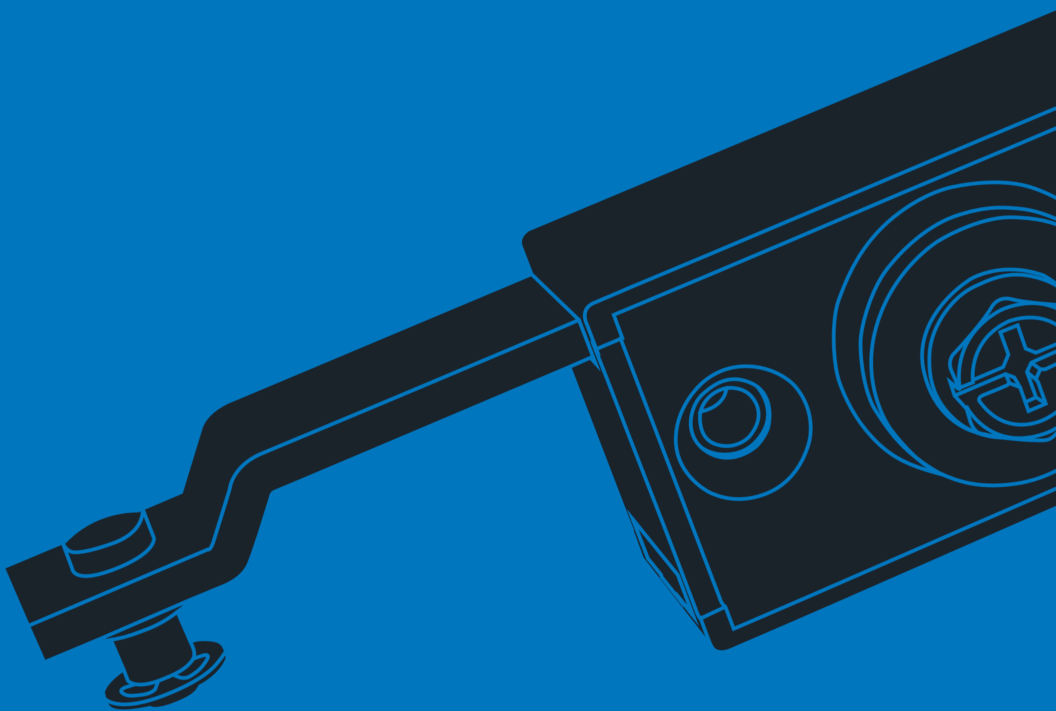
This is obviously why NED independence is assessed closely by investors, and why several NEDs I have worked with in the past, whilst highly qualified, sometimes adopted a stance of criticising any perceived minor weakness or fault they encountered with the exec team, to the extent that I have witnessed visible and audible demotivation of those individuals affected.

On one occasion, I had a very discreet word to explain that it perhaps could be counterproductive to openly police minor issues, and maybe try to look for opportunities to praise good performance on key performance measures. The response, I am pleased to say, was positive in that my colleague had not appreciated the negative effect he was having, and from then on adopted a more balanced attitude.

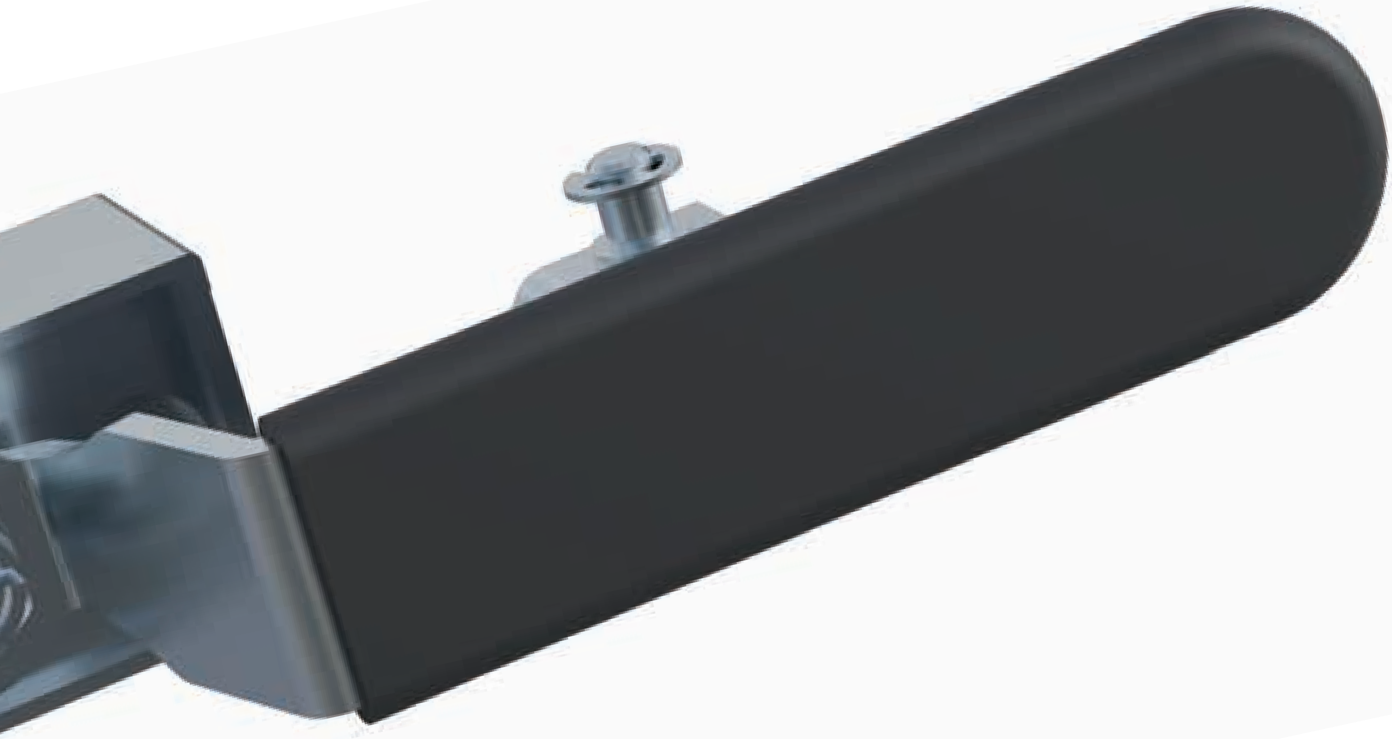
To summarise, I feel that an NED not only requires a wide range of commercial business experience (ideally having held exec positions personally), but also has a sensitivity to inter personal relationships and motivational importance at all levels - from front line to senior management. Successful businesses thrive on respected and valued staff and management that are rewarded fairly for their efforts and skills; therefore, it is vital that NEDs do their best to encourage their board to promote this winning company culture.

Malcolm Diamond MBE
Chairman

Our governance



Contents



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 2018

Results and proposed dividends

Total Group revenue from continuing operations was £197.6m (2017: £186.5m) and the profit for the year before taxation was £18.5m (2017: £17.3m). Underlying profit before tax for the Group was £22.2m (2017: £20.5m); see note 2 for breakdown.

The Directors recommend a final dividend of 2.75p (2017: 2.50p) per ordinary share to be paid on 12 October 2018 to shareholders registered at the close of business on 14 September 2018. This together with the interim dividend of 1.10p (paid on 12 April 2018) (2017: 1.00p) brings the total of the year to 3.85p (2017: 3.50p). The 2018 recommended final dividend has not been included within creditors as it was not approved before the year end. The 2018 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 at 12 Noon on Wednesday 25 July 2018 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 Chairman of Nominations Committee

Executive Directors

MR Belton	Chief Executive Officer
CL Foster	Chief Financial Officer
GP Budd	Commercial Director & European Managing Director (retired from the Board 31 March 2018)
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 86 to 98. Those Directors who are retiring and, being eligible, offer themselves up for re-election, are shown in the Corporate governance statement on pages 80 to 81. Biographical details can be found in Board of Directors on pages 72 to 73.

Substantial shareholdings

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

As at the year end on 31 March 2018, 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	11,520,241	9.49
Schroder Investment Management	10,850,000	8.94
BlackRock Investment Management (UK)	9,162,926	7.55
Liontrust Asset Management	9,144,320	7.53
Hargreave Hale	7,428,029	6.12
Mr Michael Timms	7,000,000	5.77
Castlefield Investments	4,212,500	3.47
Hargreaves Lansdown Asset Management	3,736,918	3.08

As at 1 June 2018, 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	11,520,241	9.49
Schroder Investment Management	10,720,000	8.83
Liontrust Asset Management	9,574,713	7.89
BlackRock Investment Management (UK)	9,357,400	7.71
Hargreave Hale	7,454,029	6.14
Mr Michael Timms	7,000,000	5.77
Castlefield Investments	4,380,000	3.61
Hargreaves Lansdown Asset Management	3,719,318	3.06

Employee Benefit Trust ("EBT")

During the year the *Trifast* EBT (as funded by the Group) acquired 1,500,000 of *Trifast* 5p ordinary shares on the open market via to help meet future employee share plan obligations. The consideration paid for the shares was £3.4m. These shares are shown in the own shares held reserve within equity on the balance sheet. The number of ordinary shares held by the *Trifast* EBT at the 31 March 2018 was 1,500,000 (2017: nil) which represented 1.24% of the fully paid up share capital of the Company as at 31 March 2018 (2017: nil%).

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 80 to 81 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 80 to 81. 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, 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
11 June 2018

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 April 2016

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 86 to 98 and in the Viability statement on page 68). Details of substantial shareholdings of the Company can be found on page 78.

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

The Board

During the year, the Board consisted of four Executive Directors however, following Geoff Budd's retirement from the Board on 31 March 2018, the Board currently consists of three Executive Directors, three Independent Non-Executive Directors and a Non-Executive Chairman. Taking into account the provisions of the code, the Board has determined that, during the year under review, each of the Non-Executive Directors remained 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. Jonathan Shearman has served nine years and, in line with the code, the Nomination Committee has carried out a vigorous review of his appointment. Following this review, the Board determined that Jonathan Shearman remains independent and strongly considers that he still performs his duties effectively, continuing to show integrity and high ethical standards whilst maintaining sound, independent judgement in respect of all decisions taken at Board and Committee level. The Chairman, Malcolm Diamond, who stepped to Non-Executive on 1 April 2018, is not considered by the Board to be independent; his wise counsel continues and he is recognised by the Board and stakeholders to add experience to the mix.

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 six times during the period, with attendance as follows:

	Attendance in 2017/18
MM Diamond	5
MR Belton	6
CL Foster	6
GP Budd (retired from the Board 31 March 2018)	6
GC Roberts	5
NW Warner	6
JPD Shearman	6
SW Mac Meekin	5

The Directors retiring by rotation are Mark Belton, Glenda Roberts, Jonathan Shearman and Scott MacMeekin who, being eligible, offer themselves 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 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 82 to 99.

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 68 to 71.

Internal audit

As detailed in the Audit Committee report on pages 82 to 99, 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 and the Viability statement on page 62. 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
11 June 2018

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 2018, 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 2018 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
11 June 2018

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 2017/18
Neil Warner (Chairman)	2
Jonathan Shearman	3
Scott Mac Meekin	3

Although it is only the Committee Chairman and its members who are entitled to be at a meeting of the Committee, 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.

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 72 to 73 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 69 to 71 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
- The Board believes that the Independent Non-Executive Directors who are members of the Audit Committee have the knowledge and skills relevant to the *Trifast* business from financial aspects through to manufacturing, distribution and sales

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 to highlight the underlying performance for the periods presented in the financial statements
- the appropriateness of transactions presented in Alternative Performance Measures (APM's) 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 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 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 goodwill has been impaired requires a review of the value in use of the asset. The main judgements in relation to the review were 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.

- **Parent Company: recoverability of investments in subsidaries**

  The determination of whether the investments in subsidiaries have been impaired requires a review of recoverable amounts to see if it is greater than the carrying amounts. This review was split into two parts, the first looking at subsidiaries' balance sheets to see if their net assets were in excess of their carrying amounts, and the second comparing the amount of the investments with the current market capitalisation of the Group. The Committee is satisfied that the investments in subsidiaries are 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 continued

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 £250,000 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 2018 these risks were: the valuation of customer-specific inventory and valuation of goodwill. More detail is set out in KPMG's report on pages 103 to 108. In a change from last year, KPMG are now required to report on key audit matters in their audit report for the parent Company as well as for the Group. As such, the key audit matter identified for *Trifast* plc, as a standalone entity, is the valuation of investments in subsidiaries.

The FRC performed a thematic review of significant accounting judgements and sources of estimation uncertainty on the Group's statutory accounts for the year ended 31 March 2017. The review did not identify any substantive issues. The FRC's review only covered the specific disclosures relating to this thematic review and provides no assurance that the report and accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

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

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, *TR* Formac in Malaysia, *TR* Formac in Singapore and *TR* Asia Investment Holdings and due diligence work in relation to the acquisition of PTS on 4 April 2018.

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 about 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 2018 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

To ensure their continued effectiveness the Committee regularly reviews and 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.

Although it is deemed to not comply with the Corporate Governance code, the Board consider that the members of the Nominations Committee are appropriate to the size and complexity of the Company and feel that the balance of members is correct. To support this, other Board members are invited to the Nominations meetings as and when required.

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, recruit and 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 Executive Board during FY2018 comprised a 50:50 gender balance.

	Attendance in 2017/18
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 based on promotion from within.

With Mark Belton, CEO, and Clare Foster, CFO, now in their successful third year of office, I suggested to the Board that I could then justify moving from Executive to Non-Executive Chairman in April 2017.

This not only fully acknowledged the firmly established new leadership but reduced the Board remuneration costs, whilst releasing more of my time for other directorship duties.

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
11 June 2018

Directors' remuneration report

> *From a broader business context, despite now having many years of continuous EPS improvement 'under our belt', we push on, committed to the delivery of further growth from both organic and acquisitive sources. We believe the Executive team is in place for the job at hand and that they are suitably motivated*

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 FY2018 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 delivering 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.

Subsequent to last year's review of the Directors' remuneration Policy ('Policy'), the Committee was delighted that, following the consultation exercise, shareholders showed a high level of support for the Policy at the 2017 AGM (94.8% vote in favour of the Policy). The new Policy was operated for the first time in FY2018.

Company performance

Trifast has performed well this year, including progress when considering our strategy, taking into account a need to balance growth and investment in the business for future growth. Some business highlights include:

- Revenue grew by 6.0%
- Underlying Group profit before tax grew by 8.5% slightly ahead of expectations
- We delivered a 7.5% improvement in underlying diluted Earnings per Share
- Major capital investment programmes have been successfully implemented or commenced

The Group's balance sheet continues to be robust with the capacity to fund both our organic and acquisition growth and although there are macroeconomic challenges that we cannot fully mitigate, we remain confident in our growth prospects and the Executives' ability to execute the long-term strategy.

The positive business performance during the year together with the future strategy has helped frame decisions and outcomes in relation to current and future remuneration. Further details of which are provided below.

Key FY2018 remuneration outcomes

Annual bonus

In arriving at the annual bonus for FY2018, the Committee assessed the achievement of the Group's financial performance targets (75% weighting) and the Executive team's performance against the strategic and operational measures (25% weighting) that were set at the beginning of the year:

- In line with the pay-out schedule, the Company's organic EPS growth of 7.49% contributed 59.7% of maximum for this element and was also sufficient (above threshold) for the strategic & operational measures elements to be considered
- The Committee established four strategic and operational measures for FY2018, as set out below, and the Committee determined that 100% of maximum for this element was achieved (see page 92 for full details):
  - ROCE: minimum of 15%
  - Growth strategy: establish a fully functional acquisition team

- Customer satisfaction: construct a detailed Strategic Account Management (SAM) structure, identify personnel gaps and infill as appropriate

- Risk mitigation: undertake a full initial scoping of the Group's MIS, IT infrastructure and underlying business processes; ensure the correct team (internal and external) and Board approved budget is in place to outwork any resulting project(s).

Following the assessment of the financial performance targets and the strategic and operational measures, the Committee determined that a total annual bonus of 87.25% of salary was warranted, equating to 69.8% of the maximum bonus opportunity. The Committee is comfortable that the FY2018 annual bonus outcome reflects the underlying performance of the Company and is commensurate with the shareholder experience in FY2018. No discretion was exercised by the Committee when determining the bonus outcomes.

As the annual bonus is less than 100% of the Executives' base salary, and in accordance with the approved Policy, the amount will be paid in cash and there is no deferred component.

Long-Term Incentive Plan

We made our first LTIP award to Executives during FY2018 and the vesting of these awards will be assessed over the three year performance period beginning 1 April 2017. As such, the Committee was not required to assess the vesting of any LTIP awards during the year.

Implementation of Policy for FY2019

The Executive team recognises that FY2019 will be another year of investment for *Trifast* and on this basis requested that the Committee freeze their salaries for FY2019 instead of receiving the inflation based increase provided to the wider UK workforce. As a result, there was no salary increase awarded to the Executive Directors.

In line with the commitment made last year, the fees for our Non-Executive Chairman, Malcolm Diamond, have reduced from £150,000 to £125,000 effective 1 April 2018. All other Non-Executive fees remain unchanged.

This coming financial year will be another one during which the Board seeks to balance current growth and investment for the future, the annual bonus and LTIP targets alongside the strategic and operational measures have been set with this in mind. As a result, the EPS targets for the annual bonus and LTIP remain unchanged as does the relative total shareholder return (TSR) target in the LTIP (see page 97 for details). Strategic and operational measures remain an important component of the annual bonus and will ensure that the Executive team's pay is aligned with the successful execution of the strategic imperatives for FY2019.

Changes to the Executive Directors

On 29 March 2018, the Group announced that Geoffrey Budd, Commercial Director and European Managing Director stepped down from the Main Board. Although Geoff has decided to relinquish his Board duties he will remain an employee working with the operational team at *TR* Fastenings with responsibilities for the commercial and technical aspects of the business in the UK, Europe and Asia. Details on Geoff's remuneration are set out on page 94.

Activities of the Committee

During the year, the main activities of the Committee during the three meetings held were as follows:

- Consideration of the implementation of the new Director's Remuneration policy that was approved at the 2017 AGM
- Determination of the final remuneration outcomes for the year to 31 March 2018
- Consideration of the appropriate targets for the year to 31 March 2019
- Geoff Budd's remuneration arrangements on stepping down from the Main Board
- Consideration of our gender pay reporting summary

Looking ahead

We are fully committed to embracing new developments in regulation and best practice, such as the proposed revisions to the FRC Corporate Governance Code and will take the latter into consideration once the new Code is finalised. However, the Company already operates in line with many of the principles of fairness and workforce engagement which are likely to form part of the new Code.

We continue to be committed to creating an inclusive working environment and to rewarding all our employees in a fair manner and believe they should be able to share in the success of the Company. For example, we operate a very popular Save As You Earn ("SAYE") share plan which is open to all UK employees and our intention is to continue with this.

From a broader business context, despite now having many years of continuous EPS improvement 'under our belt', we push on, committed to the delivery of further growth from both organic and acquisitive sources. We believe the Executive team is in place for the job at hand and that they are suitably motivated. We look forward to shareholders' continued support.

Jonathan Shearman
Chairman of the Remuneration Committee
11 June 2018

Directors' remuneration report continued

Directors' remuneration Policy

This section of the remuneration report contains a summary of the Policy which was ratified by shareholders at the AGM on 27 July 2017 and its operation in FY2019. As set out in the Chairman's statement, the Policy, full details of which are available in the 2017 Annual Report (pages 73 – 80), has been developed to support the business strategy during the next stage of the Company's growth.

1) Summary of the Policy

Element	Summary of current Policy	Operation for FY2019
Base salary	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	Base salaries for FY2019 have been frozen as set out below: Mark Belton: £300,000 Clare Foster: £230,000 Glenda Roberts: £210,000
Pension and other benefits	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 The Company also 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	20% of salary pension contribution plus the cost of providing the benefits

Annual bonus	Each year Executive Directors are eligible to participate in the annual bonus
	The annual bonus rewards Earnings Per Share ('EPS') growth and Strategic and Operational performance as set out below:
	• 75% of maximum bonus opportunity will be based on organic underlying EPS growth and
	• 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
	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
	The maximum annual award is 125% of base salary. Any pay-out in excess of 100% of salary will be satisfied in equity with a 3 year deferral period
	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
		For the FY2019 financial year the potential annual bonus pay-outs for all Executive Directors will be as follows:
		Maximum: 93.75% - 125% of salary
		On target: 56.25% - 87.50% of salary
		Threshold: 12.50% - 43.75% of salary
		The full list of performance conditions for the annual bonus will be disclosed in the FY2019 Annual Report on Remuneration

Element	Summary of current Policy	Operation for FY2019
LTIP	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 performance measures will be tested over three financial years On vesting after three years, 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 FY2019 LTIP award to each Executive Director will be equal to 150% of base salary 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)
SAYE	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 midmarket price)	Operated in line with HMRC guidance
Shareholding requirement	A 200% of salary shareholding requirement for all Executive Directors. This is to be built up over five years from 27 July 2017	The Committee will annually review the progress against achievement of these guidelines
Non-Executive Director Fee levels	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	In line with the commitment made last year, the Non-Executive Chairman's fees have reduced from £150,000 to £125,000 for FY2019 All other Non-Executive fees for FY2019 have been frozen

The Policy also provides the Committee with a general discretion providing it with the ability to scale incentives outcomes upwards or downwards taking into account corporate performance, amongst other things. 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.

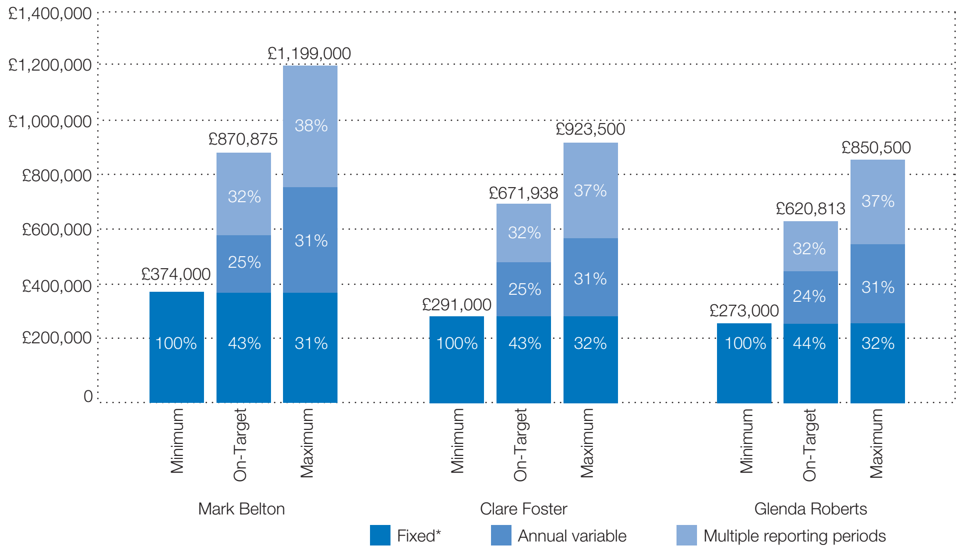
Legacy incentive awards

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

Directors' remuneration report continued

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 in FY2019:



*'Fixed' includes salary, pension payments and all benefits (as detailed on page 91)

The assumptions used in determining the level of pay-outs are set out in the table below:

Scenario	Base salary, benefits and pension	Annual bonus	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 2019 in this report	**0% of maximum (0% of salary)**	**0% of maximum (0% of salary)**
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)**

Notes

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

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 2018.

1) Executive Director single figure for remuneration

	Salary £000	Taxable benefits[2] £000	Annual bonus[1] Cash £000	Annual bonus[1] Deferred equity (face value) £000	LTIP[6]	Pensions[3] £000	Total £000
MM Diamond[4]	**N/A**	**N/A**	**N/A**	**N/A**	—	**N/A**	**N/A**
Prior year	200	21	200	200	—	—	621
MR Belton	**300**	**14**	**262**	**—**	**—**	**53**	**629**
Prior year	250	14	250	250	—	47	811
CL Foster	**230**	**15**	**201**	**—**	**—**	**41**	**487**
Prior year	200	15	200	200	—	36	651
GP Budd[5]	**210**	**17**	**183**	**—**	**—**	**36**	**446**
Prior year	200	17	200	200	—	34	651
GC Roberts	**210**	**21**	**183**	**—**	**—**	**38**	**452**
Prior year	200	20	200	200	—	36	656
Totals	**950**	**67**	**829**	**—**	**—**	**168**	**2,014**
Prior year totals	1,050	87	1,050	1,050	—	153	3,390

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 were members of the Company's non-contributory pension plan in FY2018 (FY2017: 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 transitioned from Executive Chairman to Non-Executive Chairman as of 1 April 2017
5. Geoff Budd stepped down as an Executive Director on 31 March 2018, as such his FY2018 single figure for remuneration represents a full year of service as a Director
6. Additional details on LTIP awards are set out below under sections 1 (ii)

Additional details for variable pay element of remuneration

i. Annual bonus for year ended 31 March 2018

For the year end 31 March 2018 the Executive Directors had a maximum annual bonus opportunity of 125% of base salary. For each Executive Director, the FY2018 annual bonus determination was based 75% on performance against organic underlying Group EPS growth targets and 25% based on a basket of strategic and operational measures. The table below provides information on the targets for each measure, actual performance and the resulting bonus payment for each Executive Director:

		Performance required			Actual performance			Bonus Value £'000			
Measure	Weighting	Threshold	On-target	Maximum	Actual	% of maximum payable	Achievement as % salary	MR Belton	CL Foster	GP Budd	GC Roberts
Organic underlying EPS growth*	75%	5.00%	7.50%	10.00%	7.49%	59.70%	56.00%	168	129	117	117
Strategic and Operational measures	25%	Objectives based on strategic and operational targets			See below	100%	31.25%	94	72	66	66
					Total bonus achieved in FY2018		**87.25%**	**262**	**201**	**183**	**183**

* the impact of current and previous year acquisitions and share buybacks will be excluded from the calculation

The FY2018 bonuses for Executive Directors will be 87.25% of salary (FY2017:100% of salary) and given bonuses are less than 100% of salary, in line with the approved Policy, they will be paid in cash with no deferral into shares in relation to FY2018 (FY2017: 100% of salary).

Directors' remuneration report continued

The Committee introduced the strategic and operational element of the annual bonus for FY2018 as set out in the Policy approved by shareholders. Targets relate to the delivery of our strategic and operational measures as set out in the Annual Report on page 97 and provide balance to the EPS performance targets. The maximum opportunity under this element of the annual bonus is 31.25% of salary for the Executive Directors. The performance conditions and resulting awards as determined by the Committee are as follows:

Objective	Link to strategy	Achievement	Outcome
ROCE: Minimum of 15%	ROCE is a financial key performance indicator	• ROCE of 20.1%	Achieved
Growth strategy: Establish fully functional acquisition team	Part of *Trifast's* strategy is to derive growth both organically and from suitable acquisitions	• An acquisition team was established during FY18 - this has resulted in the creation of processes to identify acquisition targets, undertake acquisitions and integrate newly-acquired companies • Our purchase of PTS was successfully managed using this process and the subsequent integration is underway	Achieved
Customer satisfaction: Construct a detailed Strategic Account Management (SAM) structure, identify personnel gaps and infill as appropriate	Continuing to grow large global accounts	• A full Global Account Director (GAD) and Strategic Account Management (SAM) structure has been mapped out taking account of both key sectors and global OEM customers • Personnel gaps in the structure have been identified • Some internal transfer of resource undertaken	Achieved
Risk mitigation: Undertake a full initial scoping of the Group's MIS, IT infrastructure and underlying business processes; ensure the correct team (internal and external) and Board approved budget is in place to outwork any resulting project(s)	Identification of areas that require long-term investment	• Necessary scoping undertaken. Resulting investment will incorporate a comprehensive review and overhaul of our Enterprise Resource Planning process and systems around the world • Further details on 'Project Atlas' are available on pages 38 to 43	Achieved

Overall, the Committee determined that the strategic and operational objectives had been achieved at 100% of maximum. The Committee approved a 31.25% of salary pay-out for this element of the bonus to each Executive Director on the basis that the threshold EPS target underpin, as set out above, had been achieved.

The Committee has reviewed the overall bonus outcomes against corporate performance and believe that the bonus pay-out (69.8% of maximum payable) is commensurate with the shareholder experience in FY2018. No discretion was exercised by the Committee when determining the bonus outcomes.

ii. **LTIP awards granted in the year ended 31 March 2018**

The table below sets out the details of the LTIP awards granted on 30 September 2017 where vesting will be determined according to the achievement of certain performance measures.

Director	Type of award	Maximum award as % of base salary	Face value of award £000s	No. of shares under option	Vesting period
MR Belton	Nil-cost option	150%	450	216,346	3 years from grant
CL Foster			345	165,865	
GP Budd			315	151,442	
GC Roberts			315	151,442	

The awards will vest subject to achieving the following targets:

Measure	Performance period	Performance target	Vesting (% of award)[1]
Underlying diluted EPS growth (70% weighting)	3 financial years from 1 April 2017	Less than 5% p.a.	nil
		5% p.a.	25%
		15% p.a.	100%
Relative TSR[2] vs FTSE Small Cap index (excluding Investment Trusts) (30% weighting)	3 Financial years from 1 April 2017	Below index return	nil
		Equal to index return	25%
		8% p.a. in excess of index return	100%

Notes

1. Vesting between the threshold and maximum based on the sliding scale
2. 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

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
Malcolm Diamond[1]	**150**	**–**	**–**	**–**	**150**
Prior year	–	–	–	–	–
NW Warner	**42**	**8**	**5**	**5**	**60**
Prior year	40	5	5	5	55
JPD Shearman	**42**	**8**	**5**	**–**	**55**
Prior year	40	5	5	–	50
SW Mac Meekin	**42**	**–**	**8**	**–**	**50**
Prior year	40	–	5	–	45
Totals	**276**	**16**	**18**	**5**	**315**
Prior year totals	120	10	15	5	150

1. Malcolm Diamond transitioned from Executive Chairman to Non-Executive Chairman as of 1 April 2017

Directors' remuneration report continued

3a) Payments to past Directors and for loss of office

No such payments were made in the year to 31 March 2018

3b) Payments for loss of office

As announced on 29 March 2018 and set out in the Company's Section 430(2b) Companies Act 2006 disclosure, GP Budd stepped down from the Main Board on 31 March 2018, although he will remain as an employee of the Company at *TR* Fastenings with responsibilities for the commercial and technical aspects of the business in the UK, Europe and Asia. We set out below the implications for Geoff's future remuneration:

- Geoff will receive a bonus in respect of FY2018 to reflect his Directorship throughout the financial year ending 31 March 2018
- On the basis that Geoff will remain an employee of the Company and in line with the Company's Directors' Remuneration Policy, all in-flight awards made to him under the Deferred Equity Bonus Scheme (2015, 2016 and 2017 awards) and the Long-Term Incentive Plan (FY2018 award) will continue to vest on their normal dates. In addition, the FY2018 LTIP award will only vest subject to the achievement of the performance conditions (set out above) over the performance period. The number of in-flight awards that will vest in future years is set out in the table below
- Geoff will not participate in the Executive Director annual bonus and LTIP schemes for FY2019 and future years

The table below sets out Geoff's in-flight awards, their vesting dates and the numbers of awards outstanding:

Type of Award	Year of Award	Vesting date	Number of Awards
Deferred Equity	FY2015	September 2018	182,622
Deferred Equity	FY2016	July 2019	161,721
Deferred Equity	FY2017	July 2020	95,219
LTIP	FY2018	September 2020	151,442

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]	LTIP awards subject to performance conditions	SAYE Options[4]	**Total of all interests at 31 March 2018**	**Shareholding requirement met?**
Executive Directors								
Mark Belton	232,558	350,000	502,769	852,769	216,346	16,822	**1,085,937**	YES
Clare Foster	178,294	—	180,335	180,335	165,865	16,822	**363,022**	YES
Geoff Budd[5]	162,790	232,264	439,562	671,826	151,442	—	**823,268**	YES
Glenda Roberts	162,790	220,000	421,438	641,438	151,442	17,571	**810,451**	YES
Non-Executive Directors								
Malcolm Diamond	N/A	1,053,800	457,685	N/A		16,982	**1,528,467**	**N/A**
Neil Warner	N/A	22,750	N/A	N/A		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. A 200% of salary shareholding requirement for all Executive Directors. This is to be built up over five years. Share price based on 31 March 2018
2. Including options exercised in the year
3. Total of current beneficial holding and deferred equity awards subject to continued employment only
4. As at 31 March 2018 all SAYE options were unvested with the exception of Glenda Roberts who had 9,000 vested options. These were subsequently exercised on 13 April 2018
5. Retired 31 March 2018

The aggregate gains made on exercising share options in the year totalled £1.77m (2017: £2.03m).

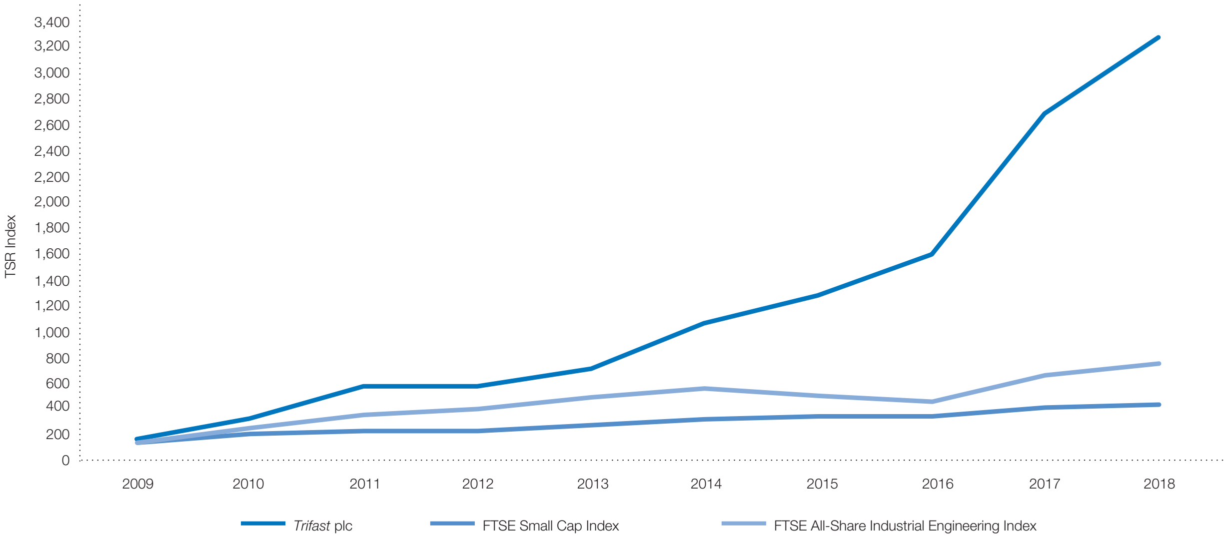
Outside of the exercise of 9,000 vested SAYE options by Glenda Roberts on 13 April 2018, there have been no changes in the interests of the Directors between 31 March 2018 and the finalisation of this Annual Report and Accounts.

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 a nine 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.

Total Shareholder Return from 31 March 2009



6) Performance and pay

The table below shows the single figure remuneration and levels of bonus and equity pay-out's for the Group CEO during the past nine years:

Year	Total remuneration £000	Annual cash bonus pay-out against maximum	Equity award pay-out against maximum
2018	629	69.8%	n/a***
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

** This is the vesting of the deferred equity awards under the previous policy

*** Additional details on LTIP awards are set out above under sections 1 (ii)

† 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

Directors' remuneration report continued

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:

		2018 £000	2017 £000	Change
Group CEO	Salary	300	250	20.00%
Mark Belton	Taxable benefits	14	14	—
	Annual bonus — cash	262	250	4.80%
	Annual bonus — deferred	—	250	(100.00)%
UK employees	Salary	11,350	10,565	7.43%
	Taxable benefits	492	457	7.66%
	Annual bonus	881	1,058	(16.73)%

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 2018	Disbursements from profit during year to 31 March 2017	Change
Dividend distributions	£4.22m	£3.31m	27.49%
Group spend on pay (including Directors)	£28.27m	£26.00m	8.73%
Other payroll costs (including bonus)	£9.14m	£9.48m	(3.59%)

The Company continues to distribute dividends, whilst it has kept a tightly controlled spend on pay and other payroll costs

9) Implementation of proposed Policy for the financial year ending 31 March 2019

The remuneration Policy's implementation for the forthcoming year is summarised as follows:

Element	Policy	
Structure	**Base salaries/total fees effective 1 April 2018 are as follows:**	
	Mark Belton (Chief Executive Officer)	— £300,000
	Clare Foster (Chief Financial Officer)	— £230,000
	Glenda Roberts (Group Sales Director)	— £210,000
	Malcolm Diamond (Non-Executive Chairman)	— £125,000
	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 underlying 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).
- 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		

- The organic underlying diluted EPS growth targets will be 5% growth for threshold pay-out, 7.5% for target pay-out and 10% growth for maximum pay-out with straight-line pay-out between these performance levels. The impact of current and previous year acquisitions and share buybacks will be excluded from the calculation of EPS.
- 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.

  Thereafter, the Committee has defined the strategic and operational measures for FY2019 as follows; the quantifiable metric will again be a minimum ROCE of 15%. Given the size and strategic importance of 'Atlas', a financial and operational excellence measure has been included that will reward delivery of the next twelve months of this project. Alongside these two measures, a further two measures have been established under the headings of Growth strategy and Risk mitigation, both of which are deemed commercially sensitive
- Full disclosure of the measures, including those we consider to be commercially sensitive this year, the targets and their achievement will be provided in the FY2019 Directors remuneration report

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

Pension and Benefits

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

Discretion

The Committee will also consider whether it is appropriate to use any of its discretions in the operation of the Policy for FY2019. In particular, it will consider whether to use the general discretion to scale incentives outcomes upwards or downwards taking into account corporate performance.

Non-Executive Director fees effective 1 April 2018 are:

- Chairman fee (Malcolm Diamond): £125,000
- Non-Executive fee (Neil Warner): £60,000
- Non-Executive fee (Jonathan Shearman): £55,000
- Non-Executive fee (Scott Mac Meekin): £50,000

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

Directors' remuneration report continued

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.

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 page 163 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 CEO and CFO were invited to attend to ensure the Committee was in possession of all the relevant facts. During these meetings the Committee considered the implementation of the new Directors' Remuneration policy that was approved at the 2017 AGM. The other key activities the Committee undertook during the year were; determining the final remuneration outcomes for the year to 31 March 2018, consideration of the appropriate targets for the year to 31 March 2019, consideration of Gender Pay reporting and determining Geoff Budd's remuneration arrangements on stepping down from the Main Board.

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 £55,955 (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 2017/2018
Jonathan Shearman (Chairman)	3
Malcolm Diamond	3
Neil Warner	3
Scott Mac Meekin	3

11) Statement of AGM voting

The Group is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes.

The table below shows the actual voting on the 2017 remuneration report and the 2017 remuneration policy at the AGM held on 27 July 2017:

	Votes for	%	Votes against	%	Votes Withheld
2017 remuneration report	79,242,987	96.2	3,088,547	3.8	2,400
2017 remuneration policy	78,087,128	94.8	4,246,406	5.2	400

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

Jonathan Shearman
Chairman of the Remuneration Committee
11 June 2018

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 International Financial Reporting Standards as adopted by the European Union (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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue to as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or cease operations, or have no realistic alternative but to do so;

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 are responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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:

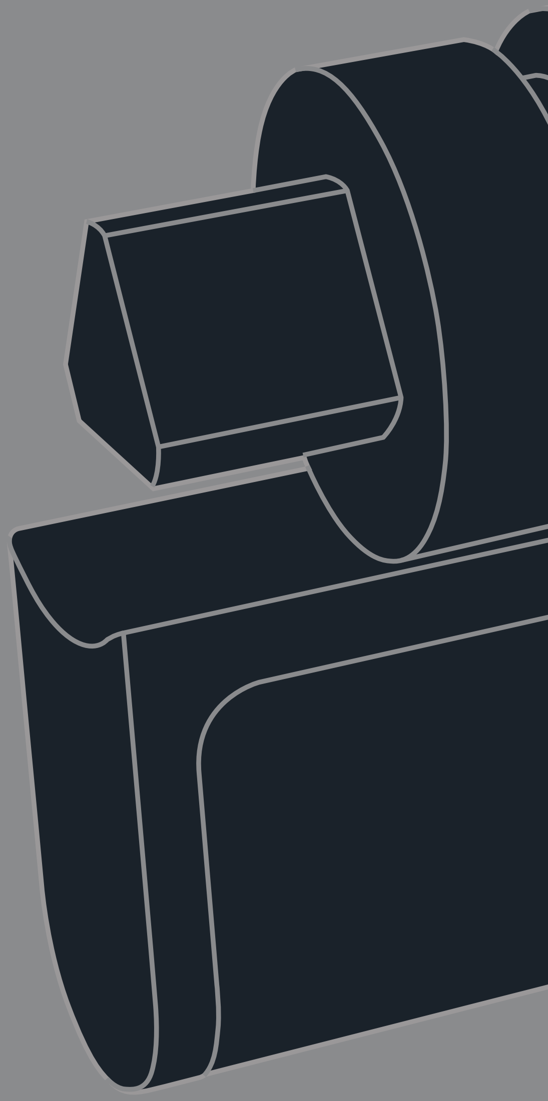
- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report/Directors' 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

Mark Belton
Chief Executive Officer
11 June 2018

Clare Foster
Chief Financial Officer
11 June 2018

Our financials



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Independent auditor's report

to the members of Trifast plc

1. Our opinion is unmodified

We have audited the financial statements of Trifast plc ("the Company") for the year ended 31 March 2018 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Statements of Financial Position, Statements of Cash Flows and the related notes, including the accounting policies in note 1.

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 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors in 1995. The period of total uninterrupted engagement is for the 24 financial years ended 31 March 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview	
Materiality: group financial statements as a whole	£0.90m (2017:£0.89m) 4.8% (2017: 5%) of normalised profit before tax
Coverage	100% (2017:100%) of group profit before tax

Risks of material misstatement		**vs 2017**
Recurring risks	Carrying amount of customer specific inventory	◄►
	Recoverability of goodwill	◄►
	Parent company: recoverability of investments in subsidiaries	◄►

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Carrying amount of customer specific inventory (Customer specific inventory of £27.2 million; 2017: £23.2 million) *Refer to page 83 (Audit Committee Report), page 118 (accounting policy) and page 135 (financial disclosures).*	**Subjective estimate** 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 procedures included: — **Historical comparisons:** 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 challenged the appropriateness of the policy by comparing amounts written off against previous provision levels. We considered the estimation method applied through historical trend analysis; — **Tests of detail:** 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. We reviewed these customers' trade receivable levels for indicators of financial stress; and; — **Assessing transparency:** we considered the adequacy of the group's disclosures about the degree of estimation involved in arriving at the inventory provision; **Our results** — We found the carrying amount of inventory to be acceptable (2017 result: acceptable).

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2. Key audit matters: our assessment of risks of material misstatement *(continued)*

	The risk	Our response
Recoverability of Goodwill (£29.1 million; 2017: £29.3m) *Refer to page 83 (Audit Committee Report), page 118 (accounting policy) and pages 130 - 132 (financial disclosures).*	**Forecast based valuation** 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 relating to one CGU (PSEP) is more sensitive to changes in forecast assumptions than other components and in the previous year had the lowest financial headroom in management's base case projections.	Our procedures included: — **Benchmarking assumptions:** comparing the group's assumptions to externally derived data in relation to key inputs such as cost inflation and discount rates; — **Sensitivity analysis:** considering reasonable possible changes in assumptions including forecast revenue, margins and discount rate, their impact on the outcome of the impairment assessment and breakeven analysis; — **Our sector experience:** challenging the group's assumptions by evaluating the achievability of the growth forecasts used in the impairment model — **Historical comparisons:** evaluating the track record of historical forecasts compared to actual results achieved; — **Assessing transparency:** assessing whether the group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflect the risks inherent in the valuation of the PSEP goodwill: **Our results** — We found the resulting estimate of the recoverable amount of goodwill to be acceptable (2017 result: acceptable).
Parent company: recoverability of investments in subsidiaries (£41.4 million; 2017: £41.4m) *Refer to page 83 (Audit Committee Report), page 117 (accounting policy) and page 133 (financial disclosures).*	**Low risk, high value** The carrying amount of the Parent Company's investments in subsidiaries represents 53.4% (2017: 53.1%) of the Parent Company's total assets respectively. The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to its materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: — **Tests of detail:** Comparing the carrying amount of 100% of investments with the relevant subsidiary's draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making; — **Assessing subsidiary audits:** Assessing the work performed by the subsidiary audit teams and considering the results of that work on those subsidiaries' profits and net assets. — **Comparing valuations:** For those subsidiaries where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the value of the subsidiary derived from the current market capitalisation of the group. **Our results** — We found the resulting estimate of the recoverable amount of the parent company's investment in subsidiaries to be acceptable (2017 result: acceptable).

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 £900,000 (2017: £890,000), determined with reference to a benchmark of group profit before tax normalised to exclude costs of exercise of executive share options, expensed IT development and business acquisition costs and profit on sale of fixed assets, of £18.7m of which it represents 4.8% (2017: £17.9m of which it represents 5%).

Materiality for the parent company financial statements as a whole was set at £675,000 (2016: £800,000), determined with reference to a benchmark of total assets and chosen to be lower than materiality for the group financial statements as a whole. It represents 0.9% (2017: 1.0%) of the stated benchmark.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £45,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 22 (2017: 22) reporting components, we subjected 11 (2017: 10) to full scope audits for group purposes. We conducted specified risk-focussed audit procedures at a further 10 (2017: 8) non-significant components. The components for which we performed work other than audits for group reporting purposes were not individually significant but were included in the scope of our group reporting work in order to provide further coverage over the group's results.

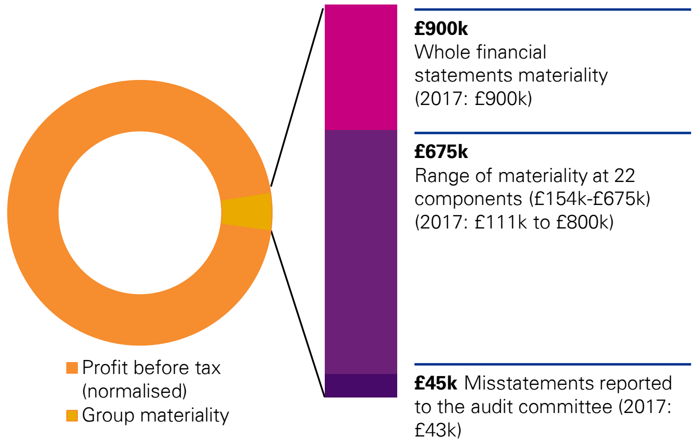
The components within the scope of our work accounted for the percentages illustrated opposite.

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 £154,000 to £675,000 (2017: £111,000 to £800,000), having regard to the mix of size and risk profiles of the Group across the components. The work on 8 out of 21 reporting components subject to audit or specified risk-focussed audit procedures (2017: 8 out of 18) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team. The Group team performed procedures on the items excluded from normalised group profit before tax.

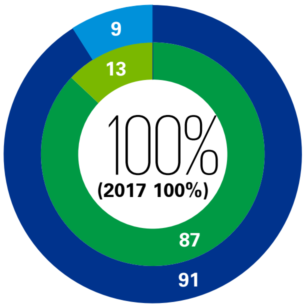
The group team visited 1 (2017: 1) component location in Holland (2017: Italy). Telephone conference meetings were also held with that component auditor and others that were not physically visited. At these visits and meetings the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

Profit before tax (normalised)
£18.7m (2017: £17.9m)

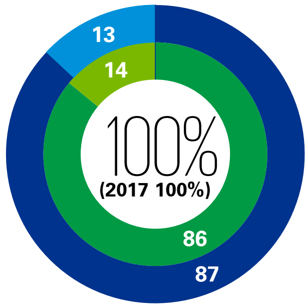
Group Materiality
£900k (2017: £890k)



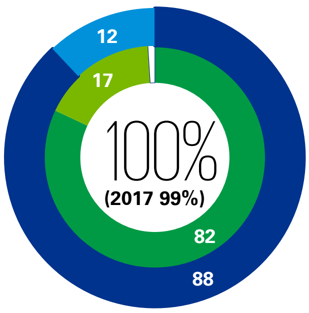
Group revenue



Group profit before tax



Group total assets



- Full scope for group audit purposes 2018
- Specified risk-focused audit procedures 2018
- Full scope for group audit purposes 2017
- Specified risk-focused audit procedures 2017
- Residual components

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4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 1(b) to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 68 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within the directors' viability statement (page 68) that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the directors' viability statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

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

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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 99, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific area of health and safety recognising the nature of the group's manufacturing and distribution activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and inspection of regulatory and legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level, with a request to report on any indications of potential existence of non-compliance with relevant laws and regulations (irregularities) in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

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

Mark Sheppard (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
RH11 9PT
11 June 2018

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Consolidated income statement

for the year ended 31 March 2018

	Note	2018 £000	2017 £000
Continuing operations			
Revenue	3	**197,632**	186,512
Cost of sales		**(137,386)**	(128,495)
Gross profit		**60,246**	58,017
Other operating income	4	**467**	395
Distribution expenses		**(4,068)**	(3,964)
Administrative expenses before separately disclosed items		**(33,932)**	(33,430)
IFRS2 charge	2, 22	**(2,194)**	(1,512)
Acquired intangible amortisation	2, 12	**(1,363)**	(1,273)
Net acquisition costs	2, 32	**(110)**	—
Project Atlas	2	**(375)**	—
Profit on sale of fixed assets	2	**556**	195
Costs on exercise of executive share options	2	**(244)**	(567)
Total administrative expenses		**(37,662)**	(36,587)
Operating profit	5, 6, 7	**18,983**	17,861
Financial income	8	**60**	60
Financial expenses	8	**(540)**	(581)
Net financing costs		**(480)**	(521)
Profit before taxation	2, 3	**18,503**	17,340
Taxation	9	**(3,417)**	(4,642)
Profit for the year (attributable to equity shareholders of the Parent Company)		**15,086**	12,698
Earnings per share			
Basic	25	**12.54p**	10.72p
Diluted	25	**12.20p**	10.40p

The notes on pages 115 to 157 form part of these financial statements

Consolidated statement of comprehensive income

for the year ended 31 March 2018

	2018 £000	2017 £000
Profit for the year	**15,086**	12,698
Other comprehensive (expense)/income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(846)**	8,486
Loss on a hedge of a net investment taken to equity	**(680)**	(2,155)
Other comprehensive (expense)/income recognised directly in equity	**(1,526)**	6,331
Total comprehensive income recognised for the year		
(attributable to the equity shareholders of the Parent Company)	**13,560**	19,029

Consolidated statement of changes in equity

for the year ended 31 March 2018

	Share capital £000	Share premium £000	Own shares held £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2017	**6,014**	**21,378**	—	**14,900**	**59,406**	**101,698**
Total comprehensive income for the year:						
Profit for the year	—	—	—	—	**15,086**	**15,086**
Other comprehensive income for the year	—	—	—	**(1,526)**	—	**(1,526)**
Total comprehensive income recognised for the year	—	—	—	**(1,526)**	**15,086**	**13,560**
Issue of share capital (note 24)	**54**	**201**	—	—	**(41)**	**214**
Share based payment transactions (including tax)	—	—	—	—	**2,472**	**2,472**
Own shares acquired	—	—	**(3,437)**	—	—	**(3,437)**
Dividends (note 24)	—	—	—	—	**(4,218)**	**(4,218)**
Total transactions with owners	**54**	**201**	**(3,437)**	—	**(1,787)**	**(4,969)**
Balance at 31 March 2018	**6,068**	**21,579**	**(3,437)**	**13,374**	**72,705**	**110,289**

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

Company statement of changes in equity

for the year ended 31 March 2018

	Share capital £000	Share premium £000	Own shares held £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2017	**6,014**	**21,378**	—	**1,521**	**19,222**	**48,135**
Total comprehensive income for the year:						
Profit for the year	—	—	—	—	**4,677**	**4,677**
Total comprehensive income recognised for the year	—	—	—	—	**4,677**	**4,677**
Issue of share capital (note 24)	**54**	**201**	—	—	**(41)**	**214**
Share based payment transactions (including tax)	—	—	—	—	**2,213**	**2,213**
Own shares acquired	—	—	**(3,437)**	—	—	**(3,437)**
Dividends (note 24)	—	—	—	—	**(4,218)**	**(4,218)**
Total transactions with owners	**54**	**201**	**(3,437)**	—	**(2,046)**	**(5,228)**
Balance at 31 March 2018	**6,068**	**21,579**	**(3,437)**	**1,521**	**21,853**	**47,584**

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

Statements of financial position

at 31 March 2018

	Note	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Non-current assets					
Property, plant and equipment	10, 11	**20,013**	19,258	**2,493**	2,574
Intangible assets	12, 13	**38,401**	39,682	—	—
Equity investments	14	—	—	**41,440**	41,440
Deferred tax assets	15, 16	**2,355**	2,359	**767**	685
Total non-current assets		**60,769**	61,299	**44,700**	44,699
Current assets					
Inventories	17	**49,199**	41,926	—	—
Trade and other receivables	18	**52,466**	49,360	**33,257**	31,382
Cash and cash equivalents	19, 26	**26,222**	24,645	**477**	2,587
Total current assets		**127,887**	115,931	**33,734**	33,969
Total assets	3	**188,656**	177,230	**78,434**	78,668
Current liabilities					
Other interest-bearing loans and borrowings	20, 26	**21,912**	14,872	**17,393**	11,077
Trade and other payables	21	**38,697**	37,145	**2,429**	4,362
Tax payable		**1,811**	2,471	—	—
Provisions	23	**76**	76	—	—
Total current liabilities		**62,496**	54,564	**19,822**	15,439
Non-current liabilities					
Other interest-bearing loans and borrowings	20, 26	**11,741**	16,221	**10,896**	14,930
Provisions	23	**845**	1,111	—	—
Deferred tax liabilities	15, 16	**3,285**	3,636	**132**	164
Total non-current liabilities		**15,871**	20,968	**11,028**	15,094
Total liabilities	3	**78,367**	75,532	**30,850**	30,533
Net assets		**110,289**	101,698	**47,584**	48,135
Equity					
Share capital		**6,068**	6,014	**6,068**	6,014
Share premium		**21,579**	21,378	**21,579**	21,378
Own shares held		**(3,437)**	—	**(3,437)**	—
Reserves		**13,374**	14,900	**1,521**	1,521
Retained earnings		**72,705**	59,406	**21,853**	19,222
Total equity		**110,289**	101,698	**47,584**	48,135

The notes on pages 115 to 157 form part of these financial statements.

These financial statements were approved by the Board of Directors on 11 June 2018 and were signed on its behalf by:

Mark Belton
Director

Clare Foster
Director

Statements of cash flows

for the year ended 31 March 2018

	Note	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Cash flows from operating activities					
Profit for the year		**15,086**	12,698	**4,677**	4,814
Adjustments for:					
Depreciation, amortisation and impairment		**3,300**	3,123	**87**	76
Unrealised foreign currency (gain)/loss		**(66)**	165	—	—
Financial income		**(60)**	(60)	**(12)**	(28)
Financial expense		**540**	581	**397**	350
Gain on sale of property, plant and equipment and investments		**(560)**	(184)	—	
Dividends received		—	—	**(9,494)**	(10,814)
Equity settled share based payment charge		**2,107**	1,512	**989**	1,145
Taxation charge		**3,417**	4,642	—	402
Operating cash inflow/(outflow) before changes in working capital and provisions		**23,764**	22,477	**(3,356)**	(4,055)
Change in trade and other receivables		**(2,536)**	(3,075)	**(91)**	4,653
Change in inventories		**(7,674)**	(273)	—	—
Change in trade and other payables		**1,677**	3,764	**(1,934)**	(1,361)
Change in provisions		**(266)**	(6)	—	—
Cash generated from/(used in) operations		**14,965**	22,887	**(5,381)**	(763)
Tax paid		**(4,849)**	(5,136)	—	—
Net cash from/(used in) operating activities		**10,116**	17,751	**(5,381)**	(763)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**1,650**	198	—	—
Interest received		**61**	60	**12**	26
Acquisition of subsidiary, net of cash acquired		—	(1,471)	—	—
Acquisition of property, plant and equipment and intangibles	10, 11, 12	**(3,566)**	(2,948)	**(6)**	(288)
Dividends received		—	—	**9,494**	10,814
Net cash (used in)/from investing activities		**(1,855)**	(4,161)	**9,500**	10,552
Cash flows from financing activities					
Proceeds from the issue of share capital	24	**214**	341	**214**	341
Purchase of own shares		**(3,437)**	—	**(3,437)**	—
Proceeds from new loan		**5,542**	2,236	**4,854**	2,100
Repayment of borrowings		**(3,773)**	(7,030)	**(3,245)**	(5,120)
Proceeds/(payment) from finance leases		**66**	(6)	—	—
Dividends paid	24	**(4,218)**	(3,310)	**(4,218)**	(3,310)
Interest paid		**(540)**	(581)	**(397)**	(346)
Net cash used in financing activities		**(6,146)**	(8,350)	**(6,229)**	(6,335)
Net change in cash and cash equivalents		**2,115**	5,240	**(2,110)**	3,454
Cash and cash equivalents at 1 April	19	**24,645**	17,581	**2,587**	(867)
Effect of exchange rate fluctuations on cash held		**(538)**	1,824	—	—
Cash and cash equivalents at 31 March	19	**26,222**	24,645	**477**	2,587

Notes to the financial statements

for the year ended 31 March 2018

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 163.

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 £4.7m (2017: £4.8m).

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 46 to 57. 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.

Notes to the financial statements

for the year ended 31 March 2018

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 in a separate component of equity, the translation reserve, through other comprehensive income. 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)).

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)).

Notes to the financial statements

for the year ended 31 March 2018

1 Accounting policies (continued)

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.

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.

1 Accounting policies (continued)

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.

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.

Notes to the financial statements

for the year ended 31 March 2018

1 Accounting policies (continued)

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 engages in business activities from which it may earn revenues and incur expenditure (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (the Board) in order to make decisions about allocating resources and to 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.

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.

1 Accounting policies (continued)

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) Own shares acquired by Employee Benefit Trust

The Employee Benefit Trust ("EBT") provides for the issue of shares to Group employees under share based payment arrangements. The Company is the sole funder of the EBT, and all shares and assets held by the EBT are held under a trust arrangement for the benefit of Group employees and the Company, and the Company therefore accounts for the EBT as an extension to the Company in the financial statements.

Repurchased shares (classified as own shares acquired) are recognised at the amount of consideration paid, which includes directly attributable costs, as a deduction from equity. They are presented separately in equity as own shares held. When the shares are subsequently sold or used to settle future equity award commitments, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

w) Asset held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probably that they will be recovered primarily through sale rather than continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit and loss.

x) 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 9 is not expected to have a material impact on the primary statements and therefore management do not expect a transition adjustment on adoption. However, changes in disclosure are expected.

- 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.

It 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*. As the majority of the Group's revenue is derived from arrangements in which the transfer of risks and rewards coincides with the fulfilment of performance obligations and transfer of control as defined by IFRS15, no material changes in respect of timing and amount of revenue currently recognised by the Group are expected. Management therefore do not expect a transition adjustment will be presented on adoption, in the primary statements. Management does, however, expect to make changes to revenue related disclosures, including further disaggregation of revenue, and updates to the accounting policy to reflect new terminology under IFRS15.

- 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 is currently performing a detailed assessment of the impact of IFRS 16 on the financial statements and will provide further details in the next Annual Report. 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 as well as a less significant impact on the recognition and classification of costs in the income statement.

Notes to the financial statements

for the year ended 31 March 2018

2 Underlying profit before tax and separately disclosed items

	Note	2018 £000	2017 £000
Underlying profit before tax		**22,233**	20,497
Separately disclosed items within administrative expenses			
IFRS2 share based payment charge	22	**(2,194)**	(1,512)
Acquired intangible amortisation	12	**(1,363)**	(1,273)
Net acquisition costs	32	**(110)**	—
Project Atlas		**(375)**	—
Profit on sale of fixed assets		**556**	195
Costs on exercise of executive share options		**(244)**	(567)
Profit before tax		**18,503**	17,340

	Note	2018 £000	2017 £000
Underlying EBITDA		**24,650**	22,868
Separately disclosed items within administrative expenses			
IFRS2 share based payment charge	22	**(2,194)**	(1,512)
Net acquisition costs	32	**(110)**	—
Project Atlas		**(375)**	—
Profit on sale of fixed assets		**556**	195
Costs on exercise of executive share options		**(244)**	(567)
EBITDA		**22,283**	20,984
Acquired intangible amortisation		**(1,363)**	(1,273)
Depreciation and non-acquired amortisation		**(1,937)**	(1,850)
Operating profit		**18,983**	17,861

There were no separately disclosed items in 2018 (2017: £nil) other than the amounts detailed above.

Recurring items

During the period the IFRS2 charge increased due to Senior Manager deferred bonus shares being included in the results for a full year, offset by a lower charge for Director shares due to the grant date for the new LTIP structure being later in the year (30 September 2017). £0.7m (2017: £1.1m) relates to the Board deferred equity bonus scheme of which £0.2m (2017: £0.1m) relates to retiring Directors. £0.2m (2017: £nil) relates to the new LTIP structure for the Directors. £1.1m (2017: £0.3m) represents the charge for the Deferred Bonus Award scheme for senior managers. The remaining £0.2m (2017: £0.1m) relates to the SAYE scheme.

Acquired intangible amortisation has remained in line with prior year.

During the year the 2014 Board deferred equity bonus shares were exercised and the Company incurred £0.2m of employer's National Insurance in relation to these exercises. Last year, the remaining 2m options granted under the 2009 executive share option and the accelerated 2014, 2015 and 2016 Deferred Equity Bonus awards were exercised resulting in the Company incurring £0.6m of employer's National Insurance.

Event driven/one-off items

Net acquisition costs of £0.1m (2017: £nil) were incurred ahead of year end in relation to the acquisition of PTS on 4 April 2018.

Project Atlas is a multi-year investment into our IT infrastructure and underlying business processes, budgeted to cost up to £15.0m. As a consequence of the work undertaken to date on this project, we have incurred direct costs of £0.4m in FY2018, largely relating to project team and consultancy costs. We have excluded these costs from our underlying results, to reflect the unusual scale and one-off nature of this project. We anticipate continuing to do so in order to provide shareholders with a better understanding of our underlying trading performance during this period of investment. This will happen as a combination of capital expenditure and separately disclosed items, dependent on accounting convention.

A factory, previously rented to an automotive Tier 1 company, in PSEP was sold during the year for £1.7m, generating a profit of £0.6m. Last year, obsolete plant and machinery was sold in our Italian manufacturing company Viteria Italia Centrale. The sales price and 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 2018	UK £000	Europe £000	USA £000	Asia £000	Common costs £000	Total £000
Revenue						
Revenue from external customers	**70,286**	**72,721**	**6,271**	**48,354**	—	**197,632**
Inter segment revenue	**2,689**	**938**	**162**	**8,838**	—	**12,627**
Total revenue	**72,975**	**73,659**	**6,433**	**57,192**	—	**210,259**
Underlying operating result	**8,410**	**9,085**	**52**	**8,426**	**(3,260)**	**22,713**
Net financing costs	**(100)**	**(52)**	—	**55**	**(383)**	**(480)**
Underlying segment result	**8,310**	**9,033**	**52**	**8,481**	**(3,643)**	**22,233**
Separately disclosed items (see note 2)						**(3,730)**
Profit before tax						**18,503**
Specific disclosure items						
Depreciation and amortisation	**267**	**1,713**	**17**	**1,215**	**88**	**3,300**
Assets and liabilities						
Segment assets	**44,561**	**75,729**	**3,788**	**60,392**	**4,186**	**188,656**
Segment liabilities	**(19,350)**	**(16,211)**	**(408)**	**(11,592)**	**(30,806)**	**(78,367)**

Notes to the financial statements

for the year ended 31 March 2018

3 Operating segmental analysis (continued)

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)

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 £14.9m (2017: £11.3m) was sold into the European market. Of the Asian external revenue, £4.7m (2017: £4.6m) was sold into the American market and £5.9m (2017: £5.5m) 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

	2018 £000	2017 £000
Rental income received from freehold properties	**57**	152
Other income	**410**	243
	467	395

5 Expenses and auditor's remuneration

Included in profit for the year are the following:

	Note	**2018 £000**	2017 £000
Depreciation and non-acquired amortisation	10,12	**1,937**	1,850
Amortisation of acquired intangibles	12	**1,363**	1,273
Operating lease expense	27	**3,302**	2,529
Net foreign exchange loss/(gain)		**420**	(46)
Project Atlas (IT and business processes)		**375**	—
Gain on disposal of fixed assets		**(560)**	(184)

For more details on Project Atlas see pages 38 to 43 and note 2.

Auditor's remuneration:

	2018 £000	2017 £000
Audit of these financial statements	**66**	38
Audit of financial statements of subsidiaries pursuant to legislation	**225**	222
Taxation compliance services	**15**	15
Other assurance services	**29**	28
Other services relating to transaction services	**30**	—

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	
	2018	2017
Office and management	**108**	107
Manufacturing	**321**	318
Sales	**184**	182
Distribution	**603**	597
	1,216	1,204

The aggregate payroll costs of these people were as follows:

	Group	
	2018 £000	2017 £000
Wages and salaries (including bonus)	**32,392**	30,873
Share based payments	**2,194**	1,512
Social security costs	**3,106**	2,811
Contributions to defined contribution plans (see note 22)	**1,918**	1,795
	39,610	36,991

Notes to the financial statements

for the year ended 31 March 2018

7 Directors' emoluments

	2018 £000	2017 £000
Directors' emoluments	**2,161**	2,337
Deferred equity (face value)	**—**	1,050
Company contributions to money purchase pension plans	**138**	107
Pension cash payments	**30**	46
	2,329	3,540

The emoluments of individual Directors, as well as the total gain on exercise of share options by Directors, are shown in the Remuneration Report on pages 86 to 98.

The aggregate of emoluments of the highest paid Director was £0.63m (2017: £0.81m), which included no vested LTIP or deferred equity award (2017: deferred equity at face value of £0.25m), Company pension contributions of £0.04m (2017: £0.03m) made to a money purchase scheme on his behalf and pension cash payments of £0.01m (2017: £0.02m). During the year, no SAYE share options were exercised by the highest paid Director (2017: 18,000 exercised), 209,877 deferred equity shares were exercised by the highest paid director (2017: nil).

The annual IFRS2 charge relating to Board deferred equity bonuses given in 2015, 2016 and 2017 was £0.76m (2017: £1.13m). The annual IFRS2 charge relating to Board LTIP shares in 2018 was £0.18m (2017: £nil). The highest paid Director's element of this charge was £0.24m (2017: £0.23m).

	Number of Directors 2018	2017
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	**4**	2

See pages 86 to 98 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

	2018 £000	2017 £000
Financial income		
Interest income on financial assets	**60**	60
Financial expenses		
Interest payable on bank loans and hire purchase liabilities	**540**	581

9 Taxation

Recognised in the income statement	2018 £000	2017 £000
Current UK tax expense:		
Current year	**597**	520
Adjustments for prior years	**(983)**	(8)
	(386)	512
Current foreign tax expense:		
Current year	**4,186**	4,756
Adjustments for prior years	**(35)**	(138)
	4,151	4,618
Total current tax	**3,765**	5,130
Deferred tax expense (note 15):		
Origination and reversal of temporary differences	**(281)**	(454)
Reduction in tax rates	**(47)**	—
Adjustments for prior years	**(20)**	(34)
Deferred tax income	**(348)**	(488)
Tax in income statement	**3,417**	4,642

Tax recognised directly in equity	2018 £000	2017 £000
Current tax recognised directly in equity — IFRS2 share based tax credit	**(239)**	(522)
Deferred tax recognised directly in equity — IFRS2 share based tax (credit)/charge	**(127)**	130
Total tax recognised in equity	**(366)**	(392)

Reconciliation of effective tax rate ('ETR') and tax expense	2018 £000	ETR %	2017 £000	ETR %
Profit for the period	**15,086**		12,698	
Tax from continuing operations	**3,417**		4,642	
Profit before tax	**18,503**		17,340	
Tax using the UK corporation tax rate of 19% (2017: 20%)	**3,516**	**19**	3,468	20
Tax suffered on dividends	**319**	**2**	264	2
Retention tax	—	—	102	1
Non-deductible expenses	**222**	**1**	190	1
Tax incentives	**(82)**	—	(274)	(2)
Non-taxable receipts	**(100)**	**(1)**	—	—
IFRS2 share option (credit)/charge	**53**	—	(1)	—
Deferred tax assets not recognised	**107**	**1**	511	3
Different tax rates on overseas earnings	**467**	**2**	540	3
Adjustments in respect of prior years	**(1,038)**	**(6)**	(180)	(1)
Tax rate change	**(47)**	—	22	—
Total tax in income statement	**3,417**	**18**	4,642	27

Reductions in the UK tax rate from 20% 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.

The tax rate change in Italy (IRES reduced from 27.5% to 24%) has reduced our tax charge by £0.2m, whilst due to brought forward losses, the tax rate change in the USA (federal tax rate reduced from 34% to 21%) has increased our tax charge by £0.2m.

During the year the open tax enquiry was settled for £0.3m. This resulted in a £0.9m release of the £1.2m provision on the balance sheet at 31 March 2017. The amount recognised in the Company financial statements is £nil (2017: £nil).

Notes to the financial statements

for the year ended 31 March 2018

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 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
Balance at 1 April 2017	17,500	914	29,497	5,408	618	53,937
Additions	727	129	1,786	973	112	3,727
Disposals	(1,178)	(65)	(340)	(302)	(32)	(1,917)
Effect of movements in foreign exchange	42	(10)	(67)	(2)	(15)	(52)
Balance at 31 March 2018	**17,091**	**968**	**30,876**	**6,077**	**683**	**55,695**
Depreciation and impairment						
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
Balance at 1 April 2017	5,223	709	23,912	4,310	525	34,679
Depreciation charge for the year	268	72	1,135	376	49	1,900
Disposals	(132)	(65)	(339)	(280)	(11)	(827)
Effect of movements in foreign exchange	17	(18)	(58)	1	(12)	(70)
Balance at 31 March 2018	**5,376**	**698**	**24,650**	**4,407**	**551**	**35,682**
Net book value						
At 1 April 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
At 31 March 2018	**11,715**	**270**	**6,226**	**1,670**	**132**	**20,013**

Included in the net book value of land and buildings is £9.8m (2017: £10.9m) of freehold land and buildings, and £1.9m (2017: £1.4m) 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 2016	3,563	571	4,134
Additions	288	—	288
Balance at 31 March 2017	3,851	571	4,422
Balance at 1 April 2017	3,851	571	4,422
Additions	6	—	6
Balance at 31 March 2018	**3,857**	**571**	**4,428**
Depreciation and impairment			
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
Balance at 1 April 2017	1,290	558	1,848
Depreciation charge for the year	85	2	87
Balance at 31 March 2018	**1,375**	**560**	**1,935**
Net book value			
At 1 April 2016	2,347	15	2,362
At 31 March 2017	2,561	13	2,574
At 31 March 2018	**2,482**	**11**	**2,493**

Included in the net book value of land and buildings is £2.5m (2017: £2.6m) of freehold land and buildings. This is provided as security over the property loan. See note 26 for further details.

Notes to the financial statements

for the year ended 31 March 2018

12 Intangible assets – Group

	Goodwill £000	Other £000	Total £000
Cost			
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
Balance at 1 April 2017	43,760	15,284	59,044
Additions	—	30	30
Disposals	—	(238)	(238)
Effect of movements in foreign exchange	(402)	380	(22)
Balance at 31 March 2018	**43,358**	**15,456**	**58,814**
Amortisation and impairment			
Balance at 1 April 2016	14,025	3,472	17,497
Amortisation for the year	—	1,302	1,302
Effect of movements in foreign exchange	414	149	563
Balance at 31 March 2017	14,439	4,923	19,362
Balance at 1 April 2017	14,439	4,923	19,362
Amortisation for the year	—	1,400	1,400
Disposals	—	(238)	(238)
Effect of movements in foreign exchange	(208)	97	(111)
Balance at 31 March 2018	**14,231**	**6,182**	**20,413**
Net book value			
At 1 April 2016	27,437	10,822	38,259
At 31 March 2017	29,321	10,361	39,682
At 31 March 2018	**29,127**	**9,274**	**38,401**

The amortisation charge is recognised in administrative expenses in the income statement. Of the £1.4m charge in the year, £1.4m relates to amortisation on acquired intangibles.

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 5.75 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 9.8 years.
- Customer relationships acquired as part of the acquisition of Kuhlmann. The average remaining amortisation period on these assets is 7.50 years.

12 Intangible assets – Group (continued)

The following cash generating units have carrying amounts of goodwill:

	2018 £000	2017 £000
Special Fasteners Engineering Co. Ltd (Taiwan)	**10,305**	10,834
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)	**779**	763
TR Viterie Italia Centrale (VIC) (Italy)	**10,007**	9,731
TR Kuhlmann GmbH (Germany)	**1,541**	1,498
Other	**104**	104
	29,127	29,321

The £0.28m, £0.04m and £0.02m increases in the goodwill of VIC, Kuhlmann and PSEP and the £0.53m decrease in the goodwill of SFE respectively refer to foreign exchange gains or losses as these investments are held in Euros, Malaysian Ringits and Singaporean Dollars.

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), *TR* 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	
	2018	2017	**2018**	2017	**2018**	2017
Long term revenue growth rate	**2.0%**	2.0%	**2.0%**	2.0%	**2.0%**	2.0%
Discount rate — post-tax	**9.2%**	8.2%	**9.4%**	8.9%	**7.9%**	6.8%
Discount rate — pre-tax	**11.1%**	9.9%	**13.1%**	12.4%	**9.8%**	8.5%
Terminal EBIT margin	**16.0%**	16.0%	**17.6%**	17.4%	**9.8%**	11.0%

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.

Notes to the financial statements

for the year ended 31 March 2018

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 as there are no significant timing differences between the tax cash flows and tax charges. 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 4.2%, reducing to 2.0% for the terminal year. The sales growth relates to increased Intercompany sales as part of a Group initiative to bring more supply in-house, supported by increased sales from extending relationships with existing multinational OEM customers.

Using the assumptions above for sales growth, a terminal EBIT margin of 12.0% and a post-tax discount rate of 10.8% (pre-tax discount rate 14.2%) the recoverable amount of the CGU was estimated to be higher than its carrying amount by £1.7m.

The timing of revenue growth is a major sensitivity in ensuring the recoverable amount of the unit is greater than the carrying amount. The year to 31 March 2018 has seen sales grow, excluding those to one key customer, in excess of 6.0% as the initiative to bring supply in-house comes to fruition. However, it is possible the estimated start of production dates for newly awarded sales contracts could be delayed or new follow on business might come through at lower levels than predicted. If PSEP continued with sales equal to that of FY2018 throughout the period management project cash flows and also in the terminal year, i.e. assuming that growth is significantly below expected long-term regional GDP forecasts (5.1% per Moody's Investor Service), with terminal EBIT margin and discount rates remaining the same as the above, this would lead to the unit's recoverable amount being equal to its carrying amount. At this point, if any other assumptions move unfavourably from that forecast, it would require an impairment to be recognised in the financial statements.

Excluding PSEP, management believe that no reasonably possible change in any 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 2016, 31 March 2017 and 31 March 2018	62
Amortisation and impairment	
Balance at 1 April 2016, 31 March 2017 and 31 March 2018	62
Net book value	
At 1 April 2016, 31 March 2017 and 31 March 2018	**–**

14 Equity investments – Company
Investments in subsidiaries

	£000
Cost	
Balance at 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	42,585
Provision	
Balance at 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	1,145
Net book value	
Balance at 1 April 2016, 31 March 2017 and 31 March 2018	**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.

Notes to the financial statements

for the year ended 31 March 2018

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	
	2018 £000	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000
Property, plant and equipment	**(70)**	(81)	**1,695**	1,697	**1,625**	1,616
Intangible assets	**(118)**	(115)	**1,752**	2,191	**1,634**	2,076
Inventories	**(694)**	(774)	**—**	—	**(694)**	(774)
Provisions/accruals	**(560)**	(537)	**337**	188	**(223)**	(349)
IFRS2 Share based payments	**(1,142)**	(835)	**—**	—	**(1,142)**	(835)
Tax losses	**(270)**	(457)	**—**	—	**(270)**	(457)
Tax (assets)/liabilities	**(2,854)**	(2,799)	**3,784**	4,076	**930**	1,277
Tax set-off	**499**	440	**(499)**	(440)	**—**	—
Net tax (assets)/liabilities	**(2,355)**	(2,359)	**3,285**	3,636	**930**	1,277

A potential £2.0m (2017: £2.1m) 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.

The tax rate change in Italy (IRES reduced from 27.5% to 24%) has reduced our deferred tax liabilities relating to intangible assets by £0.2m, whilst due to brought forward losses, the tax rate change in the USA (federal tax rate reduced from 34% to 21%) has reduced our deferred tax assets by £0.2m.

Movement in deferred tax during the year

	1 April 2017 £000	Recognised in income £000	Recognised in equity^ £000	**31 March 2018 £000**
Property, plant and equipment	1,616	(18)	27	**1,625**
Intangible assets	2,076	(498)	56	**1,634**
Inventories	(774)	58	22	**(694)**
Provisions/accruals	(349)	140	(14)	**(223)**
IFRS2 Share based payments	(835)	(180)	(127)	**(1,142)**
Tax losses	(457)	150	37	**(270)**
	1,277	(348)	1	**930**

Movement in deferred tax during the prior 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

^ 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	
	2018 £000	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000
Property, plant and equipment	—	—	**132**	164	**132**	164
Provisions/accruals	**(1)**	(1)	—	—	**(1)**	(1)
IFRS2 Share based payments	**(766)**	(684)	—	—	**(766)**	(684)
Tax (assets)/liabilities	**(767)**	(685)	**132**	164	**(635)**	(521)

A potential £2.0m (2017: £2.1m) 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 2017 £000	Recognised in income £000	Recognised in equity £000	**31 March 2018 £000**
Property, plant and equipment	164	(32)	—	**132**
Provisions/accruals	(1)	—	—	**(1)**
IFRS2 Share based payments	(684)	(24)	(58)	**(766)**
	(521)	(56)	(58)	**(635)**

Movement in deferred tax during the prior 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)

17 Inventories — Group

	2018 £000	2017 £000
Raw materials and consumables	**5,284**	4,903
Work in progress	**1,856**	1,972
Finished goods and goods for resale	**42,059**	35,051
	49,199	41,926

In 2018, inventories of £125.0m (2017: £115.5m) were recognised as an expense during the year and included in cost of sales. Inventories have been written down by £0.8m in the year (2017: £1.7m) in line with the Group's stock provisioning policy. Such write-downs were recognised as an expense during 2018. 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 £0.8m (2017: £0.6m).

Notes to the financial statements

for the year ended 31 March 2018

18 Trade and other receivables

	Group		Company	
	2018 **£000**	2017 £000	**2018** **£000**	2017 £000
Trade receivables	**47,984**	47,497	—	—
Non trade receivables and prepayments	**4,482**	1,863	**306**	183
Amounts owed by subsidiary undertakings	—	—	**32,951**	31,199
	52,466	49,360	**33,257**	31,382

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	
	2018 **£000**	2017 £000	**2018** **£000**	2017 £000
Cash and cash equivalents per Statements of financial position	**26,222**	24,645	**477**	2,587
Bank overdrafts per Statements of financial position	—	—	—	—
Cash and cash equivalents per Statements of cash flows	**26,222**	24,645	**477**	2,587

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**	**2018** **£000**	2017 £000	**2018** **£000**	2017 £000
Group						
Asset based lending	Base + 1.49%	—	**3,968**	3,280	—	—
VIC unsecured loan	EURIBOR + 1.95%	2020	**528**	513	**792**	1,283
Finance lease liabilities	Various	2018-19	**23**	2	**53**	8
Group and Company						
Facility A VIC acquisition loan	EURIBOR + 1.50%	2021	**4,398**	3,208	**8,796**	12,830
Facility B Revolving Credit Facility	LIBOR/ EURIBOR + 1.50%	2019/2021	**12,995**	7,869	—	—
Property Loan	LIBOR + 1.25%	2021	—	—	**2,100**	2,100
Total Group			**21,912**	14,872	**11,741**	16,221
Total Company			**17,393**	11,077	**10,896**	14,930

21 Trade and other payables

	Group		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Trade payables	**21,400**	19,302	**—**	—
Amounts payable to subsidiary undertakings	**—**	—	**325**	954
Non-trade payables and accrued expenses	**15,396**	15,322	**1,979**	2,073
Other taxes and social security	**1,901**	2,521	**125**	1,335
	38,697	37,145	**2,429**	4,362

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 £1.9m (2017: £1.8m) and represents contributions payable by the Group to the funds.

At the end of the financial year, there were outstanding pension contributions of £0.1m (2017: £0.1m), 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:

	2018		2017	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding at beginning of year	**1,286,417**	**1.00**	3,486,706	0.35
Granted during the year	**359,233**	**1.77**	438,175	1.07
Forfeited/lapsed during the year	**(55,343)**	**1.23**	(141,909)	0.47
Exercised during the year	**(249,192)**	**0.86**	(2,496,555)	0.14
Outstanding at the end of the year	**1,341,115**	**1.22**	1,286,417	1.00
Exercisable at the end of the year	**14,760**	**1.00**	—	—

The options outstanding at 31 March 2018 had a weighted average remaining contractual life of 1.8 years (2017: 1.7 years) and exercise prices ranging from £0.45 to £1.77 (2017: £0.25 to £1.07).

The weighted average share price at the date of exercise for share options exercised in 2018 was 237.4p (2017: 173.0p).

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 the Black Scholes model.
The contractual life of the option is used as an input into this model.

Notes to the financial statements

for the year ended 31 March 2018

22 Employee benefits (continued)

Board deferred equity bonus shares

The Board deferred equity bonus shares have been discussed in more detail in the Remuneration report (pages 86 to 98).
The number of deferred equity bonus shares are as follows:

	Deferred equity bonus shares
Outstanding at beginning of year	**2,822,778**
Granted during the year	**36,703**
2014 deferred equity bonus shares exercised	**(820,989)**
Outstanding at end of year	**2,038,492**

The above includes 36,703 shares for C Foo relating to his employment as *TR* Asia MD. He does not sit on the main plc Board.

These nil cost options are subject to a three year service period and the fair value has been calculated using the Discounted Dividend model (DDM). 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 2018 was £2.16 (2017: £1.35).

The options outstanding at 31 March 2018 had a weighted average remaining contractual life of 0.9 years (2017: 1.6 years).

Senior manager deferred bonus shares

The number of deferred bonus shares is as follows:

	Deferred bonus shares
Outstanding at beginning of year	**1,744,094**
Granted during the year	**70,878**
Lapsed during the year	**(15,748)**
Outstanding at end of year	**1,799,224**

The shares granted are subject to a base award and a multiplier award. The base award requires a service period from date of grant to 31 December 2019 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 24 November 2017 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.

Board LTIP shares

The Board LTIP shares is part of the new remuneration policy approved at last year's AGM and has been discussed in more detail in the Remuneration report (pages 86 to 98). The maximum number of Board LTIP shares are as follows:

	Board LTIP shares
Outstanding at beginning of year	—
Granted during the year	**685,091**
Outstanding at end of year	**685,091**

These nil cost options are subject to performance (EPS growth and TSR performance) and service conditions over a three year period. The fair value for the EPS element has been calculated using the DDM whilst the fair value for the TSR element has been calculated using the Monte-Carlo simulation. They are equity settled shares. 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.

The options outstanding at 31 March 2018 had a weighted average remaining contractual life of 2.5 years.

22 Employee benefits (continued)

Date of grant	Type of instrument	Valuation model	No. outstanding on 31 March 2018	Share price on date of grant (£)	Exercise price (£)	Expected volatility %	Vesting period (yrs)	Expected life (yrs)	Risk-free rate %	Expected annual dividend %	Fair value (£)
01/10/2011	SAYE 7 Year	Black Scholes	7,920	0.41	0.45	47.63	7.00	7.00	0.56	0.00	0.19
01/10/2012	SAYE 7 Year	Black Scholes	5,280	0.46	0.35	48.08	7.00	7.00	1.93	1.09	0.24
01/10/2013	SAYE 5 Year	Black Scholes	21,000	0.68	0.50	46.06	5.00	5.00	1.55	1.19	0.31
01/10/2014	SAYE 3 Year	Black Scholes	14,760	1.05	1.00	35.76	3.00	3.00	1.23	1.33	0.26
01/10/2014	SAYE 5 Year	Black Scholes	111,201	1.05	1.00	35.76	5.00	5.00	1.73	1.33	0.33
01/10/2015	SAYE 3 Year	Black Scholes	324,478	1.14	1.05	35.20	3.00	3.00	0.77	1.84	0.28
01/10/2015	SAYE 5 Year	Black Scholes	111,991	1.14	1.05	34.60	5.00	5.00	1.17	1.84	0.33
01/10/2016	SAYE 3 Year	Black Scholes	341,519	1.72	1.07	33.83	3.00	3.00	0.36	1.63	0.68
01/10/2016	SAYE 5 Year	Black Scholes	57,018	1.72	1.07	32.80	5.00	5.00	0.66	1.63	0.71
01/10/2017	SAYE 3 Year	Black Scholes	241,389	2.24	1.77	26.64	3.00	3.00	0.57	1.56	0.59
01/10/2017	SAYE 5 Year	Black Scholes	104,559	2.24	1.77	31.18	5.00	5.00	0.82	1.56	0.72
Total Share Options			**1,341,115**								
09/09/2015	Board deferred equity	DDM	740,098	1.16	n/a	n/a	2.56	2.56	n/a	1.81	1.11
15/07/2016	Board deferred equity	DDM	761,791	1.35	n/a	n/a	2.71	2.71	n/a	2.07	1.28
26/07/2017	Board deferred equity	DDM	536,603	2.14	n/a	n/a	4.00	4.00	n/a	1.40	2.05
30/12/2016	SM deferred bonus equity	DDM	1,625,984	2.05	n/a	n/a	3.00	3.00	n/a	1.46	1.96
30/12/2016	SM deferred bonus cash	DDM	102,368	2.58	n/a	n/a	3.00	3.00	n/a	1.40	2.52*
24/11/2017	SM deferred bonus equity	DDM	70,872	2.45	n/a	n/a	2.10	2.10	n/a	1.47	2.37
30/09/2017	Board LTIP shares - EPS growth	DDM	479,565	2.08	n/a	n/a	3.00	3.00	0.53	1.68	1.98
30/09/2017	Board LTIP shares - TSR element	Monte-Carlo simulation	205,526	2.08	n/a	25.7	3.00	3.00	0.53	1.68	0.80
Total			**5,863,922**								

*Fair value at the reporting date

Notes to the financial statements

for the year ended 31 March 2018

22 Employee benefits (continued)

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 £2.2m and £1.5m in relation to share based payment transactions in 2018 and 2017 respectively. Of this, £88k (2017: £16k) relates to cash settled awards to which a liability is recognised on the balance sheet. The remaining amount relates to equity settled awards.

As at 31 March 2018, outstanding options to subscribe for ordinary shares of 5p were as follows:

Grant date/employees entitled	Number of instruments	Contractual life of options
01/10/11/SAYE	7,920	Oct 2018
01/10/12/SAYE	5,280	Oct 2019
01/10/13/SAYE	21,000	Oct 2018
01/10/14/SAYE	125,961	Oct 2017, 2019
01/10/15/SAYE	436,469	Oct 2018, 2020
01/10/16/SAYE	398,537	Oct 2019, 2021
01/10/17 SAYE	345,948	Oct 2020, 2022
Total outstanding options	1,341,115	
Board deferred equity bonus shares	2,038,492	Sep 2018, Jul 2019, 2020
Senior manager deferred bonus shares	1,799,224	Dec 2019
Board LTIP shares	685,091	Sep 2020
Total	**5,863,922**	

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 2017	**76**	**1,111**	**1,187**
Provisions utilised during the year	—	**(5)**	**(5)**
Provisions released during the year	—	**(261)**	**(261)**
Balance at 31 March 2018	**76**	**845**	**921**

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**	**2018 Total £000**	2017 Total £000
Non-current (greater than 1 year)	—	**845**	**845**	1,111
Current (less than 1 year)	**76**	—	**76**	76
Balance at 31 March	**76**	**845**	**921**	1,187

In respect of the Company there are £nil provisions (2017: £nil).

24 Capital and reserves

Capital and reserves – Group and Company

See Statements of changes in equity on pages 111 and 112.

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.

During the year the Group acquired 1,500,000 5p ordinary shares on the open market via the *Trifast* EBT to help meet future employee share plan obligations. These shares are in the own shares held reserve. The number of ordinary shares held at the 31 March 2018 was 1,500,000 (2017: nil).

Share capital

	Number of ordinary shares	
	2018	2017
In issue at 1 April	**120,294,486**	116,747,887
Shares issued	**1,070,181**	3,546,599
In issue at 31 March — fully paid	**121,364,667**	120,294,486

The total number of shares issued during the year was 1,070,181 for a consideration of £0.2m (2017: 3,546,599 shares for £0.3m).

In FY2018, all shares were issued for cash, excluding 820,989 shares (2017: 1,050,044) as part of the Board deferred equity bonus scheme.

	2018 £000	2017 £000
Allotted, called up and fully paid		
Ordinary shares of 5p each	**6,068**	6,014

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:

	2018 £000	2017 £000
Final paid 2017 — 2.50p (2016: 2.00p) per qualifying ordinary share	**3,015**	2,376
Interim paid 2017 — 1.00p (2016: 0.80p) per qualifying ordinary share	**1,203**	934
	4,218	3,310

After the balance sheet date a final dividend of 2.75p per qualifying ordinary share (2017: 2.50p) was proposed by the Directors and an interim dividend of 1.10p (2017: 1.00p) was paid in April 2018.

	2018 £000	2017 £000
Final proposed 2018 — 2.75p (2017: 2.50p) per qualifying ordinary share	**3,296**	3,007
Interim paid 2018 — 1.10p (2017: 1.00p) per qualifying ordinary share	**1,319**	1,203
	4,615	4,210

Subject to Shareholder approval at the Annual General Meeting which is to be held on 25 July 2018, the final dividend will be paid on 12 October 2018 to Members on the register at the close of business on 14 September 2018. The ordinary shares will become ex-dividend on 13 September 2018.

Notes to the financial statements

for the year ended 31 March 2018

25 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2018 was based on the profit attributable to ordinary shareholders of £15.1m (2017: £12.7m) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2018 of 120,313,586 (2017: 118,493,886), calculated as follows:

Weighted average number of ordinary shares

	2018	2017
Issued ordinary shares at 1 April	**120,294,486**	116,747,887
Effect of shares issued/purchased	**19,100**	1,745,999
Weighted average number of ordinary shares at 31 March	**120,313,586**	118,493,886

Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2018 was based on profit attributable to ordinary shareholders of £15.1m (2017: £12.7m) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2018 of 123,678,854 (2017: 122,143,769), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2018	2017
Weighted average number of ordinary shares at 31 March	**120,313,586**	118,493,886
Effect of share options on issue	**3,365,268**	3,649,883
Weighted average number of ordinary shares (diluted) at 31 March	**123,678,854**	122,143,769

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

		2018 EPS			2017 EPS	
EPS (total)	**Earnings £000**	**Basic**	**Diluted**	Earnings £000	Basic	Diluted
Profit after tax for the financial year	**15,086**	**12.54p**	**12.20p**	12,698	10.72p	10.40p
Separately disclosed items:						
IFRS2 share based payment charge	**2,194**	**1.83p**	**1.77p**	1,512	1.28p	1.24p
Acquired intangible amortisation	**1,363**	**1.13p**	**1.10p**	1,273	1.07p	1.04p
Net acquisition costs	**110**	**0.09p**	**0.09p**	—	—	—
Costs on exercise of executive share options	**244**	**0.20p**	**0.20p**	567	0.48p	0.46p
Profit on sale of fixed assets	**(556)**	**(0.46p)**	**(0.45p)**	(195)	(0.17p)	(0.16p)
Project Atlas	**375**	**0.31p**	**0.30p**	—	—	—
Tax charge on adjusted items above	**(802)**	**(0.67p)**	**(0.65p)**	(609)	(0.51p)	(0.50p)
Tax adjusted items	**(967)**	**(0.80p)**	**(0.78p)**	418	0.35p	0.34p
Underlying profit after tax	**17,047**	**14.17p**	**13.78p**	15,662	13.22p	12.82p

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).

The tax adjusted items includes the release of the tax provision from the open tax enquiry and the tax rate changes in Italy and the USA respectively. See notes 9 and 15 for further details.

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 £48.0m (2017: £47.5m), 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 (2017: £nil).

At the balance sheet date there were no significant geographic or sector specific concentrations of credit risk.

	2018 £000	2017 £000
Amounts less than 90 days past due	**47,368**	46,911
Amounts more than 90 days past due	**616**	586
	47,984	47,497

For balances neither past due nor impaired, credit quality is considered good and no credit exposures have been identified (2017: 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:

	2018 £000	2017 £000
Balance at 1 April	**(875)**	(803)
Impairment movement	**(22)**	(72)
Balance at 31 March	**(897)**	(875)

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.

Notes to the financial statements

for the year ended 31 March 2018

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 2018: €15.0m)
- a revolving multi-currency credit facility ('RCF') of up to £26.0m with an option to increase the facility by £9m ('Facility B') (balance at 31 March 2018: £13.0m)
- a property loan of £2.1m (balance at 31 March 2018: £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:

	2018				
	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	13,194	4,398	4,398	4,398	—
Facility B — Revolving credit facility	12,995	12,995	—	—	—
Property loan	2,100	—	—	2,100	—
Total Company	28,289	17,393	4,398	6,498	—
Group					
Asset based lending	3,968	3,968	—	—	—
VIC unsecured loan	1,320	528	528	264	—
Total Group	33,577	21,889	4,926	6,762	—

^ Excluding interest charges

26 Financial instruments (continued)

Finance lease liabilities at 31 March 2018 are £0.08m (2017: £0.01m).

	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

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 2018 (excluding bank overdrafts and finance lease liabilities):

	2018			2017		
	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	**13,194**	**13,194**	—	16,038	16,038	—
Facility B — Revolving credit facility	**26,000**	**12,995**	**13,005**	15,000	7,869	7,131
Property loan	**2,100**	**2,100**	—	2,100	2,100	—
Total Company	**41,294**	**28,289**	**13,005**	33,138	26,007	7,131
Group						
Asset based lending	**15,000**	**3,968**	**11,032**	15,000	3,280	11,720
VIC unsecured loan	**1,320**	**1,320**	—	1,796	1,796	—
Total Group	**57,614**	**33,577**	**24,037**	49,934	31,083	18,851

In addition, there is a remaining accordion facility of £9.0m, as part of the main HSBC RCF facility agreement, providing potential additional finance under currently agreed terms subject to credit approval.

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for the year ended 31 March 2018

26 Financial instruments (continued)

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 1.0% EURIBOR is in place (2017: 1.0%). 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.

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	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Variable rate instruments				
Financial assets	**26,222**	24,645	**477**	2,587
Financial liabilities^	**(33,653)**	(31,093)	**(28,289)**	(26,007)
	(7,431)	(6,448)	**(27,812)**	(23,420)

^ £13.2m of the variable rate financial liability balance in the Group and the Company relates to Facility A and has a 1.0% 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 (2017: £0.3m). 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.

The €25m VIC acquisition loan and the RCF utilised facility of €12.5m (£11.0m) 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.

26 Financial instruments (continued)

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 2018	Sterling £000	Euro £000	US Dollar £000	Singapore Dollar £000	Total £000
Cash and cash equivalents exposure	**1,091**	**2,847**	**5,451**	**530**	**9,919**

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

Sensitivity analysis

Group

A 1% change in significant foreign currency balances against local functional currency at 31 March 2018 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	
Foreign currency	Local currency	2018 £000	2017 £000
EURO	Sterling	**(10)**	(19)
US Dollar	Singapore Dollar	**(20)**	(31)
US Dollar	Taiwanese Dollar	**(26)**	(20)

(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:

	2018 £000	2017 £000
Cash and cash equivalents (note 19)	**26,222**	24,645
Borrowings (note 20)	**(33,653)**	(31,093)
Net debt	**(7,431)**	(6,448)
Equity	**(110,289)**	(101,698)
Capital	**(117,720)**	(108,146)

Notes to the financial statements

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27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Less than one year	**3,181**	2,910	**30**	31
Between two and five years	**5,008**	5,023	**30**	37
More than five years	**3,117**	3,047	**—**	—
Total	**11,306**	10,980	**60**	68

The Group leases a number of offices, warehouse and factory facilities under operating leases.

Group

During the year £3.3m was recognised as an expense (2017: £2.5m) in the income statement in respect of operating leases.

Company

During the year £0.05m (2017: £0.04m) 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 (2017: £nil).

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 86 to 98.

Transactions with Directors and Directors' close family relatives

During 2018 a relative of the Chairman provided IT/Marketing consultancy services totalling £12,000 (2017: £12,000) on an arm's length basis and with terms similar to other third party suppliers. The outstanding balance at 31 March 2018 was £1,000 (2017: £1,000).

There were no other related party transactions with Directors, or Directors' close family relatives in the year (2017: £nil).

Related party transactions

Details of principal subsidiary undertakings, country of registration and principal activities are included in note 33.

29 Related parties (continued)

Company related party transactions with subsidiaries – income/expenditure 2018

	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**	**410**	—	**700**	**473**	—	**473**
TR Southern Fasteners Ltd	—	**22**	—	**22**	—	—	—
TR Norge AS	—	**24**	—	**24**	—	—	—
TR Fastenings AB	—	**51**	—	**51**	—	—	—
TR Miller BV	—	**69**	**6**	**75**	—	—	—
Lancaster Fastener Co Ltd	—	**32**	—	**32**	—	—	—
TR Hungary Kft	—	**86**	—	**86**	—	—	—
Viterie Italia Centrale SPA	—	**104**	—	**104**	—	**5**	**5**
TR Kuhlmann GmbH	—	**67**	—	**67**	—	—	—
TR Asia Investments Pte Ltd	—	**633**	—	**633**	—	—	—
TR Fastenings Inc	—	**38**	—	**38**	—	—	—
TR Fastenings España – Ingenieria Industrial, S.L.	—	**54**	**7**	**61**	—	—	—
TR Fastenings Poland Sp Zoo	—	—	—	—	—	—	—
	290	**1,590**	**13**	**1,893**	**473**	**5**	**478**

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

Notes to the financial statements

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29 Related parties (continued)

	2018		2017	
	Balances receivables £000	**Balances payables £000**	Balances receivables £000	Balances payables £000
TR Fastenings Ltd	**1,373**	**56**	812	—
TR Southern Fasteners Ltd	**13**	—	4	—
TR Norge AS	**31**	—	6	—
TR Fastenings AB	**78**	—	16	—
TR Miller Holding B.V.	**46**	—	408	—
Lancaster Fastener Company Ltd	**32**	—	26	—
TR Hungary Kft	**22**	—	6	—
Viterie Italia Centrale SPA	**87**	**2**	23	687
TR Kuhlmann GmbH	**78**	—	16	—
TR Fastenings Inc	**440**	—	14	—
TR Asia Investments Holdings Pte Ltd	**847**	—	472	—
TR Formac Pte Ltd	**147**	—	26	—
TR Formac (Malaysia) SDN Bhd	**41**	—	8	—
TR Formac (Shanghai) Pte Ltd	**48**	—	8	—
Special Fasteners Engineering Co Ltd	**52**	—	10	—
Power Steel & Electro-Plating Works SDN Bhd	**89**	—	15	—
TR Fastenings España - Ingenieria Industrial, S.L.	**867**	—	350	—
TR Fastenings Poland Sp Zoo	**35**	—	30	—
Non-trading dormant subsidiaries	—	**267**	—	267
Trifast Overseas Holdings Ltd	**28,102**	—	28,496	—
Trifast Holdings B.V.	**523**	—	453	—
	32,951	**325**	31,199	954

All related party transactions are on an arm's length basis.

30 Subsequent events

There are no material adjusting events subsequent to the balance sheet date. There was one material non-adjusting event which relates to the acquisition of Precision Technology Supplies Limited (PTS), see note 32 for further information.

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. 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 both current and future periods.

Key judgements

In preparing the financial statements and applying the Group's accounting policies, no key judgements have been made, other than those involving estimations, that have a significant effect on the amounts recognised in the financial statements.

Sources of estimation uncertainty

The source of estimation uncertainty that Management have identified which may result in a material adjustment to the carrying amount of assets and liabilities in the next financial year is inventory valuation.

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.

The carrying amount of inventory at year end was £49.2m of which £27.2m related to customer specific stock (2017: carrying value £41.9m, customer specific stock £23.2m).

The key sensitivity to the carrying amount of customer specific inventory relates to the future demand levels for specific products stocked for individual customers. In the event that an individual customer's demand for products specific to them unexpectedly reduced, the company might be required to increase the inventory provision. Although one customer taking such action is unlikely to result in a material adjustment, multiple customers taking such action over a short timescale could result in a material adjustment.

Changes to key judgements and sources of estimation uncertainty from last year

Income taxes, fair values for IFRS2 charge and recoverable amount of goodwill have been removed as sources of estimation uncertainty from the prior year. Income taxes was removed as the open enquiries with a tax authority have been settled in the year (see note 9) and therefore the estimation uncertainty no longer exists. Fair values for IFRS2 charge and recoverable amount of goodwill are no longer considered a source of estimation uncertainty as they are unlikely to result in a material adjustment to the carrying amount of assets and liabilities in the next financial year.

Whilst the recoverability of goodwill is unlikely to result in a material adjustment in the next financial year, there are longer term risks involved which could result in a material adjustment to the carrying amounts of assets and liabilities. These estimates depend upon the outcome of future events and may need to be revised as circumstances change (see note 12).

Notes to the financial statements

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32 Acquisition of Precision Technology Supplies Limited ('PTS')

On 4 April 2018, the Group acquired PTS for an initial consideration of £8.5m, subject to adjustment based on the net cash in the business at completion. The initial amount was paid on completion in cash. Contingent consideration of up to £2.5m in cash is based on the achievement of significant earn out targets, and will be deferred for 12 months. The targets require PTS to achieve a minimum adjusted PAT for FY2019 to receive a further £0.5m consideration. Then for every £1 of adjusted PAT in excess of the minimum an extra £3.77 will be payable subject to a maximum of £2.0m. This contingent consideration will also serve as a retention against which any potential warranty and indemnity claims can be offset at the end of the earn out period. The cash consideration has been met from the Company's existing bank facilities via a drawdown of part of the Accordion facility with HSBC.

Based in East Grinstead, UK, PTS was founded in 1988 and employs 27 staff. It is a highly regarded distributor of stainless steel industrial fastenings and precision turned parts, primarily to the electronics, medical instruments, petrochemical, defence and robotics sectors. Its emphasis is on delivering high quality products and services, currently selling into c.80 countries directly through its well-established distributor network, as well as digitally through its newly developed, fully integrated commercial website which lists over 43,000 products for sale. This approach has enabled PTS to continue to deliver strong sales growth over the last three years.

For the year ended 31 March 2017, PTS reported revenue of £5.1m and profit before tax of £0.7m. Gross assets at that date were £3.6m. These figures were not audited.

TR has experienced a growing demand for stainless steel fastenings from a number of our global OEM customers. Adding the PTS product portfolio will widen our global stock range to enhance our customer offering and provide further support to our distributor sales (currently c.10% of Group revenue).

As the acquisition completed so close to 31 March 2018, a full fair value exercise is still to be completed and therefore the amounts disclosed below are given for information puposes only. The fair value exercise will be completed as part of the completion accounts process and updated consolidated values will be disclosed in the Half-Yearly Report for 30 September 2018.

	£000
Property, plant and equipment	253
Intangible assets	4,816
Inventories	2,417
Trade and other receivables	1,324
Cash and cash equivalents	632
Trade and other payables	(1,218)
Deferred tax liabilities	(861)
Net identifiable assets and liabilities	7,363
Consideration paid:	
Initial cash price paid	8,781
Contingent consideration at fair value	598
Total consideration	9,379
Goodwill on acquisition	2,016

32 Acquisition of Precision Technology Supplies Limited ('PTS') (continued)

Intangible assets that arose on the acquisition include the following:

- £3.7m of customer relationships, with an amortisation period deemed to be 15 years
- £1.1m of marketing related intangibles, with an amortisation period deemed to be 12 years

Goodwill is the excess of the purchase price over the fair value of the net assets acquired and is not deductible for tax purposes. It mostly represents potential synergies, e.g. cross-selling opportunities between PTS and the Group, and PTS's assembled workforce.

Effect of acquisition

The Group incurred costs of £0.2m up to 31 March 2018 in relation to the PTS acquisition of which £0.1m 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 remaining £0.1m relates to the arrangement fee to drawdown part of the Accordion facility and this is recognised on the balance sheet and will be expensed to the consolidated statement of comprehensive income over the term of the facility.

Notes to the financial statements

for the year ended 31 March 2018

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 Qualifying Employee Share Ownership Trustee Ltd	United Kingdom	£2	Investment 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
KNH Verwaltungs GmbH	Germany	€1	Dormant

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%	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
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
100%	—	Lerchenweg 99, 33415 Verl, Germany

Notes to the financial statements

for the year ended 31 March 2018

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 44 and 45 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 2018 income statement results (of subsidiaries whose presentational currency is not sterling) using FY2017 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 160. 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	**2018 £000**	2017 £000
Underlying EBIT/Underlying operating profit		**22,713**	21,018
Separately disclosed items within administrative expenses			
IFRS2 share based payment charge	22	**(2,194)**	(1,512)
Acquired intangible amortisation		**(1,363)**	(1,273)
Net acquisition costs	32	**(110)**	—
Project Atlas		**(375)**	—
Profit on sale of fixed assets		**556**	195
Costs on exercise of executive share options		**(244)**	(567)
Operating profit		**18,983**	17,861

- Normalised net debt

The calculation, assumptions, use and relevance are disclosed in the net debt section of the Business review on page 51.

34 Alternative performance measures (continued)

- 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.

	2018 £000	2017 £000
Underlying cash conversion	**16,789**	22,249
Costs on exercise of executive share options	**(244)**	(567)
Movement in trade payables due to exercise of share options	**(1,205)**	1,205
Project Atlas	**(375)**	—
Cash generated from operations	**14,965**	22,887

The movement in trade payables due to exercise of share options relates to payment out of cash held specifically at 31 March 2017 to settle the national insurance and income tax payments relating to the Chairman, Malcolm Diamond's exercise of 1,000,000 share options on 17 February 2017.

- 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 FY2018 the one off adjustments include the release of the tax provision from the open tax enquiry and the tax rate changes in Italy and the USA respectively. See notes 9 and 15 for further details. 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.

	2018 Profit impact £000	Tax impact £000	ETR %	2017 Profit impact £000	Tax impact £000	ETR %
Profit before tax	**18,503**	**(3,417)**	**18.5**	17,340	(4,642)	26.8
Separately disclosed items	**3,730**	**(802)**	**21.5**	3,157	(609)	19.3
Tax adjusted items	—	**(967)**	—	—	418	—
Underlying profit before tax	**22,233**	**(5,186)**	**23.3**	20,497	(4,834)	23.6

35 Reconciliation of net cash flow to movement in net debt

	2018 £000	2017 £000
Net increase in cash and cash equivalents	**2,115**	5,240
Proceeds from new loan	**(5,542)**	(2,236)
Repayment of borrowings	**3,773**	7,030
Proceeds/(payment) from finance lease liabilities	**(66)**	6
Net (proceeds)/repayment from borrowings	**(1,835)**	4,800
Decrease in net debt before exchange rate differences	**280**	10,040
Exchange rate differences	**(1,263)**	(492)
(Increase)/decrease in net debt	**(983)**	9,548
Opening net debt	**(6,448)**	(15,996)
Closing net debt	**(7,431)**	(6,448)

Shareholder information

Contents

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 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 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.

GDPR
The General Data Protection Regulation is a regulation by which the European Parliament, the Council of the European Union, and the European Commission intend to strengthen and unify data protection for all individuals within the European Union. It also addresses the export of personal data outside the EU.

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.

Legal Entity Identifier (LEI)
An LEI is a unique identifier for persons that are legal entities or structures including companies, charities and trusts. The obligation for legal entities or structures to obtain an LEI was endorsed by the G20 (the leaders of the 20 largest economies). Further information on LEIs, including answers to frequently asked questions, can be found at https://www.gleif.org/en/about-lei/questions-and-answers

MiFid
MiFID applied in the UK from 2007, and was revised by MiFID II, in January 2018, to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. MiFID II extended the MiFID requirements in a number of areas - new market structure requirements including:

- new and extended requirements in relation to transparency
- new rules on research and inducements
- new product governance requirements for manufacturers and distributers of MiFID 'products'
- introduction of a harmonised commodity position limits regime

for more visit https://www.fca.org.uk/markets/mifid-ii

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 earnings 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.

Stock Code
A stock code is used to find a listing on the regulatory market such as the London Stock Exchange. *Trifast*'s stock code is *TRI*

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'

	2014	2015	2016	2017	2018
Revenue	£129.8m	£154.7m	£161.4m	£186.5m	**£197.6m**
GP%	27.7%	29.0%	29.7%	31.1%	**30.5%**
Underlying operating profit*	£9.7m	£15.3m	£16.8m	£21.0m	**£22.7m**
Underlying operating profit margin*	7.5%	9.9%	10.4%	11.3%	**11.5%**
Operating profit	£9.4m	£12.8m	£13.9m	£17.9m	**£19.0m**
Operating profit margin	7.2%	8.3%	8.6%	9.6%	**9.6%**
Underlying EBITDA*	£10.8m	£16.5m	£18.2m	£22.9m	**£24.7m**
Underlying PBT*	£9.2m	£14.3m	£16.0m	£20.5m	**£22.2m**
PBT	£8.9m	£11.8m	£13.1m	£17.3m	**£18.5m**
Underlying ROCE %*	16.3%	18.6%	18.5%	19.9%	**20.1%**
Dividend per share	1.40p	2.10p	2.80p	3.50p	**3.85p**
Dividend increase %	75.0%	50.0%	33.3%	25.0%	**10.0%**
Dividend cover*	4.3×	4.1×	3.6x	3.7x	**3.6x**
Underlying diluted EPS*	5.95p	8.68p	9.99p	12.82p	**13.78p**
Diluted EPS	5.76p	7.07p	8.50p	10.40p	**12.20p**
Net debt	(£2.0m)	£13.4m	£16.0m	£6.4m	**£7.4m**
Underlying cash conversion % of underlying EBITDA*	109.5%	50.2%	88.9%	97.3%	**68.1%**
Share price at 31 March	87p	103p	127p	211p	**255p**

* Before separately disclosed items, see note 2

Company and advisers

Trifast plc
Incorporated in the United Kingdom
Registered number: 01919797
LSE Premium Listing: Ticker: *TRI*
LEI REFERENCE: 213800WFIVE6RWK3CR22

Head office and registered office
Trifast House, Bellbrook Park,
Uckfield, TN22 1QW
Telephone: +44 (0)1825 747366

Audit committee
Neil Warner (Chairman)
Jonathan Shearman
Scott Mac Meekin

Remuneration committee
Jonathan Shearman (Chairman)
Neil Warner
Scott Mac Meekin
Malcolm Diamond MBE

Nominations committee
Malcolm Diamond MBE (Chairman)
Jonathan Shearman
Neil Warner
Mark Belton

Company Secretary
Lyndsey Case

Advisers

Registered Auditors
KPMG LLP
1 Forest Gate, Brighton Road,
Crawley, RH11 9PT

Corporate stockbroker
Peel Hunt LLP
Moor House, 120 London Wall
London, EC2Y 5ET

Solicitors
Charles Russell Speechlys, LLP
Compass House, Lypiatt Road, Cheltenham, GL50 2QJ

Registrars
Computershare Investor Services plc
The Pavilions, Bridgwater Road, Bristol, BS13 8AE

Financial PR
TooleyStreet Communications Limited
Regent Court, 68 Caroline Street, Birmingham, B3 1UG

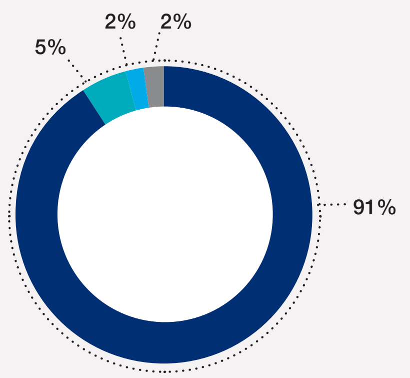
Financial calendar

AGM	**12noon, Wednesday 25 July 2018**
Final dividend payment date	**12 October 2018**
Half-yearly results	**November 2018**
Trading update	**February 2019**
Financial year end	**31 March 2019**
Pre-close trading update	**April 2019**
Preliminary results	**June 2019**

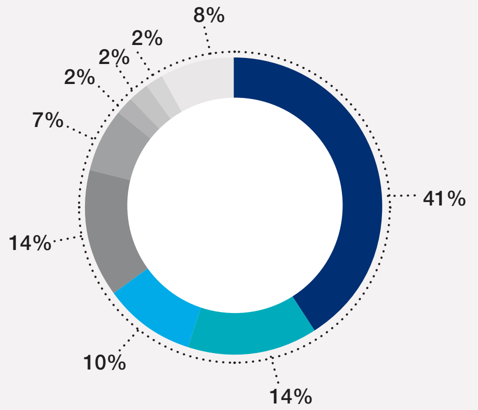
Trifast plc top holdings

as at 1 March 2018

Beneficial owner by geography



Beneficial owner by sector type



Issue share capital	
Total voting rights (TVR)	121,363,947
Treasury shares	0

Shareholder	Holding	% of TVR
AXA Framlington Investment Managers	11,520,241	9.49%
Schroder Investment Management	10,900,000	8.98%
BlackRock Investment Management (UK)	9,220,227	7.60%
Liontrust Asset Management	8,757,605	7.22%
Hargreave Hale	7,428,029	6.12%
Michael Timms (founder)	7,000,000	5.77%
Castlefield Investments	3,860,000	3.18%
Hargreaves Lansdown Asset Management	3,713,349	3.06%
Threadneedle Investments	3,500,658	2.88%
JP Morgan Asset Management	3,335,000	2.75%
Slater Investments	2,999,927	2.47%
Standard Life Investments	2,938,890	2.42%
Polar Capital Partners	2,903,100	2.39%
Legal & General Investment Management	2,586,028	2.13%
Interactive Investor Services	1,982,678	1.63%
Barclays Direct Investing	1,898,822	1.56%
Investec Asset Management	1,832,092	1.51%
F&C Investments	1,765,715	1.45%
Dimensional Fund Advisors (DFA)	1,721,178	1.42%
Mr Michael Roberts (founder)	1,575,000	1.30%
Allianz Global Investors GmbH	1,300,000	1.07%

- Investment & Unit Trusts
- Retail - Private Client
- Individuals & Directors
- OEIC
- Pensions & Mutuals
- Insurance & Life Insurance
- SICAV
- ESOP
- Other


FOCUSED
Report and Accounts
To 31st March 1995
Trifast plc
Trifast
trifast plc

Trifast plc

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