Trifast plc

Holding the world together

Annual report

for the year ended 31 March 2019

Trifast plc

Trifast plc (*TR*) is an international specialist in the design, engineering, manufacture and distribution of high quality industrial and Category 'C' fastenings principally to major global assembly industries

TR employs *c.*1,300 dedicated and skilled management and staff across 32 business locations within the UK, Europe, Asia and the USA including eight high-volume, high-quality and cost-effective manufacturing sites across the world. *TR* supplies components to over 5,000 customers across *c.*75 countries in a wide range of industries

As a full-service provider to multinational OEMs and automotive Tier 1 companies spanning several sectors, *TR* delivers comprehensive support to its customers across every requirement, from concept design through to technical engineering consultancy, manufacturing, supply management and global logistics

We believe this report will give shareholders an insight into the culture and workings of the *Trifast* Group

TR is commercially recognised as a market leader and global brand

The following links will provide you with more information:

- Investor website: **www.trifast.com**
- Commercial website: **www.trfastenings.com**
- LinkedIn: **www.linkedin.com/company/tr-fastenings**
- Twitter: **www.twitter.com/trfastenings**
- Facebook: **www.facebook.com/trfastenings**

Sectors we supply

Automotive
Interior trim, seating, braking & steering systems, lighting clusters, chassis & body in white (BIW), safety systems, powertrain (<10%)

Electric vehicle
Battery pack modules (EVB), electric vehicle charging units

Electronics & telecoms
Telecoms, information technology, lighting, ATM & retail hardware, consumer electronics, medical, power & energy products

Domestic appliances
Hot, wet, cold, small appliances, catering, special components

General industrial
Robotics, elevator/escalator products, conveyor systems, security & fire products, sensors & switches, heat pumps, water heaters, energy meters

Aerospace & defence
NAS/MS/BSA/SP/AGS parts, screws, nuts, washers, turned parts

Sheet metal
Self clinch, rivet bushes, cage nuts, k series nuts, weld products, blind rivets & rivet nuts

Other
Medical, leisure, distributor, offshore, marine, rail

Contents

Our mission and vision

Invest in our key strengths

1

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

2

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

3

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

4

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

5

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

6

Progressive dividend policy and creating shareholder value

To continue to grow profitability and improve stakeholder returns through organic and acquisitive growth, and by driving continual efficiencies throughout the organisation

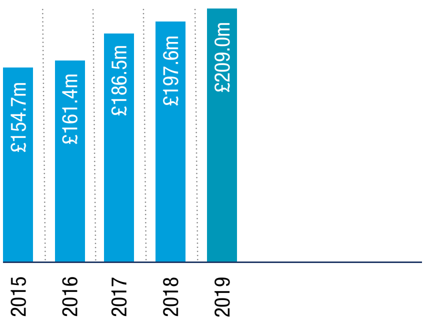
To be acknowledged commercially as the market leader in industrial fastenings in terms of service, quality, engineering support and brand reputation

To promote an environment that is safe and fair, which motivates, develops and maximises the contribution and potential of all *TR* employees

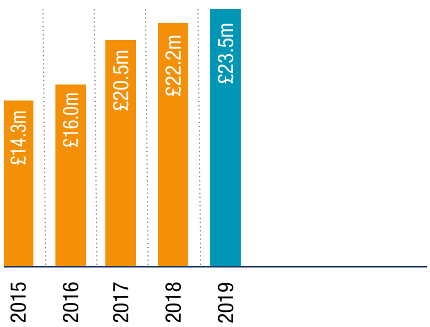
Highlights

Financial highlights

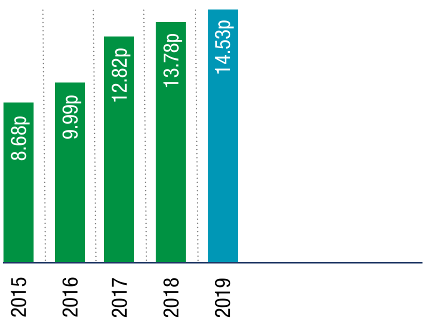
Revenue +5.7%



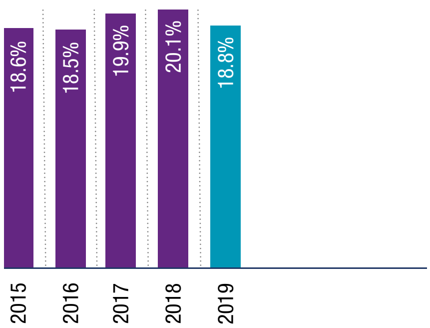
Underlying profit before tax* +5.8%



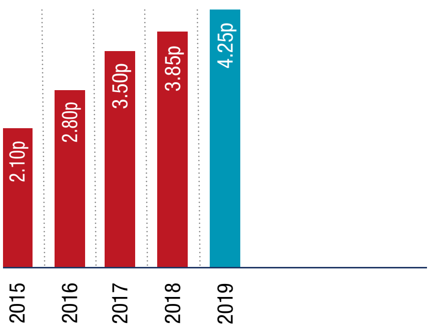
Underlying diluted earnings per share* +5.4%



Return on capital employed* –130bps



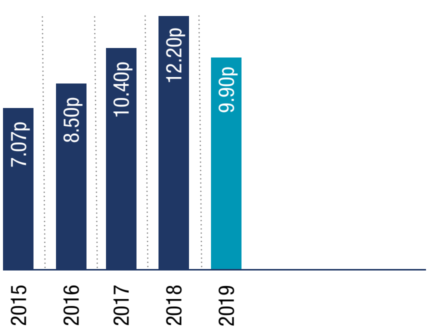
Dividend per share +10.4%



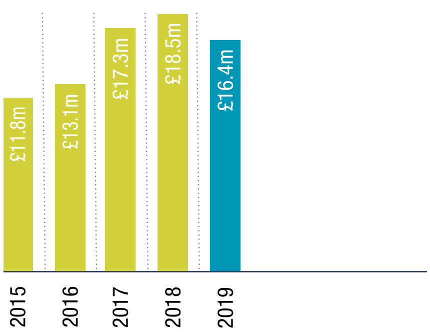
* Before separately disclosed items (see note 2 in the financial statements). The relevance of these measures and calculations are also discussed in note 2, note 25 and the glossary on page 192. For reconciliations to equivalent GAAP measures, please see note 34 in the financial statements and the five year history on page 194

GAAP measures

Diluted earnings per share –18.9%



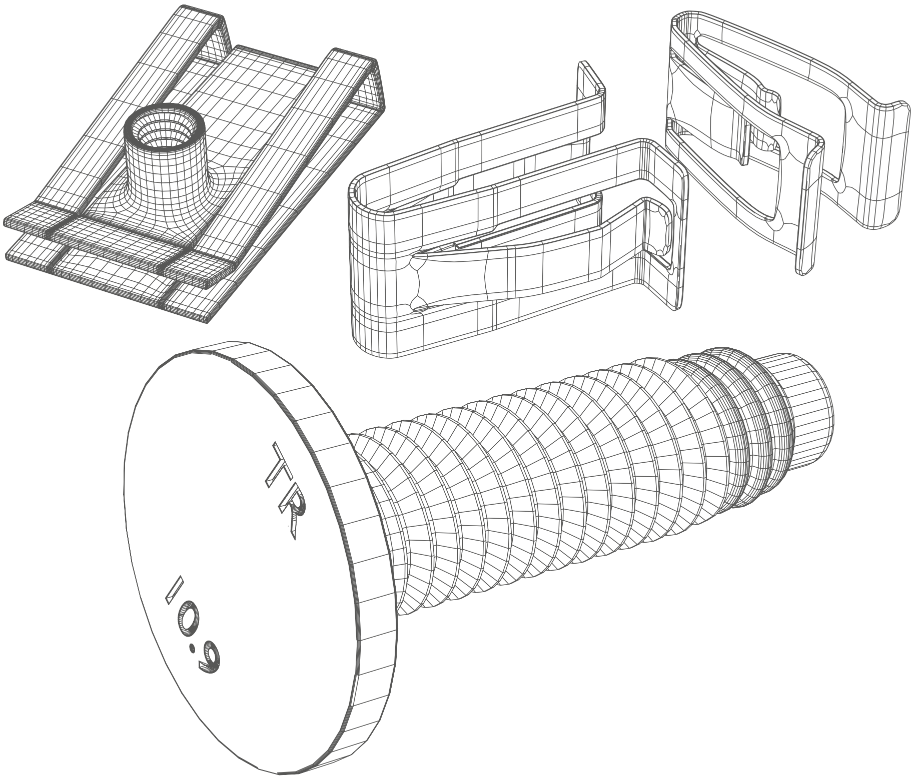
Profit before tax –11.3%



Operational highlights

- Total revenue increase of 5.8% at Constant Exchange Rate (CER), 5.7% at Actual Exchange Rate (AER)
- Global market share wins drive strong automotive sales growth of 6.4%
- Gross margins remain on target at 30% and underlying operating margins up to an historic high of 11.6%
- Underlying profit before tax increased 5.9% at CER, 5.8% at AER
- Total dividend of 4.25p, an increase of 10.4% on the prior year
- PTS, acquired in April 2018, integrating well with double-digit year-on-year growth
- Expanded distribution facilities in USA, support regional revenue growth of 38.3% at CER, 39.9% at AER
- Project Atlas, our Group-wide investment programme to build the *Trifast* of tomorrow, continues to progress well
- New £80m Group banking facilities provide *c.* £38m of headroom to support our organic and M&A investment driven growth strategy

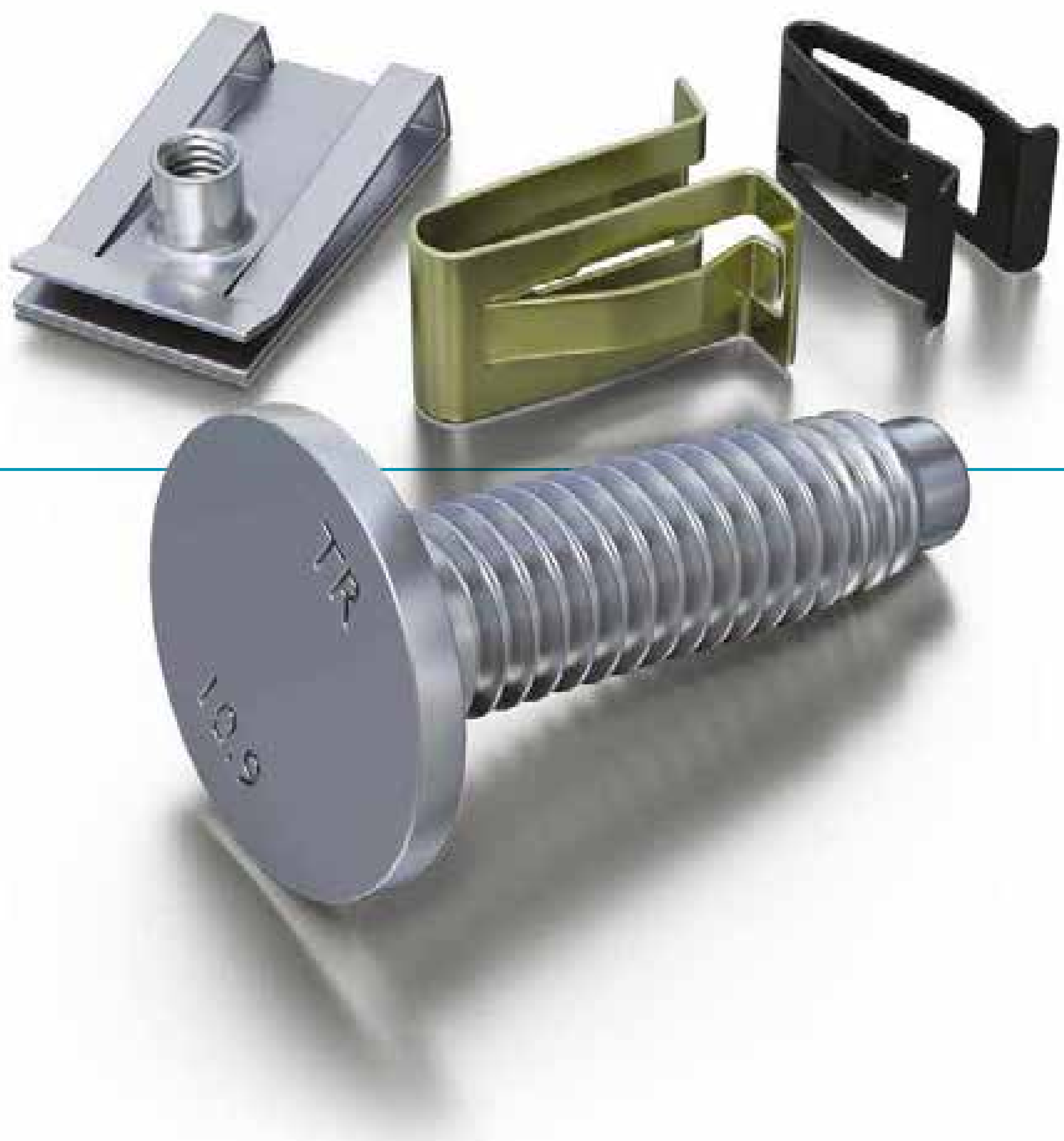
Read our **Business review** on pages 44 to 55



STRATEGIC REPORT

Automotive

TR is a major component supplier to the automotive sector. Our aim is to be seen as the vendor of choice for the Tier 1's who support global OEM's, with our comprehensive product offering. With our manufacturing capabilities and global sourcing expertise, we can supply almost every fastener required for a vehicle assembly

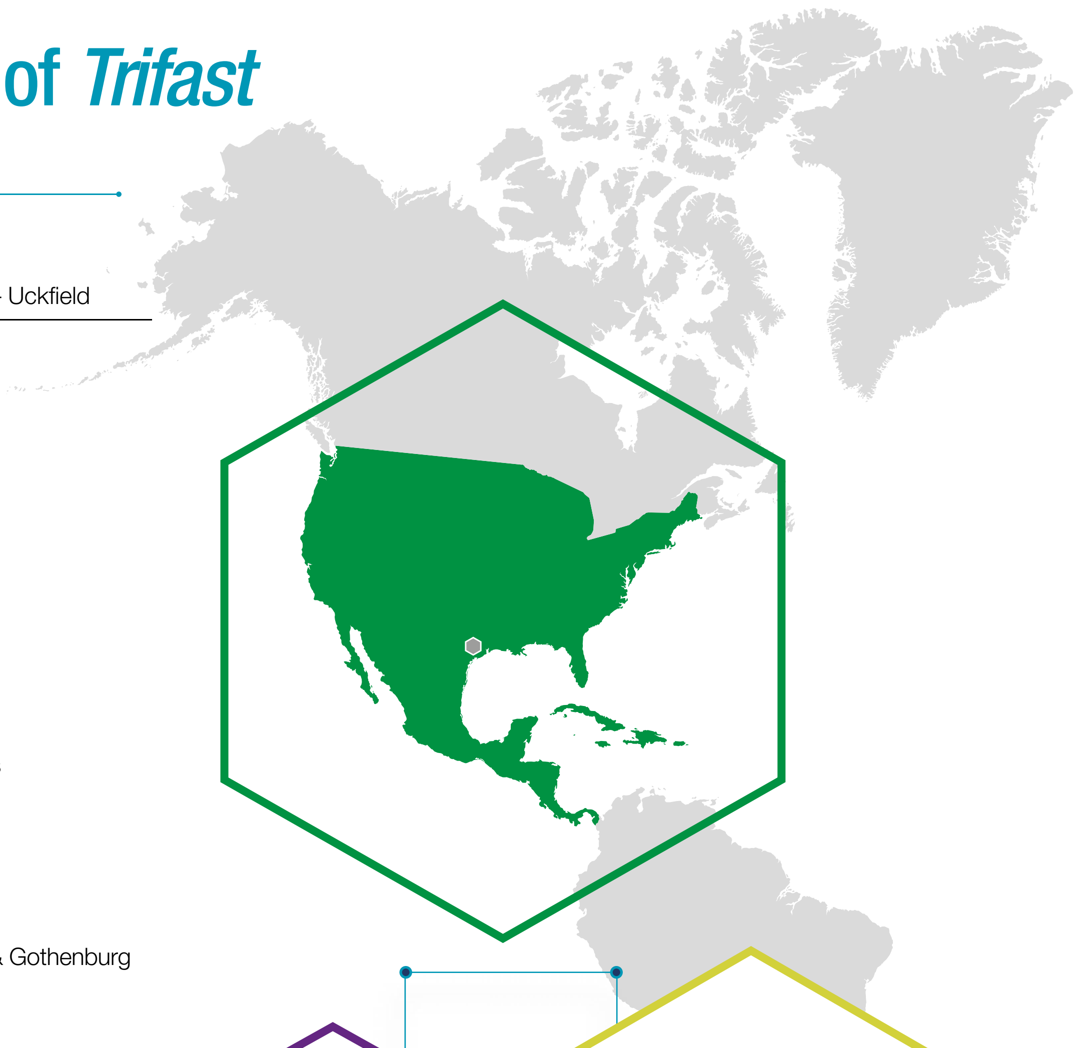


Applications

- Interior trim
- Seating
- Braking & steering systems
- Lighting clusters
- Chassis & body in white (BIW)
- Safety systems
- Powertrain (<10%)

The world of *Trifast*

Global reach, local support



UK
Trifast plc & Group Services – Uckfield

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

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

Asia
TR Asia headquarters – Singapore

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

USA
Houston

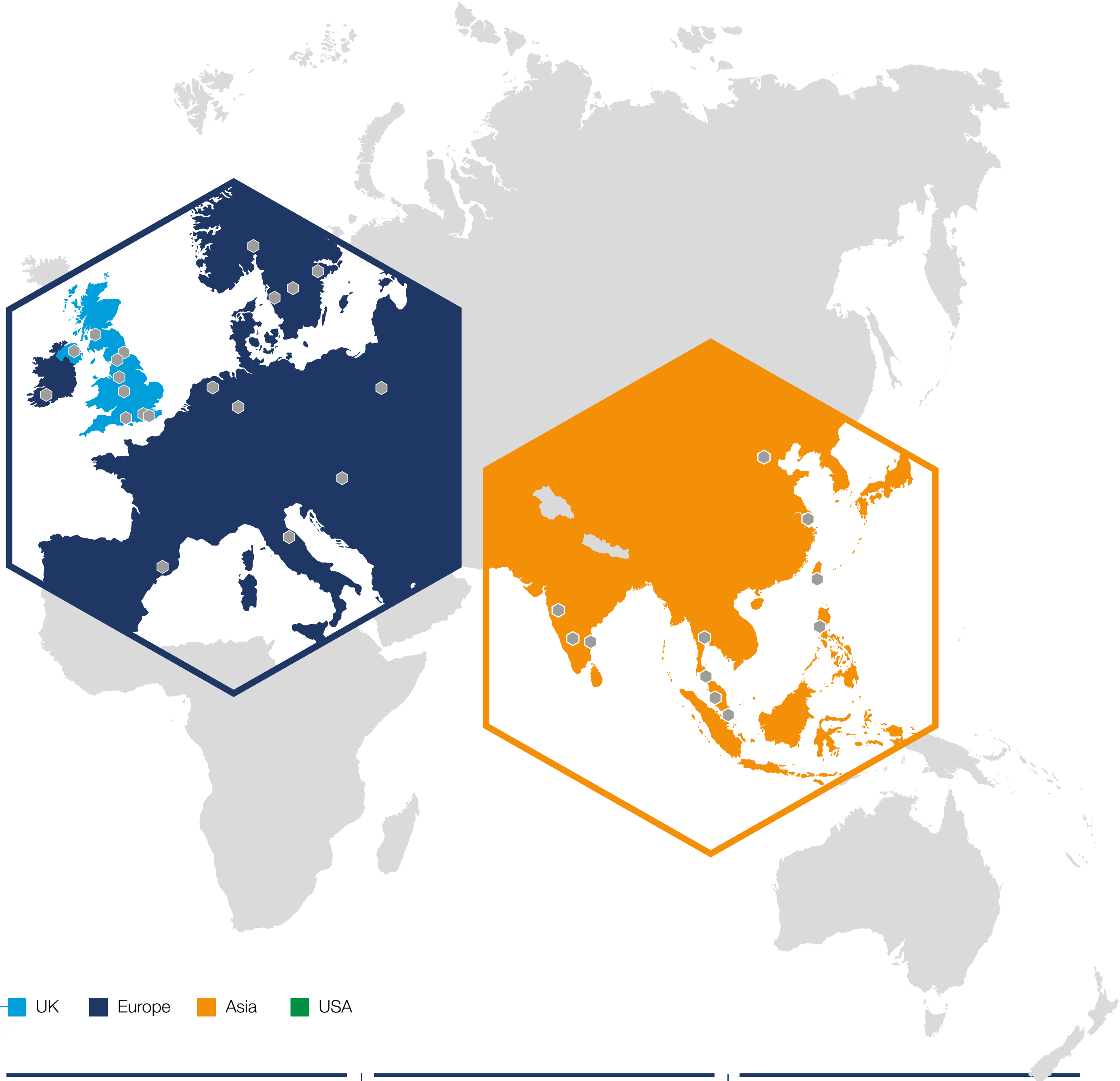
18 countries

32 global locations

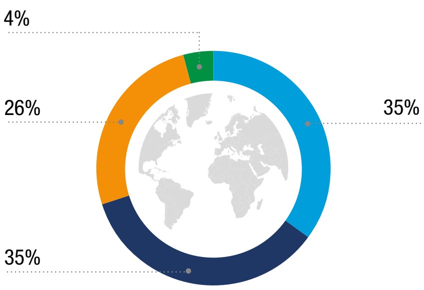
8 manufacturing sites

2 Technical and Innovation Centres

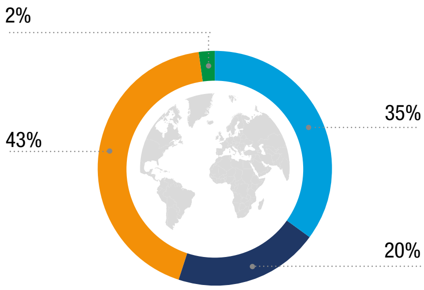
Read more about **investing in our people** on page 22



Revenue by region (including intercompany revenues)

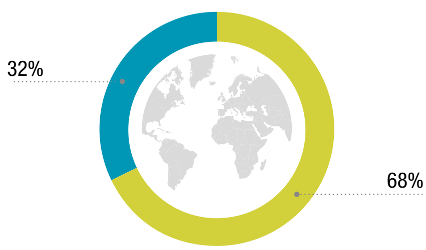


Employees by region



UK Europe Asia USA

Manufacturing & distribution



Manufacturing Distribution

Stakeholder engagement model

Every one of our stakeholders plays an important role in the success of *Trifast*. We pride ourselves in establishing strong, long standing relationships with all of our stakeholders through ongoing interaction and development to further enhance the Group's firm foundations

Customers

We are known for our commitment and ability to go the extra mile for our customers from concept design through to technical engineering consultancy, manufacturing, supply management and global logistics

Read more on page 10

Employees

To promote an environment that motivates, develops and maximises the contribution and potential of all *TR* employees and at the same time ensuring their health, welfare and wellbeing in the workplace

Read more on page 22

Environment

We have a responsibility to reduce the impact that the Group has on the environment through continuous improvement initiatives that will create sustainable ways for us to save energy, waste and also to deliver improved efficiency and productivity

Read more on page 56

Investors

We operate a regular investor communications programme where management are available to all shareholders. Part of this programme includes investor roadshows in association with our key announcements, capital days and operational visits

Read more on page 92

Community

It is our responsibility to respect and value others and maintain high ethical standards in everything we do. We remain committed to interacting responsibly with all communities in which we operate and, with all our stakeholders

Read more on page 57

Suppliers

Two-thirds of the Group's revenue is sourced from our established network of world-class suppliers. The strong relationship we have established over 45+ years are a significant asset to the business

Read more on page 09

Our Group business model

We are a 24/7 'full service provider' offering 'end-to-end' support to all our customers

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 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.

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 so as to grow our market share with them across the world

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 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

High quality 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

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

Flexible global logistics

We have established secure and proven logistic networks across the world, offering seamless and reliable supply to *c.* 75 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

Investing for growth

Ongoing capital expenditure in new manufacturing and inspection plants within our factories is almost routine, while sustained growth in a number of our key distribution locations over the last few years is driving investment into our warehousing

Global marketplace

Glenda Roberts
Group Sales and Marketing Director

Chris Black
Director of Automotive Business Development

Jeremy Scholefield
Director of Strategic Business

Roberto Bianchi
Director of Swedish OEM Development

Andy Nuttall
Global Account Director

Martin Greenwood
Director of Supply Chain Development

Kevin Rogers
Global Commodity Manager (Plastics and Rubber)

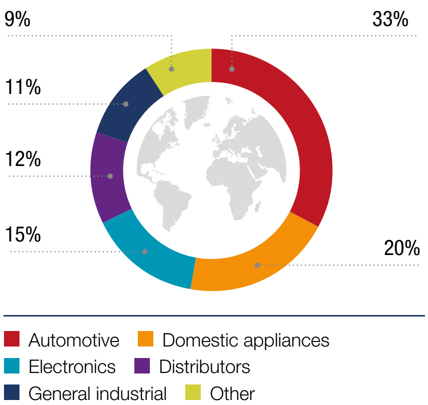
Phil Callaghan
Group Logistics Manager

Jo Devlin
Head of Projects Strategic Team

Sven Brehler
Engineering Project Manager

"We acknowledge the growing importance of engineering in our business by putting a high focus on the value that this can add to both our Group and customers"

Customer sectors



We have a strong order pipeline, particularly in automotive which flies in the face of market trends

Introduction

An interesting year where, despite the unprecedented and much documented matters relating to Brexit, Dieselgate and the market confusion that has ensued affecting car purchases in the UK and Europe, we have still grown organically. The automotive sector now represents 33% of our Group revenue and over the last year our sales have increased by 6.4% this year.

The ongoing tariffs dispute affecting goods coming into the USA from China has also caused some modest disruption. This has had little affect with the multinationals we supply in North America as he pursues his "one America" plan. It has however triggered a slowdown in demand in China, particularly in the electronics and general industrial sectors as North American companies reduce their orders and seek supplies elsewhere. Geopolitical risks are inevitable, however common sense prevailed when the NAFDA agreement was re-signed under the newly named USMCA, ensuring that Mexico and Canada had a manageable trade agreement.

Branded products

TR Branded products, many made in our manufacturing sites, have had a good year. We have added a range of security fasteners to our portfolio and the commercial website, with a major launch underway. The enclosure hardware product range, launched three years ago, continues to go from strength to strength, and after an initial slow start is gaining real traction. A major UK launch with support advertising is in process, following the successful trial launch in Ireland last year. These product ranges complement and increase the sheet metal range of products that we can offer, and the share of wallet we can enjoy within our customers spend.

We have differing business models and routes to market for the different kinds and size of customers that we have. We have initial wins with our own branded products with smaller customers which then helps to promote our brands to a wider audience. We know from experience that these acorns can grow into oak trees so are vital for future development. One such example would be with the plastics and rubber commodity, where we specialise in cable management components. This range has been increased substantially and we are having major successes across all sectors. We provide technical support, and on specials we can reduce our competitors lead times by as much as twelve weeks. We have some excellent vendors who have been working very closely with us, and that has enabled us to secure business. Being able to make prototype parts quickly in weeks not months is giving us a leading edge. As a result, we have secured large volume and value orders for automotive specials where we have had early involvement with their design teams or assisted in solving a problem. This is an area where we intend to focus our efforts. These business awards for an automotive part can be for seven years duration, they also get added to new builds and these parts can go global. The early design involvement provides a long-term benefit.

Distributors

TR's sales to other distributors have seen a 4% revenue growth. This is partially due to the additional sales following the acquisition of PTS, and the sales of *TR*'s proprietary products, (e.g. self-clinch fasteners), through the *TR* distributor team in the UK. The UK distributor sales have been solid, with the major growth area being in Europe. We now have 35 master distributors in Europe and we continue to open more in the geographical regions where we do not have a *TR* location. This has proved to be a winning combination with a strong internal and external sales team, good stock management and forecasting, and very focused support and training at customer sites. The onsite and in-field training, giving bespoke marketing assistance has been a winning formula for some years, and this has been an exemplary year.

Domestic appliances

Domestic appliances sales have been significant in *TR* Singapore as new models and products have been added to the current range. *TR* VIC, Italy has however seen one of their customer's sales affected by the publicity surrounding some high-profile field failures. Hopefully that brand will recover this year. People still need to replace appliances and we have seen growth in other household brand names as they have picked up on the opportunity. *TR* VIC today is a little less dependent on domestic appliances as they develop their automotive business. The *Trifast* 45th Anniversary Conference was held at *TR* VIC. Together with celebrating 45 years as a business, staff, directors and senior managers from around the *TR* network were able to see the significant £3.4m investment made around the operation in plant and machinery. One of our current KPI's is to place a higher percentage of the spend with *TR* Group manufacturing, and this objective has already delivered 17% more business being placed within Group. *TR* VIC has benefitted from that showcase visit, and they are seeing new inter-group orders as a result.

Electronics

The electronics sector is slightly down due in part to the tariff issues affecting China. General industrial continues at a steady pace. We are experiencing an increase in spend in the defence sector having once again being audited by the respected body, Joscar. They act as a clearance house to identify capable vendors for this industry and we have reached a level that has put us at the forefront of our competitors in the UK.

Automotive and the emerging technology

The fastest growing sector for *TR* is automotive and thankfully we have little involvement with combustion engine production. The *TR* automotive strategy is clear, that we are only interested in supplying the Tier 1's and Tier 2's, not the OEM. This is partially due to the huge demands this would have on resource, although it is much more to do with the fact that there are far more fastenings used by the Tier manufacturers. However, where there are completely new start-up OEMs in the electric vehicle (EV) sector we are reviewing this strategy and carefully selecting the ones that we feel will succeed. There are over 400 new start-up companies globally and many of them are in China. We will proceed with caution and only with the ones that we believe have substance.

The strategy of working with Tier 1's at corporate Group level ensuring we give them a consistent and sustainable supply chain, supported by our own manufacturing and global footprint is proving to be effective. *TR* Global account directors (GAD's), and Strategic account managers (SAM's) are actively involved in the field and in close contact with the *TR* sites that service the Tier 1's and Tier 2's at local level. A consistent service globally is key especially with common platforms and builds on three continents. This year, we have seen our sales grow in Holland, Sweden, Italy, Germany, North America especially in Mexico, India, Thailand and Japan. Once we are on the Tier 1's and Tier 2's approved vendor list, have contracts signed, commence supply and gain a reputation for good service the door opens up to us at their other sites. This is how we have grown the sector by 6.4% and with a strong order pipeline in place for the next two/three years we

Global marketplace continued

Katarina Kachmanova
Strategic Account Manager – Slovakia

can maintain this growth level. As a Full Service Provider (FSP) we are working with these companies at the design and development stage, right through to the supply logistics. Technological capability including EDI, self-bill and accessing the vital information in their portals is key and the demands are growing. Project Atlas will assist in many ways to improve the efficiencies and visibility of what we do.

This is probably the most exciting time in automotive development, despite some of the current negativity surrounding the sector. VW are spending $48bn on electrification in their vehicles. Volvo will be all electric by 2021, and Ford are spending $12bn. Through the companies we are working with we are fortunate to be able to see the emerging EV, and battery pack modules (EVB) potential first hand, and how that will change the face of mobility in the coming years. *TR* is already engaged in the design with numerous companies in supplying battery components and we have succeeded in securing orders for delivery in 2020. These large battery assemblies and housings are fastener rich and have different requirements, this has necessitated us adding new products to our supply portfolio.

TR's charging units supply strategy has been successful and has had a substantial amount of interest shown via hits on our commercial website, and business has been secured. As the demands of electrification escalates there will be new opportunities in domestic applications and billions are being spent in preparation.

Early involvement at the design stage has never been more important and we have risen to the challenge. We are recruiting more application engineers to support customers' needs, as few have the mechanical engineers who understand the vagaries and complexity of fasteners. We are also conducting more all-day training sessions in design centres inside companies with as many as 60 people attending each session this is more than ever before. These training seminars are also very well received by their senior management. At these events we are able to present our supply capability, work on actual application issues real time and build up a rapport and relationship. We showcase the fastener components that are relative to the products they manufacture (e.g. a car seat, an airbag assembly or an IP console). Often this assists in problem solving or taking cost out of a product by directing them to commonly used high-volume readily available parts that we already supply. This type of activity gets us noticed and contributes to the existing score cards assessing us; it has also resulted in some of the high profile awards being attained by *TR*, including two so far this year for service and support from Adient and Yanfeng who are two of the largest Tier 1's in the market place. (More details can be read at www.trfastenings.com). These seminars are not exclusive to automotive as a number of high-profile ones have been conducted within the electronics and domestic appliances sectors with great success. We have even had customers offering to contribute financially for our engineers to be on site to gain their knowledge.

The opening of the Technical and Innovation Centre at Lindholmen Science Park in Gothenburg has proved to be the right decision. We recently hosted a team of seventeen engineers and senior personnel including our CEO, Mark Belton where we utilised the great facilities available to us at the Science Park. In May this year we saw the opening of the Technical and Innovation Centre adjacent to our site at Waterside Park in Birmingham, UK. This site is on a more substantial scale with a large conference suite and a well-equipped technical centre. In future, we can invite customers and *TR* personnel to join seminars, fastener training sessions, engineering tear

Read more online at **www.trfastenings.co.uk**

Read more online at **www.trfast.com**

downs and VA/VE evaluations. A third Technical and Innovation site has just been identified, and a lease signed to give us a similar facility to Gothenburg inside Clemson University in Greenville in the Carolinas, USA. Clemson is the renowned automotive university and they are training the graduates of tomorrow within a very high-tech campus working on concept cars for the future. They have full engineering facilities and are working in new materials to reduce the weight of electric vehicles together with researching new concepts such as autonomous vehicles. The fastener content will not alter in these new concept vehicles and could in fact increase as more moulded interiors, electronics and state of the art comfort seating is being added. The campus already has a close relationship with BMW, with VW and Volvo close by. Once again this has formed a Tier 1 automotive cluster to support the OEMs. We have taken one of their Incubator pods on the campus, so we will be in the middle of a 'very happening place' and we will be able to recruit new graduates. This is a prestigious address for us to have on our cards and will help in the development of new business.

Opportunities around the world

The *TR* global heat map (above) which we produce each year illustrates where the emerging new business opportunities exist. This year we have added Japan and India as the Tier 1 automotive companies require the same parts, on the same platforms that are being produced on a global basis. India's automotive market is starting to mature, and we have technical engineers based in our sites in Chennai, Bangalore and Pune working with the global sales teams to satisfy the growing demand for high quality fasteners. The Japanese OEMs and Tier 1's are looking outside of Japan for cost-effective new suppliers who understand their market, quality needs, and can manufacture to their high standards. The potential to increase *TR* sales to Japanese companies globally and establish representation in the territory is a key goal.

The Group has recruited Katarina Kachmanova, based in Bratislava, to be our voice in Slovakia. She has over 25 years fastener experience and is providing on the ground support to the Tier1's that have opened which service VW, PSA and latterly JLR. The opportunities in this area are tangible, the infrastructure is already there and our sales into this region are growing. The new JLR manufacturing site in Nitra has spawned an automotive cluster around it of Tier 1's many of whom are *TR* existing customers. As of today, our sales into Slovakia have reached £6 million.

Summary

We have a strong order pipeline, particularly in automotive which flies in the face of market trends. *TR*'s automotive sector grew by 6.4% when the market place is deemed to be flat globally. We have strengthened our sales teams, recruited in more fastener expertise and acknowledged the growing importance of engineering in our business by putting a high focus on the value that this can add to both our group and customers.

Harnessing this talent to achieve results is the key goal this year.

Glenda Roberts
Group Sales and Marketing Director

Innovation

Technical, application and design engineering

EPW self-extruding screw

In the fastener industry it is rare to be able to develop a product that is unique and can be patented, but this is true of the EPW screw that has been developed by our team at *TR* VIC, Italy. *TR* VIC is a major supplier to the domestic appliances sector.

Over the years companies have reduced the thickness of steel in their assemblies to save on cost. Responding to their needs, the *TR* VIC team has worked on a design to produce a self-extruding screw specifically for thin sheet metal. It is a revolutionary design and took many months to perfect and then gain the all-important patent.

The EPW self-extruding screw design has been very well received and has generated exceptional interest from our customers and through our website. It has also been featured in several prestigious industry magazines.

TR VIC's Design Engineer, Enrico De Angeles and Sales and Development Director Karol Gregorczyk, received the 'Route to Fastener Innovation 2019' award for their self-extruding EPW screw design.

We are proud that we have delivered a product which allows our customers to make significant improvements to their manufacturing processes, reducing production times and increasing cost-effectiveness.

To receive this in front of their peers was also a great honour for the team. It underlines the key role innovation plays within the fastener and fixing industry.

"Over the last year, it is pleasing to be able to report that we can document successes in both product and process innovations"

Glenda Roberts
Group Sales and Marketing Director

"The development of the EPW screw is a culmination of the hard work and talent of our design team, as well as the significant investments we have made here at *TR* VIC"

Karol Gregorczyk
Sales and Development Director
TR VIC, Italy

Read more about **Performance** on page 44

Read more online at **www.trifast.com**

CASE STUDY

TR FASTENINGS DEVELOPS AWARD WINNING EPW SCREW

TR named the winner of Fastener and Fixing (F+F) magazine's 'Route to Fastener Innovation 2019' award for its self-extruding EPW screw

Designed, manufactured and patented at *TR* VIC in Italy, the EPW screw is a self-extruding, high strength thread-form fastener which creates its own female thread in punched sheet metal, thereby dramatically reducing assembly times and costs. The screw works by being aligned to the pilot hole in the sheet metal, where it then forms the extruded collar, combining the forming of the thread and the creation of a strong extruded profile, before finally tightening and clamping into the metal.

The key benefits of the EPW screw include:

- Removable and strong screw joint
- High stripping torque
- High break loose and prevailing torque
- Excellent vibration resistance, meaning it can withstand pressured environments
- Combined thread forming and creation of strong extruded profile
- Very high radial compression on screw shank
- Standard machine screws can be used in the thread created by the EPW screw

EPW
Self Extruding Screw

Innovation continued

Animations enhancing product knowledge

We have significantly increased the product animations available on our website. These have been painstakingly created by our team to illustrate how product performs in materials, and how to install it. They are used as visual training tools both internally within *TR*, and by our customer base. To be able to see how plastic material flows around a brass insert for example and use this to assist in the choice of the fastener, with the correct hole size and installation data is invaluable to engineers both in design and production.

Using CGI, Keith Gibb and Anji Baker are creating high quality, cutting edge animations and video for use on a range of digital platforms including our website and social media. The latest one builds a car from the chassis up, illustrating where fasteners are used at every stage of the assembly. This was launched at the Fastener Fair in Detroit and is showcased on YouTube. Our vision/goal is to emulate this innovative use of animation with many applications where fasteners are used to help our sales and sourcing personnel and customers visualise where product is used, and the range *TR* can supply.

Vendor managed inventory (VMI)

Managed systems starting with the 'Just In Time' concept (JIT) through to VMI systems on the production line have been around for years. They are still very much in vogue in the UK and Ireland in particular.

To illustrate the benefits and show how these lean systems can work and save total operating costs versus conventional ship to store systems, *TR* has developed an animated video to illustrate the process and benefits.

Technical and Innovation Centres

The team was instrumental in the setting up of the Gothenburg Technical and Innovation Centre. Established 12 months ago, its centre is in the heart of a campus environment, close to automotive facilities with universities producing the best and brightest new engineers. We felt it was the place to be and this belief has been successful. Being part of this thriving Science park, dedicated almost exclusively to automotive innovation and design, especially in the electric vehicle (EV) and electric vehicle battery (EVB) development, gains us access to early involvement in this fast-paced emerging industry.

Following the Swedish success, it was inevitable that we would then replicate this on a larger scale in the UK at our Birmingham automotive division in the Midlands. Within the Waterside Park location, we have two sites adjacent to each other, and we have had a large office area in the automotive building converted to a large conference suite with a fully equipped engineering and quality facility.

The conference suite is dedicated to hosting customer visits and product training days. We want to encourage customers engineers from all sectors into the facility to discuss applications and designs and support them. Fastener application engineers and quality personnel are based at the innovation centre, and this gives them a great technical workshop to be able to host customers and conduct tear downs and test product.

These investments help ensure that we continue to meet customer needs and execute our continuous improvement plans.

Glenda Roberts
Group Sales and Marketing Director

“Our core skills continue to allow us to increase market share across a wide customer base and put us in a good position to keep moving forward”

Malcolm Diamond MBE
Chairman

Chairman’s letter

Our global business serves a broad and balanced range of sectors and geographies – *c.* 70% of revenue derives from outside the UK

Dear Shareholder

At the risk of appearing predictably repetitive, I am happy to confirm that *Trifast* has again completed another successful year’s trading. In addition, steady progress has been made with Project Atlas, now in it’s second year of global development, whilst remaining on schedule and on budget.

It is worth me gratefully acknowledging that, despite the vastly increasing workload undertaken by the Project Atlas *TR* Steering Committee and team leaders (>30 front line managers and staff) this year, the commercial dynamics of the Group has not only been sustained, it has delivered yet another year of organic revenue and underlying operating profit growth – aligned to forecast and investor expectations.

Incremental organic growth was bolstered in 2018 by the acquisition of PTS in the UK, a key player in the growing stainless steel fastener distribution market on an international basis. This has not only enhanced the Group financially, but has enabled *TR* to consolidate a one-stop shop procurement and supply chain via the highly motivated and experienced PTS management team. This will yield a 1 + 1 = 3 cost benefit in addition to its consistent profitability.

We are, of course, only too aware that the UK automotive market media headlines have reduced City confidence in any UK based Tier 1 and 2 suppliers, and that *Trifast* enjoys nearly a third of Group revenue in this sector. However, our market positions in many international automotive markets are relatively small, which has enabled us to leverage our competitive advantage in both product offering and manufacturing flexibility to make significant market share gains despite the reduced headline vehicle volume production globally through the later part of 2018 and early 2019. With an increasing focus overseas, this has enabled us to deliver a very encouraging organic revenue growth of over 6% in the automotive sector this year.

As part of our automotive strategy, last year we opened a new Technical and Innovation Centre in Gothenburg, Sweden, where there is an electric vehicle (EV) design and development hub supported by several major EU car manufacturers. This year, this was replicated by the new UK Technical and Innovation Centre in Birmingham, UK. Two years ago we successfully opened a full service distribution hub in Barcelona, as Spain manufactures twice as many vehicles as the UK and represents a very attractive opportunity for *Trifast*.

Interestingly, our highest regional automotive growth of 65% was achieved by our dedicated *TR* team based in Houston, USA. This market was identified as a key strategic target two years ago, and now the initial investment and hard work is certainly paying off, as car makers consolidate the design of common components, used on common platform models and assembled in various geographies around the world.

It is noteworthy in relation to current market dynamics that *c*. 70% of *Trifast*’s revenue derives from outside of the UK.

It is a fact that with a widely diverse Group we seem to reveal a new emerging “jewel in the crown” with regard to performance on a regular basis, and in recent years our new star performer has been our *TR* branded product sales team selling mainly to distributors in the UK and Europe. They have developed from having appointed nine master distributors in seven countries in 2009 to 34 in 32 countries this year, with a resultant doubling of sales during the past five years, thus making a material contribution to Group revenue.

It is noteworthy that our sales success is today driven more by engineering and technical support than traditional sales representation, hence our recruitment in the past two years of experienced and qualified sales engineers, which now underpins our ability to provide onsite customer service in the USA, UK, Europe and Asia – and has proven to be a key element of securing greater automotive market share.

Finally, I need to thank my colleagues – all 1,300 of them working within 18 different countries, for their dedication, enthusiasm and commitment to our business and its strategy.

My appreciation also sincerely goes to my three other non-exec director colleagues who proactively support the Board's intentions to maintain the highest standards of corporate governance on behalf of our loyal long term shareholders.

Many companies claim that their business has a unique and winning culture, and *Trifast* is no exception. However, it's not just us making that claim, but outside observers and commentators who have regularly imparted their views on how rare and encouraging it is to see staff from diverse countries clearly cooperating and openly sharing information to deliver the results that are needed, whether it be service, quality, pricing, procurement or, of course, profitability.

Yours sincerely

Malcolm Diamond MBE
Chairman

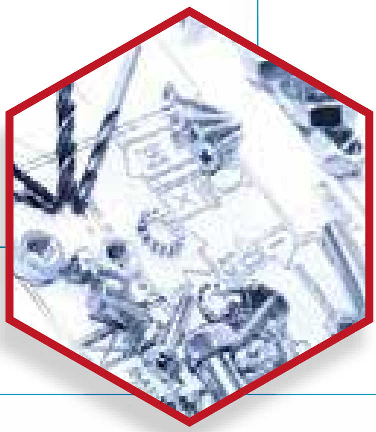
10 June 2019

Read more about **Governance** on page 82

Read more online at **www.trifast.com**

Group strategy

Core strategy



Read more online at **www.trifast.com**

Focus on multinational OEMs/Tier 1's

TR is in a good position to continue to grow. We are a global business serving a broad and balanced range of sectors and geographies and generating *c.*70% of revenues and profits outside of the UK. We are a full-service provider to our multinational customers, delivering reliable product engineering, quality and supply, via flexible global logistics solutions. It is these core skills that continue to allow us to increase market share across a wide customer base and put us in a good position to keep moving forward and delivering on our future aspirations, even in a less certain world.

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 increase our market share for the long term.

Description

Our core business is supplying high volume assembly multinational OEMs and automotive Tier 1's with fastenings and related components. Our customers rely on us to deliver engineering know-how, consistent quality, price and availability in order 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 are able to 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 and assign strategic account status to 25 of these. This reflects where, as a business, we see the greatest 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 continued to invest in our global and local sales and cross-functional teams. Specific roles have already been filled around the world, but further investment will be required to continue to future-proof the business and meet our multinational customers' evolving needs.

Our existing global enquiry portal is already 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. Over the course of FY2019, Project Atlas has driven further investment into this key area of our business. This investment is planned to continue over the life of the Project, helping us to further develop both our customer relationship management systems and global enquiry processes, thereby allowing us to operate as a truly global player in the market place.

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. This will be via targeted head count increases 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 and automotive Tier 1's. All of which will be further supported by the investments we will be making into developing and integrating our wider processes and IT infrastructure via Project Atlas.

Despite the ongoing challenges facing the automotive sector, it is paradoxically this part of our global business that is continuing to present *Trifast* with the most significant opportunities for organic growth. Looking ahead we will continue to leverage off our existing multinational customer relationships and our established sector reputation, allowing us to carry on increasing our global market share as we win new platform builds around the world.

Our particular expertise in this sector has always been firmly in the cabin, the seating, the lighting and the dashboard. This means that far from being a threat, for *TR* the ongoing evolution to electric vehicles is providing new exciting opportunities for growth into both battery and charging unit technologies. Our sales and marketing teams are already focused on making the most of this opportunity, with some key early wins already secured. This initiative will continue to build in pace as we move into FY2020 and beyond.

Across the rest of the sectors for the medium term, we see our revenue to our top multinational OEMs continuing to increase organically and for us to build meaningful trading relationships with at least another ten multinational OEMs over that same time period.

Strategic pillar	KPI's	Link to strategy in action
Core strategy	• Group total revenue • Key multinational OEM/Tier 1 revenue • Underlying operating margin	
Investing in our people	• Group total revenue • Key multinational OEM/Tier 1 revenue • Return on capital employed ('ROCE') • Broaden skills of management	Read more on page 22
Investment driven growth	• Group total revenue • Return on capital employed ('ROCE') • Manufacturing to distribution ratio • Underlying cash conversion as a % of underlying EBITDA	Read more on page 30
Continue to add value and differentiate	• Group total revenue • Key multinational OEM/Tier 1 revenue • Underlying operating margin	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 36
Operational efficiencies	• Group total revenue • Underlying operating margins • Group underlying profit before tax • Underlying diluted earnings per share ('EPS') • Underlying cash conversion as a % of underlying EBITDA	Read more on page 38

Strategy in action

Investing in our people

Core values

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.

Trust

Respectful of each others' abilities

Integrity / open & honest

Fairness

Adding value and embedding quality in everything we do

Striving to achieve excellence / continual improvement

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

People focused / handling with empathy

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

Commercially minded / entrepreneurial & innovative

Group HR vision statement

To promote an environment that motivates, develops and maximises the contribution and potential of all *TR* employees and at the same time ensuring their health, welfare and wellbeing in the workplace

The human resources function of the business continues to develop and has responsibility for Group human resources, health and safety, environment, corporate social responsibility and sustainability. The team's skills profile reflects the specialisms that are needed and, this year, we have been able to expand the team with the addition of two apprentices – one in human resources and one in the health, safety and environment team.

Employee engagement

Our employee survey process, reported on for the first-time last year, has resulted in the development of a M.A.D. (Make A Difference) Committee within the UK. This committee comes together regularly to review the results of the surveys and work on actions to improve, where possible, issues that affect our employees or their workplace. The committee is made up of individuals from different locations to ensure there is a broad representation to take forward our continuous improvement activities. All entity Directors receive anonymised reports for their locations to allow them to decide on any relevant action based on the results of the surveys and comments made anonymously by their teams.

Training and development

The development of our employees, both in technical and professional skills, continues to be an important priority. Our leadership and management training courses provide our new managers and senior managers with the skills required to carry out their roles effectively. In addition to these programmes, we also provide training in the 'softer' skills including effective communication, time management and negotiation skills.

Over the coming year we will be reviewing all of our training provision in each of our operating locations to make sure that we are providing the most relevant training and development opportunities to those who need them.

A lot of the training activity that will take place in the coming months will focus on Project Atlas training to make sure that all our employees can easily and successfully adopt the new software and associated programmes.

Apprenticeship programme

Our successful programme continues and we currently have the following apprentices:

TR Fastenings, UK

- Amber Battye – Health and Safety
- Emily Haigh – Warehouse
- Lydia Ball – Human Resources
- Ben Rees-Webbe – Sales
- Denhom Lewis – Warehouse
- Bradley McCord – Sales
- Lucas James – Warehouse

TR Kuhlmann, Germany

- Ersin Akbulut – Warehouse
- Yasin Akbulut – Warehouse
- Tolunay Öztürk – Sales

Amber Battye
Health and Safety

Lydia Ball
Human Resources

Bradley McCord
Sales

Lucas James
Warehouse

Ben Rees-Webbe
Sales

Emily Haigh
Warehouse

Denhom Lewis
Warehouse

Ersin Akbulut
Warehouse

Yasin Akbulut
Warehouse

Tolunay Öztürk
Sales

"Equality and fairness are very important parts of the culture of *Trifast*. All of our decisions about recruitment, promotion, training and development are made within our framework of equality"

Helen Toole
Group HR Director

Read more online at
www.trifast.com

Read more online at
www.trfastenings.com

Strategy in action

Investing in our people continued

Student opportunities

Our commitment to providing development opportunities to individuals who are either at school, college or university has expanded this year.

Luke Murphy has joined Helen Toole as an Enterprise Adviser, providing a connection between schools and local businesses. As part of this commitment we have provided funding for the Prince William Award. This Award helps young people to build their character, resilience and confidence to empower them to 'be their best'. The majority of the instructors have served their country in the Armed Forces and they help the pupils to understand the importance of teamwork through facilitated workshops and community projects. Our intention is to continue providing this support for such a worthwhile and rewarding initiative.

We have also been very pleased to facilitate a university placement student on a year-long contract and we have two further placement students due to work with us in the coming year. These placements provide young people with work that is relevant to their studies and gives them a real insight into the operations of a global organisation.

HR system

We reported last year that we were planning to invest in a new HR system. We are pleased to confirm that we have now been through the 'analysis' stage of this project.

This new system will, for the first time, allow us to see all of our employee information in one place, rather than having to gather the information from different sources. The system will also allow us to automate some of our more widely used processes and enable us to more easily report on our key performance indicators.

The HR system will include an employee self-service module as well as modules for recruitment, on-boarding and training.

Overall, this will improve the efficiency and effectiveness of our global people management function.

We look forward to reporting in more detail on this as we progress.

Equality

Equality and fairness are very important parts of the culture of *Trifast*. All of our decisions about recruitment, promotion, training and development are made within our framework of equality.

The thread of equality also runs through our training courses, reiterating the need for everyone to treat each other with respect. The Group has a number of HR policies that are applicable globally and apply to all of our employees wherever they work across the world. These include, but are not limited to, the Equal Opportunities Policy, Harassment Policy, Business Ethics and Responsible Behaviour Policy and Dignity at Work Policy. All entity Directors have signed up to these policies and their adherence to them is audited by the Group HR Director as part of the internal audit process.

Gender pay gap

As we reported for the first time last year, the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 brought into effect a requirement for large UK employers, such as our main UK trading subsidiary *TR* Fastenings Ltd, 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.

Our gender pay reporting continues to provide reassuring data that supports our reward and recruitment strategies.

The full gender pay gap statement for the reporting period is included below.

In brief

TR Fastenings, UK, workforce at the time of the snapshot was 69% male and 31% female.

The table below shows our overall median and mean gender pay and bonus gap based on hourly rates of pay, and bonuses paid, as at the snapshot date, 5 April 2018.

Pay and bonus (Female compared to Male)

	Median	Mean
Hourly pay	+8.6%	–0.9%
Bonus pay	0%	–14.8%

The table above shows that, based on a median average, our female employees are paid 8.6% more than our male employees. The mean average shows our male employees are 0.9% higher paid than our female employees. This result represents a decrease in the mean average difference to 0.9% (FY2017 –2.6%) and an increase in the median average to 8.6% (FY2017 2.2%). This has further increased the median average and reduced the mean average, in favour of our female employees.

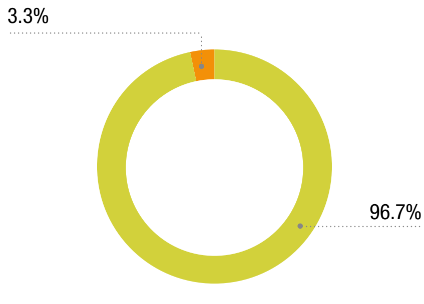
These results compare favourably when compared with the national average of male employees being paid 17.9% more than female employees.

The bonus difference mean figure highlights a 15% difference in favour of male employees – this represents a 6.2% reduction on the 21% difference from last years results and remains reflective of the sector and the industry in which we operate.

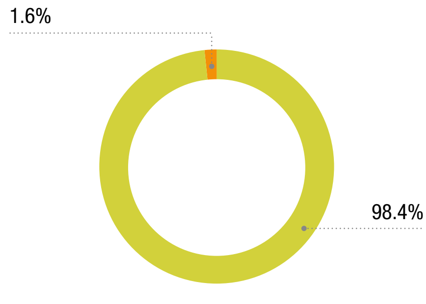
The second year of reporting for *TR* Fastenings, UK continues to provide positive news around our recruitment and reward strategies. The results demonstrate our continued and on-going commitment to equality.

Gender pay gap report

Males receiving a bonus



Females receiving a bonus

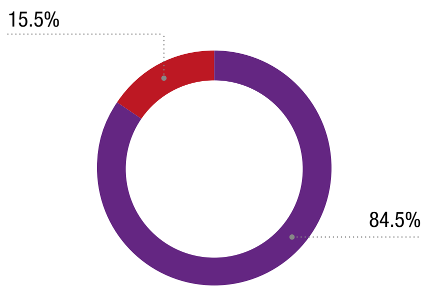


Received a bonus Did not receive a bonus

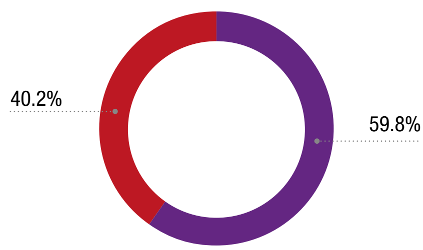
These charts illustrate a difference of 1.7% between the numbers of men and women who were paid a bonus. As a Company we continue to reward all of our employees. The only reason the statistics do not show 100% is due to eligibility criteria based on start and leave dates.

The charts below show the male and female ratios for each of the pay quartiles

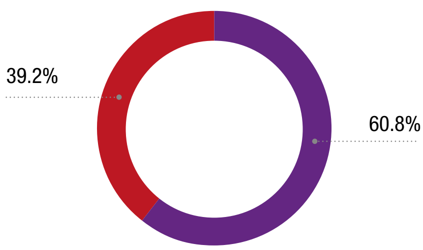
Lower quartile



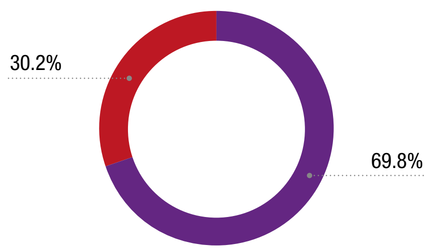
Lower middle quartile



Upper middle quartile



Upper quartile



Male Female

These charts illustrate the construction of each quartile. The main change from last year is in the lower and upper middle quartiles with an approximate 5.5% increase of females in the upper middle quartile and a subsequent 5.1% decrease in the lower middle quartile.

"The coming year will see the Group HR Director present a new global HR transformation strategy to the *Trifast* Board"

Strategy in action

Investing in our people continued

Going forward, we will continue to instil equality in all aspects of our organisation. In 2017 we introduced our '*TR* minimum wage', exceeding the national minimum wage levels and we have adapted our recruitment process by anonymising applications to prevent unconscious bias. We have celebrated the 2017 benchmark figures and it is positive to see improvements.

Code of business conduct

This year we produced a Corporate Code of Conduct ('Code') that was distributed in hard copy to all our locations and is also available on our website. All our employees have been asked to read and fully understand the Code which contains our vision, our mission and our core values, together with our policies for ensuring ethical business practice.

The Code not only helps our employees but also helps our customers, our suppliers, our distributors, contractors and other suppliers of goods and services all around the globe to understand our requirements to observe all relevant laws and regulations.

The policies and documents that are applicable to the Code of Business Conduct are as follows:

- Business Ethics and Responsible Behaviour Policy
- Anti-Bribery Statement and Policy
- Modern Slavery Statement
- Environmental Policy
- Health and Safety Policy
- Product Quality Procedures
- Equal Opportunities Policy
- Equal Pay Policy
- Dignity at Work Policy
- Whistleblowing Policy

All employees are aware of the global Whistleblowing Hotline that is available to them in their own language. The hotline is hosted by a third party company and is available for employees to report any activity or behaviour that they do not feel is appropriate. No reports have been submitted to the Hotline within the last twelve months

Adherence to the policies within the Code are audited as part of the Group HR Audit process.

The future

The coming year will see the Group HR Director present a new global HR transformation strategy to the *Trifast* Board. This strategy has been developed to further enable the HR function to ensure that the right talent, managerial mobility and cultural mix are all in place to effectively manage all of our operating units and our growth opportunities.

The HR transformation strategy aims to address the differences we have within our organisation in terms of customs, habits and behaviours by providing opportunities for the decision makers within the business to regularly work together, problem solve and agree on relevant actions.

The strategic objectives of the HR transformation are as follows:

- Implementation of a modern, fit-for-purpose global HR system
- Introduction of a global (and local) onboarding process (as part of new system)
- A full HR, Health and Safety and Environment audit process (already in place)
- A new global HR business partner model
- An effective employee development approach from 'hire' to 'retire' supporting a modern, flexible workforce and facilitating the Group succession plan – this will include skills profiling and a complete review of our training and development activity
- A new employee communication strategy supporting both employee engagement and wellbeing
- A global wellbeing strategy to ensure relevant support and healthy outcomes for all employees

Progress updates will be provided in next year's report.

Our people

We have *c*. 1,300 employees based in our 32 locations across the globe, all of whom deliver high quality service, technical expertise and product quality to our customers.

Group HR vision statement

To promote an environment that motivates, develops and maximises the contribution and potential of all *TR* employees and at the same time ensuring their health, welfare and wellbeing in the workplace

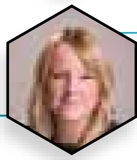
Group services



Colin Coddington
Group IT Director

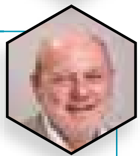

Helen Toole
Group HR Director

Lyndsey Case
Company Secretary

Abi Burnett
Head of Marketing

Maddy Webb
Director of Quality

Martin Greenwood
Director of Supply Chain Development

Dan Griggs
Group Financial Controller

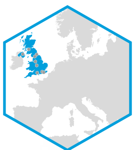

Ian Carlton
Head of Integrated Business Leadership Processes

USA

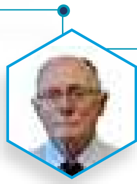
Gary Badzioch
Managing Director, USA


Joe Haymes
Strategic Sales Manager, USA

UK



Dave Fisk
Managing Director,
TR Fastenings UK

Sam Wilson
Managing Director,
Lancaster Fastener Company

Stevie Meiklem
Operations Director,
TR Fastenings UK

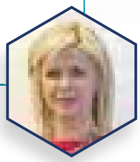

Jason Collyer
Managing Director,
Precision Technology Supplies

Maria Johnson
Finance Director,
TR Fastenings UK


Kevin de Stadler
Sales Director,
TR Fastenings UK

Europe

Geoff Budd
Director, *TR* Europe



Dara Horgan
Location Head, Ireland

Jan-Erik Storvse
General Manager, Norway

Ron Vlutters
Managing Director, Holland

Roberto Bianchi
Managing Director, Sweden

Niklas Andersson
Operational Manager, Sweden

Frank Niggebrügge
Managing Director, Germany

Peter Henning
Director, Germany

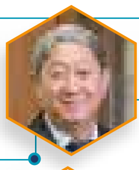
Karol Gregorczyk
Sales & Development Director, Italy

Francesco Cricco
Supply Chain Director, Italy

Zoltan Csengeri
Location Head, Hungary

Raul Fernandez
Commercial Director, Spain

Asia



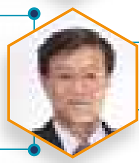
Charlie Foo
Managing Director,
TR Asia

Hai Joo Toh
Financial Controller,
Asian Region

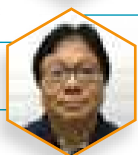
Endy Chin
General Manager,
Singapore & Philippines

Phua Yong Sang
General Manager,
China

HK Tan
General Manager,
TR Formac, Malaysia



Wilson Chen
General Manager,
Taiwan



Ping Siong Tong
General Manager,
TR PSEP, Malaysia

Victor Cheong
Country Manager,
India

David Ng
Country Manager,
Thailand

£0.6m

additional plant and machinery for Singapore

£0.3m

additional plant and machinery for Taiwan increasing capacity by *c.* 20%

38.3%

year-on-year revenue growth at CER for USA leads to move to bigger premises

Strategy in action

Investment driven growth

Description

At *TR* we are in a sustained period of growth with FY2019 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.

Following on from the successful construction of a new mezzanine floor in FY2018, our Singapore site has been investing in additional plant and machinery, totalling £0.6m, and leading to an overall increase in local capacity of one-third.

In August 2018, we successfully secured a lease on the adjoining property at our main Taiwanese site. Via additional investment in plant and machinery in FY2019 of £0.3m, and with more to follow in FY2020, this will expand local production capacity by *c.* 20% allowing us to make the most of what is already one of our most efficient, and award winning, global manufacturing operations.

Over the course of FY2019 our Italian operations have also continued to receive capital investment (£0.6m). This has focused on additional plant and machinery to make best use of their growing capacity as a result of the successful installation of the new heat treatment plant in FY2017.

All of these investments will allow us to bring more manufacturing in-house for margin retention and quality assurance as well as to better cover fixed costs across the board as manufacturing levels increase.

Outside of our manufacturing sites, we have also invested in our distribution, warehousing and inspection facilities. The most significant example of this is our US site move in April 2018. As a business, this region continues to go from strength to strength. And with year-on-year revenue growth of 38.3% in FY2019 and a business that is 3x the size it was when they moved into their old facilities in 2011, this was exactly the right time to make a stepped change and support their ongoing growth story.

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, albeit at a lower level than recent years, planned across all of 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 to support the strong growth we have seen in recent years at both our Hungarian and Lancaster sites.

CASE STUDY

SINGAPORE INVESTMENT

Expansion project

In FY2017, *TR* Formac Singapore faced a rapid growth of business that required immediate attention to achieve higher productivity of quality parts. A solution to overcome this situation was to create more space for new machines. As such, the idea of a mezzanine floor was discussed during the budget meeting. With support from the Main Board the project kicked off in the same year.

In May 2018, the SGD1.2m (£0.7m) expansion project was successfully completed with minimal interruption to on-going operations. It created an additional area of 1,053m^2 that enabled *TR* Formac to have more machines to produce its own products rather than relying on out-sourced parts. Also, some of the higher quality requirement parts were more cost effective to be made in-house. The payback period for the whole mezzanine floor project is estimated to take 2.5 years.

TR Formac has invested SGD1.1m (£0.6m) in additional machinery and sorting machines which will help the organisation to transfer more out-sourced orders back to in-house production. This strategic move will keep more cash in the Group by manufacturing more high quality parts in-house. The expansion also enabled us to better segregate out functional areas.

Philips

TR Holland received fourth 100% delivery award

Yanfeng

TR USA recognised with distinguished supplier award

Adient

TR Fastenings received global supplier performance award

Strategy in action

Continue to add value and differentiate

Description

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

Our 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.

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 often before they arise and stepping in where competitors have fallen short. All of this commitment is supported by established supplier networks and valuable licences that mean we can offer a full range of quality product to meet our customers' component requirements across a broad range of sectors.

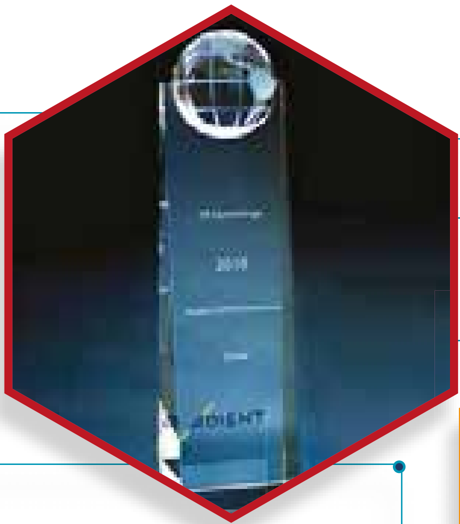
Performance so far

Over the course of FY2019 and into FY2020, we have invested in a new *TR* Innovation and Technical Centre adjacent to our main Midlands warehouse hub in the UK. With a fully operational engineering facility, quality laboratory and skype room, this investment will provide a fantastic space to hold workshops and training events with existing and potential customers alike. Setting us apart from the competition and further supporting the *TR* UK brand just when we need it most, as the local competitive landscape starts to harden.

In Singapore, following on from the mezzanine floor extension, we have been investing in advanced optical scanning and sorting technologies to ensure this high quality manufacturing site always keeps one step ahead of the competition.

Our ongoing efforts to expand the products and markets we supply continues 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 successful acquisition of PTS in April 2018 has brought valuable stainless steel expertise in-house. In addition to this, staff at our growing number of Technical Innovation Centres around the world, are always working on creating design solutions to proactively take to market.

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.

In a disaggregated market, one of the key benefits we already offer to our multinational OEMs/Tier 1's is our global presence and a level of consistency in the way we do business around the world.

And this is where Project Atlas comes in, as it is 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 /Tier 1 customer base.

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

Read more online at
www.trfastenings.com

CASE STUDIES

Gothenburg, Sweden

We established a Technical and Innovation Centre in the Blendar building within the Lindholmen Science Park a year ago. Gothenburg is expanding very rapidly as an international research and engineering centre for companies such as Volvo Technology, Geely, Ericsson, Semcon and Scania. 20,000 engineers or students are working or studying in the area and more companies particularly automotive are locating there. This is fast becoming the development area for electric vehicles (EV) and battery pack modules (EVB) for both EMEA and China. Additionally, there are a high number of Tier1's in the city forming an automotive cluster supporting the OEM's in the region.

We have within the Blendar building excellent facilities to host technical seminars. We invite company's Development Engineers in as we have extensive product ranges and samples that can be used for prototyping or problem solving.

We held a successful *TR* Engineering Forum earlier this year with 17 of our team sharing ideas and discussing product, enhancements for the technical side of our website and presenting case studies. This will be a regular part of our future plans and the next one will be held in the new Technical and Innovation Centre which has just been completed in our Automotive centre in Birmingham UK.

TECHNICAL & INNOVATION CENTRES

Birmingham, UK

We have two facilities adjacent to each other, one houses a busy multi sector distribution site and the other more recent one is the Technical and Innovation Centre supporting middle England and Birmingham.

This area, despite the current Diesel and Brexit negative influences, is still a vibrant development area for JLR, Honda and Toyota, and the Tier 1's that support them. Warwick and Dudley Universities have innovation and development campuses supporting the emerging electric vehicle (EV) and battery pack modules (EVB) opportunity, and non-fossil fuel alternatives. We are confident that this investment will help us as the UK enters the new electric era and the signs are there already. We exhibited at Battery Tech in Telford in March and the interest shown then was very encouraging. This new EVB technology increases the fastener content in the vehicle, and we see this as a real opportunity for growth.

Besides substantial warehousing, this new building has further potential as it has a large conference centre with an engineering facility, quality laboratory and skype room. This will allow us to hold internal training seminars, host customer visits and invite their application or quality engineers in to work on problem solving, tear downs and conduct VA/VE evaluations. We are keen that this facility is utilised, not just for automotive, but for associated industries too.

This is the second such facility, and we intend to develop more where there are clusters of industry. This further enhances our FSP - Full Service Provider capability and is a key differentiator in the fastener industry.

Strategy in action

Acquisitions

£8.5m

initial consideration subject to net cash adjustment for PTS in April 2018

27

employees based at the site in East Grinstead, UK

>75

countries supplied through a well-established distributor network

>43k

products, one of the widest ranges in Europe

Read more online at www.pts-uk.com

Description

Trifast has shown it is capable of delivering year-on-year 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 and process in place to identify key criteria and geographies. Our in-house acquisition team drive our proactive and reactive search for the next successful acquisition. 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

As previously reported, 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 >75 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.

TR has experienced a growing demand for stainless steel fastenings from a number of our global OEM/Tier 1 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 >10% of Group revenue).

PTS has integrated very well in its first year with the Group and their performance has been strong generating £7.1m of revenues and £1.2m of underlying operating profit. Whilst new sourcing strategies, to take advantage of PTS's expertise in stainless steel, are already well advanced for roll out in FY2020.

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.

Over the course of FY2019, we have developed working relationships with external advisors in a number of key geographies to aid our proactive search. These relationships will continue to develop over the coming year and we look forward to reporting back on progress made as we move forward.

CASE STUDY

OUR FIRST YEAR WITH *TRIFAST*

Precision Technology Supplies

Having completed our first 12 months being part of the *Trifast* family, we can look back on what has been a very profitable and satisfying year.

Our integration into *Trifast* has been smooth, and well received by our customers, suppliers and the entire PTS team.

The growth that we have achieved this year is an indication of our passion and ability of what is to come for PTS's standing in the stainless steel market and support for the Group in general.

Our commitment to supply the widest range of high quality stainless steel fasteners will only be enhanced by the further support of the Group's expertise in the many areas that made *Trifast* the perfect Group to become part of.

One of the many highlights of the year was the Management Conference in Italy, which enabled us to gain a better insight into the Group, the many talents within the organisation, and the outstanding opportunities for us to grow as individual entities, and as a Group as a whole.

Having almost completed our "settling in year", we are looking forward to a bright, stainless future.

Jason Collyer
Managing Director
Precision Technology Supplies

Investment

in plant and machinery leads to increased capacity

101%

increase in intercompany sales for *TR* PSEP, Malaysia

74%

increase in intercompany sales for *TR* VIC, Italy

Read more in **Strategy in action – Investment driven growth** on page 30

Read more online at **www.trfastenings.com**

Strategy in action

Operational efficiencies

Description

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

Performance so far

The significant investments we have made in our Italian, Singaporean and more recently our Taiwanese factories over the last three years have increased capacity and, in the long term, will help improve efficiencies and maintain gross margins as in-house production levels increase. Whilst across our wider manufacturing sites we have been investing in plant and machinery to improve efficiency wherever possible via automated packaging machinery and additional sorting technologies.

Across our manufacturing sites, we have been working much closer together as a global team to ensure that we always make the best use of our own in-house manufacturing capabilities. In particular this has led to a noticeable increase in intercompany sales in PSEP of 101%, and in Italy of 74%. By using our own manufacturing in this way, still on commercial arms' length terms, it means that we can increase overall production levels in our plants, thereby better covering our semi-fixed overheads and ultimately allowing us to retain more profits and cash within the Group.

Our internal quoting times have been significantly shortened and the direct involvement of our manufacturing teams 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. But it's not just about manufacturing. One of the key wins coming out of Project Atlas 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.

This will free up more of our people's time so it can be spent on value-adding tasks, increase global integration to make improvements to our supplier relationship management structures and improve input costs, and improve and automate our reporting to help us drive the business forward and make better and quicker decisions in the context of real-time information.

CASE STUDY

TAIWAN INVESTMENT

Expansion project

2015/2016
TR SFE was at full capacity and experiencing longer lead times (M3 – M5 Screws) delivering to its customers, including its own Group of companies *TR* Fastenings worldwide. The delivery period was 3.5 – 5 months and critical to some of our own *TR* Networks.

2017
A proposal of a new investment to expand *TR* SFE's production capacity was sent to the Board and discussed during a main Board meeting in Shanghai in November 2017. Total investment of NT$15m (£0.4m) was approved.

2018
The approved investment was implemented in stages including factory renting, refurbishing of the building, purchasing of machinery and training of additional workforce.

2019
In January 2019, 15 new cold heading machines and 17 new thread rolling machines, along with supporting equipment such as an overhead crane, air compressor and auxiliary machinery were progressively installed.

Two further new cold heading machines are also due to be delivered in June/July 2019.

Test running of all production equipment was carried out in mid-January 2019 and full production was in February after Chinese New Year.

Spend to date on the investment totals NT$14.3m (£0.3m).

TR SFE was successful in reducing current delivery from 3.5 months down to 2 months for all customers including *TR* Fastenings with additional capacity also catering for new orders/new customers.

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"

ATLAS

Project Atlas

As a business, we have been successfully investing for growth in a number of areas over the last few years. Whilst historically that investment has focused on increasing our manufacturing capabilities and supporting our ongoing organic distribution growth, it has become more and more apparent that one area where we also needed to turn our attention to, is in developing our IT infrastructure and the underlying rules, policies and 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, in FY2019 we began Project Atlas, a significant planned investment into the integration and development of the Group's IT infrastructure 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/Tier 1 customers.

The four key drivers for this investment are:

1. Supporting our core strategy – underpinning our ongoing growth plans and allowing us to differentiate ourselves in our core markets
2. Operational efficiencies and integration – driving efficiency gains, increased automation and lowering operational gearing to support our ongoing growth story
3. Improving our management information and data management – leading to better decision making, more globalised supplier management and a proactive rather than reactive approach to opportunities and challenges
4. 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

Progress to date; an exciting time for the Project…

As planned, in FY2019 our key focus has been 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 it is this that has helped us to identify and develop our detailed requirements that have started to shape the design and build phase of a new IT platform that will be tailored to best facilitate our underlying business model and growth plans.

We have brought people together from across the globe specifically to design the *Trifast* of tomorrow. To identify best practise, to better align global processes and policies, to identify commercial opportunities and to drive operational efficiencies. As at the beginning of June 2019, for our distribution business, this process is almost complete and in the coming weeks we will be using all of this work to continue the design and start the build phase of our new Microsoft platform.

The further analysis work required for our manufacturing operations is already underway and this will be completed in parallel to ensure the design and build of our new IT platform will be fit for purpose across the Group network.

This has been an incredibly exciting time for us as a business. The analysis process has allowed us to identify at a much more granular level how we can adapt, develop and make best use of digital technologies and our own underlying processes to drive our business forward.

Expected 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. This remains in line with what was previously reported in our FY2018 Annual report.

Our timeline

Phase #		Approximate timing of roll-out
1	Distribution entities	By end of FY2021
2	Manufacturing entities	By end of FY2022
3	Transactional entities (in-fill stockists/ manufacturers)	Timing & scope still to be confirmed
4	Acquired businesses	Post phase 3, within 90 days

Having the opportunity to analyse and review all of our internal and external business processes has generated a depth and scale of ideas and identified digital opportunities that are likely to not just drive the initial success of Project Atlas, but we anticipate will also provide us with the basis of a post-Atlas continuous digital improvement roadmap. We see this as an unexpected benefit to the initial investment and we look forward to sharing our more detailed thoughts with you at the appropriate time.

High level cost-benefit analysis

This project clearly represents a major multi-year organic investment for *Trifast*, with a budgeted spend of £15m. Given the scale and complexity of the programme, this budget is, and will be, closely monitored and may be subject to change as we further develop and refine the scope and timings of this investment.

As previously reported, the Board does expect there to be material benefits from the investment programme. The estimated ROI of >25%, at the point of full benefit realisation, compares favourably to our current ROCE of 18.8% and we remain 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 £4.2m in FY2019, largely relating to project team and consultancy costs. We have excluded £3.1m of 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 investment.

In line with accounting standards, we have also recognised the remaining amount of £1.1m, as fixed assets on the balance sheet as at 31 March 2019 (intangible £0.9m, tangible £0.2m). These will start to be amortised as the new IT system is rolled out across our global sites.

"We remain on track with the timeline and scoping we reported in our FY2018 Annual report"

"As at the end of FY2019, we are pleased to report that Project Atlas remains firmly on budget"

"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.

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 2015, increasing by 35.1% to £209.0m (2015: £154.7m), equating to 7.8% p.a.
Underlying operating margin*		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 170bps, from 9.9% in 2015 to 11.6% in 2019. This represents margin growth since 2015 of 4.0% 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 64.5% (or 13.2% p.a.) since 2015
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 FY2019 with a normalised† conversion rate of 84.1%
Underlying Return on Capital Employed ('ROCE')*		ROCE measures the return that we are able to provide to both our equity and debt investors. Maintaining this strong ROCE % continues to be a key focus of the Group Since 2015 our ROCE has remained above 18.5%
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 2015 underlying diluted EPS has increased by 5.85p to 14.53p (2015: 8.68p)
Strategic multinational OEM/Tier 1 revenue		Working to grow this revenue as well as building relationships with new multinational OEMs/Tier 1's is the backbone of our overall growth strategy

* 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 192. For reconciliations to equivalent GAAP measures, please see note 34 in the financial statements and the five year history on page 194

† Net of specific investments in stock of £7.3m (FY2018: £2.5m)

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 not only reduce our reliance on purely distribution revenues, but we will also be able to improve our profit margins as revenues increase faster than the underlying semi-fixed cost bases we have in our manufacturing sites

^ Impacted by acquisition of PTS in April 2018

Historic performance		Position on target?
2019	£209.0m	✓
2018	£197.6m	
2017	£186.5m	
2019	11.6%	✓
2018	11.5%	
2017	11.3%	
2019	£23.5m	✓
2018	£22.2m	
2017	£20.5m	
2019	84.1%	✓
2018	78.2%	
2017	97.3%	
2019	18.8%	✓
2018	20.1%	
2017	19.9%	
2019	14.53p	✓
2018	13.78p	
2017	12.82p	
2019	+4.0%	✓
2018	+6.9%	
2017	+14.1%	

Historic performance			Position on target?
Over the last five years, 34% of UK employees have completed the management development programme			✓
	Distribution	Manufacturing	
2019^	68%	32%	✓
2018	66%	34%	
2017	65%	35%	

Strategic pillar

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

Business review

Trifast has delivered a solid performance and the Directors remain optimistic about the progress the business will make over the coming financial year

Our highly experienced teams are dedicated to researching, developing, marketing and selling innovative products that meet today's high expectations that all our customers demand in terms of quality, value and price.

Despite the potential implications of Brexit and the continuing trade tensions between the US and China, the Board remains confident in its strategy, its people and the Group's flexibility to adapt to change.

Mark Belton
Chief Executive Officer

Clare Foster
Chief Financial Officer

10 June 2019

"The Group has continued to perform well across all our regions, delivering another year of strong growth"

Our Group performance

	FY2019 CER	FY2019 AER	FY2018	Growth at CER	Growth at AER
Revenue	£209.1m	£209.0m	£197.6m	5.8%	5.7%
Gross profit (GP)	£62.7m	£62.6m	£60.2m	4.1%	4.0%
GP%	30.0%	30.0%	30.5%	–50bps	–50bps
Underlying operating profit (UOP)	£24.2m	£24.2m	£22.7m	6.7%	6.5%
UOP%	11.6%	11.6%	11.5%	+10bps	+10bps
Operating profit	£17.1m	£17.1m	£19.0m	–9.7%	–9.9%
OP%	8.2%	8.2%	9.6%	–140bps	–140bps
Underlying EBITDA	£26.5m	£26.4m	£24.7m	7.4%	7.3%
Underlying EBITDA%	12.7%	12.7%	12.5%	+20bps	+20bps
Underlying profit before tax	£23.6m	£23.5m	£22.2m	5.9%	5.8%
Profit before tax	£16.5m	£16.4m	£18.5m	–11.1%	–11.3%
Underlying diluted EPS	14.55p	14.53p	13.78p	5.6%	5.4%
Diluted EPS	9.92p	9.90p	12.20p	–18.7%	–18.9%
Underlying ROCE		18.8%	20.1%		–130bps

Unless stated otherwise, amounts and comparisons with prior year are calculated at constant currency (Constant Exchange Rate 'CER') and, where we refer to 'underlying' this is defined as being before separately disclosed items (see note 2).

Gross profit
30.0%
(FY2018: 30.5%)

Underlying diluted EPS at AER
14.53p
(FY2018: 13.78p)

The Group has continued to perform well across all our regions, delivering another year of strong growth. Revenues have increased by 5.8% at CER and are up 5.7% to £209.0m at Actual Exchange Rate ('AER') for FY2019. This reflects a solid organic performance of 2.2% (AER: 2.1%). In addition there has been a very successful first year in the Group for our latest acquisition, Precision Technology Supplies (PTS), who has contributed a further 3.6% of growth to the top-line.

As reported at the half-year, the largest source of organic growth continues to be from our multinational Tier 1's in the automotive sector, with strong global automotive sales growth of 6.4% recorded in the year. Excluding the impact of the widely publicised volume reductions in our most established automotive market in the UK, this growth rate would be higher still at 8.7%, as we continue to successfully win market share around the world via new platform builds, despite the reduction in global manufacturing volumes.

Gross margins have been maintained in line with our 30.0% target (FY2018: 30.5%) despite the impacts of anticipated purchase price inflation here in the UK and the upfront costs of our ongoing investments into manufacturing capacity in our European region. This has allowed our underlying operating margins to increase by 10bps to an historic high of 11.6% (FY2018: 11.5%), up 6.7% to £24.2m at CER, 6.5% to £24.2m at AER (FY2018: £22.7m).

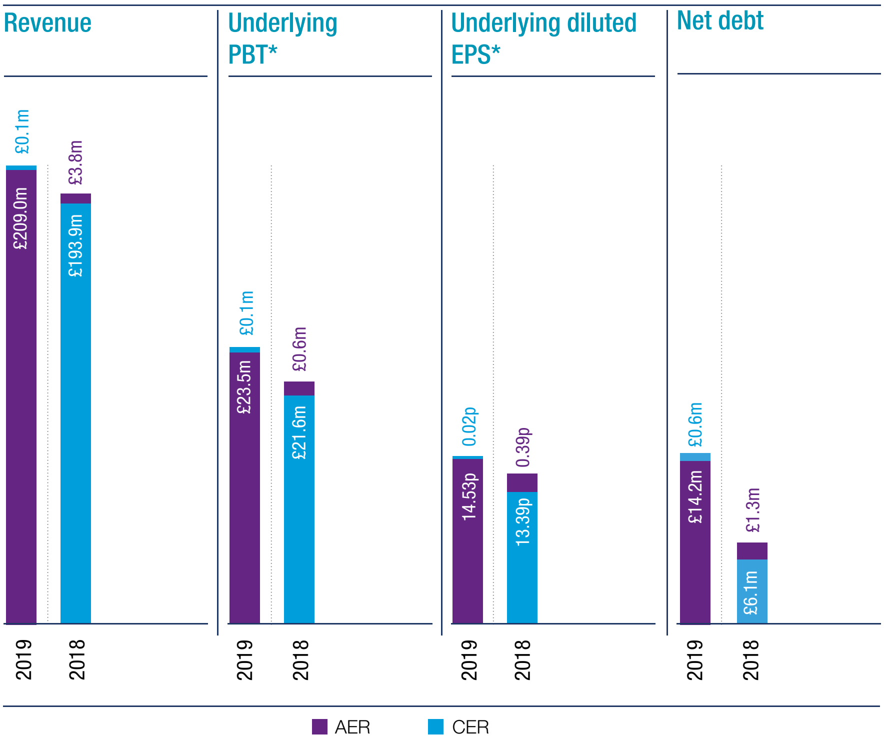
All of the above has helped to drive strong AER growth in both our underlying PBT, up 5.8% to £23.5m (FY2018: £22.2m) and our underlying diluted EPS, up 5.4% to 14.53p (FY2018: 13.78p).

Although the impacts have been less significant in 2019, 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 on the next page.

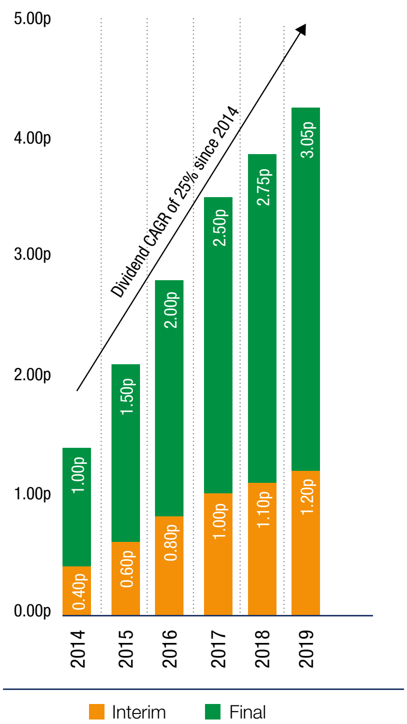
Business review continued

Unless stated otherwise, amounts and comparisons with prior year are calculated at constant currency (Constant Exchange Rate 'CER') and, where we refer to 'underlying' this is defined as being before separately disclosed items (see note 2).

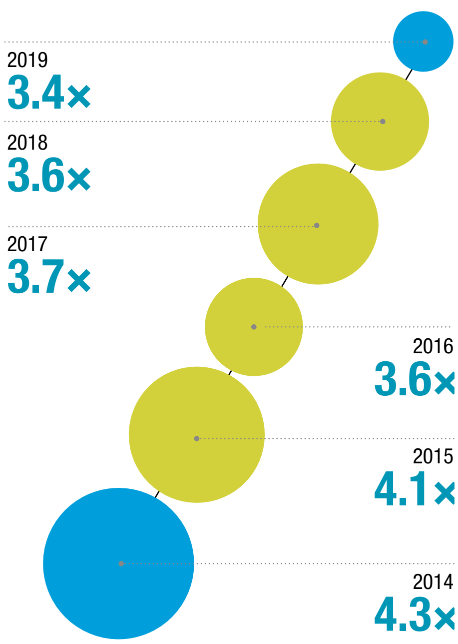
FX effects



Dividend progression



Dividend cover



Dividend policy

With a proven track record, a strong balance sheet and a 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 3.05p per share. This together with the interim dividend of 1.20p (paid on 11 April 2019), brings the total for the year to 4.25p per share, an increase of 10.4% on the prior year (FY2018: 3.85p). The final dividend will be paid on 11 October 2019 to shareholders on the register at the close of business on 13 September 2019. The ordinary shares will become ex-dividend on 12 September 2019.

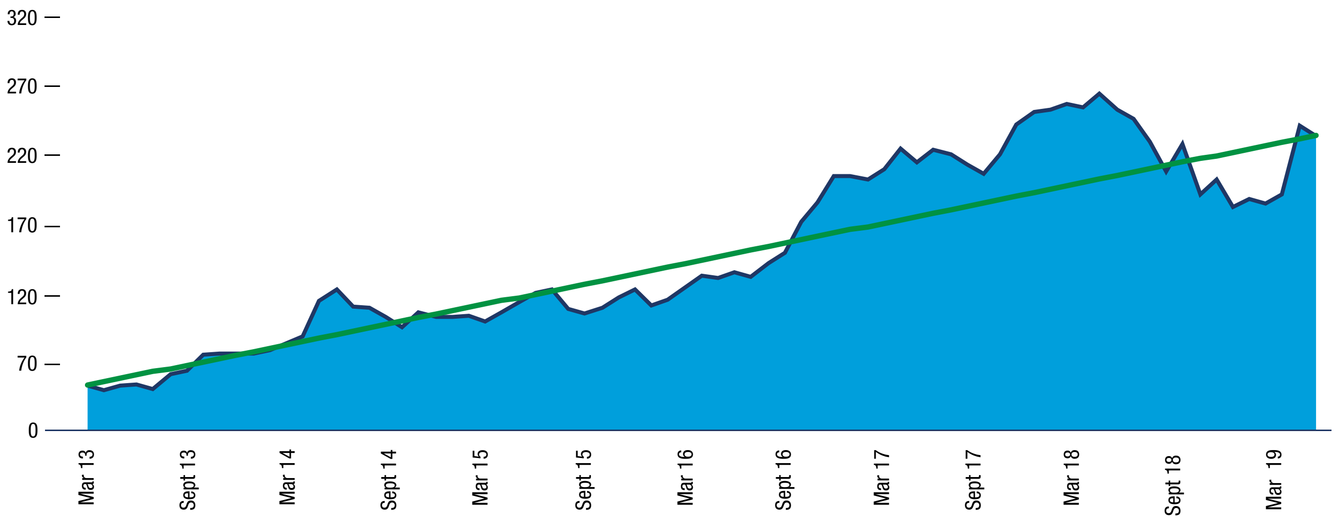
The 2019 final proposed dividend means that over the last five years dividends have grown from 1.40p to 4.25p, equating to a compound annual growth rate ('CAGR') of 24.9%.

Over the same time, dividend cover has fallen, now representing a cover of 3.4x. 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.

Share price – recovery to growth

The increase in our share price over the last five years illustrates the *TR* story of successful and sustainable growth (compound annual growth rate: 17.3%).

Share price (p)



Revenue

We have seen total revenue growth across all our regions, ranging from 2.6% to 38.3%.

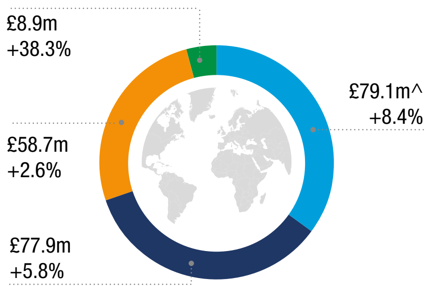
Our European operations have had a strong year, with revenues growing by 5.8% at CER (4.7% at AER). A key driver for this growth was the double-digit revenue increases across six of our eight entities including Holland (automotive), Hungary (electronics) and Germany (general industrial). As previously reported, reduced domestic appliances volumes, as the result of trading conditions in our Italian operations, have offset some of these increases. Whilst our Spanish greenfield site, continues to go from strength to strength, successfully securing its first £1m of annual sales in the year.

In Asia, we have seen solid year-on-year growth of 2.6% to £58.7m (AER: 3.6% to £59.2m; FY2018: 6.3% to £57.2m) with strong domestic appliances sector increases in Singapore being offset to some extent by the local factory closure of one of our multinational OEM electronics customers in China, as well as the knock-on effect of additional US tariffs to a small number of our multinational customers operating in the region.

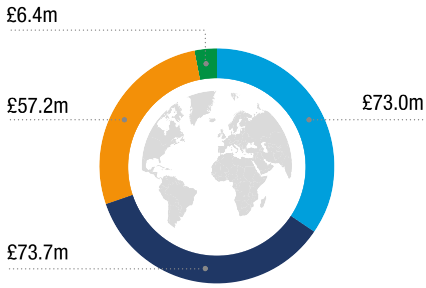
Overall our UK business is showing very strong total revenue growth of 8.4% to £79.1m (FY2018: 5.4% to £73.0m), reflecting the successful acquisition of PTS in April 2018. PTS has already integrated well, achieving double-digit growth in their first full year with us. As previously reported, organically we have seen a slight reduction in overall trading levels of (1.4)% due to the much-publicised downturn in UK automotive manufacturing volumes in FY2019. These are largely being driven out of 'dieselgate' issues, as production builds have shifted to reflect global reductions in demand for this engine type. Outside of this, the UK has had another solid year in what is our most mature market. Most noticeably driven out of high ongoing demand in both our general industrial and distributor business.

Revenue by region (CER)*

FY2019 £209.1m†^ +5.8%



FY2018 £197.6m†



UK Europe Asia USA

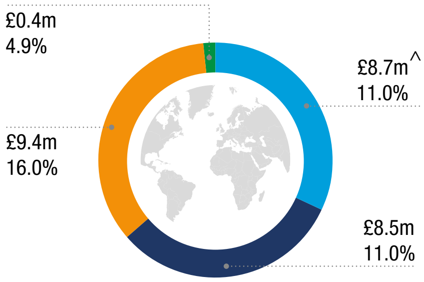
* Regional revenues include intercompany
† Group revenue, after eliminating intercompany
^ Organic revenue: Total £202.0m, UK £72.0m

Business review continued

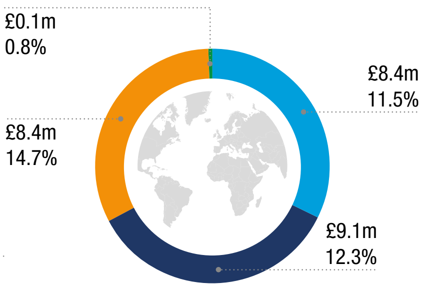
Unless stated otherwise, amounts and comparisons with prior year are calculated at constant currency (Constant Exchange Rate 'CER') and, where we refer to 'underlying' this is defined as being before separately disclosed items (see note 2).

Underlying operating profit and margin by region (CER)*

FY2019 £24.2m†^ 11.6%



FY2018 £22.7m† 11.5%



UK Europe Asia USA

* Before separately disclosed items which are shown in the financial statements
† After deducting central costs
^ Organic underlying operating profit: Total £23.0m, UK £7.5m

In the USA, a successful site move at the beginning of the year has been rewarded by exceptional revenue growth, increasing by 38.3% to £8.9m (AER: 39.9% to £9.0m; FY2018: 6.8% to £6.4m). This reflects ongoing gains in both the automotive and electronics sector as our US business makes good use of the Group's existing multinational Tier 1 and OEM customer relationships.

Underlying operating profit

Underlying operating margins have remained broadly in line with last year, up 10bps to a record breaking 11.6% (FY2018: 11.5%), and generating an overall increase in underlying operating profit of 6.7% to £24.2m (AER: up 6.5% to £24.2m). This is split between an organic UOP of £23.0m, and non-organic UOP of £1.2m.

In Europe, ongoing strong sales growth over a semi-fixed cost base has increased margins. Although overall the underlying operating margin has reduced by 130bps to 11.0% (FY2018: 12.3%) largely as a result of the overhead investments we're continuing to make to support the strong organic growth in the region across Holland, Sweden, Hungary and Spain. In Italy, investments to build our manufacturing capacity and capabilities ahead of volume increases, have continued to restrict short term gross margins in this location. This situation is expected to reverse over the longer term.

Offsetting the above, Asia margins have increased by 130bps to 16.0% (FY2018: 14.7%). The biggest impact being as a result of a foreign exchange gain of £0.4m (FY2018: £(0.4)m loss) on the translation of the balance sheet, largely due to the ongoing strength of the US$ against our key Asian currencies.

In the UK, UOP margins have fallen slightly by 50bps to 11.0% (FY2018: 11.5%). As previously reported, gross margins in our organic business have been reduced by *c.*150bps as a result of deferred purchase price inflationary pressures coming out of the extended weakness in sterling. However, the negative impacts of this, have been largely offset by the increased sales and margins that have come on board following the acquisition of PTS in April 2018.

In our small, but fastest growing region, the USA, UOP margins have improved significantly to 4.9% (FY2018: 0.8%) as higher sales better cover semi-fixed operating costs. As in prior periods, relatively low underlying operating margins continue to be expected in this region given the level of investments for future growth being made here.

Net financing costs (at AER)

Interest costs have increased to £0.7m (FY2018: £0.5m) reflecting the increase in the average gross debt balance following the acquisition of PTS in April 2018.

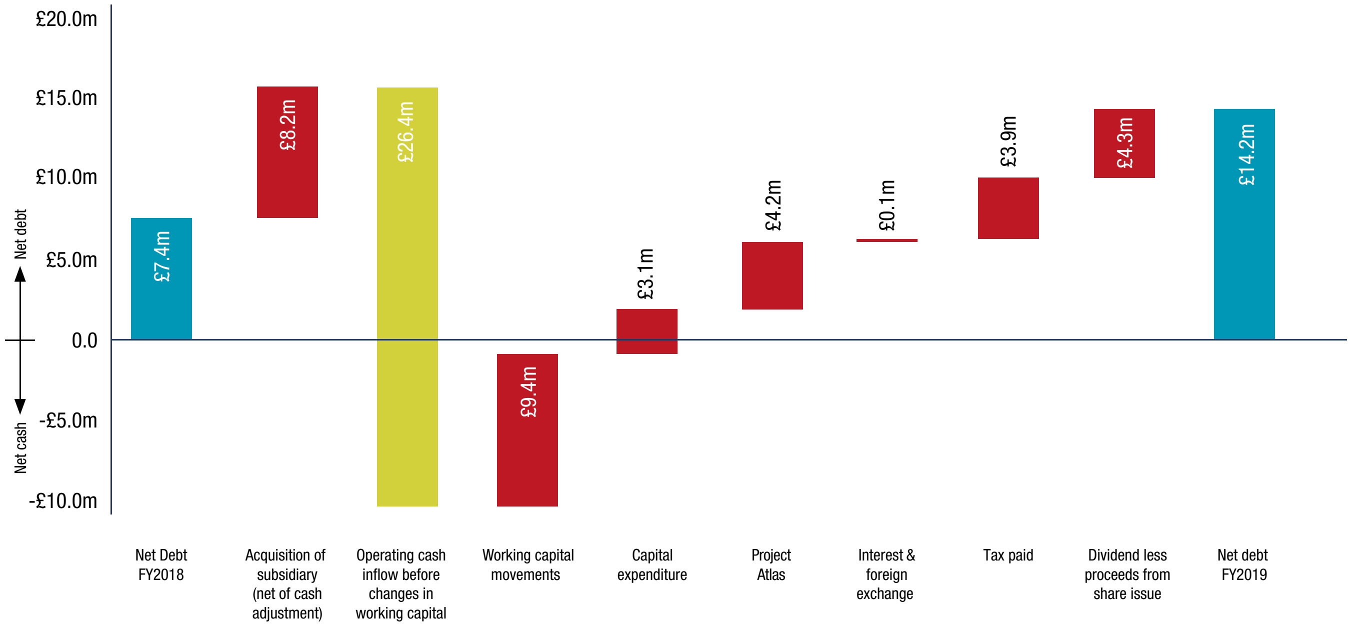
Taxation (at AER)

The underlying effective tax rate (UETR) is broadly in line at 23.6% (ETR: 25.4%; FY2018: underlying ETR: 23.3%).

Subject to future tax changes and excluding prior year adjustments, our normalised underlying ETR is expected to remain in the range of *c.*22-25% going forward.

The main reason for the difference between our FY2019 ETR of 25.4% and the FY2018 ETR of 18.5% is due to the prior year finalisation of a fully provided tax position in the UK relating to a combination of EU loss relief claims and EU dividend relief claims. This led to a prior year corporation tax adjustment credit of £0.9m in FY2018.

Net debt bridge (AER)



Profit after tax (at AER)

Underlying profit after tax is up 5.4% to £18.0m.

Profit after tax (GAAP) reduced by 18.8% to £12.2m due to the £3.1m increase in operating costs relating to Project Atlas (see note 25 for further details).

Net debt

Our net debt position has increased by £6.8m to £14.2m (FY2018: £7.4m). The majority of this increase reflects the acquisition of PTS for £8.2m (net of cash acquired).

Excluding Project Atlas, capital expenditure has been £3.1m in the period, most specifically within our manufacturing locations with additional plant and machinery going into our new Singaporean mezzanine floor and a factory extension at one of our Taiwanese sites.

Project Atlas has driven additional investment of £4.2m in the year, of which £1.1m has been capitalised (£0.9m as an intangible asset).

Outside of these movements, as expected, our cash generation has reduced with a conversion rate of underlying EBITDA to underlying cash of 64.9% (FY2018: 68.1%). The one key reason for this decrease is an increased investment in stock, which has totalled £8.3m in the year, leading to gross stock weeks of 25.3 weeks (FY2018: 22.7 weeks).

As previously reported, *c.* £2.5m of this increase is the direct result of our Brexit planning, mostly via an additional investment into customer specific stock lines, predominantly on the UK side of the border. This was put in place to ensure uninterrupted supply in the event of a no deal Brexit taking place on 29 March 2019. We are expecting to continue to hold these higher stock levels in the coming months to manage this ongoing risk.

Outside of Brexit, additional stock investments of £1.9m have been made at our US operations to support their exceptionally strong ongoing growth journey and to ensure that appropriate levels of buffer stock are held on site as new platform wins go into production. Looking ahead, we expect the negative impact this has had on cash conversion to settle as revenue levels start to feed through into underlying operating cash. The acquisition of PTS has also raised our stock levels by £2.9m via non-organic means.

Excluding the impacts of above, our normalised stock weeks would be more in line with our long term average at 23.1 weeks (5 year normalised average: 22.8 weeks) and our normalised conversion rate of underlying EBITDA to underlying cash would be significantly higher at 84.1%.

Business review continued

Unless stated otherwise, amounts and comparisons with prior year are calculated at constant currency (Constant Exchange Rate 'CER') and, where we refer to 'underlying' this is defined as being before separately disclosed items (see note 2).

Banking facilities

We are very pleased to report that on the 16 April 2019, the Group signed new four year banking facilities with a consortium of three banks. These facilities have greatly increased our available headroom to *c.* £38m (31 March 2019: £15.2m) and have streamlined our overall facility structure from a combination of term loans, asset backed lending and Revolving Credit Facilities (RCF) to a simple £80m RCF.

In addition to the increased headroom, the new facility also provides potential access to an extra £40m (31 March 2019: £nil) of accordion facilities. This greatly increases our ability to continue to invest to grow, both organically and also via further acquisitions. Whilst reduced marginal rates will allow us to control ongoing finance costs, despite the significant increase in available facilities.

This is an extremely exciting development for the Group. It provides the flexibility to allow us to continue to follow our strategic aims, coupled with an increase in both security and tenure of funding to support us in a less certain macro-economic environment.

Full details of the new facilities are included in note 26.

Return on capital employed (at AER)

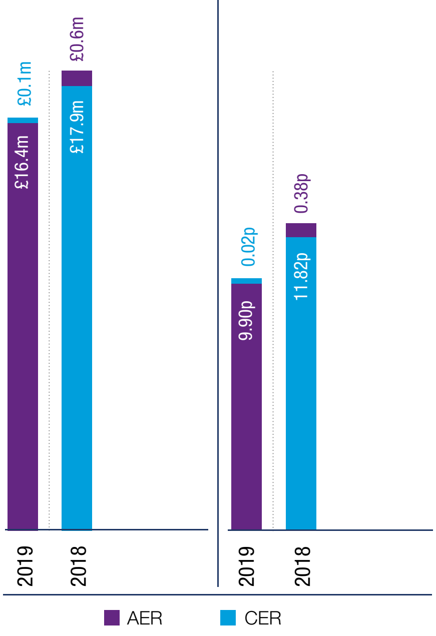
As at 31 March 2019, the Group's shareholders' equity had increased to £121.1m (FY2018: £110.3m). This £10.8m movement is made up of retained earnings of £9.8m, share movements totalling £0.4m, and a foreign exchange reserve gain of £0.6m which arose due to a relative weakening of Sterling against the US$ and our key Asian currencies in the financial year.

Over this increased asset base, our strong overall trading performance has led to an underlying ROCE of 18.8% (FY2018: 20.1%). The decrease from prior year has been largely driven out of upfront investments ahead of returns for Project Atlas and the acquisition of PTS.

GAAP measures

FX effect GAAP measures

Profit before tax | **Diluted earnings per share**



Operating profit and margin by region (AER)

Region	2019 Profit £m	2019 Margin	2018 Profit £m	2018 Margin
UK	**7.1**	**9.0%**	7.8	10.7%
Europe	**7.0**	**9.1%**	7.8	10.5%
Asia	**9.1**	**15.4%**	8.4	14.7%
USA	**0.4**	**4.7%**	–	0.1%
Total†	**17.1**	**8.2%**	19.0	9.8%

† After deducting central costs

Looking ahead

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, albeit at a more reduced level, to increase capacity most noticeably at our Taiwanese site. 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 will be extending our warehouse facilities at our pure distribution business in Lancaster in FY2020, supporting the double-digit annual growth we have seen here over the last three years. Looking longer term, the Board has also approved a more substantial site move in Hungary for the summer of 2020. This relocation into a purpose built warehouse will more than double capacity to not only better service existing trading levels following a 78% revenue increase over the last five years, but also to future proof the business for further growth.

In Europe, we will continue to invest into our expanding greenfield distribution site in Spain. Whilst in the UK, the setup of our new *TR* Innovation and Technical centre situated adjacent to our Midlands hub will provide a great place to hold workshops and training events with existing and potential customers alike.

Complementing all of the above, we are continuing to invest in both our global and local sales resources and supporting teams, with specific plans for 2020 already approved to build our Group teams as well as in the UK, Germany, Holland and the USA.

Project Atlas

As previously reported, in FY2019 we began Project Atlas, a £15.0m multi-year investment into the integration and development of the Group's IT infrastructure 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.

As planned, in FY2019 our key focus has been on the review, redesign and documentation of our underlying rules, policies and processes. Over the course of FY2020 we will be using all of this work to complete the design and build phase of our new IT platform.

This Project remains on track and on budget and is expected to generate substantial cost and growth benefits across the Group, to provide a return on investment of >25% pa at the point of full benefit realisation.

Acquisitions

We were delighted to announce the acquisition of PTS on the 4 April 2018. Being able to acquire such a high quality, growing operation in a complementary part of the market was a key win for us. They have already integrated well, achieving double-digit revenue growth in their first full year with us.

But as ever, the search for the next acquisition remains an important strategic aim for the Group. 2019 has seen further development of our proactive search, with our internal acquisition team now working closely with external advisors in a number of key geographies to help drive our ongoing activities in this area.

Outlook

2019 has delivered another year of record revenues and strong growth, with ongoing investment across all our regions and via Project Atlas. We start FY2020 with a robust balance sheet, significant new banking facilities and a proven track record of profitable investment.

There can be no doubt that the macroeconomic environment has become more challenging over recent years. With the uncertainty of Brexit potentially weighing on the UK economy, the continuing trade tensions between the US and China and the heightened risk of a Eurozone recession.

Despite this backdrop, our business is in good shape. We have entered FY2020 well positioned with a solid pipeline in place and, at this early point in the year, our expectations for the year ahead remain unchanged.

> "We have entered FY2020 well positioned with a solid pipeline in place and, at this early point in the year, our expectations for the year ahead remain unchanged. As ever, we continue to search out acquisition opportunities to add further value to our customer offering and global footprint, a task that is now firmly supported by the new banking facilities"

Business review continued

Europe

Geoff Budd
Director
TR Europe

"Six of our eight sites achieve double-digit revenue growth, across the automotive, electronics and general industrial sectors"

Regional performance

Revenue growth across the region has been strong at 5.8% to £77.9m (AER: 4.7% to £77.1m; FY2018: £73.7m). Automotive sales growth was particularly strong in Holland as we gained more business primarily with a number of our strategic automotive multinational Tier 1's. In Hungary, increased trading was in the electronics sector, but again in line with our core strategy this largely represented additional sales to our existing multinational OEM base. Our *TR* Kuhlmann operations in Germany have continued to go from strength to strength in the general industrial market.

As previously reported, in the domestic appliances sector, we have experienced a more challenging year, as manufacturing volumes have fallen at one of the Group's key multinational OEM customers, supported by *TR* VIC in Italy. Whilst our greenfield site in Spain continues to impress, already achieving it first £1m of annual sales ahead of budgeted expectations.

Strong sales growth over a semi-fixed costs base has led to increases in underlying operating margins. Although this has been more than offset by the ongoing investments for growth that we have been making in this important region leading to an overall 130bps reduction to 11.0% (FY2018: 12.3%). Key overhead investments have been made in our Dutch operations where we have expanded the warehousing; in Sweden where we have opened our Technical and Innovation Centre in Gothenburg; in Hungary where we have been investing in cross-functional headcount to support the 80% trading increase the site has experienced over the last five years; and of course in our newest greenfield site, *TR* Espana.

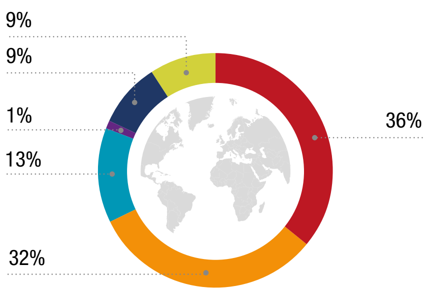
Looking ahead

As expected, over the course of FY2019 our Italian operations have continued to receive capital investment (€0.6m). This has focused on additional plant and machinery to make best use of their growing capacity as a result of the successful installation of the new heat treatment plant in FY2017. This multiyear strategic investment plan is now nearing completion, with ongoing budgeted capital investment expected to be much lower over the course of FY2020.

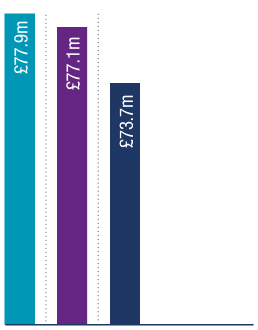
We note the heightened risk of a Eurozone recession may make conditions more challenging in the medium term. Although we continue to see Europe as a key market for the Group across not just automotive, but also our other key sectors. Recent investments are continuing to provide ongoing opportunities, whilst a planned warehouse expansion in Hungary in FY2020 will help to support both existing and additional business in this growing site.

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.

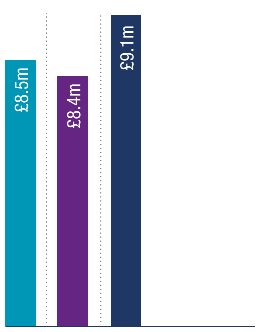
Revenue by sector



Revenue*



Underlying operating profit



Operating profit

2019 CER 2019 AER 2018

* Including intercompany revenues

Asia

Charlie Foo
Managing Director
TR Asia

"2019 was a year of solid growth for Asia, with strong domestic appliance wins in Singapore, being partly offset by more difficult trading conditions in China"

Regional performance

Revenue growth has been solid with a year-on-year increase of 2.6% to £58.7m (AER: 3.6% to £59.2m; FY2018: £57.2m) and higher trading being seen across almost all sites. The strongest growth has been in our Singapore operations, where the domestic appliances sector has been the biggest driver of results. Our newly built mezzanine has been helping to support that ongoing growth, with additional investments in plant and machinery building capacity and allowing more production to come back in-house.

Offsetting this growth story has been our Shanghai operations which have seen a decrease in trading as the combined result of a multinational OEM closing its manufacturing facilities in mainland China and the effect of additional US tariffs on a small number of our multinational customers operating in China.

We are also pleased to report that our main Malaysian manufacturing site, PSEP, gave a solid performance in the year. Recording 2.1% of revenue growth (AER: 5.7%), despite the political uncertainty in the country following the government overhaul in May 2018.

Underlying operating profit margins in the region remain the highest in the Group, increasing 130bps to 16.0% (FY2018: 14.7%). With gross margins remaining broadly level, the main reason for this increase is due to a foreign exchange gain of £0.4m (FY2018: £(0.4)m loss) on the retranslation of the balance sheet due to a strengthening US$.

The level of intercompany manufacturing that the region has been providing has continued with double-digit growth to £10.0m. We believe that there remains further to go with this across certain of our sites, most specifically PSEP, in Malaysia.

Looking ahead

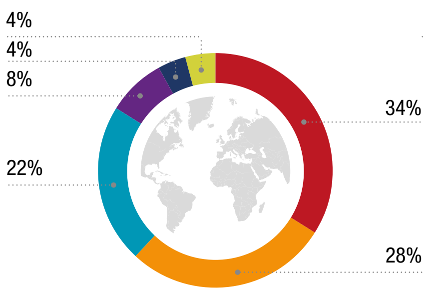
To grow is to invest, a motto of our top management. We will continue to actively invest in human capital, production/quality equipment and upgrading our system to serve our customers, both internal and external, faster in supply and cost effectiveness globally.

In line with this trend, FY2019 saw the start of a factory expansion at one of our Taiwanese sites. We expect this £0.4m investment to complete and reach full additional capacity of *c*. 20% over the course of FY2020. We are also in the process of reviewing our manufacturing methodology across a number of sites with an eye to streamlining processes and making better use of digital technologies, to give us an enhanced competitive edge as we move forward.

US tariff uncertainty looks set to continue in the medium term and we do expect this to carry on indirectly impacting some of our multinational OEMs operating in China. However, we see growth opportunities in the domestic appliances and automotive sectors helping to offset the impact of this in FY2020. There can be no doubt the regional market remains competitive, however 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 Asian region as a driver for ongoing investment.

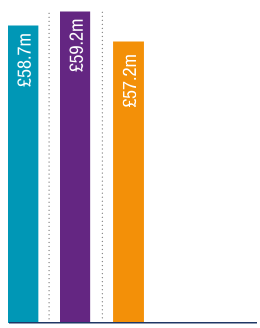
Looking beyond organic growth, Asia also remains a region of great interest to us for potential non-organic investment. As a result, at both a Group and local level, we will continue to proactively identify and review acquisition opportunities as they arise.

Revenue by sector



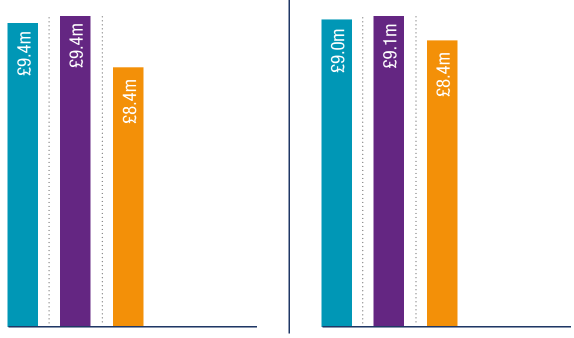
Automotive | Domestic appliances | Electronics | Distributors | General industrial | Other

Revenue*



Underlying operating profit

Operating profit



2019 CER | 2019 AER | 2018

* Including intercompany revenues

Business review continued

UK

Dave Fisk
Managing Director
TR Fastenings UK

Sam Wilson
Managing Director
Lancaster Fastener

Jason Collyer
Managing Director
Precision Technology Supplies

"Strong overall revenue growth of 8.4% to £79.1m (FY2018: £73.0m) as the successful acquisition of PTS more than offsets a slight reduction in organic trading"

Regional performance

Organically, this has been a challenging year for the UK with revenues decreasing by (1.4)% to £71.9m (FY2018: £73.0m). Automotive saw a (6.8)% reduction in turnover as diesel-gate affected demand through unplanned OEM volume decreases and shutdowns.

Outside of the above well publicised downturn, this year has seen continued success for *TR* UK. Most notably from branded product sales into our distribution network as well as some encouraging growth in the general industrial, rail and defence sectors.

In our Lancaster operations, targeted marketing over the past year to East European countries has again achieved positive sales results. Whilst, sales to the Italian distribution market have been outstanding, recording nearly a 20% growth against last year. Both areas have been supported by our attendance at their respective fastener trade shows. Black finish and castle bulk product ranges recorded double digit sales growth over the year, with our disciplined approach to increasing stock levels of predefined ranges proving sales effective.

Across the UK we have seen the anticipated rise in import prices due to the extended weakness of sterling, filter through into our organic results. This has reduced the gross margins in our existing business by c.150bps. The deferral of these increased costs to FY2019 has been hard won via a combination of negotiations with our suppliers and customers, as well as commercial stock holding decisions that we have made.

On the good news side, the increase in UOP % as a result of PTS, our latest acquisition, has largely offset the gross margin reduction noted above. Leading to a regional UOP margin of 11.0%, only 50bps lower than in 2018 (FY2018: 11.5%). Regional UOP is split between an organic UOP of £7.5m and a non-organic UOP of £1.2m.

Looking ahead

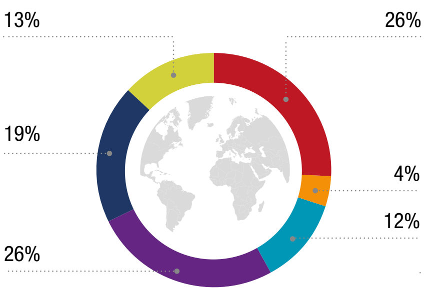
Our teams around the UK are driving forward several continuous improvement projects. With a few re-organisations, product range expansions, further succession planning and some strategic investments we are already seeing our change in approach starting to bring in new opportunities for the region

The completion of our Lancaster warehouse extension in FY2020 will provide us with a much needed 20% increase. This includes additional picking locations as well as additional bulk storage facilities to support our future growth plans and maximize the full potential of our current site in Morecombe. Whilst on completion in FY2020, our new Technical and Innovation Centre, will provide a great place to hold workshops and training events with existing and potential customers alike. Setting us apart from the competition and further supporting the *TR* UK brand.

Currently the overall UK economy is continuing to perform reasonably well despite the wider uncertainty that exists as a result of the EU Referendum in June 2016 and with our Brexit contingency plans now firmly in place, we remain cautiously optimistic about the future.

The recent diesel-led weakness in the UK automotive sector is expected to continue into FY2020, as OEMs and Tier 1's reduce manufacturing volumes and transition production platforms away from existing model builds. We do anticipate that this will continue to impact negatively on our regional sales growth over the course of FY2020. But, notwithstanding this, we continue to see the UK region as a good mature market for us to operate in with good opportunities in the distributor market as well as across a number of our key sectors.

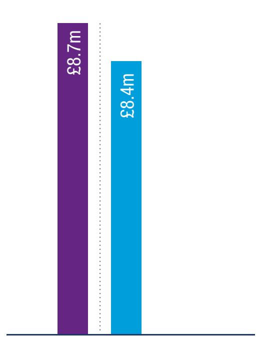
Revenue by sector



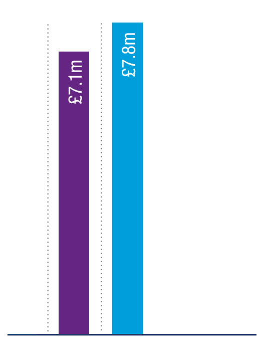
Automotive Domestic appliances
Electronics Distributors
General industrial Other

Revenue*

Underlying operating profit



Operating profit



2019 AER 2018

* Including intercompany revenues

USA

Gary Badzioch
Managing Director
TR Fastenings Inc

“A strong HY1, followed by an even stronger HY2 leads to a staggering 38.3% revenue growth”

Regional performance

The *TR* USA team has bounced back with a vengeance. We have had an exceptional year of revenue growth, up 38.3% year-on-year to £8.9m (AER: 39.9% to £9.0m; FY2018: £6.4m), as the team has responded positively to the new challenges of filling up our brand new facility in Houston, Texas.

The automotive sector again continues to shine making up 54% of our revenue (FY2018: 46%). The core team in Houston has now been in place for over five years, successfully working on the global strategy of targeting a number of large Tier 1 automotive accounts, and establishing *TR*’s brand name into both the USA and Mexico automotive markets. *TR* USA will use this as a springboard for phase two. We will be adding more members to the team, to allow us to approach additional multinationals operating in the region and to support our ongoing growth story.

The regional electronics sector is also growing well, up 21% in FY2019. We have added new members to the team this year and plan to continue to invest to strengthen our capabilities in this area over the coming year.

Similar to other regions, our US multinational OEMs and their subcontractors are currently going through a process of consolidating supply chains, and harmonising components globally for their builds. As part of the wider Group, *TR* USA has the global footprint to capitalise on this trend against more local competitors in the market. In addition, having manufacturing within the *Trifast* Group continues to give us a distinct advantage and flexibility over other distributors, with PSEP, in Malaysia now an important part of our supply chain.

Underlying operating margins rose sharply in the year by 410bps to 4.9% (FY2018: 0.8%). This largely reflects the exceptional growth in sales over a semi-fixed cost base, offset in part by additional investments in overheads due to the new expanded site and increased headcount to support strong ongoing growth into FY2020.

Looking ahead

TR USA is committed in its long term strategy of diversifying growth into multiple sectors, to be in line with the rest of the business. With the automotive sector established, and the electronics sector firmly on track, *TR* USA will now start exploring any leverage it can apply to the domestic appliances sector.

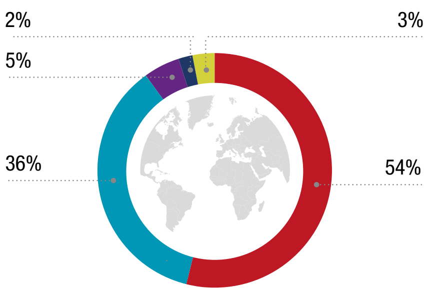
Just as we were excited about moving into a new facility, *TR* USA is excited about all the benefits Project Atlas will bring. Helping not only in driving our growth, but by cementing a commercially effective and operationally efficient footprint, we will be adding an important foundation piece to our overall long term strategy.

Geographically, the automotive market remains the most exciting opportunity for us. By focusing on our multinational OEM and Tier 1 customers, we will continue to make the most of these opportunities in the future. Mexico also remains of huge strategic importance to us and we have exhibited there again in FY2019 at the Fastener show with the aim to continue to increase our sales and gain *TR* brand awareness. To support this ambition almost half of our staff are now bilingual.

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

Looking beyond organic growth, the USA and Mexico remain 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.

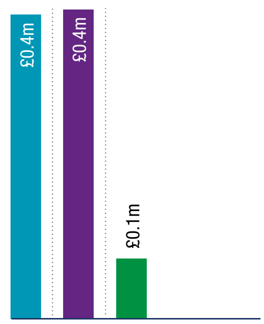
Revenue by sector



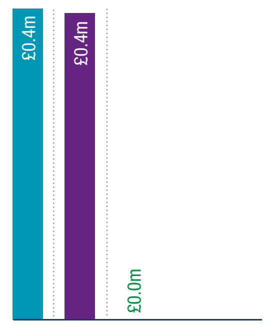
Automotive | Domestic appliances | Electronics | Distributors | General industrial | Other

Revenue*

Underlying operating profit



Operating profit



2019 CER | 2019 AER | 2018

* Including intercompany revenues

Corporate social responsibility

Jenni Morland
European Health, Safety and Environmental Manager

Kelly Bennett
Environmental Health and Safety Co-ordinator

Tracey Nixon-Mordica
Compliance Co-ordinator

Amber Battye
Health, Safety and Environment Business Apprentice

Health, safety and environment

ISO14001

The *Trifast* Board is responsible for providing a safe and fair environment and fully support us enforcing this commitment, through our Health and Safety, and Environmental Management systems and our continuous improvement cycles surrounding them.

The ISO14001: 2015 Environmental Management Systems standard is held 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.

Our Environmental Policy commits us to:

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

In FY2018 we introduced a new objective to reduce our Group Carbon Footprint by 5% by the end of FY2020, based on our Full Time Equivalent (FTE) measure. In FY2018 our figures stood at 6.60 tonnes of Co2e per FTE and within the first year we have achieved a reduction of 2.6% with a figure of 6.43 tonnes (as can be seen in the chart on the next page). Our only increases to this measurement were seen in USA distribution, due to a move to larger premises, and in our Asia Manufacturing, which was to be expected due to business growth. We continue to instil good practice throughout our business units, with the aim of achieving our 5% reduction target.

Our objectives and targets are monitored, measured and evaluated for performance on a monthly basis. They are reported to the Main Board, and communicated back to the local site.

ISO45001

We are currently working towards accreditation to ISO45001 Occupational Health and Safety Management Systems, and hope to achieve this certification by the end of 2020.

To aid us in the implementation of ISO45001, we have invested in a Health and Safety software solution. The software will be implemented throughout 2019, and will aid us in effective management of incidents, risk assessments, non-conformity management and auditing.

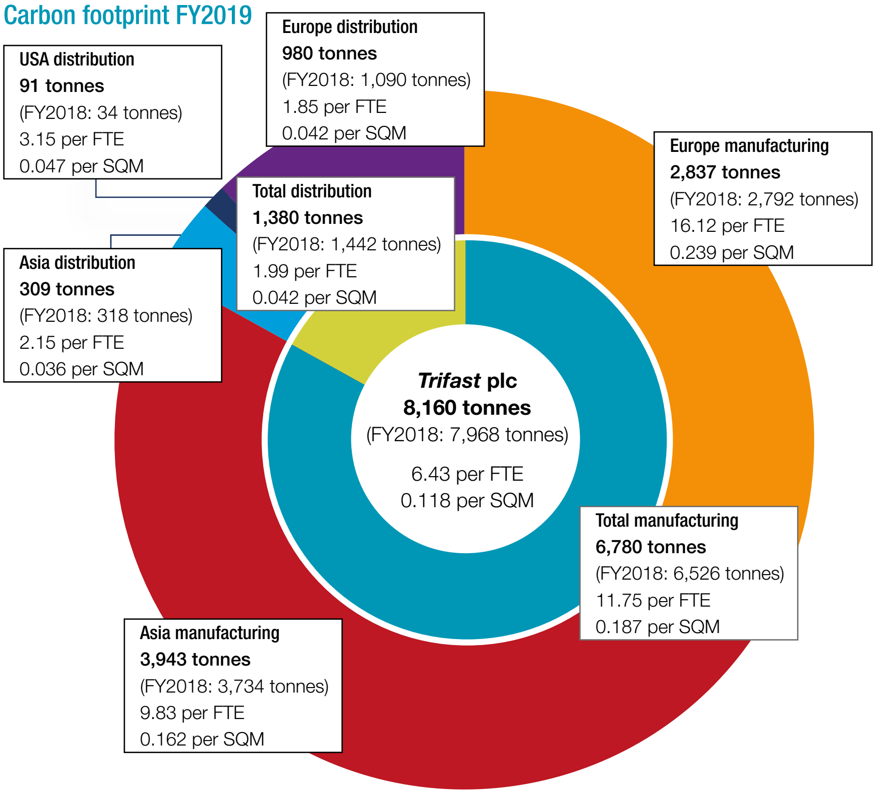
We have a firm responsibilities and support framework in place for our Health, Safety and Environmental Management, which ensures continuity of the company strategy from the CEO to the Operational staff, supported by the H, S & E Team.

Through our Health and Safety Policy, *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 practicable, and reduce occupational health and safety risks
- 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 March 2019 we held our annual Health, Safety and Environmental Representatives meeting, this was attended by 28 of our staff from the UK, Europe and USA. Delegates received risk assessment training over two days, provided by the British Safety Council. They have also formed an internal Health and Safety focus group and been given an overview of the Health and Safety software solution. The focus group is formed of our main internal Health, Safety and Environmental stakeholders and will be consulting with employees and senior management to the ensure clear, fair and consistent running of all H, S & E aspects.

Carbon footprint FY2019



		Tonnes of Co2e per FTE		
Data Period for reporting	**FY2019**	**FY2018**	**% change**	**Target FY2020**
***Trifast* Plc (KPI)**	**6.43**	6.60	**–2.6**	6.27
Total Distribution	**1.99**	2.28	**–12.7**	2.17
Asia Distribution	**2.15**	2.20	**–2.3**	2.09
USA Distribution	**3.15**	1.33	**136.8**	1.26
Europe Distribution	**1.85**	2.32	**–20.3**	2.20
Total Manufacturing	**11.75**	11.50	**2.2**	10.93
Asia Manufacturing	**9.83**	9.31	**5.6**	8.84
Europe Manufacturing	**16.12**	16.82	**–4.2**	15.98

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	**FY2019**	**FY2018**
Total Scope 1 Emission	**1,732**	1,840
Purchased Fuels	**1,280**	1,334
Company Vehicle Use	**452**	506
Total Scope 2 Emission	**6,428**	6,128
Purchased Electricity	**6,428**	6,128
Total GHG Emissions	**8,160**	7,968

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)

Community

At *Trifast* we have a continuing commitment to conduct our business operations in a fair and ethical manner and to comply with all relevant laws and regulations, within all our operating locations.

We recognise that our business activities can have an impact on the communities in which we operate and we remain committed to interacting responsibly with those communities and all of our stakeholders. As a global Company we bring together people from a wide variety of backgrounds, origins, experiences and cultures. It is our responsibility to respect and value others and maintain high ethical standards in everything we do.

Sustainability

Our commitment to be a sustainable business underpins everything we do and this culture is integrated into our day to day operations around the globe. It is important to us to demonstrate our approach to all parties who have an interest in our business. We regularly review and address the key social, ethical and environmental issues that could have a bearing on our operations.

Working as a team we

- act in an ethical and responsible manner
- take care of all our employees
- are accountable for our impact on the environment
- deliver support to local communities through volunteering and charitable donations
- look to deliver best value to all stakeholders

"Our trusted reputation gives our employees, customers, stakeholders, and the communities in which we operate the confidence to partner and do business with us"

Trifast in the community

Corporate sponsorship

TR Fastenings is a proud sponsor of Uckfield Grasshoppers Junior Football Club

TR Fastenings is delighted to be a corporate sponsor of Newick Cricket Club

TR Norway acted as the chief sponsor of a skiing competition held high in the Norwegian mountains in March, an event which catered for all members of the family

TR lends its support to the annual Little Horsted Fun Run, helping to raise money for equipment and maintenance for Little Horsted primary school, East Sussex

TR Holland is supplying parts and support for a solar-powered boat developed by students from the HAN University of Applied Sciences in the Netherlands

In co-operation with the Tengku Ampuan Rahimah government hospital, *TR* PSEP Malaysia held a blood donation drive

TR Fastenings hosted the 16th Uckfield Mini Grand Prix featuring over 150 local schoolchildren in its car park in July 2018

TR Fastenings donated sponsorship funds in 2018 in support of the youth teams at Heathfield Cricket Club (HCC), near to *TR*'s headquarters in Uckfield

TR Fastenings is proudly supporting employee Dan Baldock, who after taking a nine year break from racing, built a Rookie Rod racing car for the 2018 race season

TR Fastenings Sponsors Vital Transport Scheme: Access2Healthcare

TR Fastenings is delighted to support the Forget Me Not Children's Hospice, a charity supporting the families of affected young people, through sending a team to compete in the Drive DeVilbiss Charity Golf Day

TR Fastenings is proudly supporting the Exeter Formula Student racing team, competing in Formula Student the most established educational engineering competition in the UK

TR Fastenings' Anjie Baker, Web Project Manager, powers her way to three world records at Powerlifting championships

TR Fastenings Inc is supporting a team of technology students from Cypress Ranch High School in Houston, Texas, who qualified to take part in the National Technology Student Association (TSA) competition

TR Fastenings once again sponsored the Young Employee of the year category at the Uckfield Business Awards 2018

TR Fastenings is renewing its sponsorship of Mick Kirby, the Sussex-based clay pigeon shooting champion who has successfully competed in the sport across the globe since overcoming a stroke 12 years ago and subsequently having his left arm amputated in 2015

TR Holland is supporting Respo International, an organisation that offers solutions to enable disabled children in developing countries to participate in sports and other activities

TR Fastenings is again sponsoring successful Sussex triathlete Jamie Bedwell, who is about to start another busy season as he continues on his quest to reach the Paris Olympics in 2024

TR Sweden helps students from Stockholm's highly regarded KTH Royal Institute of Technology to design, build and race an all-electric dual-engine single-seater racing car.

Employees raising money

Lynsey Baldock, from the *TR* BBP site in Uckfield, tackled the 5k "Race for Life: Pretty Muddy" challenge for Cancer Research UK

TR's Jenni Morland, European Health, Safety and Environmental Manager has completed the Mighty Hike, an astonishing 26 mile course for Macmillan Cancer Support

A team of footballers from *TR* Fastenings Uckfield supports The Bobby Moore fund for Cancer Research with matches throughout 2018

Teams at *TR* Fastenings in Uckfield and in the Midlands raised money for Children in Need with fancy dress, raffles and cake sales

The team at *TR* Scotland rounded off a year of charitable support for local food banks with a food and toy drive to benefit underprivileged families and individuals

Marketing report

Abi Burnett
Head of Marketing

Sian Whitlock
Marketing Executive

Jessica D'Silva
Marketing Administrator

Tom Dewhurst
Marketing Projects Assistant

Victoria Chappell
Creative Designer

Global branding will continue to be a major focus for the *TR* Marketing team in FY2020, as we work alongside our Group sales team and our 32 locations around the world. From internal brand awareness to external promotion, we develop a wide range of marketing materials for our existing and potential customers across numerous sectors. These materials are then distributed via a number of channels, including email, social media, print and online press and at the various exhibitions we attend throughout the year and across the globe.

Events

Exhibitions always give us a valuable opportunity to showcase our products and have face-to-face conversations with customers, partners and prospects about our full-service provision and industry expertise. In FY2019 we attended 18 events throughout Europe, the USA and Asia, including a number of fastener fairs and vertical shows aimed at specific sectors. The events we exhibit at are always strategically aligned to our targets as a Group, helping to grow our sales and develop relationships in key market areas.

Automotive events

To continue to support our global teams in the ever-evolving automotive sector, we returned to Automechanika Birmingham for the third year running with great success. Our global team exhibited for the first time at Automechanika in Mexico and we also returned to the Elmia Subcontractor show in Sweden to showcase our automotive expertise.

We have already booked to exhibit at each of these automotive events again in FY2020, which indicates the success we enjoy at these exhibitions and the value they add to our business. With the development of the manufacture of electric vehicles (EV) and the infrastructure supporting this rapidly growing market it is important that we are actively demonstrating how our products, service and knowledge can support companies in this sector around the world.

Meet the buyer

We also took part in a range of 'Meet the Buyer' events and forums hosted in Europe and the USA throughout FY2019. These automotive and electronics focused events allow our teams to get in front of key decision makers in these industries and hear first-hand what their priorities and requirements are.

Trade bodies

Another route we take to showcase our credentials is to partner with a number of trade organisations including the Society of Motor Manufacturers and Traders (SMMT) and the North East Automotive Alliance (NEAA). These groups act as a central hub for events, information and knowledge and support the companies supplying into the automotive market as well as the big name brands and OEMs themselves. The NEAA hosts its own events in Sunderland and we work closely with both organisations to share information, gain valuable market knowledge and extend our contact base in the sector.

Fastener fairs

We continue to exhibit at key end-user and distributor events to promote our ever-growing range of proprietary products and specialist fasteners. We were proud to take part in the first ever Fastener Fair USA in April 2018 where we made some excellent connections and held some very insightful conversations. Our teams in the UK exhibited at EMCON in the North East of England and, with a focus on the petrochemical sector, our Norwegian colleagues exhibited our capabilities at Offshore Technology Days in Stavanger, Norway.

Looking forward

FY2020 looks to be another big year for events, as we will continue to exhibit at key shows in line with our target markets. In the UK, we will be exhibiting at Southern Manufacturing and Electronics and our distribution team is set to promote our complete range of branded products at Fastener Fair Stuttgart. We will continue to promote our sector knowledge at a number of industry related events including Battery Tech Expo in the UK and Automotive Engineering in Gothenburg, along with more 'Meet the Buyer' events and forums in order to grow and promote our services.

Marketing material

A crucial part of our role in the Marketing team is to develop and produce relevant sales material for our sales teams around the world to use and benefit from. The range of items we create includes: product and industry specific literature; giveaways; corporate presentations with personalised customer slides; our corporate website www.trfastenings.com, product and service animations and much more. The expertise we have in our team includes marketing, PR, social media, design and web development, so we can work on almost any request from the Group and create engaging, up to date materials.

Brochures

One area we have looked into over the past year is our product literature. For example, working closely with our product specialists we have developed a new brochure for our sheet metal range, incorporating the entire range of sheet metal products that we supply. Our research and experience tells us that customers are now frequently looking online for information, so our new brochure incorporates QR codes that, when scanned, take the customer directly to the relevant product page on our website.

Another example is our Automotive Industry brochure. In line with the exciting and rapid developments in the industry, we updated the brochure to include new information on the developing electric vehicle (EV) market. This includes detail about our supply capabilities into battery pack modules (EVB) and electric vehicle charging units for both commercial and residential use.

We have further plans to develop our brochures in FY2020, including combining all of our plastic hardware information into one document.

Online marketing

One of our key tools remains our global website, www.trfastenings.com. The Marketing team works closely with the *TR* web team to monitor our content and how visitors use our site. Over the last 12 months we have seen significant growth:

- New users: increase of 63%
- Website sessions: increase of 56%

Marketing report continued

"We are always looking to increase the amount of digital campaigns we do in order to widen our reach and deliver marketing materials to more audiences"

Abi Burnett
Head of Marketing

+63%

new website users FY2019 compared to FY2018

+56%

website sessions FY2019 compared to FY2018

Product pages

The product range sections on our website are highly valued and regularly used by both our sales teams and our customers. We have added new enclosure hardware and plastic hardware details to these pages along with our branded ranges of sheet metal fasteners as these continue to grow.

Animations

The web team also has the in-house capability to create product installation animations and animations of our products showing how they work that are now available on the website. In FY2020, we will be developing a new Vendor Managed Inventory (VMI) animation to show customers the step-by-step processes involved.

Product Innovation is still an area of development for us; we introduced the new patented EPW Screw to our website in late 2017 to assess the interest in this new part. So far we have had over 3,500 views on the web page and the part has officially been launched to our customer base with stock now available. This has been supported by a PR launch to the media which has resulted in several pieces of trade press coverage on the EPW screw.

Product and service focus campaigns

We are always looking to increase the amount of digital campaigns we do in order to widen our reach and deliver marketing materials to more audiences. In an exciting new approach for FY2020, we have developed a quarterly Product and Service Focus campaign plan, which brings together a number of different content types distributed across multiple channels, to showcase what we do and how we do it.

We kicked off with security fasteners, working closely with our product specialists to showcase the full range and available tools through email, social media channels (Facebook, LinkedIn, YouTube and Twitter), brand new website landing pages, PR and advertising. All channels link together and using PURLs (personalised URLs) we can track every customer interaction we receive and measure the success of each campaign. These campaigns will be run throughout FY2020 focusing on the proprietary products and services offered by *TR* including sheet metal fasteners, enclosure hardware, plastic hardware, manufacturing, engineering and quality.

Seasonal campaigns

Our seasonal promotions add an element of lighthearted fun to our annual marketing programme and are always well-received by colleagues and customers.

Campaigns run in FY2019 included:

- 'Find the hidden Easter eggs'
- Chinese New Year
- World Cup 2018
- Christmas promotion

In keeping with our increasingly digital focus we have included email, social media and web promotion in these campaigns. This activity significantly boosts visits to our website around the time they are issued: for example, our 'Find the hidden Easter eggs' campaign increased the page views to certain web pages by on average 250%.

PR and press coverage

We continue to achieve a significant number of quality pieces of press coverage, by working closely with our industry specialists on sector trends, industry developments and product innovations. As leaders in our field we have a considerable bank of industry and global knowledge and we have fantastic relations with key publications that always come to us for feedback and contributions. As our company continues to grow and invest in new technology and equipment, it is important that we communicate this through the relevant channels. Press coverage online and in print still has an important place in the marketing mix and are still popular sources of information for our target customer base, with many still preferring the 'physical' feel of a print magazine to the online equivalent.

Showcasing technical expertise

We have also strengthened the type of story we create and distribute to the media over the last 12 months. A good example is the 2,000 word article on EV charging infrastructure we wrote for Government Europa magazine. Using our own internal expertise and significant research into market and global trends, the piece was highly technical and in the style of an industry white paper, positioning us as a credible expert on the topic and within our industry.

Branding

A significant area of development over the last 12 months has been our location branding. The marketing team has supported ten of our global sites with their corporate identity, looking at, in some cases, a full location re-brand and for some, updating the graphics used to showcase our global capabilities. It is vital that all of our sites worldwide reflect the same *TR* corporate identification, so if a customer visits a site in the UK, they expect to see the same branding in the USA, Europe and Asia, building confidence and highlighting *TR* as a global leader.

30%

average campaign email open rate FY2019

+250%

average increase in specific web page views from 'Find the hidden Easter Egg' promotion

Exhibitions FY2019

Fastener Fair
USA
11-12 April

TEC Evertiq
Poland
17 May

JSAE
Japan
23-25 May

Automechanika
Birmingham
5-7 June

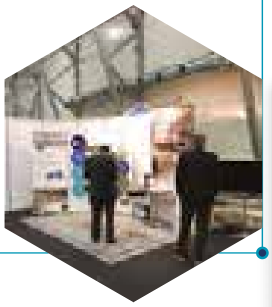
Automechanika
Mexico
11-13 July

Cenex LCV
Bedfordshire
12-13 September

North East Automotive Expo
27 September

Southern Automotive Conference
USA
3-5 October

NDI Meet the Buyer Event
Derby
4 October



Offshore Technology Days
Norway
17-18 October

EMCON
Newton Aycliffe
18 October

CEE Automotive Supply Chain
Slovakia
23-24 October

Advanced Engineering
Birmingham
31 October - 1 November

Elmia Subcontractor
Sweden
13-16 November

Automotive Supply Chain Roadshow
Chris Black, Director of Automotive Business Development, presents
Coventry
22 November

Fastener Fair
Germany
19-21 March

Advanced Engineering
Gothenburg
27-28 March

Battery Tech Expo
Telford
28 March

Developing our websites

Glenda Roberts
Group Sales and Marketing Director

Keith Gibb
Head of Web Development

Peter Webb
Software Development Manager

Anji Baker
Web Project Manager

Tim Vince
Software Developer

Abi Burnett
Head of Marketing

Jo Devlin
Head of Projects Strategic Team

Key stats FY2019 www.trfastenings.com

1.0m
visits
FY2018: 0.7m

3.5m
page views
FY2018: 2.7m

91k
CAD model downloads

Read more online at **www.trfastenings.com**

Technical and commercial website

During FY2019 we added hundreds of new products to our sheet metal, enclosure hardware and security fastener ranges as well as more “how it works” animations which, along with our interactive models, have now been viewed over 50,000 times.

Currently, all the graphics on the website are CGI (Computer Generated Imagery) which is economical, flexible and shows our products clearly. We have increased our capabilities in this area so we can now produce animations to help promote new products and our expansion into new markets. Developing these skills in-house means we can create new digital assets quickly and respond to new markets and opportunities as they arise.

We continue to develop our current website including better utilisation of larger screens to take full advantage of our expanding portfolio of animations and videos. In addition to this, we have a number of other projects planned:

- Increased number of CAD models available for download
- More product data especially products aimed at emerging markets
- A series of in-depth product installation videos to help customers specify the right products for their applications
- A series of CGI videos outlining our Vendor Managed Inventory services for use on the website, in presentations and on YouTube
- A series of CGI videos aimed at emerging market sectors such as electric vehicle manufacturers
- In-depth manufacturing videos/animations showing the various production methods and our own capabilities to help customers better understand the importance of choosing the right fastener supplier

Investor website

Over recent years *Trifast* has seen significant visits to both their corporate and investor websites; these channels are an essential portal for investors, potential investors and all other stakeholders to access contemporary information.

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. Coupled with a number of regulatory changes, we are continuing to focus to ensure that we profile our business, strategy and objectives to investors, customers, colleagues and the media in a clear and concise way.

We believe that it is important to continue to maintain strong communications with all stakeholders and investors. The business continues its development of the 'Holding the world together" theme, launched to coincide with our 45-year anniversary, and this brand was reflected though the website, digital and traditional communications projects during FY2019.

Key features of the website include:

- Home Page delivers key messages and is designed to lead stakeholders to key content easily
- The website is 'fully responsive' and optimised for mobile and tablet devices
- *Trifast* make use of video, web casts and numerous investor tools
- Key messaging is delivered through interactive 'sliders'
- Business Model and insight to *Trifast* is clearly presented
- Strategy is clearly defined
- 'People' feature as a strong and key asset to the business throughout the website

Over 90% of the images on the investor site have been taken in-house around the Group and reflect our people. We are continuing to ensure that we provide the right level of content to the reader which reflects in a clear and easy manner the *TR* culture, business model and performance.

Trifast has previously received several accolades for its websites including winning two IRS and this year it is pleasing to report that we have been shortlisted within the website category at the "2019 IR Magazine Awards – Europe – Celebrating IR Excellence".

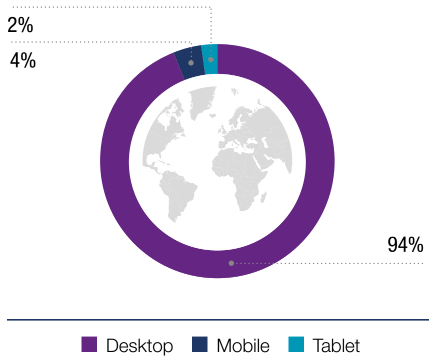
With the change in the research landscape following MiFIDii it is essential for small caps like us to keep the profile in the eye of the investment community. We have always operated an open door for visits and welcome constructive feedback from all stakeholders as this helps us to provide the right level of profile and a better understanding of our business, its people and *Trifast* investment opportunity.

Key stats www.trifast.com
Data for the 3 month period to the 2019 results announcement

13k
visits
2018 comparative period: 7k

21k
page views
2018 comparative period: 19k

Device use in this period



Read more online at **www.trifast.com**

Risk management

Colin Coddington
Group IT Director

John Paton
Global Head of IT Security

Stephen Hopkins
IT Operations Manager

Peter Webb
Software Development Manager

Kerry Moran
Support Desk Manager

Ataur Rahman
Technical Manager

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
Systems Engineer

Dan Perrin
Support Desk Analyst

Cyber Security

As our digital transformation advances and we accelerate the migration of data from on-premise to cloud-based storage, the increased endpoints and resultant growth in attack surfaces, create an entirely new set of risks to mitigate.

During the FY2019, we have focused heavily on logical and physical risk assessments to provide a clearer understanding of our current global estate. Risk management has been a key indicator and driver for identifying information assets and classification, and has provided us with a better perspective when it comes to determining our highest priorities and developing our risk management strategy.

Identifying threat and threat actors continues to be of great importance. Threat intelligence helps us defend against sophisticated attacks by understanding a threat actor's strategies and objectives. Each threat presents a unique challenge and performing analysis through vulnerabilities gives us a likely impact, enabling us to map threats to assets and build a robust cyber defence.

Unfortunately, as with any organisation the biggest risk we face is our own staff. Accidental/intentional insider threat can be equally damaging as an external advanced persistent threat. It is often said that, 'It isn't just the outsider trying to get in who should be feared, it's also the insider as they already have the keys!' Once valuable data has been leaked, there are always criminals who are looking for opportunities to use that data to their advantage. Identity and access management processes, data loss prevention, best practice security controls and user awareness training are all crucial in preventing insider threats.

On 25 May 2018 the EU General Data Protection Regulation (GDPR) was introduced (replacing the Data Protection Directive 95/46/EC) as it was felt that businesses were not taking privacy and the care of personal data seriously. The aim of the GDPR is to protect all EU citizens from privacy and data breaches in today's data-driven world. As with any new legislation, its introduction presented challenges but we overcame these and successfully implemented improved training, data security controls and procedures to meet the new GDPR regulatory policies.

TR Fastenings UK (*TRF*) achieved its first cyber security certification on 15 March 2019. The HM Government Cyber Essentials scheme is designed to help UK organisations improve their defences and demonstrate publicly their commitment to cyber security. The certification means that *TRF* is now qualified to bid for government and other highly sensitive contracts, due to its exceptional standard of base controls in cyber security.

The protection of confidential data and information is something we take extremely seriously. Our customers want to work with partners who can be trusted to access and handle confidential or sensitive information and have measures in place to keep this data safe and secure. Being awarded this certification is not only evidence of our credibility in this respect, but also our dedication to quality and integrity when it comes to customer information.

On 14 April 2018 we became an approved member of the UK Government's Cyber Security Information Sharing Partnership (CiSP). CiSP is a joint industry and government initiative set up to exchange cyber threat information in real time, via a secure, confidential and dynamic environment. Becoming a partner has given us access to early warning notifications, thereby greatly improving our ability to keep up to date with global cyber threats.

ISO/IEC 27001:2013

Our continued effort in information security rewarded us with the achievement of our second year certification from the British Standards Institution (BSI) for Information Security Management System. Achieving the renewal has shown our commitment to information security. It continues to demonstrate a management framework of policies and procedures that will help to keep our information secure and provide confidence to business customers and partners.

Looking ahead, we will continue to reassess our global estate in relation to the ever-evolving threat landscape. Developing a process to periodically evaluate our ongoing programme will be crucial to this and enable us to enhance our cyber security risk management, keeping our most valued assets protected at all times.

John Paton
Global Head of IT Security

Risk management continued

Viability statement

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

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

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 re-financed debt facilities and associated covenants. These financial projections are based on a bottom-up budgeting exercise for FY2020 and FY2021 which has been approved by the Board and a more top down view aligned to the Group's strategic objectives for FY2022. The Group's base projections indicate that the re-financed debt facilities and increased projected headroom provide appropriate flexibility of funding to support the Group's trading and strategic investment plans over the next three years.

In conducting the assessment, the Directors have considered the principal risks outlined on pages 73 to 76 to perform stress testing on the forecast so as to determine the impact on the financial position and performance of the Group. These risks have been identified by the Board, and are actively monitored on an ongoing basis, the most significant of which are considered in more detail on the right:

1. Potential impact that Brexit could have on the business due to foreign exchange movements, the possibility of a general downturn in the UK economy and/or the future impact of WTO tariffs. To date, the impact has largely been in the form of foreign exchange translation tail winds, which have significantly increased our Group results at AER over the last three years. In time there is a risk that this could significantly reverse if the relative value of Sterling were to increase again, although such a reversal will only bring our results back to where we were in FY2016, which was itself a year of strong profitable growth for the Group. We have also experienced some pricing pressures due to the extended weakness of Sterling against the US Dollar and recent increases in raw material pricing. However, 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 UK manufacturing moves in the longer term.

2. A protracted global economic downturn would impact negatively on our ability to continue to grow at current rates. However, as for the majority of customers we still only represent a relatively small proportion of their global fastening spend, even in a time of volume reduction, we would continue to have the opportunity to secure growth via market share increases. As a business, we operate in a very broad and balanced range of sectors and geographies. In addition to which, we have no one customer that represents more than 7% of our Group revenue, and no one end OEM that represents more than 5%. This means that we are not overly dependent on any one customer, market or sector for our ongoing success, which greatly increases our business sustainability even in less certain times.
3. 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 case of these circumstances, we carry an annually renewable Product Guarantee/Recall insurance policy which is underwritten with first class security in the London insurance market. Although, the ongoing negative impact on the business may still be significant whilst the market builds back up its trust in the Group.
4. The risk of a significant cyberattack, or data security breach could incur penalties and have a serious impact on the Group's ability to trade in the short term, with longer term negative implications to our reputation in the marketplace and therefore our ability to meet our growth targets in the medium term. We have made substantial additional investments in to our cyber security, including our back-up data storage and power systems in recent years and have global IT policies in place that are managed by a dedicated in-house team. We continue to invest in IT security and are rolling out ISO 27001 processes around the world. However, in this world of heightened cyber risk, it is not impossible that a circumstance could arise where our trading results are negatively impacted as a result of a cyber threat or data loss.

The scenarios above are hypothetical and purposefully severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group. It is considered unlikely, but not impossible, that the crystallisation of a single risk would test the future viability of the Group. However, as with many companies, it is possible to construct scenarios where either multiple occurrences of the same risk, or single occurrences of different risks could put pressure on the Group's ability to meet its financial covenants. In the case of these scenarios arising, various options are available to the Group in order to maintain liquidity so as to continue in operation such as: accessing new external funding early; more radical short-term cost reduction actions; and reducing capital expenditure. None of these actions are assumed in our current scenario modelling. Although, we note, the additional headroom from the re-finance on 16 April 2019 both supports our strategic investment aims and provides greater security of funds to the Group.

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

Risk management continued

How the business manages risk to achieve our strategic objectives

Trifast's risk management process is designed to improve the likelihood of achieving our strategic objectives whilst continuing to protect the interests of the Group's employees, shareholders and other key stakeholders. The Group are committed to conducting business in compliance with all applicable laws and regulations and in a manner consistent with its values and Global Code of Ethics.

Risk management framework

Main Board

- Ensure that risk is managed across the business
- Defines the Group's appetite for risk
- Assesses the Group's principal risks and opportunities

Executive Board

- Inputs into Main Board's process for setting risk appetite
- Implements strategy in line with the Group's risk appetite
- Leads operational management's approach to risk

Audit Committee

- Monitors and review the effectiveness of the Group's risk management framework
- Reviews, updates and submits the Group's principal risks and uncertainties to the Main Board
- Monitors and reviews the Group's ongoing compliance with relevant laws and regulations

Operational Management

- Create an environment where risk management is embraced and the responsibility for risk management is accepted by all employees
- Implement and maintain risk management processes, including the maintenance and monitoring of the risk register

Employees

- Active in the day-to-day management of risk

Risk appetite

Trifast recognises that the management of risk requires a level of commerciality to enable the business to meet its joint strategic objectives of protecting stakeholder interests whilst creating stakeholder value. The Board therefore takes responsibility for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

Activities in the year

Annual risk review process

On an annual basis the Board, Functional heads and Operational Management team are involved in a detailed risk assessment of the Group's strategic plans. This process focuses primarily on those risks associated with the execution of the Group's strategy and the results are reported to the Audit Committee and the Main Board for consideration and approval.

Compliance with Laws and Regulations

Each year the Group reviews its key policies to ensure ongoing compliance with all relevant laws and regulations, including anti-bribery, whistleblowing and share dealing. The results of this review are reported to the Audit Committee for consideration and approval and reported to the Main Board where appropriate.

Internal audit

The Group operates an internal 'health check' review process which operates on a rotational basis across all business units. These reviews cover both operational and financial controls and are carried out by Senior Group finance personnel. Results of these reviews are reported to the Audit Committee for consideration and reported to the Main Board where appropriate.

Cross functional reviews

A series of functional reviews are carried out on a rotational basis across all business units, including Quality, Supply, IT/Cyber security and HR. All such reviews are conducted by Senior Group functional personnel and the outcome of these reviews are reported to the Main Board and Audit Committee for consideration as appropriate.

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 50.6% 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 been significantly higher in recent years 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 a number of sectors, the Group is better able to manage the risk of regional or industry contractions. As customers move, or expand, we have the capability and flexibility to move with them, whilst our first class customer service works to protect us from rapid supplier changeover We hold less than 1% of a £25bn target market meaning growth via market share remains credible even in a falling market	Although the global economy remains in a period of growth, the wider macro-economic environment is becoming more challenging The political and trade uncertainties surrounding Brexit (see below) and the US/China tariffs have created a less certain climate. Whilst the heightened risk of a Eurozone recession may make conditions more challenging for us in this region in the medium term	↑
Loss of a key customer and debtor exposure	Good relationships with our customers is key to the business. Any lack of holistic support or an inconsistent approach to the trading and management of key global customers across the Group increases our exposure to customer loss Increased trading levels lead to higher debtor balances, raising our exposure to customer failure and bad debt write downs	Our global multinational OEM focus means we are able to build strong head office and local relationships with our key multinational customers, improving our supplier power and helping us to retain and grow key trading relationships for the longer term We maintain strong credit control procedures from new customer set up, through to regular monitoring as trade develops. We also have global catastrophe credit insurance cover	The Group has not in recent years experienced any substantial credit issues and attrition of our key multinational OEMs remain very low	→
Interruption of supply	The Group sources products both internally and externally for customers around the world. If we were unable to supply a customer in line with their ongoing manufacturing requirements the risk, both to our reputation and in terms of potential stoppage penalties, would be substantial	We hold appropriate stock levels to service our customers' needs at all times. Our pan-global presence means we are able to operate along multiple transport routes, shielding us from localised issues. For all key products we maintain multiple sources to ensure adequacy of supply. Our approved vendor due diligence processes also help to mitigate the risk of a supply chain breakdown. We ensure that our top 20 suppliers are visited at least every year to maintain this	In recent times, political and climatic instability have increased in a number of countries across in the world. Where we have encountered issues, our established and flexible logistics have allowed us to continue to offer timely and reliable supply to our customers	→

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 days are a KPI, monitored locally and at Board level. We continue to invest in stock management processes and systems to ensure we keep optimum levels across the world. Our multi-locational set up, allows us to reduce lead times, and therefore stock holding, as far as possible	Customers' requirement and our product mix are ever evolving. Our tight stock management and engineering know-how allow us to view these changes as an opportunity to develop and sell new lines, rather than as a risk to the business	→
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 and PEN tests are routinely carried out across all our sites and we hold ISO/IEC 27001:2013 accreditation in our Group IT function	To date the Group has not experienced any significant cyber security threats or data breaches	→
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	In FY2019, we have seen the negative impact of input price increases on our UK margins. This has reduced margins in our organic UK business by *c*.1.5% If Sterling weakens further, there is a risk that we may see additional negative impacts	↑

Risk management continued

Risk	Description and potential impact	Current mitigation	Has the risk materialised?	Trend
	Post-Brexit trading rules (WTO) A default to WTO rules could have a negative impact on trading between our UK sites and the EU/our EU sites and the UK	As a global group with a number of EU subsidiaries we are in a strong position to manage our supply chain to allow trading routes that bypass a UK-EU or EU-UK transfer to a large extent. We have had a cross-functional Brexit team in place for the last two years who have been carrying out our contingency plans to help mitigate the risks attached to a potential no-deal Brexit scenario The most important element of this planning was a detailed line-by-line review of our UK/ EU supply routes. As a result of this, we invested in an additional *c*.£2.5m of stock ahead of 31 March 2019 to ensure we could comfortably manage the impact of any border disruption arising as the result of a no-deal Brexit	The situation at the moment remains very unclear, but we note that a hard Brexit may lead to a default to WTO rules. We will continue to monitor the situation closely and to review our longer term options, as circumstances develop In the short term, we will continue to hold higher stock levels on both sides of the border to ensure we can keep our supply chains open whatever the final outcome	↑
	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. Although the marked slowdown in investment since the referendum in 2016 may lead to future challenges 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. Our largest UK sector, automotive, has seen manufacturing volume reductions over the last 12 months. Which we expect to continue into FY2020. Although to date, these have been predominantly related to the negative impacts of Diesel-gate, rather than Brexit. Outside of some well-publicised automotive shutdowns in April 2019 to manage the fall-out of a potential no-deal exit, we have seen no evidence of a Brexit-led contraction in UK manufacturing to date. 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	↑

The Strategic report was approved by the Board of Directors on 10 June 2019 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

Profile: Mark Belton, CEO

An extract from the global industrial publication – Fastener & Fixing magazine, March 2019

Not many people's career paths will have started from the top of Mount Kilimanjaro, but that is where it all began for Mark Belton who in February celebrated 20 years at the global fastenings Group *Trifast*, known in the industry as *TR* Fastenings

"At *TR*, we are all about providing the whole package, including a consistent, quality supply of products, backed by excellent customer service"

Mark Belton
Chief Executive Officer

Initially Mark trained as an accountant with a "Big Four" accounting firm. "As soon as I qualified, I left and went travelling. I didn't want to be an auditor as I preferred making the decisions, rather than checking other people's work. Plus, travelling really gave me a greater understanding of working with other nations and cultures."

"It was at the top of Mount Kilimanjaro where, by chance, I met another accountant who was working for a charity organisation in Africa. After learning about the qualities required for such a role, I realised this would be a great opportunity for me to use my skills and travel at the same time. I applied and got a position at the same charity, which was based in Tanzania, Zaire, (as it was then) and Rwanda, working with refugees."

"I worked alongside the UN, getting involved with logistics, admin, finance, dealing with the press; you name it, I got involved in it. It was very much about pulling the team together."

"It was an unbelievable and humbling experience that usually, an accountant would rarely have. Once I got back to the UK, I still had the buzz to work with different cultures, so I became a global accountant – working for several companies before joining *Trifast*, just over 20 years ago."

"One of the beauties of being in a Group finance role is that you are involved in absolutely everything. You are dealing with employees from our operations across the USA, Asia and Europe. By doing this you get to know all the different parts of the business because ultimately every decision made comes back to a financial implication. That was a really good foundation for me to grow within *TR*."

A big impact on the market and *TR* was the financial crisis in 2009. "There was a restructuring of the company and I was involved in getting the business back into shape. We really had to start at the beginning and once again set the foundations. I became Group Finance Director and along with Malcolm Diamond (Chairman), Jim Barker (CEO) and the rest of the Board, began to get morale back into the business and do the simple things right. That progressed very well and we started to grow again and develop our global accounts."

Once back in a profitable position, to help with *TR*'s evolution and to build its position within key markets, the next step was a period of acquisitions. "We added *TR* PSEP (Malaysia), in 2011, *TR* VIC (Italy) in 2014 and *TR* Kuhlmann (Germany) in 2015 to the *TR* family. Adding these companies helped develop our business in key areas, with each adding different qualities and aspects to the overall Group. The most significant factor was that each business we acquired had the same mentality, culture and philosophy as us. A lot of companies talk about having a 'unique culture' but we really have something special. You can go to any of our sites around the world and it is the same culture – investing in people, investing in quality, and treating staff, customers and suppliers with respect and fairness. That ethos is crucial to the way we work and to our success."

As the business grew there were a lot of opportunities to make some step changes, with Mark becoming CEO in 2015. "Jim and Malcolm came to me and encouraged me to apply for the CEO role. Besides the experience I had gathered over more than fifteen years at *TR*, I knew the people in the organisation, I knew the business and, importantly, I knew the culture. Having such a great team within *TR* also made it an easy decision for me to make."

"At times, I see myself like a conductor of an orchestra; my job is to pull together all these instruments to make great music. Being able to collaborate with everyone and guide and support them, is essential. Our people know their functions and roles, so it is a case of letting them know where we are going as a business and motivating them to achieve our goals. They then understand the part they are going to play in delivering the vision."

The Group's strategy of investment has recently continued with the acquisition of UK based Precision Technology Supplies (PTS) in 2018. "PTS has been a great acquisition, it has a strong management team and adds a lot of product knowledge to the Group, especially in stainless steel, which will assist us with our sourcing going forward. The addition of PTS has also improved our position in the distributor sector, an area in which we have been performing phenomenally – not only in the UK but also across the rest of Europe. We have 34 master distributors around Europe, helping us reach the parts we can't reach ourselves – predominantly selling our *TR* branded product ranges."

"As for the end user markets, automotive is a key sector for us and despite the current negative media around this sector, we are continuing to build market share, thanks to our global capabilities and the emergence of new technologies resulting from the ongoing evolution of electric vehicles. We monitor the market closely for the next exciting areas of opportunity and we are flexible enough to move quickly when required."

"At the moment we are seeing automotive companies consolidating their supply chain, preferring global players that they can rely on to deliver a full service across the world. We have our own manufacturing facilities in Asia, Europe, and the UK and we are continuously investing in the quality and capacity of our manufacturing sites, most of which have recently been accredited to IATF 16949, putting us in a very strong position. A key aspect of working with automotive customers is being able to offer the same specific part to different global locations. Thanks to our global network and our shared market knowledge, we are able to deliver the right solution for each customer wherever it is needed."

Profile: Mark Belton, CEO continued

Where *TR* is winning when it comes the automotive industry is by getting its parts 'designed in' to new models and by working with the electric vehicle (EV) sector. "For the bigger accounts, the key thing is staying close to the customer and adding value by getting involved at the early stages of R&D. We have a very strong partnership with our customers. Our engineers talk to the customers' engineers and work with them on applications and solutions, including products into plastics, mouldings and plastic composite. Working with the customer and being able to manufacture the parts ourselves gives us greater control of quality, which is another big positive with customers because they know we are in control of the supply chain."

"When it comes to automotive, it really doesn't matter if a car is electric, hybrid, petrol or diesel, as the majority of our parts goes into the chassis, dashboard, seating, lighting and the interior of a car."

"Going forward, China will be one of the fastest growing areas for EV, as it is dedicated to reducing the high levels of pollution it has in the country. Also, the USA, with a number of start-up EV companies emerging, will be an opportunity. We are keeping close to these markets and our customers' R&D technical centres, as well as focusing on Europe, which is also rapidly developing EV solutions."

"We have set up an Innovation and Technical Centre in Gothenburg, an area in which many of the key players are developing forward-thinking solutions for the automotive market, including EV technology. It is a prime location for us to be based in and we are working on some exciting projects. We will also be opening an Innovation and Technical Centre in the Midlands, UK in the summer and will be working with some big OEMs through our tier 1 customers."

"Interestingly, we are seeing more of our electronic customers entering the EV arena, especially in battery and EV charging units. We have a large presence in the electronics sector and we are already working with customers in this area."

"Electronics is a more competitive market for us, with slightly more commodity items than 'designed in' parts. This often leads to a focus on cost, however, more companies are beginning to realise it's about the total cost of ownership (TCO) rather than the price of individual parts. At *TR*, we are all about providing the whole package, including a consistent, quality supply of products, backed by excellent customer service."

Another key sector for the Group is domestic appliances, which has shown steady growth in recent years. "When we acquired *TR* VIC, it gave us a really good footprint in the domestic appliance sector. *TR* VIC is one of the largest European fastener manufacturers to the white goods sector and, since the acquisition, it has gone from strength to strength. We also enjoy success in Asia, where we have a number of large domestic appliance customers, where having close relationships between our engineers and customer engineering teams is key."

With a head office in the UK, a big unknown for the Group is the potential impact of Brexit. "As soon as it was announced two years ago, we set up a cross-functional Brexit team across the company in the UK, as well involving our European colleagues. We carried out reviews with our customers and with our supply chains, so we understood the whole picture. From that we have Plan A, Plan B, Plan C, etc, based on the eventual outcome."

"Our main concern is around supply delivery, which is why we are increasing our inventory levels. The last thing we ever want to do is stop a customer's production line, so we are taking steps to ensure this doesn't happen. With our Distributors, we are ensuring we have the right products to hand, supported by impeccable quality and service and are there to offer help with any technical issues they may have."

"We are in a good position, but an unknown factor is ultimately, how our customers will be impacted by Brexit. We are staying close to our customers to ensure we fully understand what their requirements will be. This will help us to assist them where necessary, whatever the outcome of Brexit."

Looking to the development of the fastener industry, Mark believes that consolidation is inevitable. "We believe there will be further sector consolidation in the next 5 – 10 years, as it is getting harder for smaller companies to keep on top of increasing changes in legislation and quality requirements. That said, there will always be a place for smaller fastener companies who have carved out a niche for themselves."

"A big 'game changer' for the industry will be digitalisation, which will provide the efficiencies the supply chain needs. That is why we are investing heavily in this area. We have just embarked on a substantial investment programme, Project Atlas. This is the largest organic investment we have ever made, £15 million over four years. Before pushing the green light, our team spent a great deal of time going around the business looking at the IT infrastructure, Management Information Systems and processes, which highlighted the benefits of bringing all of these aspects together within the Group."

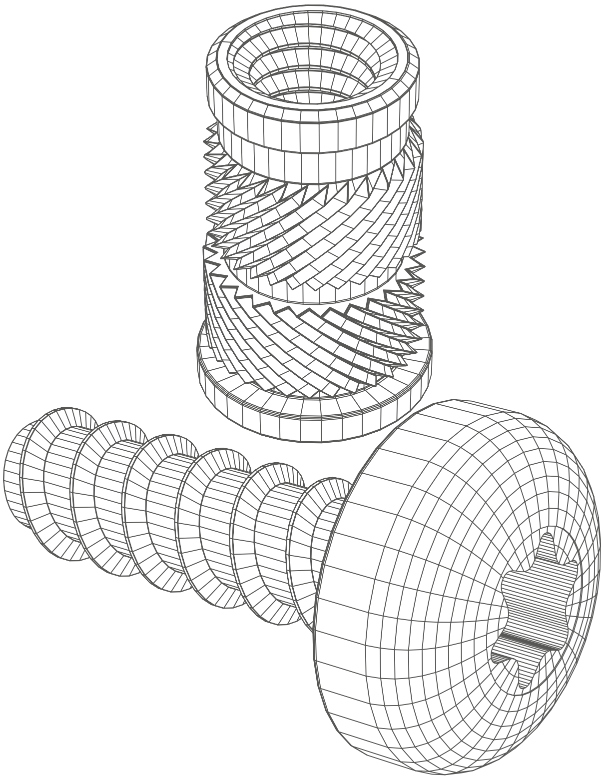
"We are very much a decentralised group, as each site has its own P&L, although, over the top of this we provide Group services to give support (Group sales and marketing, HR, IT etc). From this structure, we benefit by pulling best practice together around the Group and sharing knowledge, skills, customer and supplier information."

"Atlas is an exciting project and it is something we are really embracing. It is not just an ERP implementation, it is a global business transformation, drawing the Group even closer together."

Whilst digitalisation provides a big opportunity within the industry, Mark is clear it needs to go hand in hand with investing in engineering and people. "People buy off people. People want help; they want to know about the part; they want to talk to an engineer about its capabilities and understand the product. We have lots of colleagues at *TR* who have a great deal of product knowledge and our aim is to feed that knowledge down into the next generation via training schemes and apprenticeships. We are committed to developing our people's talent and giving them training and support to reach their potential."

"Equally as important is to increase the capacity and efficiencies of our machines and manufacturing capabilities, to support our external customers and inter-company business alike. To really grow our presence, it is about investing in our people, our capacity, our products and our service, as well as looking for like-minded businesses to join the *TR* family that fit our culture, which is very special."

Will Lowry
Editor
Fastener + Fixing Magazine
www.fastenerandfixing.com



OUR GOVERNANCE

Domestic appliances

Already a major supplier to the main brands in the domestic appliances industry, *TR* continues to develop products and services to support this high volume and demanding industry. Consolidation of the number of parts used and the management of the bill of materials has been a large part of our success in this sector

Applications

- Hot
- Wet
- Cold
- Small appliances
- Catering
- Special components

Introducing the lead team

N R IN

Malcolm Diamond MBE
Non-Executive Chairman

Length of service
44 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

N IN

Mark Belton
Chief Executive Officer

Length of service
20 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

IN

Clare Foster
Chief Financial Officer

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

Key areas of expertise
Clare was first introduced to *Trifast* in 1999 (as part of KPMG) and over the last 20 years has developed an in-depth understanding of the business, its values and the key drivers for success.

Financial and treasury management strategy, accounting governance, tax compliance and statutory reporting expertise. Large-scale project management, strategic thinking and consultancy skills support Project Atlas and the wider business in terms of strategic planning, organic investment decisions and the Group's acquisition activities

IN

Glenda Roberts
Group Sales and Marketing Director

Length of service
29 years as Director of *TR* Fastenings Ltd (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

A Audit Committee
N Nominations Committee
R Remuneration Committee
Chairman of Committee
IN Invitation only
Secretary to the Committees

A N R

Neil Warner
Senior Independent Non-Executive Director

Length of service
4 years; appointed to the plc Board on 16 June 2015

Key areas of expertise
Experienced Senior Independent Director with extensive knowledge of international businesses and experience across manufacturing and service sectors 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)

A N R

Jonathan Shearman
Independent Non-Executive Director

Length of service
10 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

A R

Scott Mac Meekin
Independent Non-Executive Director

Length of service
6 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

IN

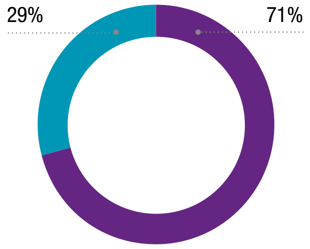
Lyndsey Case
Company Secretary

Length of service
19 years; appointed as Company Secretary 1 April 2016

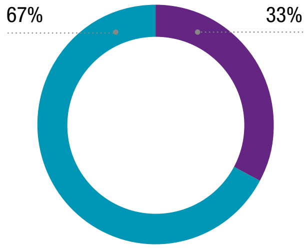
Key areas of expertise
Lyndsey joined the Group's *TR* Fastenings UK finance team in 2000 before moving to the Group finance team in 2006. She is an FCCA and experienced in financial accounting, reporting and compliance

Composition of the Group

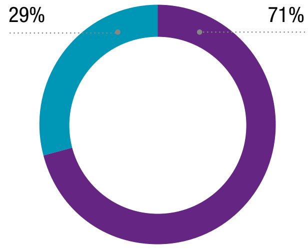
Trifast Board



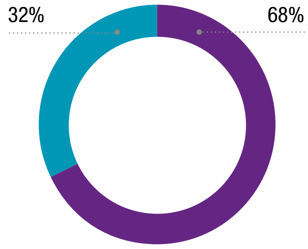
Trifast Executive Board



Executive and Senior Managers



All other employees



Male Female

Framework of corporate governance

The PLC Board is accountable to the shareholders for standards of governance across the Group's businesses. Certain strategic decisions and authorities are reserved as matters for the Board.

The key areas reserved for the *Trifast* Board are:

- Day-to-day operational decisions are managed by the CEO
- Establishing and appraising the overall strategic direction and management responsibility
- Approval of the Group's reports & financial statements
- Recommending or declaring dividends
- Approval of new bank facilities, or significant changes to existing facilities
- Assessment and approval of the principal risks for the business and how they are being managed
- Approval of the viability statement
- Maintaining sound internal control and risk management systems
- Approval of major corporate transactions and commitments
- Succession planning and appointments at senior level
- Review of the Group's overall corporate governance and evaluating the performance of the Board and its Committees annually
- Approval of the delegation of authority between Executives and the terms of reference of all Committees of the Board

Details of terms of reference are available to view on the investor website at **http://www.trifast.com/investors/governance**

The Board

How the Board is structured and works

The collective members of the Board plan and make decisions for *Trifast*, setting the strategic direction, making sure that all risks are managed effectively. Separate Board committees also exist, mostly made up of Non-Executive Directors, to focus on decision making areas that require an independent opinion.

Audit Committee

Members

Neil Warner (Chairman)
Jonathan Shearman
Scott Mac Meekin

Role

Provides effective governance around *Trifast*'s financial reporting and ensures the integrity of its financial statements. Reviews the appropriate accounting policies, monitors internal financial controls, looks at financial risk management and monitors the performance of the external auditor.

Read more about the **Audit Committee** on page 94

Remuneration Committee

Members

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

Role

The non-executive members of the Remuneration Committee ensure that a policy exists for the remuneration of the executive directors that is fair, attracts key executives and rewards progress against *Trifast*'s business strategy.

Read more about the **Remuneration Committee** on page 102

Nominations Committee

Members

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

Role

Regularly evaluates the composition of the Board and the committees so that each is made up of the right people with the right skills, knowledge, experience and independence. The Committee looks closely at succession planning for executive and non-executive directors and senior management.

Read more about the **Nominations Committee** on page 100

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 2019

Results and proposed dividends

Total Group revenue from continuing operations was £209.0m (FY2018: £197.6m) and the profit for the year before taxation was £16.4m (FY2018: £18.5m). Underlying profit before tax for the Group was £23.5m (FY2018: £22.2m); see note 2 for breakdown.

The Directors recommend a final dividend of 3.05p (FY2018: 2.75p) per ordinary share to be paid on 11 October 2019 to shareholders registered at the close of business on 13 September 2019. This together with the interim dividend of 1.20p (paid on 12 April 2019) (FY2018: 1.10p) brings the total for the year to 4.25p (FY2018: 3.85p). The 2019 recommended final dividend has not been included within creditors as it was not approved before the year end. The 2019 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 24 July 2019 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

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 102 to 121. All Directors are now subject to annual re-election, details can be found in the Corporate governance statement on pages 90 and 91. Biographical details can be found on pages 84 and 85.

Substantial shareholdings

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

As at the year end on 31 March 2019, 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
Liontrust Asset Management	12,837,479	10.53
AXA Framlington Investment Managers	11,520,241	9.45
Schroder Investment Management Ltd	10,225,000	8.39
BlackRock Investment Management (UK)	8,865,508	7.27
Castlefield Investments	8,730,000	7.16
Hargreave Hale Ltd	7,375,529	6.05
Mr Michael Timms	6,750,000	5.54
Polar Capital Partners	5,908,001	4.85

As at 1 June 2019, material interests representing 3% or more of the issued share capital of the Company were:

	No. of shares held	% of shareholding
Liontrust Asset Management	12,216,531	10.02%
AXA Framlington Investment Managers	11,520,241	9.45%
Schroder Investment Management Ltd	10,225,000	8.39%
Castlefield Investments	10,015,000	8.21%
BlackRock Investment Management (UK)	8,600,344	7.05%
Hargreave Hale Ltd	7,217,500	5.92%
Mr Michael Timms	6,750,000	5.54%
Polar Capital Partners	5,636,268	4.62%

Employee Benefit Trust ("EBT")

The number of *Trifast* 5p ordinary shares held by the *Trifast* EBT (as funded by the Group) at the 31 March 2019 was 1,317,378 (FY2018: 1,500,000) which represented 1.08% of the fully paid up share capital of the Company as at 31 March 2019 (FY2018: 1.24%). During the year, 182,622 shares were issued to meet employee share obligations but no further shares were acquired. These shares are shown in the own shares held reserve within equity on the balance sheet.

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 90 and 91 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 90 and 91. 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
10 June 2019

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 94 to 121 and in the Viability statement on page 70). Details of substantial shareholdings of the Company can be found on page 88.

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

The Board

During the year, the Board consisted 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 ten 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 relevant 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.

For the first time, and in accordance with the Code, all Directors will now be subject to annual re-election and, being eligible, all 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 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 at least five times a year formally plus for other regular meetings to cover budgets etc., 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 evaluations 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 86 and 87.

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 73 to 76.

Internal audit

As detailed in the Audit Committee report on pages 94 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 known as a ‘health check’, that has been in operation for some years, recently underwent a significant evaluation as part of the initial stages of Project Atlas. Through business process reviews carried out at the entities, a scoping and frequency schedule with different cycle times for each entity based on size and risk profile, was introduced to replace the previous rotational timetable. Whilst the Board recognises that this process does not constitute a fully independent internal audit, it believes that due to the size of the Group, and the improvements that have been and continue to be implemented 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

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 70. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

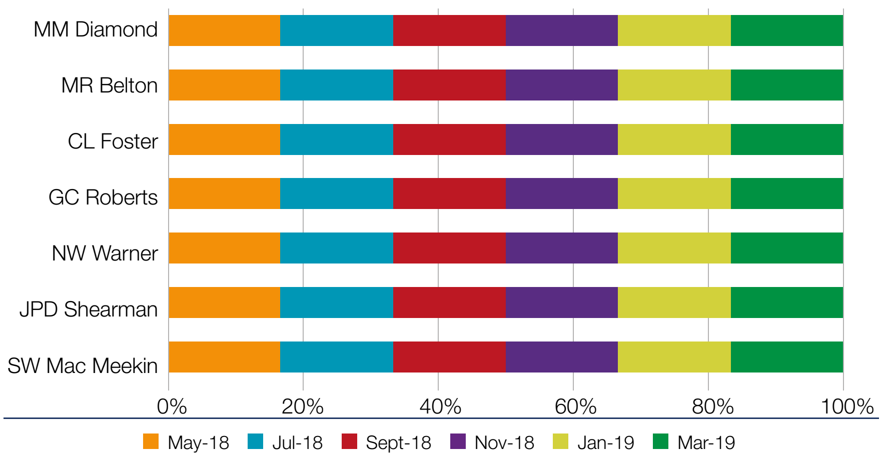
By order of the Board

Lyndsey Case
Company Secretary
10 June 2019

Trifast House
Bellbrook Park
Uckfield
East Sussex
TN22 1QW

Board meeting attendance FY2019

The Board met six times during the period, with 100% attendance from all the Board.



Programme of events

June 2018
Full year results announced

July 2018
AGM and open site visit

September 2018
Investor/Capital markets day & Board meeting, Italy

October 2018
Half-year results announced

January 2019
Exec team Asia visit

March 2019
Continental European investor roadshows

March 2019
New site visit & Board meeting, Belfast

Plans for FY2020
Houston visit – new site

Board activities

Relations with stakeholders

The Board consider that an ongoing dialogue with all shareholders is important and we operate a structured programme throughout the year which are, in the main, arranged with the CEO and CFO.

The AGM, held in July 2018, offered all shareholders the opportunity to meet the Board and listen to a presentation about the Group's progress, as well as dealing with the legal matters of the Meeting. A tour of the site was also offered to everyone which gave shareholders the chance to meet staff within the locations in Uckfield.

Over the last financial year, we held presentations with conference dial in facilities at the time of the Group's half-year (12 November 2018) and full year results (11 June 2019). These were interspersed with 1-1 meetings with investors and potential investors from the UK and overseas. In addition, the *TR* team attended an investor conference and undertook a Continental European investor roadshow with our corporate broker, Peel Hunt.

Capital markets day combined with Global conference

In September 2018 *TR* celebrated 45 years of business and, to mark this milestone, the Board extended an invitation to institutional investors to join them in Italy to visit *TR* VIC, one of the Group's key operations, and to hear a series of business presentations from members of the Group Senior Management Team covering Asia, Europe, USA and the UK. The event was attended by over 60 staff and 15 visitors and was a great success.

Within the hexagons you can read some of the feedback quotes we received. We will be looking to extend this programme over the coming years.

Board meetings

The Board meetings are held at least five times a times a year. In addition to being at HQ in Uckfield, East Sussex, the Board aim to visit at least two sites each year which, in addition to giving the Board the opportunity to see facilities and give ongoing support to the business, gives local management the opportunity to brief the Board on local

"It was clear how well the individuals worked together as a whole and wanted to help each other grow their businesses. I have not seen such culture and camaraderie within an organisation (ever). Everyone also appears supportive of Project Atlas. Though a qualitative assessment, my strong belief is this 'winning company culture' (as Malcolm puts it in the annual report) will be a positive for the share over the longer term. Also, impressively detail-oriented (e.g. number of defects parts per million – and heading in the right direction, Brexit impact could be *c.* 3.7% under WTO tariffs) no one has given us detailed estimates like that thus far."

Fund manager

progress and needs. During this year meetings have been held in Italy, during the 45th capital markets and global conference visit and Belfast, where staff have recently moved into new purpose built premises. For the coming year, it is planned to hold a Board meeting in Houston, USA as part of a new premises location visit.

Operational visits

The senior team place great importance on the interaction with operational locations, with site visits arranged on a regular basis throughout year. This initiative ensures that the management team are available to talk and understand the needs of each business unit and its staff at all levels as they are key to the *TR* network's development and future. The opportunity is taken to discuss plans at a corporate and local level as well as the opportunities and the impact these have on individual business units and their customers. It also provides a platform to gain knowledge and understanding of what's new in the market and where *TR* may have new opportunities and challenges.

Employee engagement

The Board recognise that the Group's employees are its greatest asset. The Board communicate regularly with teams throughout the business via a variety of media including the intranet portal, conferencing and skype. Currently, the Board are reviewing and addressing how to enhance further their dialogue with staff under the new Code's requirement for Board engagement at all levels; we will report further on this next year.

"Organic growth may not shoot the lights out (low single digit) but can be supplemented with acquisition(s) when the right opportunities arise. Key considerations for potential acquisitions are: paying an attractive price, at the right point in the cycle, in the right region, when there is enough management bandwidth (busier with Project Atlas?). Could be greenfield opportunities as well or instead."

Fund manager

"Well-articulated sensible strategy. Investing in people appears much stronger at *Trifast* than other companies."

Fund manager

Audit Committee report

“The Committee focused this year on the risks associated with Brexit and the volatile external environment, including the valuation of customer specific inventory, the valuation of certain goodwill arising from acquisitions in previous years, the accounting for the acquisition of PTS in the year and the introduction of IFRS 15, the new accounting standard for revenue recognition. We also focused on the risks and accounting for costs for Project Atlas. The overall viability and strengthening of available funding was also reviewed”

Neil Warner
Chairman of the Audit Committee

Role and responsibilities

The Committee operates within its terms of reference, which are reviewed on an annual basis. These 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 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 Financial Statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company’s position and performance, business model and strategy
- the Group’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 68 to 77 for Risk Management)
- the external audit process and external auditors, making recommendations to the Board about the appointment, reappointment or removal, and approving the remuneration, the terms of engagement, performance, expertise, independence and objectivity, along with the effectiveness of its scope
- 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 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 yearly 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 has been:

- the integrity, completeness and consistency of financial reporting and disclosures
- the areas where significant judgements and estimates are required in the financial statements (during the year at, and post, the balance sheet date)
- 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
- 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 that are in place mitigate the Group's exposure to this risk

Financial reporting and significant financial risks

The Committee concluded that there were six 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 that provisions made for customer specific, slow moving and obsolete inventory are adequate.

Valuation of certain goodwill (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.

Acquisition accounting for PTS (in the year)

The determination of the value of intangible assets acquired as part of a business combination requires a cost, market or income approach to be taken. The intangible assets identified on the acquisition of PTS have been valued by external valuer Global view Advisers using the income methodology. The main assumptions used to establish value were profitability, growth, discount and tax rates. The Committee reviewed the conclusions reached and held discussions with management and KPMG. The Committee concurred with management's conclusion that the intangible assets are appropriately valued.

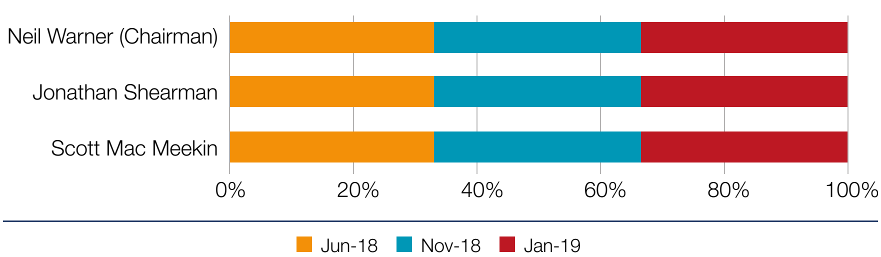
Brexit uncertainties

Brexit is one of the most significant economic events for the UK and at the date of this report its effects remain very uncertain. A cross-functional Brexit team has been in operation for the last two years to help assess the Brexit-related sources of risk to the Group's business and financial resources and to carry out our contingency plans to help mitigate these risks. The carrying amount of certain assets depend on assessments of the future economic environment and the Group's future prospects and performance. Where relevant, when determining these asset values, management have considered the full range of reasonably possible scenarios resulting from Brexit uncertainty. Significant Brexit-related disclosures have been included in the Strategic Report to provide an overall picture and understanding of the risks involved. The Committee has reviewed the conclusions reached and the actions taken by the Brexit team and considers them to be adequate. Relevant asset valuations and disclosures have also been reviewed and the Committee considers these to be appropriate.

Going concern

The impact of Brexit on the Group's supply chain may adversely affect the Group's available financial resources. The continued availability of existing financing facilities and the reasonableness of forecasts have been considered by management and reviewed by the Committee. No material issues were identified. The new banking facilities signed on 16 April 2019 provide significant additional headroom and flexibility of funds. The going concern and viability statement disclosures in the Strategic Report have been reviewed by the Committee and are considered acceptable.

Audit Committee attendance FY2019



Audit Committee report continued

KPMG are also required to report on key audit matters in its 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.

Parent Company: recoverability of investments in subsidiaries (recurring)
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', where all business units are the subject of a health check on a rotational basis, has been in operation for some years. This recently underwent a significant evaluation as part of the initial stages of the Atlas Project. Through business process reviews carried out at the entities, a scoping and frequency schedule with different cycle times for each entity based on size and risk profile, was introduced to replace the previous rotational timetable. Looking ahead this process will continue to be developed, and will also take into account the impending implementation, roll-out and post implementation stage of the Atlas project.

The reviews, covering both operational and financial controls, are carried out by senior Group finance and IT 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, it believes that due to the size of the Group, and the improvements that have been and continue to be implemented this provides appropriate comfort as to the operational and financial controls in place.

Risk management and 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 monitors the Company's risk management and internal control systems and, at least annually, carries out a review of their effectiveness which should cover all material controls including financial, operational and compliance 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 FY2019 these risks were: the valuation of customer-specific inventory, valuation of certain goodwill, acquisition accounting for PTS (in the year), Brexit uncertainties, going concern and Parent Company recoverability of investment in subsidiaries. More detail is set out in KPMG's report on pages 126 to 135. As with last year, KPMG is now required to report on key audit matters in its 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.

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 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.

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 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 2019 AGM. With FY2020 being KPMG's last year for the audit, the Committee is planning an audit rotation tender process to be carried out over the next financial year. The results of this will be communicated in next year's annual report.

Audit Committee report continued

Read the **Director's summary biographies** on pages 84 and 85

Committee membership and attendance

The Audit Committee consists of the three independent Non-Executive Directors. 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 Committee met three times during the year and on two of these occasions, the Committee members also had discussions with the external auditor KPMG LLP ('KPMG') without the Executive directors present.

The Board is satisfied that the members of the Audit Committee, have both recent and relevant breadth of knowledge, experience and financial dynamics to effectively fulfil their responsibilities and competence relevant to the sector in which the Group operates. The Directors' summary biographies can be found on pages 84 and 85 of this report.

All Committee meetings are held to coincide with key dates within the financial reporting and audit cycle. 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 for the open discussions that take place at our meetings and the importance they all attach to its work.

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 governance requirements regarding the Annual Report. We consider that, taken as a whole, the 2019 Annual Report is fair, balanced and understandable with appropriate references being made throughout the various sections, which we hope you will find helpful in understanding the information and disclosures contained within them.

On behalf of the Audit Committee

Neil Warner
Chairman of the Audit Committee
10 June 2019

Nomination Committee report

"We have a strong and balanced Board with a range of complementary skills to support the strategic and operational direction of the Group"

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.

Currently, the Committee is considered not to comply with the corporate governance code in terms of its composition as the majority of members are not deemed to be independent. However, the Board consider that the balance of members of the Nominations Committee is correct and appropriate for the size and complexity of the *TR* business. To complement and support the Committee, other Board members are invited to the Nominations meetings as and when required.

There were no membership changes in the Board or Committees during the year. The Board also acknowledges and understands the importance in terms of composition and keeps these matters under review. As part of our review process we also evaluate succession plans for the Non-Executive Directors, the Executive Directors and the Group's senior management.

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 and met three times during the year.

Boardroom diversity

Appointing the most talented and experienced people to the Board and Senior Management is critical to the ongoing success of the Company. The Board is proud of the diversity within the Group and monitors and reviews our position in this area. 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 FY2019 comprised a gender balance with 67% female / 33% male.

Succession planning

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

We have a great track record for recruiting and developing the talent pool internally. This is clearly evidenced through the Company's HR development programmes at all levels and at Senior level the Group has prospered based on promotion from within.

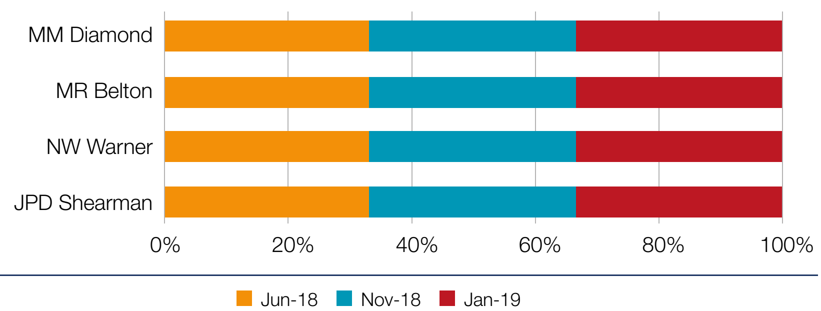
It has been very gratifying to oversee a very successful transition since 2015 of Mark Belton into the CEO role, and his successor into the role of CFO, Clare Foster, both of whom are now in their fourth year of office. My decision to move from Executive to Non-Executive Chairman in April 2017 was justified by the significant progress the Company had made since 2009 and the development of the Senior Management team at both Board and Operational levels.

The Senior Executive team has the responsibility for the overall leadership of the Group, driving the successful implementation and execution of the strategy.

I strongly believe that the current leadership team has the right mix of 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
10 June 2019

Nominations Committee attendance FY2019



Directors' remuneration report

"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"

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 FY2019 which has been prepared by the Committee in accordance with the relevant legal and accounting regulations, then approved by the Board.

This year we have taken the opportunity to refresh certain aspects of our report by including a new "At a glance" summary and providing information on our approach to wider workforce considerations in this statement. Our annual report on remuneration sets out how our Policy was applied during the year and outcomes for our Executive Directors. Finally, in line with our report from FY2018 we have removed the remuneration policy section but it remains available in our FY2017 annual report which can be found on our website at **www.trifast.com**.

Role and activities of the Committee

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.

Since our last report, the main activities of the Committee were as follows:

- Determination of the final remuneration outcomes for the year to 31 March 2019
- Consideration of the appropriate incentive targets for the year to 31 March 2020
- Consideration of our gender pay reporting summary
- Review of the remuneration related implications of the new UK Corporate Governance Code ("Code")

Company performance

Despite some unwelcome distractions we have achieved record Group profits alongside a highly satisfactory ROCE. The Committee would point to the following as some of the highlights:

- Despite the trading headwinds referenced elsewhere in the annual report, organic growth has been sustained with Underlying Group Profit before tax of £23.5m coupled with increased intercompany trading
- Continued investment across the business
- Successful integration of PTS (acquired 4 April 2018)
- Significant progress of Project Atlas, still running on time and on budget
- Shortly after the year end, signing of new banking facilities which provide the capacity to fund both our organic and acquisition ambitions

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

Key FY2019 remuneration outcomes

Annual bonus

In arriving at the annual bonus for FY2019, the Committee first considered the Group's financial performance targets which have a 75% weighting in relation to the overall outcome. In line with the financial targets, given the Company's organic EPS growth, whilst positive, was below threshold (5% growth), no bonus was earned by the Executive Directors for this element.

At the start of FY2019, the Committee established four strategic and operational measures which have a 25% weighting in relation to the overall outcome. Given that the necessary financial underpin (threshold organic EPS performance) was not achieved, in line with the Remuneration Policy there can be no payout under this element such that the Remuneration Committee was not required to test the outcome. However, in line with our commitment to provide as much transparency on these measures as is commercially appropriate, we have set out a summary of them and their achievement on page 107.

Overall, no FY2019 annual bonus is payable for the Executive Directors.

Long-Term Incentive Plan

We made LTIP awards to the Executive Directors during FY2018 and FY2019 with vesting of these awards being assessed over three year performance periods beginning 1 April 2017 and 1 April 2018 respectively. As such, the Committee was not required to assess the vesting of any LTIP awards during the year.

Sharing our success

The strong performance of the Company over a number of years could not have been possible without developing our people. This includes significant training and ensuring they are incentivised to contribute to the best of their ability. We recognise that it is also critical for our colleagues to feel valued as well as to be paid fairly and as such we welcome the Code changes in the area of employee engagement.

Our current focus in relation to engagement has centred around employee surveys. We also published our second gender pay gap report in April 2019. We were encouraged to see that our median gender pay gap of +8.6% (i.e. our female employees are paid 8.6% more than our male employees) and the median bonus gap of zero demonstrates that *Trifast* is an equal opportunities organisation. We are proud that we have bonus schemes covering all employees. Colleagues at that same level have the same bonus opportunity with over 96% of male and 98% of female colleagues receiving a bonus in the year to April 2018. Our gender pay gap report can be found on our corporate website on our corporate website at www.trfastenings.com and extracts have been provided on page 24.

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. To facilitate this we operate a popular Save As You Earn ("SAYE") share plan which is open to all UK employees. We are delighted that a large number of our UK employees are currently enrolled in the SAYE and that a number of colleagues have received significant payouts in recent years reflecting the growing share price (as demonstrated by the 10 year TSR chart on page 116) and allowing them to share in the collective success of the Company.

Wider share ownership also aligns with our remuneration principles by rewarding our colleagues for the successful execution of strategy over a number of years. Therefore, we introduced an equity scheme for Senior Managers in 2016, with around 80 participants, and the further development of this will also continue to be part of our broader remuneration plans. We look forward to the first vesting under the scheme in late 2019.

Directors' remuneration report continued

Implementation of Policy for FY2020

This coming financial year will be the final one of the current remuneration policy. Executive Directors base salaries were increased by *c.*3% from 1 April 2019 in line with the UK workforce, whereas the decision was taken to freeze Non-Executive Directors fees for FY2020.

The annual bonus and LTIP financial and shareholder returns targets alongside the strategic and operational measures have been set to allow the Board to balance the requirement for current growth and investment for future growth. As a result, the EPS targets for the annual bonus have been set at organic growth of 4%, 6% and 8% respectively for threshold, on-target and maximum pay-out. The LTIP EPS growth targets remain unchanged as does the relative total shareholder return (TSR) aspect of the LTIP (see page 110 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 FY2020 (see page 108 for details).

Given the 24% fall in the Company's share price over FY2019, in line with investor guidelines the Committee considered whether to reduce the LTIP award levels for FY2020. However, on the basis that the share price has performed strongly since 31 March 2019 and the fact that executives did not receive a bonus for FY2019, the Committee determined that no such reduction to award levels was warranted. Therefore, for FY2020 the executives will have a maximum annual bonus opportunity of 125% of salary and a LTIP award of 150% of salary.

Compliance with the UK Corporate Governance Code

As set out above, one of the activities of the Committee this year was considering the current compliance of our approved Remuneration Policy and its operation with the new Code. While we were not required to comply with the Code for the current year being reported, the Committee has reviewed the Directors' Remuneration Policy in light of these changes and sets out its response.

Key Remuneration Element of the Code	Alignment with the operation of our approved Remuneration Policy
Five year period between the date of grant and realisation for equity incentives	• The LTIP has a five year period including the performance and holding period, however only 25% of awards are subject to the full five years between grant and release. This aspect of the LTIP will be reviewed as part of the new policy commencing FY2021 which will be put to a shareholder vote at the 2020 AGM
Phased release of equity awards	• The LTIP ensures the phased release of equity awards through annual rolling grants
Extended malus & clawback	• The current malus and clawback provision already meets the best practice suggested in relation to the new Code
Post-cessation shareholding requirement	• The Remuneration Policy does not currently include a post-cessation shareholding requirement but this is an area which the Committee will consider when designing the new policy commencing FY2021 which will be put to a shareholder vote at the 2020 AGM
Discretion to override formulaic outcomes for bonus and LTIP awards	• The Remuneration Policy contains the ability to override formulaic outcomes and apply discretion where deemed necessary
Pension alignment	• The pension arrangements for Executive Directors, both existing and new promotes or recruits, will be reviewed as part of the new policy commencing FY2021 which will be put to a shareholder vote at the 2020 AGM

The Committee also discussed the implications of provision 40 of the Code and determined that clarity, simplicity, risk, predictability, proportionality and alignment to culture will be key factors considered in the design of the new remuneration policy commencing in FY2021. Decisions in relation to each of these factors will be disclosed in next year's remuneration report and voted on at the 2020 AGM. We are also mindful that legislation was introduced which requires companies to disclose CEO pay ratios. In line with these regulations we will disclose the ratios from next year and we will consider this closely over the next year to determine what meaningful information we can provide to shareholders.

Looking ahead

We are committed to embracing new developments in regulation and in particular note the revised Code which has been finalised for adoption in financial years commencing on or after January 1 2019. As set out above, full consideration will be given to any areas of the Code where we are currently not fully compliant as part of presenting a new Remuneration Policy to shareholders for approval at our 2020 AGM.

The Committee always welcomes engagement with shareholders and to date this has primarily taken place at the AGM. In the coming months, we look forward to engaging with shareholders (in line with Provision 41 of the Code) in a more detailed manner around the new Remuneration policy.

From a business context, despite the more uncertain macroeconomic environment and coming off a year of record profits, we remain totally 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
10 June 2019

How did we perform during FY2019?

Financial performance metrics for the year

Total revenue
£209.0m
up 5.7% from FY2018

Underlying EBITDA
£26.4m
up 7.3% from FY2018

Total Shareholder Return
66.8% growth
18.6% compound annual growth rate
over past 3 years
no LTIPs yet vested

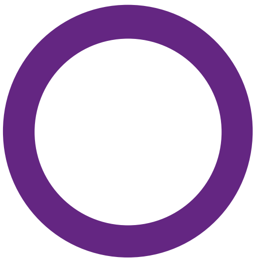
Underlying Diluted EPS
14.53p
up 5.4% from FY2018, with organic growth below threshold of 5% resulting in nil annual bonus

Directors' remuneration report continued

Remuneration at a glance

Mark Belton

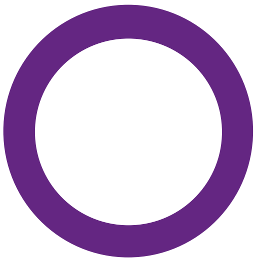
FY2019 **£367k**



FY2018 £629k

Clare Foster

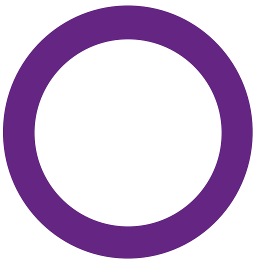
FY2019 **£286k**



FY2018 £487k

Glenda Roberts

FY2019 **£271k**



FY2018 £452k

■ Total fixed pay* ■ Bonus ■ LTIP

* Base salary, benefits, pension

No LTIP payouts as no awards yet at vesting date

Annual Bonus Measures	Link to strategy	Key stakeholders
EPS organic growth	• Linked to shareholder value • Key measure of organic growth • Focus on sustainable investment	• Shareholders

Strategic and operational	• Focusing on
	  • Financial and operational excellence
	  • Growth strategy
	  • Customer satisfaction
	  • Employees
	  • Risk mitigation
		• Customers and communities
		• Shareholders
		• Colleagues

LTIP Measures	Link to strategy	Key stakeholders
EPS growth	• Linked to shareholder value • Key measure of total growth • Focus on sustainable investment • Focus on quality acquisitions	• Shareholders
Relative TSR	• Linked to shareholder value • Focus on outperformance	• Shareholders
Shareholding guidelines	• Linked to shareholder value	• Shareholders

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, its operation in FY2020 and a summary of our approach to the revised Corporate Governance Code ("Code"). 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 FY2020
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 FY2020 have been increased by *c.*3%, in line with the UK workforce, and are as follows: • Mark Belton: £310,000 • Clare Foster: £237,500 • Glenda Roberts: £215,000
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	For current Executive Directors this will be a 20% of salary pension contribution plus the cost of providing the benefits The pension arrangements for Executive Directors, both existing and new promotes or recruits, will be reviewed as part of the new policy commencing FY2021 which will be put to a shareholder vote at the 2020 AGM

Element	Summary of current Policy	Operation for FY2020
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 FY2020 financial year the maximum annual bonus is 125% of salary and pay-outs for all Executive Directors will be as follows (as a % of maximum): • Maximum EPS : 75% – 100% • On target EPS: 45% – 70% • Threshold EPS: 10% – 35% • Below Threshold EPS: Nil The full list of performance conditions for the annual bonus will be disclosed in the FY2020 Annual Report on Remuneration The Committee notes ISS's requirement that no more than 50% of maximum be paid out for On target performance. The current plan is already partially compliant as can be seen from the table above, and this will be reviewed as part of the new policy commencing FY2021 which will be put to a shareholder vote at the 2020 AGM

Directors' remuneration report continued

Element	Summary of current Policy	Operation for FY2020
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 FY2020 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) The Committee notes the Code provisions in relation to LTIP's having a 5-year period between grant and release and containing sufficiently robust malus and clawback clauses. On review, the Committee determined that the LTIP is already compliant with regard to malus and clawback and partially compliant when considering the 5-year period. The latter will be reviewed as part of the new policy commencing FY2021 which will be put to a shareholder vote at the 2020 AGM
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 and this is disclosed in the annual report on remuneration. At present, the requirement does not apply post cessation of employment. However, this will be reviewed as part of the new policy commencing FY2021 which will be put to a shareholder vote at the 2020 AGM
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	All Non-Executive fees for FY2020 have been frozen

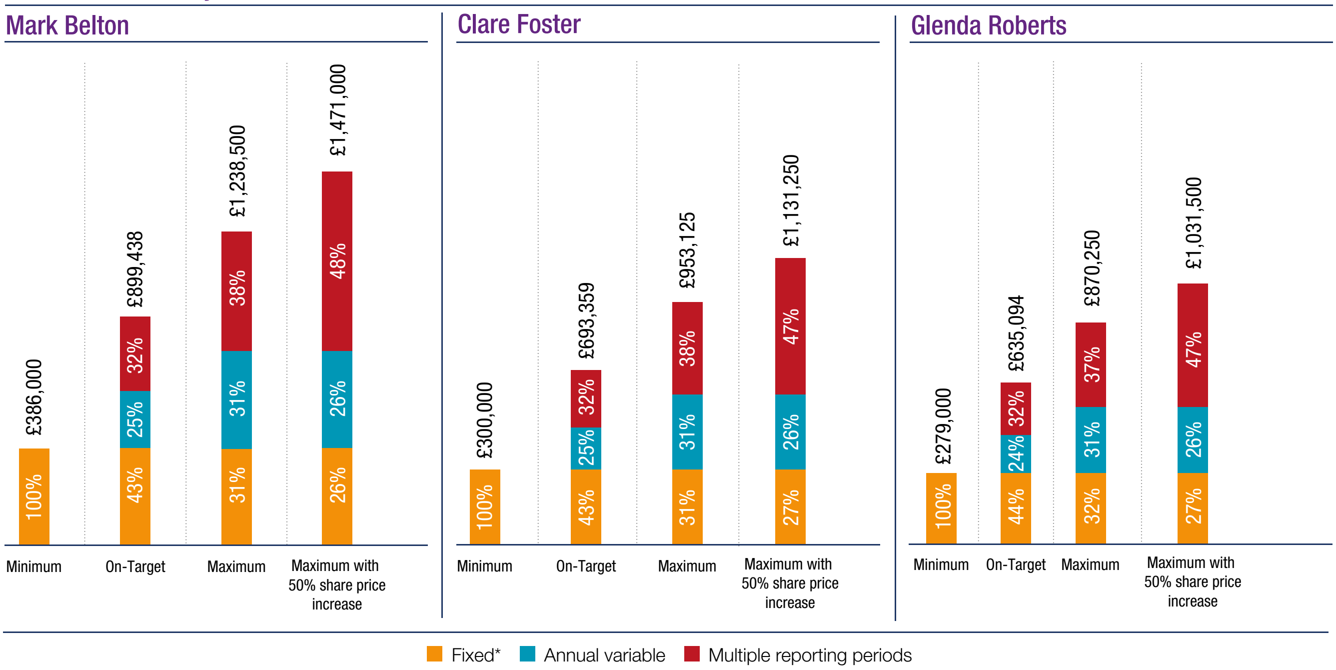
The Policy also provides the Committee with a general discretion providing it with the ability to scale incentives outcomes upwards or downwards taking into account corporate performance, amongst other things. However, it is the Committee's Policy that there should be no element of reward for failure 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.

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 FY2020:



* 'Fixed' includes salary, pension payments and all benefits (as detailed on page 112)

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 the proposed Policy for the financial year ending 31 March 2020 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)
Maximum with 50% share price increase		100% of maximum (125% of salary)	100% of maximum (150% of salary) with 50% share price increase

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

Directors' remuneration report continued

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 2019.

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[5]	Pensions[3] £000	Total £000
MR Belton	**300**	**14**	**–**	**–**	**–**	**53**	**367**
Prior year	300	14	262	–	–	53	629
CL Foster	**230**	**15**	**–**	**–**	**–**	**41**	**286**
Prior year	230	15	201	–	–	41	487
GC Roberts	**210**	**23**	**–**	**–**	**–**	**38**	**271**
Prior year	210	21	183	–	–	38	452
GP Budd[4]	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Prior year	210	17	183	–	–	36	446
Totals	**740**	**52**	**–**	**–**	**–**	**132**	**924**
Prior year totals	950	67	829	–	–	168	2,014

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 and Glenda Roberts were members of the Company's non-contributory pension plan in FY2019 (FY2018: Mark Belton, Clare Foster, Glenda Roberts and Geoff Budd). 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. All Executive Directors choose to receive a contribution of £10,000 into their pension and to take the remainder, after a deduction for Employer's National Insurance, as a cash allowance, therefore the figures in the table above reflect this
4. Geoff Budd stepped down as an Executive Director on 31 March 2018
5. Additional details on LTIP awards are set out below under section (1) (ii)

Additional details for variable pay element of remuneration

(i) Annual bonus for year ended 31 March 2019

For the year end 31 March 2019 the Executive Directors had a maximum annual bonus opportunity of 125% of base salary. For each Executive Director, the FY2019 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. In line with policy, the strategic and operational measures will only pay-out if threshold EPS performance has been achieved to ensure alignment between the annual bonus outturn and underlying corporate performance. The table below provides information on the targets for each measure, actual performance and the resulting bonus payment for each Executive Director:

Measure	Weighting	Performance required: Threshold	Performance required: On-target	Performance required: Maximum	Actual performance: Actual	Actual performance: % of maximum payable	Achievement as % salary	Bonus value £'000: MR Belton	Bonus value £'000: CL Foster	Bonus value £'000: GC Roberts
Organic underlying EPS growth*	75%	5.0%	7.5%	10.0%	0.6%	0%	0%	–	–	–
Strategic and operational measures	25%	Objectives based on strategic and operational targets			See below	0%	0%	–	–	–
					Total bonus achieved in FY2019		**0%**	**–**	**–**	**–**

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

FY2019 organic underlying EPS growth was below threshold performance of 5.0% growth required for any pay-out under the financial element of the annual bonus.

The Committee introduced the strategic and operational element of the annual bonus from FY2018 onwards 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 108 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.

On the basis that the threshold EPS performance level was not achieved, the pay-out from the strategic and operational measures is automatically set to nil such that the remuneration Committee was not required to test their achievement for FY2019. However, in line with our commitment to provide as much transparency on the strategic and operational measures as is sensible, we set out below a summary of these measures and their achievement for FY2019:

Objective	**Link to strategy**	**Achievements**	**Outcome**
ROCE: Minimum of 15%	ROCE is a financial key performance indicator	ROCE of 18.8%	Achieved
Financial & operational excellence: 'Atlas'	Project Atlas is a major plank in integrating the business to create the *Trifast* of tomorrow	This measure was split into two equal parts: 1. On time, measured as completion of the analysis phase 2. On budget, measured against an agreed budget for FY2019 of £4.7m	Achieved
Growth strategy: Increase in intercompany trading	Part of *Trifast*'s growth strategy is to buy more of what we manufacture in house	This measure was split into two parts which between them considered the process behind and an absolute % of intercompany trading. This aspect of our strategy is ongoing and as such is deemed commercially sensitive. However, to provide an indication of quantum, the second part of this measure required a significant increase in the absolute % of intercompany trading	Achieved
Risk mitigation: Operational structure & succession	Consideration of an appropriate structure where each role has the most capable occupant is essential to quality, long term growth	This measure was split into two equal parts. The Committee continue to believe that this aspect of *Trifast*'s development is commercially sensitive and therefore no further details will be given at this time	Partially achieved

Overall, there is no FY2019 annual bonus payable for the Executive Directors (FY2018: 87.25% of salary). Despite this, the Committee acknowledged that the management team performed well during the year and would point to the highlights set out below which give some of the specifics behind this belief:

- Despite the trading headwinds referenced elsewhere in the annual report, organic growth has been sustained with Underlying Group Profit before tax of £23.5m coupled with increased intercompany trading
- Continued investment across the business
- Successful integration of PTS (acquired 4 April 2018)
- Significant progress of Project Atlas, still running on time and on budget
- Shortly after the year end, signing of new banking facilities which provide the capacity to fund both our organic and acquisition ambitions

Directors' remuneration report continued

(ii) LTIP awards vesting in the year ended 31 March 2019

No long-term incentives completed their performance period during FY2019 such that there is no disclosure in the single figure table of remuneration above. The first grant under the LTIP made in FY2018 will be included in the single figure table for the year ended 31 March 2020 as its performance period will end on that date.

(iii) LTIP awards granted in the year ended 31 March 2019

The table below sets out the details of the LTIP awards granted on 23 July 2018 where vesting will be determined according to the achievement of certain performance measures.

Director	Type of award	Award as % of base salary	Face value of award £000s[1]	No. of shares under option	Vesting period
MR Belton	Nil-cost option	150%	£450,000	200,000	3 years from grant
CL Foster			£345,000	153,333	
GC Roberts			£315,000	140,000	

1. Calculated using a share price of £2.25 being the closing share price on 20 July 2018 (the last business day prior to the grant date of 23 July 2018)

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 2018	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 2018	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	**125**	**–**	**–**	**–**	**125**
Prior year	150	–	–	–	150
NW Warner	**42**	**8**	**5**	**5**	**60**
Prior year	42	8	5	5	60
JPD Shearman	**42**	**8**	**5**	**–**	**55**
Prior year	42	8	5	–	55
SW Mac Meekin	**42**	**–**	**8**	**–**	**50**
Prior year	42	–	8	–	50
Totals	**251**	**16**	**18**	**5**	**290**
Prior year totals	276	16	18	5	315

3) Payments to past Directors and for loss of office

No such payments were made in the year to 31st March 2019. As disclosed in last year's Annual Report on remuneration, GP Budd's FY2015 Deferred Equity award vested in the year to 31 March 2019. The value of this award was fully disclosed in the FY2015 single figure table of remuneration.

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	Total of all interests at 31 March 2019	Shareholding requirement met?[4]
Executive Directors								
Mark Belton	314,960	350,000	502,769	616,467	416,346	16,822	1,285,937	Yes
Clare Foster	241,469	–	180,335	95,577	319,198	16,822	516,355	No
Glenda Roberts	220,472	237,571	248,428	374,206	291,442	–	777,441	Yes
Non-Executive Directors								
Malcolm Diamond	N/A	812,371	457,685	N/A	N/A	8,411	1,278,467	N/A
Neil Warner	N/A	22,750	N/A	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	N/A
Scott Mac Meekin	N/A	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 from 27 July 2017, the date the current remuneration policy was approved by shareholders. Share price based on 31 March 2019 of £1.905.
2. Including options exercised in the year
3. Total of current beneficial holding and post-tax/NI (as applicable) deferred equity awards subject to continued employment only
4. The Committee is comfortable that Clare Foster is on track to meet her shareholding requirement by 27 July 2022

The aggregate gains made on exercising share options in the year totalled £0.9m (FY2018: £1.8m)

Annual report on remuneration – unaudited information

5) Service agreements and letters of appointment

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

	Notice period	Date of signing
Executive Director		
MR Belton	12	26 July 2012
CL Foster	12	1 October 2015
GC Roberts	12	26 July 2012
Non-Executive Director		
MM Diamond	3	1 April 2017
NW Warner	3	16 June 2015
JPD Shearman	3	26 July 2012
SW Mac Meekin	3	25 April 2013

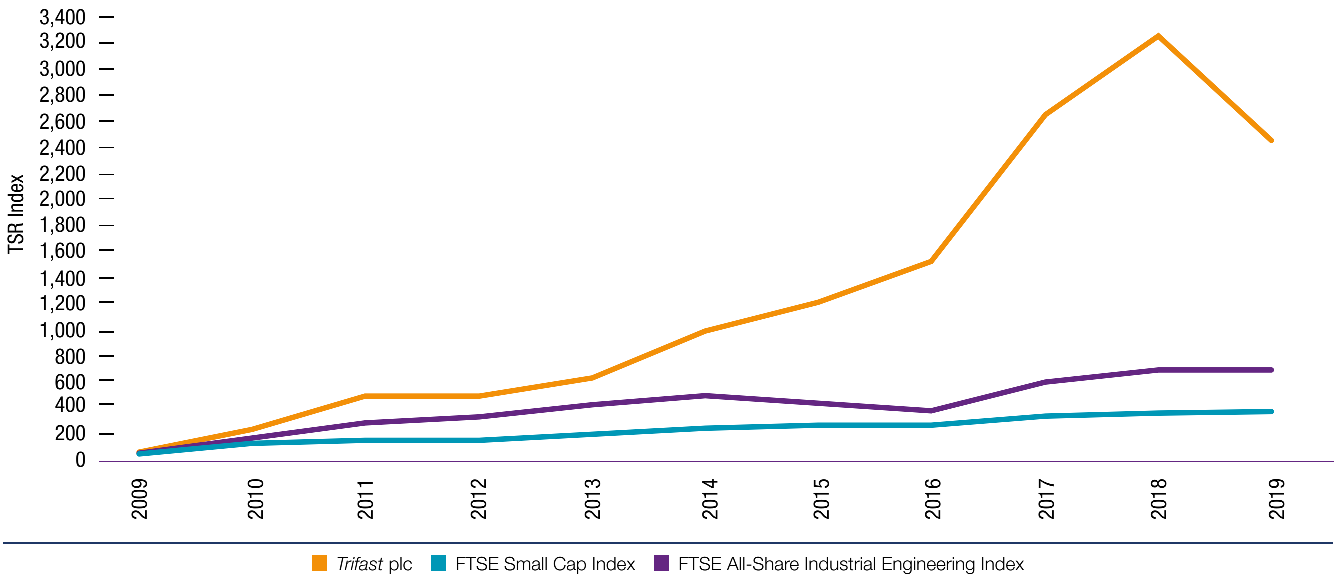
When setting notice periods, the Committee has regard for market practice and corporate governance best practice. For new appointments the notice period for Executive Directors will be set at 12 months and at three months for Non-Executive Directors. The Director contracts are kept at the Company's registered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

Directors' remuneration report continued

6) 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 ten 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.

Ten year TSR graph



7) 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 ten years:

Year	Total remuneration £000	Annual cash bonus pay-out against maximum	Equity award pay-out against maximum
2019	**367**	**0%**	**n/a*****
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 section (1) (ii) and (iii)

† 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

8) Percentage change in CEO remuneration

The table below compares the percentage movement 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:

		2019 £000	2018 £000	Change
Group CEO	Salary	300	300	0%
Mark Belton	Taxable benefits	14	14	0%
	Annual bonus – cash	–	262	–100%
	Annual bonus – deferred	–	–	0%
UK employees*	Salary	12,336	11,350	9%
	Taxable benefits	608	492	24%
	Annual bonus	652	881	–26%

* 2019 figures do not include amounts for PTS in order to provide a like for like comparison

9) 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 2019	Disbursements from profit during year to 31 March 2018	Change
Dividend distributions	£4.62m	£4.22m	9%
Group spend on pay (including Directors)	£29.96m	£28.27m	6%
Other payroll costs (including bonus)	£8.01m	£9.14m	–12%

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

Directors' remuneration report continued

10) Implementation of Policy for the financial year ending 31 March 2020

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

Element	Policy	
Structure	Base salaries/total fees effective 1 April 2019 are as follows:	
	Mark Belton (Chief Executive Officer)	£310,000
	Clare Foster (Chief Financial Officer)	£237,500
	Glenda Roberts (Group Sales and Marketing Director)	£215,000
	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

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 4% growth for threshold pay-out, 6% for target pay-out and 8% 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 FY2020 as follows; The quantifiable metric will again be a minimum ROCE of 15%. Given the size and continued strategic importance of 'Atlas', a financial and operational excellence measure has been included that will reward a successful pilot before the end of the current financial year. Alongside these two measures, a further measure has been established under the heading of Growth strategy, which is deemed commercially sensitive
- Disclosure of the measures, including the aspects we consider to be commercially sensitive this year, the targets and their achievement will be provided in the FY2020 Directors remuneration report

Element	Policy
	• **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 FY2020. In particular, it will consider whether to use the general discretion to scale incentives outcomes upwards or downwards taking into account corporate performance.

Directors' remuneration report continued

11) 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.

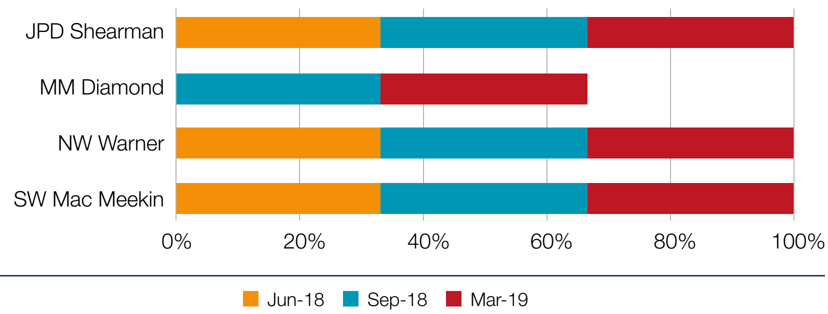
The Committee is composed entirely of the Non-Executive Directors. Members have no day-to-day involvement in the running of the business. No Executive Director sits on the Committee. The Remuneration Committee is formally constituted with written Terms of Reference. A copy of the Terms of Reference is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

Alongside numerous conference calls and meetings with advisors, the Committee had three formal meetings during the year. Three members of the Committee attended each of these meetings, Malcolm Diamond sent his apologies for one meeting due to a prior engagement, but having considered the agenda and papers for that meeting, submitted his observations via the Committee Chairman.

On most occasions, the CEO and CFO were invited to attend to ensure the Committee was in possession of all the relevant facts. The key activities the Committee undertook during the year were; determining the final remuneration outcomes for the year to 31 March 2019, consideration of the impact of the changes to the UK Corporate Governance Code in relation to remuneration policies and practices, consideration of appropriate targets for the year to 31 March 2020, and a review of the Company's Gender Pay reporting including the change from the previous disclosure. 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 £58,000 (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.

Remuneration Committee attendance FY2019



12) 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 2018 remuneration report at the AGM held on 25 July 2018 and the voting on the remuneration Policy at the AGM held on 27 July 2017:

	Votes for	%	Votes against	%	Votes Withheld
2018 remuneration report	80,634,338	99.4	508,831	0.6	3,351
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
10 June 2019

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 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 to 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 is 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 complies 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.

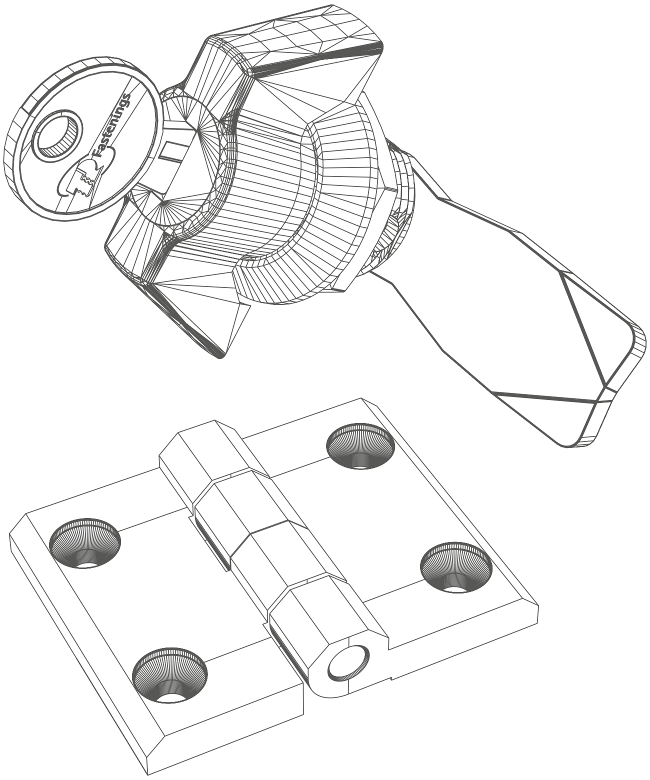
We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

On behalf of the Board

Mark Belton
Chief Executive Officer

Clare Foster
Chief Financial Officer

10 June 2019



FINANCIAL STATEMENTS

Electronics

Within the electronics sector, *TR* supports a huge array of customers who design and manufacture a variety of products. Our aim is to work with designers, production and purchasing staff to deliver the most cost effective fastener solutions on both a local and global basis

Applications

- Robotics
- Elevator/escalator products
- Conveyor systems
- Security & fire products
- Sensors & switches
- Heat pumps
- Water heaters
- Energy meters

KPMG

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 2019 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 2019 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 first appointed as auditor by the directors in 1995. The period of total uninterrupted engagement is for the 25 financial years ended 31 March 2019. 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	£1m (2018: £0.9m) 5.1% (2018: 4.8%) of normalised profit before tax	
Coverage	100% (2018: 100%) of group profit before tax	
Key audit matters		**vs 2018**
Recurring risks	Carrying amount of customer specific inventory	◄►
	Recoverability of certain goodwill	◄►
	Parent company: recoverability of investments in subsidiaries	◄►
Event driven	**New:** PTS acquisition accounting	▲
The UK exiting the European Union	**New:** The impact on our audit of uncertainties due to the UK exiting the European Union	▲
	New: Going concern	▲

2. Key audit matters: including 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 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
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to page 75 (principal risks), page 70 (viability statement) and page 95 (Audit Committee Report).*	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in the carrying amount of customer specific inventory and recoverability of certain goodwill key audit matters below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement 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. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: — **Our Brexit knowledge:** we considered the directors' assessment of Brexit-related sources of risk for the group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. — **Sensitivity analysis:** when addressing the carrying value of customer specific inventory, recoverability of certain goodwill, going concern and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. — **Assessing transparency:** as well as assessing individual disclosures as part of our procedures on the carrying amount of customer specific inventory, recoverability of certain goodwill key audit matters below, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** As reported under the carrying amount of customer specific inventory and recoverability of certain goodwill key audit matters, we found the resulting estimates and related disclosures of inventory and goodwill and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

KPMG

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

	The risk	Our response
Going concern *Refer to page 75 (principal risks), page 70 (viability statement), page 95 (Audit Committee Report) and page 142 (accounting policy).*	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the group and parent company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group's and Company's available financial resources over this period were: ▪ The impact of Brexit on the Group's supply chain. There are also less predictable but realistic second order impacts, such as the erosion of customer confidence, which could result in a rapid reduction of available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	Our procedures included: — **Funding assessment:** evaluating the likelihood of continued availability of existing financing facilities, including reviewing the renewed financing agreement and testing the group's assessment of compliance with debt covenants. — **Historical comparisons:** considering the track record of historical forecasts by comparing previous forecasts to actual results achieved; — **Our sector experience:** evaluating whether the assumptions are realistic, achievable and consistent with the external and internal environment and other matters identified in the audit. — **Benchmarking assumptions:** evaluating whether growth assumptions are within a reasonable range. — **Evaluating directors' intent:** challenging the achievability of the actions the Directors consider they would take to improve the position should the risks materialise, and verifying the reliability and relevance of the data used in the directors' considerations. — **Assessing transparency:** assessing the completeness and accuracy of the matters covered in the going concern disclosure. **Our results** — We found the going concern disclosure without any material uncertainty to be acceptable.

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

	The risk	Our response
Carrying amount of customer specific inventory (Customer specific inventory of £30.3m million; 2018: £27.2 million) *Refer to page 95 (Audit Committee Report), page 145 (accounting policy) and page 164 (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. The effect of these matters is that, as part of our risk assessment, we determined that the value of customer specific inventory has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our procedures included: — **Methodology choice:** assessing whether old and slow moving inventory is provided against in accordance with the group accounting policy and in compliance with accounting standards. — **Historical comparisons:** 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:** inspecting 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 (2018 result: acceptable).
Recoverability of certain goodwill (£10.6 million; 2018: £10.8m) *Refer to page 95 (Audit Committee Report), page 146 (accounting policy) and pages 159-161 (financial disclosures).*	**Subjective estimate** Goodwill is significant and at risk of irrecoverability due to challenging economic conditions, market developments and pricing pressures. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The effect of these matters is that, as part of our risk assessment, we determined that the value in use of certain CGU's containing goodwill have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 12) disclose the sensitivity estimated by the Group. In particular the recoverability of goodwill relating to two CGUs (PSEP and VIC) is more sensitive to changes in forecast assumptions than other components, as PSEP and VIC have the lowest financial headroom in the group'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, and assessing 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 and VIC goodwill and other intangibles. **Our results** — We found the resulting carrying value of goodwill to be acceptable (2018 result: acceptable).

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

	The risk	Our response
Parent company: recoverability of investments in subsidiaries (£41.4 million; 2018: £41.4m) *Refer to page 96 (Audit Committee Report), page 145 (accounting policy) and page 162 (financial disclosures).*	**Low risk, high value** The carrying amount of the Parent Company's investments in subsidiaries represents 45.5% (2018: 53.4%) 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:** comparing the carrying amount of the investments with the value of the subsidiary derived from the current market capitalisation of the group. **Our results** — We found the carrying amount of the parent company's investment in subsidiaries to be acceptable (2018 result: acceptable).
PTS acquisition accounting (£9.4m fair value of assets acquired, including £2.0m of goodwill and £4.8m of intangible assets) *Refer to page 95 (Audit Committee Report), page 144 (accounting policy) and page 182-183 (financial disclosures).*	**Forecast based valuation** IFRS 3 Business Combinations requires the Group to recognise the identifiable assets, liabilities and contingent liabilities at fair value at the date of acquisition, with the excess of the acquisition cost over the identified fair values recognised as goodwill. The purchase price allocation involves judgement, particularly in relation to the identification and valuation of intangible assets and assignment of their useful lives.	Our procedures included: — **Tests of detail:** inspecting the sale and purchase agreements to consider the key terms of the acquisition and identify any unusual clauses in the documentation. Consider whether the acquisition accounting is in line with the sale and purchase agreement. Consider whether the acquisition accounting is consistent with the accounting standards; — **Valuations expertise:** with the assistance of our own valuation specialists assessing the purchase price allocation, including the identification and valuation of intangible assets acquired; — **Our sector experience:** challenging the appropriateness of the useful lives assigned to the identified intangible assets, having regard to the expected use of these assets; — **Assessing assumptions:** assessing the Group's determination of the fair value of the remaining assets and liabilities having regard to the completeness of assets and liabilities identified and the reasonableness of any underlying assumptions; — **Assessing transparency:** we considered the adequacy of the group's disclosures in respect of the acquisition in the financial statements. **Our results** — We found the PTS acquisition accounting, including the purchase price allocation and valuation of intangible assets, to be 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 £1m, determined with reference to a benchmark of group profit before tax, normalised to exclude expensed Project Atlas and business acquisition costs of £19.5m of which it represents 5% (2018: costs of exercise of executive share options, expensed Project Atlas and business acquisition costs and profit on sale of fixed assets, (2018: £18.7m of which it represents 4.8%)).

Materiality for the parent company financial statements as a whole was set at £750,000 (2018: £675,000), determined with reference to a benchmark of company total assets and chosen to be lower than materiality for the group financial statements as a whole, of which it represents 0.8% (2018: 0.9%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £50,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 23 (2018: 22) reporting components, we subjected 13 (2018: 11) to full scope audits for group purposes and 1 (2018: 10) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed. We conducted reviews of financial information (including enquiry) at a further 8 non-significant components 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 £95,000 to £750,000 (2018: £154,000 to £675,000), having regard to the mix of size and risk profile of the Group across the components. The work on 7 of the 23 components (2018: 8 of the 21 components) 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 4 (2018: 4) component locations in Holland and the UK (2018: Holland and the UK) to assess the audit risk and strategy. Telephone conference meetings were also held with these component auditors 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.

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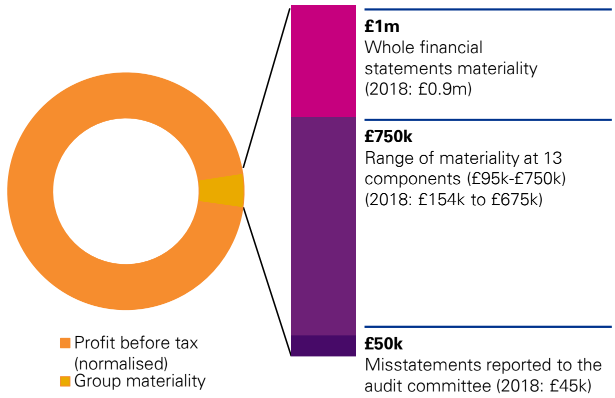
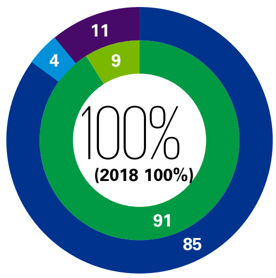
Profit before tax (normalised)
£19.5m (2018: £17.9m)

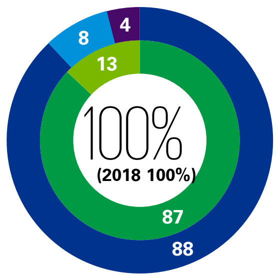
Group Materiality
£1m (2018: £0.9m)



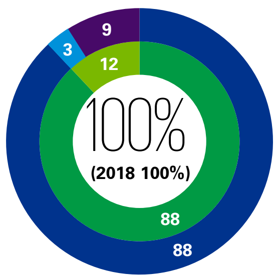
Group revenue



Group profit before tax



Group total assets



- Full scope for group audit purposes 2019
- Specified risk-focused audit procedures 2019
- Reviews of financial information (including enquiry) 2019
- Full scope for group audit purposes 2018
- Specified risk-focused audit procedures 2018

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, 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 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 70 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 viability statement (page 70) 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 viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

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.

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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 122, 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 general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. 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.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law, recognising the nature of the group's manufacturing and distribution activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, 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. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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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

10 June 2019

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Consolidated income statement

for the year ended 31 March 2019

	Note	2019 £000	2018 £000
Continuing operations			
Revenue	3,36	208,952	197,632
Cost of sales		(146,317)	(137,386)
Gross profit		62,635	60,246
Other operating income	4	464	467
Distribution expenses		(4,268)	(4,068)
Administrative expenses before separately disclosed items		(34,635)	(33,932)
IFRS2 charge	2, 22	(2,454)	(2,194)
Acquired intangible amortisation	2, 12	(1,419)	(1,363)
Net acquisition costs	2, 32	(3)	(110)
Project Atlas	2	(3,117)	(375)
Profit on sale of fixed assets	2	–	556
Costs on exercise of executive share options	2	(107)	(244)
Total administrative expenses		(41,735)	(37,662)
Operating profit	5, 6, 7	17,096	18,983
Financial income	8	80	60
Financial expenses	8	(755)	(540)
Net financing costs		(675)	(480)
Profit before taxation	2, 3	16,421	18,503
Taxation	9	(4,177)	(3,417)
Profit for the year			
(attributable to equity shareholders of the Parent Company)		12,244	15,086
Earnings per share			
Basic	25	10.14p	12.54p
Diluted	25	9.90p	12.20p

The notes on pages 142 to 189 form part of these financial statements

Consolidated statement of comprehensive income

for the year ended 31 March 2019

	2019 £000	2018 £000
Profit for the year	12,244	15,086
Other comprehensive income/(expense) for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	148	(846)
Profit/(loss) on a hedge of a net investment taken to equity	466	(680)
Other comprehensive income/(expense) recognised directly in equity	614	(1,526)
Total comprehensive income recognised for the year		
(attributable to the equity shareholders of the Parent Company)	12,858	13,560

Consolidated statement of changes in equity

for the year ended 31 March 2019

	Share capital £000	Share premium £000	Own shares held £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2018	6,068	21,579	(3,437)	13,374	72,705	110,289
Total comprehensive income for the year:						
Profit for the year	—	—	—	—	12,244	12,244
Other comprehensive income for the year	—	—	—	614	—	614
Total comprehensive income recognised for the year	—	—	—	614	12,244	12,858
Issue of share capital (note 24)	27	335	—	—	(9)	353
Share based payment transactions (net of tax)	—	—	—	—	2,213	2,213
Movement in own shares held (note 24)	—	—	418	—	(418)	—
Dividends (note 24)	—	—	—	—	(4,620)	(4,620)
Total transactions with owners	27	335	418	—	(2,834)	(2,054)
Balance at 31 March 2019	6,095	21,914	(3,019)	13,988	82,115	121,093

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 expense 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 (net of tax)	—	—	—	—	2,472	2,472
Movement in own shares held (note 24)	—	—	(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

Company statement of changes in equity

for the year ended 31 March 2019

	Share capital £000	Share premium £000	Own shares held £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2018	6,068	21,579	(3,437)	1,521	21,853	47,584
Total comprehensive income for the year:						
Profit for the year	–	–	–	–	4,577	4,577
Total comprehensive income recognised for the year	–	–	–	–	4,577	4,577
Issue of share capital (note 24)	27	335	–	–	(9)	353
Share based payment transactions (net of tax)	–	–	–	–	2,297	2,297
Movement in own shares held (note 24)	–	–	418	–	(418)	–
Dividends (note 24)	–	–	–	–	(4,620)	(4,620)
Total transactions with owners	27	335	418	–	(2,750)	(1,970)
Balance at 31 March 2019	6,095	21,914	(3,019)	1,521	23,680	50,191

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 (net of tax)	–	–	–	–	2,213	2,213
Movement in own shares held (note 24)	–	–	(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

Statements of financial position

at 31 March 2019

	Note	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Non-current assets					
Property, plant and equipment	10, 11	21,081	20,013	2,469	2,493
Intangible assets	12, 13	44,818	38,401	943	—
Equity investments	14	—	—	41,440	41,440
Deferred tax assets	15, 16	2,129	2,355	683	767
Total non-current assets		68,028	60,769	45,535	44,700
Current assets					
Inventories	17	57,558	49,199	—	—
Trade and other receivables	18	53,782	52,466	44,517	33,257
Cash and cash equivalents	19, 26	25,199	26,222	899	477
Total current assets		136,539	127,887	45,416	33,734
Total assets	3	204,567	188,656	90,951	78,434
Current liabilities					
Other interest-bearing loans and borrowings	20, 26	32,617	21,912	29,123	17,393
Trade and other payables	21	37,207	38,697	5,102	2,429
Tax payable		1,982	1,811	—	—
Provisions	23	—	76	—	—
Total current liabilities		71,806	62,496	34,225	19,822
Non-current liabilities					
Non-current trade and other payables		138	—	—	—
Other interest-bearing loans and borrowings	20, 26	6,739	11,741	6,407	10,896
Provisions	23	959	845	—	—
Deferred tax liabilities	15,16	3,832	3,285	128	132
Total non-current liabilities		11,668	15,871	6,535	11,028
Total liabilities	3	83,474	78,367	40,760	30,850
Net assets		121,093	110,289	50,191	47,584
Equity					
Share capital		6,095	6,068	6,095	6,068
Share premium		21,914	21,579	21,914	21,579
Own shares held		(3,019)	(3,437)	(3,019)	(3,437)
Reserves		13,988	13,374	1,521	1,521
Retained earnings		82,115	72,705	23,680	21,853
Total equity		121,093	110,289	50,191	47,584

The notes on pages 142 to 189 form part of these financial statements.

These financial statements were approved by the Board of Directors on 10 June 2019 and were signed on its behalf by:

Mark Belton Director

Clare Foster Director

Statements of cash flows

for the year ended 31 March 2019

	Note	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Cash flows from operating activities					
Profit for the year		12,244	15,086	4,577	4,677
Adjustments for:					
Depreciation, amortisation and impairment	10, 11, 12	3,672	3,300	80	87
Unrealised foreign currency loss/(gain)		38	(66)	—	—
Financial income	8	(80)	(60)	(38)	(12)
Financial expense	8	755	540	614	397
Loss/(gain) on sale of property, plant and equipment and investments		12	(560)	—	—
Dividends received		—	—	(10,837)	(9,494)
Equity settled share based payment charge		2,414	2,107	1,131	989
Taxation charge	9	4,177	3,417	—	—
Operating cash inflow/(outflow) before changes in working capital and provisions		23,232	23,764	(4,473)	(3,356)
Change in trade and other receivables		(755)	(2,536)	(10,475)	(91)
Change in inventories		(6,036)	(7,674)	—	—
Change in trade and other payables		(2,645)	1,677	2,673	(1,934)
Change in provisions		(12)	(266)	—	—
Cash generated from/(used in) operations		13,784	14,965	(12,275)	(5,381)
Tax paid		(3,877)	(4,849)	—	—
Net cash from/(used in) operating activities		9,907	10,116	(12,275)	(5,381)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		31	1,650	—	—
Interest received		84	61	37	12
Acquisition of subsidiary, net of cash acquired	32	(8,150)	—	—	—
Acquisition of property, plant and equipment and intangibles	10, 11, 12	(4,180)	(3,566)	(999)	(6)
Dividends received		—	—	10,837	9,494
Net cash (used in)/from investing activities		(12,215)	(1,855)	9,875	9,500
Cash flows from financing activities					
Proceeds from the issue of share capital	24	353	214	353	214
Purchase of own shares		—	(3,437)	—	(3,437)
Proceeds from new loan		12,136	5,542	12,136	4,854
Repayment of borrowings		(5,953)	(3,773)	(4,433)	(3,245)
(Payment)/proceeds from finance leases		(2)	66	—	—
Dividends paid	24	(4,620)	(4,218)	(4,620)	(4,218)
Interest paid		(758)	(540)	(614)	(397)
Net cash from/(used) in financing activities		1,156	(6,146)	2,822	(6,229)
Net change in cash and cash equivalents		(1,152)	2,115	422	(2,110)
Cash and cash equivalents at 1 April	19	26,222	24,645	477	2,587
Effect of exchange rate fluctuations on cash held		129	(538)	—	—
Cash and cash equivalents at 31 March	19	25,199	26,222	899	477

Notes to the financial statements

for the year ended 31 March 2019

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 195.

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 £4.6m (FY2018: £4.7m).

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.

In these financial statements the Group has changed its accounting policies in the following areas:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The effect of the changes in accounting policies by the two standards above are not material and therefore no transition adjustments are required. The accounting policies (notes 1j), 1h) and 1n)) and relevant notes to the financial statements (notes 26 and 36) have been updated to reflect the new requirements.

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 44 to 55. 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 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.

1 Accounting policies continued

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.

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.

Notes to the financial statements

for the year ended 31 March 2019

1 Accounting policies continued

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).

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

Expenditure on Project Atlas is capitalised (currently as an asset under the course of construction) as the system is technically and commercially feasible, and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and the Group can measure reliably the expenditure attributable to the asset during its development. The expenditure capitalised is directly attributable to the design and build of the new system and includes the cost of materials and external consultants as well as an appropriate allocation of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses. Currently no amortisation charges are recognised in the financial statements as the asset is not ready for its intended use.

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 the income statement as an expense as incurred.

1 Accounting policies continued

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%
Marketing - related	—	8.3%
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 the transaction price when they originated, and subsequently at amortised cost less impairment losses (see accounting policy (j)). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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 amortised cost. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

v) Trade and other payables

Trade and other payables are recognised initially at fair value plus transaction costs that are directly attributable to its acquisition or issue. Subsequently they are measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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.

Notes to the financial statements

for the year ended 31 March 2019

1 Accounting policies continued

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.

Financial assets measured at amortised cost and contract assets (as defined in IFRS 15) are considered to be credit-impaired if objective evidence indicates that one or more events has had a negative effect on the estimated future cash flows of that asset.

When determining whether objective evidence indicates there is a negative effect on estimated future cash flows, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

For assets identified as credit-impaired, loss allowances for expected credit losses (ECLs) are recognised, as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset where appropriate.

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

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.

1 Accounting policies continued

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.

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.

Notes to the financial statements

for the year ended 31 March 2019

1 Accounting policies continued

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 performance obligation is satisfied and the customer obtains control. 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.

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.

1 Accounting policies continued

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.

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.

Notes to the financial statements

for the year ended 31 March 2019

1 Accounting policies continued

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.

- 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 standard 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. The Group has carried out an initial impact assessment in respect of the adoption of IFRS 16. This estimated impact would result in the recognition of a right of use asset of between £11.3m and £16.3m, a corresponding lease liability of between £12.7m and £17.7m and an equity adjustment between £1.0m to £2.0m.

2 Underlying profit before tax and separately disclosed items

	Note	2019 £000	2018 £000
Underlying profit before tax		23,521	22,233
Separately disclosed items within administrative expenses			
IFRS2 share based payment charge	22	(2,454)	(2,194)
Acquired intangible amortisation	12	(1,419)	(1,363)
Net acquisition costs	32	(3)	(110)
Project Atlas		(3,117)	(375)
Profit on sale of fixed assets		–	556
Costs on exercise of executive share options		(107)	(244)
Profit before tax		16,421	18,503

	Note	2019 £000	2018 £000
Underlying EBITDA		26,449	24,650
Separately disclosed items within administrative expenses			
IFRS2 share based payment charge	22	(2,454)	(2,194)
Net acquisition costs	32	(3)	(110)
Project Atlas		(3,117)	(375)
Profit on sale of fixed assets		–	556
Costs on exercise of executive share options		(107)	(244)
EBITDA		20,768	22,283
Acquired intangible amortisation		(1,419)	(1,363)
Depreciation and non-acquired amortisation		(2,253)	(1,937)
Operating profit		17,096	18,983

There were £nil separately disclosed items in FY2019 (FY2018: £nil) other than the amounts detailed above.

Recurring items

During the period the IFRS2 charge increased, relating to the Board LTIPs and new grants of the Deferred Bonus Award scheme for senior managers. £0.5m (FY2018: £0.7m) relates to the Board deferred equity bonus scheme. £0.6m (FY2018: £0.2m) relates to the new LTIP structure for the Directors. £1.2m (FY2018: £1.1m) represents the charge for the Deferred Bonus Award scheme for senior managers. The remaining £0.2m (FY2018: £0.2m) relates to the SAYE scheme.

IFRS 2 charges have been separately disclosed since adoption in FY2006 and management continue to consider this appropriate whilst the Group remains in a transitionary phase with its share based payment schemes. In FY2018, the Board's remuneration policy substantially changed from a deferred equity bonus structure focusing on a one year performance condition, to the introduction of an LTIP Board bonus scheme with three year performance conditions. In addition, we have also recently introduced a senior manager deferred bonus scheme, the first tranche of which matures in December 2019.

Acquired intangible amortisation has remained in line with prior year. Intangible amortisation relating to acquisitions have been separately disclosed since they do not relate to the trading performance of the respective entities with a charge.

During the year, part of the FY2015 Board deferred equity bonus shares were exercised and the Company incurred £0.1m of employer's National Insurance in relation to these exercises. Last year, the FY2014 Deferred Equity Bonus awards were exercised resulting in the Company incurring £0.2m of employer's National Insurance.

Notes to the financial statements

for the year ended 31 March 2019

2 Underlying profit before tax and separately disclosed items continued

Event driven/one-off items

Net acquisition costs of £0.1m (FY2018: £0.1m) were incurred in the year in relation to the acquisition of PTS on 4 April 2018. This was offset by a £(0.1)m movement in the contingent consideration for PTS.

Project Atlas is a multi-year investment into our IT infrastructure and underlying business processes, budgeted to cost £15.0m. As a consequence of the work undertaken to date on this project, we have incurred direct costs of £3.1m in FY2019 (FY2018: £0.4m), 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 investment will be recorded as a combination of capital expenditure and separately disclosed items, dependent on accounting convention.

A factory, previously rented to an automotive OEM, owned by PSEP was sold in the prior year for £1.7m, generating a profit of £0.6m.

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, India and Philippines

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.

3 Operating segmental analysis continued

March 2019	UK £000	Europe £000	USA £000	Asia £000	Common costs £000	Total £000
Revenue						
Revenue from external customers	76,030	75,395	8,822	48,705	–	208,952
Inter segment revenue	3,040	1,742	178	10,539	–	15,499
Total revenue	79,070	77,137	9,000	59,244	–	224,451
Underlying operating result	8,666	8,423	446	9,445	(2,784)	24,196
Net financing (costs)/income	(99)	(42)	(19)	63	(578)	(675)
Underlying segment result	8,567	8,381	427	9,508	(3,362)	23,521
Separately disclosed items (see note 2)						(7,100)
Profit before tax						16,421
Specific disclosure items						
Depreciation and amortisation	705	1,891	45	951	80	3,672
Assets and liabilities						
Segment assets	57,763	75,407	6,505	59,458	5,434	204,567
Segment liabilities	(20,027)	(14,416)	(492)	(10,759)	(37,780)	(83,474)

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)/income	(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)

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 £16.9m (FY2018: £14.9m) was sold into the European market. Of the Asian external revenue, £5.1m (FY2018: £4.7m) was sold into the American market and £8.6m (FY2018: £5.9m) sold into the European market.

Revenue is derived solely from the manufacture and logistical supply of industrial fasteners and Category ‘C’ components.

Notes to the financial statements

for the year ended 31 March 2019

4 Other operating income

	2019 £000	2018 £000
Rental income received from freehold properties	12	57
Other income	452	410
	464	467

5 Expenses and auditor's remuneration

Included in profit for the year are the following:

	Note	2019 £000	2018 £000
Depreciation and non-acquired amortisation	10,12	2,253	1,937
Amortisation of acquired intangibles	12	1,419	1,363
Operating lease expense	27	4,051	3,302
Net foreign exchange (gain)/loss		(92)	420
Project Atlas (IT and business processes)		(3,117)	375
Loss/(gain) on disposal of fixed assets		12	(560)

Auditor's remuneration:

	2019 £000	2018 £000
Audit of these financial statements	87	66
Audit of financial statements of subsidiaries pursuant to legislation	252	225
Taxation compliance services	21	15
Other assurance services	30	29
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	
	2019	2018
Office and Management	113	108
Manufacturing	337	321
Sales	193	184
Distribution	633	603
	1,276	1,216

6 Staff numbers and costs continued

The aggregate payroll costs of these people were as follows:

	Group	
	2019 £000	2018 £000
Wages and salaries (including accrued bonus)	32,697	32,392
Share based payments	2,454	2,194
Social security costs	3,280	3,106
Contributions to defined contribution plans (see note 22)	1,994	1,918
	40,425	39,610

7 Directors' emoluments

	2019 £000	2018 £000
Directors' emoluments	1,082	2,161
Company contributions to money purchase pension plans	30	30
Pension cash payments	102	138
	1,214	2,329

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 102 to 121.

The aggregate of emoluments of the highest paid Director was £0.37m (FY2018: £0.63m), which included no vested LTIP or deferred equity award (FY2018: £nil), Company pension contributions of £0.01m (FY2018: £0.01m) made to a money purchase scheme on his behalf and pension cash payments of £0.04m (FY2018: £0.04m). During the year, no SAYE share options or deferred equity shares were exercised by the highest paid director (FY2018: no SAYE share options exercised, 209,877 deferred equity shares exercised).

The annual IFRS2 charge relating to Board deferred equity bonuses given in 2015, 2016 and 2017 was £0.52m (FY2018: £0.76m). The annual IFRS2 charge relating to Board LTIP shares in 2019 was £0.58m (FY2018: £0.18m). The highest paid Director's element of this charge was £0.33m (FY2018: £0.24m).

	Number of Directors	
	2019	2018
Retirement benefits are accruing to the following number of Directors under money purchase schemes	3	4
The number of Directors who exercised share options was	1	4

See pages 102 to 121 of the Remuneration report for more details.

Directors' rights to subscribe for shares in the Company are also set out in the Remuneration report.

Notes to the financial statements

for the year ended 31 March 2019

8 Financial income and expense

	2019 £000	2018 £000
Financial income		
Interest income on financial assets	80	60
Financial expenses		
Interest payable on bank loans and hire purchase liabilities	755	540

9 Taxation

Recognised in the income statement	2019 £000	2018 £000
Current UK tax expense:		
Current year	496	597
Adjustments for prior years	103	(983)
	599	(386)
Current foreign tax expense:		
Current year	3,941	4,186
Adjustments for prior years	(10)	(35)
	3,931	4,151
Total current tax	4,530	3,765
Deferred tax expense (note 15):		
Origination and reversal of temporary differences	(289)	(281)
Change in tax rates	27	(47)
Adjustments for prior years	(91)	(20)
Deferred tax income	(353)	(348)
Tax in income statement	4,177	3,417

	2019 £000	2018 £000
Current tax recognised directly in equity — IFRS2 share based tax credit	(121)	(239)
Deferred tax recognised directly in equity — IFRS2 share based tax charge/(credit)	322	(127)
Total tax recognised in equity	201	(366)

Reconciliation of effective tax rate ('ETR') and tax expense	2019 £000	ETR %	2018 £000	ETR %
Profit for the period	12,244		15,086	
Tax from continuing operations	4,177		3,417	
Profit before tax	16,421		18,503	
Tax using the UK corporation tax rate of 19% (FY2018: 19%)	3,120	19	3,516	19
Tax suffered on dividends	474	3	319	2
Non-deductible expenses	189	1	222	1
Tax incentives	(146)	(1)	(82)	—
Non-taxable receipts	—	—	(100)	(1)
IFRS2 share option charge	105	1	53	—
Deferred tax assets not recognised	58	—	107	1
Different tax rates on overseas earnings	348	2	467	2
Adjustments in respect of prior years	2	—	(1,038)	(6)
Tax rate change	27	—	(47)	—
Total tax in income statement	4,177	25	3,417	18

9 Taxation continued

A reduction in the UK tax rate from 19% to 18% (effective 1 April 2020) was 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.

In FY2018 an 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 2018. The amount recognised in the Company financial statements is £nil. The tax rate change in Italy in FY2018 (IRES reduced from 27.5% to 24%) also reduced our FY2018 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%) increased our tax charge by £0.2m.

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 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
Balance at 1 April 2018	17,091	968	30,876	6,077	683	55,695
Additions	182	136	1,656	982	32	2,988
Acquisitions	—	4	115	399	19	537
Disposals	—	(36)	(67)	(18)	—	(121)
Effect of movements in foreign exchange	42	19	140	10	(1)	210
Balance at 31 March 2019	**17,315**	**1,091**	**32,720**	**7,450**	**733**	**59,309**
Depreciation and impairment						
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
Balance at 1 April 2018	5,376	698	24,650	4,407	551	35,682
Depreciation charge for the year	271	103	1,331	451	50	2,206
Acquisitions	—	1	71	201	11	284
Disposals	—	(20)	(41)	(17)	—	(78)
Effect of movements in foreign exchange	(12)	14	121	11	—	134
Balance at 31 March 2019	**5,635**	**796**	**26,132**	**5,053**	**612**	**38,228**
Net book value						
At 1 April 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
At 31 March 2019	**11,680**	**295**	**6,588**	**2,397**	**121**	**21,081**

Included in the net book value of land and buildings is £9.7m (FY2018: £9.8m) of freehold land and buildings, and £2.0m (FY2018: £1.9m) of long leasehold land and buildings.

Project Atlas costs in the consolidated income statement includes £3k (FY2018: £nil) of depreciation.

Notes to the financial statements

for the year ended 31 March 2019

11 Property, plant and equipment – Company

	Land and buildings £000	Fixtures & fittings £000	Total £000
Cost			
Balance at 1 April 2017	3,851	571	4,422
Additions	6	—	6
Balance at 31 March 2018	3,857	571	4,428
Balance at 1 April 2018	3,857	571	4,428
Additions	48	8	56
Balance at 31 March 2019	**3,905**	**579**	**4,484**
Depreciation and impairment			
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
Balance at 1 April 2018	1,375	560	1,935
Depreciation charge for the year	76	4	80
Balance at 31 March 2019	**1,451**	**564**	**2,015**
Net book value			
At 1 April 2017	2,561	13	2,574
At 31 March 2018	2,482	11	2,493
At 31 March 2019	**2,454**	**15**	**2,469**

Included in the net book value of land and buildings is £2.5m (FY2018: £2.5m) of freehold land and buildings. At the balance sheet date this was provided as security over the property loan. See note 26 for further details.

12 Intangible assets – Group

	Assets under course of construction £000	Goodwill £000	Other £000	Total £000
Cost				
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
Balance at 1 April 2018	—	43,358	15,456	58,814
Acquisitions	—	2,043	4,816	6,859
Additions	943	—	51	994
Effect of movements in foreign exchange	—	359	(258)	101
Balance at 31 March 2019	**943**	**45,760**	**20,065**	**66,768**
Amortisation and impairment				
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
Balance at 1 April 2018	—	14,231	6,182	20,413
Amortisation for the year	—	—	1,469	1,469
Effect of movements in foreign exchange	—	164	(96)	68
Balance at 31 March 2019	**—**	**14,395**	**7,555**	**21,950**
Net book value				
At 1 April 2017	—	29,321	10,361	39,682
At 31 March 2018	—	29,127	9,274	38,401
At 31 March 2019	**943**	**31,365**	**12,510**	**44,818**

The addition in assets under the course of construction in the year relates to Project Atlas.

The amortisation charge is recognised in administrative expenses in the income statement. Of the £1.5m 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 4.75 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 8.8 years
- Customer relationships acquired as part of the acquisition of Kuhlmann. The average remaining amortisation period on these assets is 6.50 years
- Customer relationships and marketing related intangibles acquired as part of the acquisition of PTS, the average remaining amortisation period on these assets is 13.3 years

Notes to the financial statements

for the year ended 31 March 2019

12 Intangible assets – Group

The following cash generating units have carrying amounts of goodwill:

	2019 £000	2018 £000
Special Fasteners Engineering Co. Ltd (Taiwan)	10,722	10,305
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)	793	779
TR VIC SPA (VIC) (Italy)	9,802	10,007
TR Kuhlmann GmbH (Germany)	1,510	1,541
Precision Technology Supplies Ltd (UK)	2,043	—
Other	104	104
	31,365	29,127

The £0.21m and £0.03m decreases in the goodwill of VIC and Kuhlmann and the £0.42m and £0.01m increases in the goodwill of SFE and PSEP respectively refer to foreign exchange gains or losses as these investments are held in Euros, Singaporean Dollars and Malaysian Ringgits.

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* VIC SPA (Italy) and Serco Ryan Ltd (within *TR* Fastenings Ltd) (UK) have been calculated with reference to the key assumptions shown below:

	SFE		VIC		Serco	
	2019	2018	2019	2018	2019	2018
Long term revenue growth rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Discount rate — post-tax	9.9%	9.2%	11.2%	9.4%	8.4%	7.9%
Discount rate — pre-tax	12.4%	11.1%	15.4%	13.1%	10.4%	9.8%
Terminal EBIT margin	16.8%	16.0%	17.2%	17.6%	9.1%	9.8%

Long term revenue growth rate

Four year management plans are used for the Group's value in use calculations. Long term growth rates into perpetuity have been determined as the lower of:

- the nominal GDP rates for the country of operation
- the long term compound annual growth rate in EBITDA in years six to ten estimated by management

12 Intangible assets – Group continued

Post-tax risk adjusted discount rate

The discount rate applied to the cash flows of each of the Group's operations is based on the Weighted Average Cost of Capital ('WACC') (using post-tax numbers). The cost of equity element uses the risk free rate for ten year bonds issued by the government in the respective market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systemic risk of the specific Group operating company.

In making this adjustment, inputs required are the equity market risk premium (that is, the increased return required over and above a risk-free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific Group operating company relative to the market as a whole.

In determining the risk adjusted discount rate, management has applied an adjustment for the systemic risk to each of the Group's operations determined using an average of the betas of comparable listed fastener distribution and manufacturing companies and, where available and appropriate, across a specific territory. Management has used a forward-looking equity market risk premium that takes into consideration studies by independent economists, the average equity market risk premium over the past ten years and the market risk premiums typically used by investment banks in evaluating acquisition proposals.

To calculate the pre-tax discount rate we have taken the post-tax discount rate and divided this by one minus the applicable tax rate. We consider this an appropriate approximation of the pre-tax rate 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 3.8%, reducing to 2.0% for the terminal year. The sales growth relates to increased sales from extending relationships with existing multinational OEM customers, supported by increased intercompany sales as part of a Group initiative to bring more supply in-house.

Using the assumptions above for sales growth, a terminal EBIT margin of 12.2% and a post-tax discount rate of 11.6% (pre-tax discount rate 15.3%) the recoverable amount of the CGU was estimated to be higher than its carrying amount by £0.7m.

The timing of revenue growth is a major sensitivity in ensuring the recoverable amount of the unit is greater than the carrying amount. 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's sales grew by 1.4% per annum throughout the period management project cash flows and also in the terminal year, i.e. assuming that growth is significantly below expected regional GDP forecasts (slightly under 5% 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.

The unsettled political climate, as well as the economic struggles in Italy, has caused the discount rate for VIC to significantly increase from last year (see previous table), thus reducing headroom. If these uncertainties continue to increase then it is possible that there might be an impairment of VIC's goodwill. VIC's recoverable amount is estimated to be £2.7m higher than its carrying amount. An increase in the discount rate of 67bps will cause the units recoverable amount to be equal to its carrying amount. Despite the negative impact of the macroeconomic factors which are outside of our control, management believe the outlook for VIC continues to be positive.

Excluding PSEP and VIC, 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.

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for the year ended 31 March 2019

13 Intangible assets – Company

	Assets under course of construction £000	Other £000	Total £000
Cost			
Balance at 1 April 2017, 31 March 2018	—	62	62
Balance at 1 April 2018	—	62	62
Additions	943	—	943
Balance at 31 March 2019	**943**	**62**	**1,005**
Amortisation and impairment			
Balance at 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	**—**	**62**	**62**
Net book value			
At 1 April 2017	—	—	—
At 31 March 2018	—	—	**—**
At 31 March 2019	**943**	**—**	**943**

The addition in assets under the course of construction in the year relates to Project Atlas.

14 Equity investments – Company

Investments in subsidiaries

	£000
Cost	
Balance at 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	42,585
Provision	
Balance at 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	1,145
Net book value	
Balance at 1 April 2017, 31 March 2018 and 31 March 2019	**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.

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	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Property, plant and equipment	(44)	(70)	1,751	1,695	1,707	1,625
Intangible assets	(116)	(118)	2,292	1,752	2,176	1,634
Inventories	(805)	(694)	—	—	(805)	(694)
Provisions/accruals	(460)	(560)	366	337	(94)	(223)
IFRS2 Share based payments	(1,068)	(1,142)	—	—	(1,068)	(1,142)
Tax losses	(213)	(270)	—	—	(213)	(270)
Tax (assets)/liabilities	(2,706)	(2,854)	4,409	3,784	1,703	930
Tax set-off	577	499	(577)	(499)	—	—
Net tax (assets)/liabilities	(2,129)	(2,355)	3,832	3,285	1,703	930

A potential £2.0m (FY2018: £2.0m) 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 in FY2018 (IRES reduced from 27.5% to 24%) reduced our FY2018 deferred tax liabilities by £0.2m, whilst due to brought forward losses, the tax rate change in the USA (federal tax rate reduced from 34% to 21%) reduced our deferred tax assets by £0.2m.

A potential £1.6m of (FY2018: £1.5m) deferred tax liability relating to the temporary differences associated with undistributed profits in subsidiaries has not been recognised. This is on the grounds that we are able to control the timing of these reversals and it is not considered probable that these amounts will reverse in the foreseeable future.

Movement in deferred tax during the year

	1 April 2018 £000	Recognised in income £000	Recognised on Acquisitions £000	Recognised in equity^ £000	31 March 2019 £000
Property, plant and equipment	1,625	36	42	4	1,707
Intangible assets	1,634	(248)	819	(29)	2,176
Inventories	(694)	(103)	—	(8)	(805)
Provisions/accruals	(223)	139	—	(10)	(94)
IFRS2 Share based payments	(1,142)	(248)	—	322	(1,068)
Tax losses	(270)	71	—	(14)	(213)
	930	(353)	861	265	1,703

Movement in deferred tax during the prior year

	1 April 2018 £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

^ Amounts recognised in equity include the deferred tax on IFRS2 share based payments and the equity element of foreign exchange differences taken to reserves

Notes to the financial statements

for the year ended 31 March 2019

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	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Property, plant and equipment	–	–	128	132	128	132
Provisions/accruals	(1)	(1)	–	–	(1)	(1)
IFRS2 Share based payments	(682)	(766)	–	–	(682)	(766)
Tax (assets)/liabilities	(683)	(767)	128	132	(555)	(635)

A potential £2.0m (FY2018: £2.0m) deferred tax asset relating to the Company's trapped management losses was not recognised on the grounds that recovery of these losses is highly unlikely.

Movement in deferred tax during the year

	1 April 2018 £000	Recognised in income £000	Recognised in equity £000	31 March 2019 £000
Property, plant and equipment	132	(4)	–	128
Provisions/accruals	(1)	–	–	(1)
IFRS2 Share based payments	(766)	(107)	191	(682)
	(635)	(111)	191	(555)

Movement in deferred tax during the prior year

	1 April 2018 £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)

17 Inventories – Group

	2019 £000	2018 £000
Raw materials and consumables	5,568	5,284
Work in progress	2,233	1,856
Finished goods and goods for resale	49,757	42,059
	57,558	49,199

In FY2018, inventories of £132.4m (FY2018: £125.0m) were recognised as an expense during the year and included in cost of sales. Inventories have been written down by £1.1m in the year (FY2018: £0.8m) in line with the Group's stock provisioning policy. Such write-downs were recognised as an expense during FY2019. 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 £1.2m (FY2018: £0.8m).

18 Trade and other receivables

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade receivables	49,149	47,984	—	—
Non trade receivables and prepayments	4,633	4,482	313	306
Amounts owed by subsidiary undertakings	—	—	44,204	32,951
	53,782	52,466	44,517	33,257

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 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Cash and cash equivalents per Statements of financial position	25,199	26,222	899	477
Bank overdrafts per Statements of financial position	—	—	—	—
Cash and cash equivalents per Statements of cash flows	25,199	26,222	899	477

20 Other interest-bearing loans and borrowings

This note provides information about the Group and Company's existing interest-bearing loans and borrowings as at 31 March 2019. 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.

Initial loan value	Rate	Maturity	Current 2019 £000	Current 2018 £000	Non-current 2019 £000	Non-current 2018 £000
Group						
Asset based lending	Base + 1.49%	2019	2,977	3,968	—	—
VIC unsecured loan	EURIBOR + 1.95%	2020	517	528	258	792
Finance lease liabilities	Various	2019-2020	—	23	74	53
Group and Company						
Facility A VIC acquisition loan	EURIBOR + 1.50%	2021	4,307	4,398	4,307	8,796
Facility B Revolving Credit Facility	LIBOR/ EURIBOR + 1.50%	2019-2021	24,816	12,995	—	—
Property Loan	LIBOR + 1.25%	2021	—	—	2,100	2,100
Total Group			32,617	21,912	6,739	11,741
Total Company			29,123	17,393	6,407	10,896

On 16 April 2019, the Group re-financed its banking facilities, see note 26 for further information.

21 Trade and other payables

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade payables	21,496	21,400	—	—
Amounts payable to subsidiary undertakings	—	—	4,162	325
Deferred consideration	511	—	—	—
Non-trade payables and accrued expenses	12,961	15,396	839	1,979
Other taxes and social security	2,239	1,901	101	125
	37,207	38,697	5,102	2,429

Notes to the financial statements

for the year ended 31 March 2019

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 £2.0m (FY2018: £1.9m) 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 (FY2018: £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:

	2019		2018	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of year	1,341,115	1.22	1,286,417	1.00
Granted during the year	298,670	1.93	359,233	1.77
Forfeited/lapsed during the year	(54,890)	1.77	(55,343)	1.23
Exercised during the year	(345,361)	1.00	(249,192)	0.86
Outstanding at the end of the year	1,239,534	1.43	1,341,115	1.22
Exercisable at the end of the year	22,797	1.05	14,760	1.00

The options outstanding at 31 March 2019 had a weighted average remaining contractual life of 1.6 years (FY2018: 1.8 years) and exercise prices ranging from £0.35 to £1.93 (FY2018: £0.35 to £1.77).

The weighted average share price at the date of exercise for share options exercised in 2019 was 198.8p (FY2018: 237.4p).

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.

Board deferred equity bonus shares

The Board deferred equity bonus shares have been discussed in more detail in the Remuneration report (pages 102 to 121). The number of deferred equity bonus shares are as follows:

	Deferred equity bonus shares
Outstanding at beginning of year	2,038,492
2015 deferred equity bonus shares exercised	(355,632)
Outstanding at the end of the year	1,682,860
Exercisable at the end of the year	384,466

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 FY2019 was £2.21 (FY2018: £2.16).

The options outstanding at 31 March 2019 had a weighted average remaining contractual life of 0.4 years (FY2018: 0.9 years).

22 Employee benefits continued

Senior manager deferred bonus shares

The number of deferred bonus shares is as follows:

	Deferred bonus shares
Outstanding at beginning of year	1,799,224
Granted during the year	59,709
Lapsed during the year	(11,817)
Exercised during the year	(3,937)
Outstanding at end of year	1,843,179

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, 24 November 2017, 1 April 2018, 4 April 2018 and 14 November 2018 and are due to vest in December 2019. The method of settlement for these shares is 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 are part of the remuneration policy approved at the 2017 AGM and have been discussed in more detail in the Remuneration report (pages 102 to 121). The maximum number of Board LTIP shares are as follows:

	Board LTIP shares
Outstanding at beginning of year	685,091
Granted during the year	493,333
Outstanding at end of year	1,178,424

The above includes 151,442 shares for G Budd relating to when he was a main plc Board Director. He stepped down from the main plc Board on 31 March 2018.

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 2019 had a weighted average remaining contractual life of 1.8 years (FY2018: 2.5 years).

Notes to the financial statements

for the year ended 31 March 2019

22 Employee benefits continued

Date of grant	Type of instrument	Valuation model	Number outstanding on 31 March 2019	Share price on date of grant (£)	Exercise price (£)	Expected volatility %	Vesting period (yrs)	Expected life (yrs)	Risk- free rate %	Expected annual dividend %	Fair value (£)
01/10/2012	SAYE 7 Year	Black Scholes	5,280	0.46	0.35	48.04	7.00	7.00	1.93	1.09	0.24
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	22,797	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	337,314	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	227,359	2.24	1.77	26.64	3.00	3.00	0.57	1.56	0.59
01/10/2017	SAYE 5 Year	Black Scholes	87,610	2.24	1.77	31.18	5.00	5.00	0.82	1.56	0.72
01/10/2018	SAYE 3 Year	Black Scholes	223,797	1.92	1.93	24.59	3.00	3.00	0.84	2.01	0.28
01/10/2018	SAYE 5 Year	Black Scholes	55,167	1.92	1.93	30.01	5.00	5.00	1.03	2.01	0.42
Total SAYE Share Options			**1,239,534**								
30/09/2015	Board deferred equity	DDM	384,466	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	2.17	n/a	n/a	2.68	2.68	n/a	1.61	2.08
30/12/2016	SM deferred bonus equity	DDM	1,610,236	2.05	n/a	n/a	3.00	3.00	n/a	1.46	1.96
30/12/2016	SM deferred bonus cash	DDM	102,362	1.91	n/a	n/a	3.00	0.75	n/a	2.07	1.88
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
01/04/2018	SM deferred bonus equity	DDM	13,122	2.58	n/a	n/a	1.75	1.75	n/a	1.40	2.52
04/04/2018	SM deferred bonus equity	DDM	41,338	2.54	n/a	n/a	1.74	1.75	n/a	1.42	2.48
23/07/2018	Board LTIP shares – EPS growth	DDM	345,333	2.38	n/a	n/a	3.00	3.00	0.77	1.62	2.27
23/07/2018	Board LTIP shares – TSR element	Monte-Carlo simulation	148,000	2.38	n/a	24.30	3.00	3.00	0.77	1.62	0.94
14/11/2018	SM deferred bonus equity	DDM	5,249	2.13	n/a	n/a	1.13	1.74	n/a	1.85	2.09
Total Share options			**5,943,997**								

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 £2.5m and £2.2m in relation to share based payment transactions in FY2019 and FY2018 respectively. Of this, £40k (FY2018: £88k) 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 2019, outstanding options to subscribe for ordinary shares of 5p were as follows:

Grant date/employees entitled	Number of instruments	Contractual life of options
01/10/12/SAYE	5,280	Oct 2019
01/10/14/SAYE	111,201	Oct 2019
01/10/15/SAYE	134,788	Oct 2018, 2020
01/10/16/SAYE	394,332	Oct 2019, 2021
01/10/17 SAYE	314,969	Oct 2020, 2022
01/10/18 SAYE	278,964	Oct 2021, 2023
Total outstanding options	1,239,534	
Board deferred equity bonus shares	1,682,860	Sep 2018, Jul 2019, 2020
Senior manager deferred bonus shares	1,843,179	Dec 2019
Board LTIP shares	1,178,424	Sep 2020, Jul 2021
Total	**5,943,997**	

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 2018	76	845	921
On acquisition	—	50	50
Provisions made during the year	—	76	76
Provisions utilised during the year	—	(12)	(12)
Provisions released during the year	(76)	—	(76)
Balance at 31 March 2019	**—**	**959**	**959**

Dilapidations relate to a portfolio of properties within the UK, 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. These will be utilised on vacation.

All amounts represent a best estimate of the expected cash outflows although actual amounts paid could be lower or higher.

Group	2019 Total £000	2018 Total £000
Non-current (greater than 1 year)	959	845
Current (less than 1 year)	—	76
Balance at 31 March	959	921

In respect of the Company there are £nil provisions (FY2018: £nil).

Notes to the financial statements

for the year ended 31 March 2019

24 Capital and reserves

Capital and reserves – Group and Company

See Statements of changes in equity on pages 138 and 139.

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.

In FY2018 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 2019 was 1,317,378 (FY2018: 1,500,000). During the year 182,622 shares (FY2018: nil) were transferred out of the Own Shares Held reserve at a weighted average cost of £0.4m (FY2018: £nil) to fulfil part of the exercise of awards under the deferred equity bonus shares scheme.

Share capital

	Number of ordinary shares	
	2019	2018
In issue at 1 April	121,364,667	120,294,486
Shares issued	525,344	1,070,181
In issue at 31 March — fully paid	**121,890,011**	121,364,667

The total number of shares issued during the year was 525,344 for a consideration of £0.4m (FY2018: 1,070,181 shares for £0.2m). This includes 6,973 shares issued in relation to the Senior Manager deferred bonus share scheme. The number is greater than the total exercised set out in Note 22 (3,937 shares) as a result of a proportion of the award being settled in a tax efficient manner (3,195 as nil-cost awards and 3,778 as CSOP options with an exercise price of £1.98).

In FY2019, all shares were issued for cash, excluding 173,010 shares (FY2018: 820,989) as part of the Board deferred equity bonus scheme and 3,195 (FY2018: nil) as part of the senior manager deferred bonus shares.

	2019 £000	2018 £000
Allotted, called up and fully paid		
Ordinary shares of 5p each	6,095	6,068

The holders of ordinary shares (excluding own shares held) 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:

	2019 £000	2018 £000
Final paid 2018 — 2.75p (FY2017: 2.50p) per qualifying ordinary share	3,301	3,015
Interim paid 2018 — 1.10p (FY2017: 1.00p) per qualifying ordinary share	1,319	1,203
	4,620	4,218

After the balance sheet date a final dividend of 3.05p per qualifying ordinary share (FY2018: 2.75p) was proposed by the Directors and an interim dividend of 1.20p (FY2018: 1.10p) was paid in April 2019.

	2019 £000	2018 £000
Final proposed 2019 — 3.05p (FY2018: 2.75p) per qualifying ordinary share	3,677	3,296
Interim paid 2019 1.20p (FY2018: 1.10p) per qualifying ordinary share	1,447	1,319
	5,124	4,615

Subject to Shareholder approval at the Annual General Meeting which is to be held on 24 July 2019, the final dividend will be paid on 11 October 2019 to Members on the register at the close of business on 13 September 2019. The ordinary shares will become ex-dividend on 12 September 2019.

25 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2019 was based on the profit attributable to ordinary shareholders of £12.2m (FY2018: £15.1m) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2019 (excluding own shares held) of 120,723,637 (FY2018: 120,313,586), calculated as follows:

Weighted average number of ordinary shares

	2019	2018
Issued ordinary shares at 1 April	121,364,667	120,294,486
Net effect of shares issued/held	(641,030)	19,100
Weighted average number of ordinary shares at 31 March	120,723,637	120,313,586

Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2019 was based on profit attributable to ordinary shareholders of £12.2m (FY2018: £15.1m) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2019 (excluding own shares held) of 123,734,170 (FY2018: 123,678,854), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2019	2018
Weighted average number of ordinary shares at 31 March	120,723,637	120,313,586
Effect of share options on issue	3,010,533	3,365,268
Weighted average number of ordinary shares (diluted) at 31 March	123,734,170	123,678,854

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

	2019 EPS			2018 EPS		
EPS (total)	Earnings £000	Basic	Diluted	Earnings £000	Basic	Diluted
Profit after tax for the financial year	12,244	10.14p	9.90p	15,086	12.54p	12.20p
Separately disclosed items:						
IFRS2 share based payment charge	2,454	2.03p	1.98p	2,194	1.83p	1.77p
Acquired intangible amortisation	1,419	1.18p	1.14p	1,363	1.13p	1.10p
Net acquisition costs	3	–	–	110	0.09p	0.09p
Costs on exercise of executive share options	107	0.09p	0.09p	244	0.20p	0.20p
Profit on sale of fixed assets	–	–	–	(556)	(0.46p)	(0.45p)
Project Atlas	3,117	2.58p	2.52p	375	0.31p	0.30p
Tax charge on adjusted items above	(1,370)	(1.13p)	(1.10p)	(802)	(0.67p)	(0.65p)
Tax adjusted items	–	–	–	(967)	(0.80p)	(0.78p)
Underlying profit after tax	17,974	14.89p	14.53p	17,047	14.17p	13.78p

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.

Notes to the financial statements

for the year ended 31 March 2019

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 as appropriate. 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 £49.1m (FY2018: £48.0m), 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 (FY2018: £nil).

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

Comparative information under IAS 39 Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

	2019 £000	2018 £000
Amounts less than 90 days past due	48,528	47,368
Amounts more than 90 days past due	621	616
	49,149	47,984

For balances neither past due nor impaired, credit quality is considered good and no credit exposures have been identified (FY2018: £nil).

Impairment losses

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows. Comparative amounts for FY2018 represent the allowance account for impairment losses under IAS 39.

	2019 £000	2018 £000
Balance at 1 April per IFRS 9/IAS 39	(897)	(875)
Impairment loss movement	(89)	(22)
Balance at 31 March	(986)	(897)

There are no significant losses/bad debts provided for specific customers. The allowance account for trade receivables is used to record impairment losses where a credit risk has been identified, unless 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.

26 Financial instruments continued

(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 facilities 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 banking facilities as applicable.

At 31 March 2019, the Group banking facilities with HSBC comprised:

- a term loan facility of €25.0m ('Facility A') used to fund the acquisition of VIC (balance at 31 March 2019: €10.0m)
- a revolving multi-currency credit facility ('RCF') of up to £31.0m ('Facility B') (balance at 31 March 2019: £24.8m)
- a property loan of £2.1m (balance at 31 March 2019: £2.1m)

The obligations of *Trifast* under Facility A and Facility B were guaranteed by the UK non-dormant subsidiaries of the Company.

Interest on facility A and B was 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 was charged at LIBOR plus a margin of 1.25%.

In addition the Group had an Asset Based Lending ('ABL') facility providing up to a maximum of £15.0m secured over the receivables of *TR* Fastenings Limited. This facility charged a marginal interest rate of 1.49% above base.

On 16 April 2019, all of the Group's centrally held facilities and the ABL facility in *TR* Fastenings Ltd were redeemed via a new four year Revolving Credit Facility of up to £80m maturing April 2023. The facility was arranged through a group of three lenders with an option to increase the facility by up to £40m and to extend maturity up to April 2024. The facility is guaranteed by 16 Group companies which exceed thresholds in various financial metrics as specified by lenders. Interest on this new facility is charged at the aggregate rate of LIBOR/EURIBOR plus a margin of 1.10%, in accordance with a formula incorporating the ratio of consolidated net debt against the consolidated underlying EBITDA of the Group.

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 – at 31 March 2019 and following the re-finance on 16 April 2019

The UK facilities in place as at 31 March 2019 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 provided significant headroom and forecasts indicated no breach would be anticipated.

The new Group facilities are subject to quarterly covenant testing as follows:

Interest cover:	Underlying EBITDA to net interest to exceed a ratio of four.
Adjusted leverage:	Total net debt to underlying EBITDA not to exceed a ratio of three.

These covenants currently provide significant headroom and forecasts indicate no breach is anticipated.

Notes to the financial statements

for the year ended 31 March 2019

26 Financial instruments continued

Liquidity tables

The following are the contractual maturities of the existing financial liabilities, excluding bank overdrafts and finance lease liabilities:

	2019			
	Carrying amount/ contractual cash flows^ £000	Less than 1 year £000	1 to 2 years £000	2 to 5 years £000
Non-derivative financial liabilities				
Company				
Facility A — VIC acquisition loan	8,614	4,307	4,307	—
Facility B — Revolving credit facility	24,816	24,816	—	—
Property loan	2,100	—	2,100	—
Total Company	35,530	29,123	6,407	—
Group				
Asset based lending	2,977	2,977	—	—
VIC unsecured loan	775	517	258	—
Total Group	39,282	32,617	6,665	—

^ In addition to the above, there are interest charges of £57k in less than 1 year and £59k in 1-2 years relating to Facility A, the property loan and the VIC unsecured loan.

Finance lease liabilities at 31 March 2019 are £0.07m (FY2018: £0.08m).

	2018			
	Carrying amount/ contractual cash flows^ £000	Less than 1 year £000	1 to 2 years £000	2 to 5 years £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

^ In addition to the above, there are interest charges of £58k in less than 1 year, £57k in 1-2 years and £54k in 2-5 years relating to Facility A, the property loan and the VIC unsecured loan.

26 Financial instruments continued

Liquidity headroom

Trading forecasts show that the facilities in place at 31 March 2019 provided 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. The re-finance on 16 April 2019 provides additional liquidity headroom to support the Group's strategic investment aims.

Facilities that were available at 31 March 2019 (excluding bank overdrafts and finance lease liabilities):

	2019			2018		
	Available facilities £000	Utilised facilities £000	Unutilised facilities £000	Available facilities £000	Utilised facilities £000	Unutilised facilities £000
Company						
Facility A — VIC acquisition loan	8,614	8,614	—	13,194	13,194	—
Facility B — Revolving credit facility	31,000	24,816	6,184	26,000	12,995	13,005
Property loan	2,100	2,100	—	2,100	2,100	—
Total Company	41,714	35,530	6,184	41,294	28,289	13,005
Group						
Asset based lending	15,000	2,977	12,023	15,000	3,968	11,032
VIC unsecured loan	775	775	—	1,320	1,320	—
Total Group	57,489	39,282	18,207	57,614	33,577	24,037

There is no remaining accordion facility (FY2018: £9m), as part of the main RCF facility agreement in place at 31 March 2019.

Following the £80m refinance, the revised position as at 16 April 2019 was:

	Available facilities £000	Utilised facilities £000	Unutilised facilities £000
Company			
Revolving Credit Facility	80,000	42,440	37,560
Total Company	80,000	42,440	37,560
Group			
VIC unsecured loan	775	775	—
Total Group	80,775	43,215	37,560

In addition there is an accordion facility of £40m as part of the new RCF facility agreement. This provides potential additional finance under current agreed terms subject to credit approval.

Interest risk

The Group monitors closely all loans outstanding which currently incur interest at floating rates. When appropriate the Group makes use of derivative financial instruments, including interest rate swaps and caps. 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.

Notes to the financial statements

for the year ended 31 March 2019

26 Financial instruments continued

Interest rate table (including finance lease liabilities)

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Variable rate instruments				
Financial assets	25,199	26,222	899	477
Financial liabilities^	(39,356)	(33,653)	(35,530)	(28,289)
Net debt	(14,157)	(7,431)	(34,631)	(27,812)

^ £nil (FY2018: £8.6m) 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 percentage point in interest rates at the balance sheet date would change equity and profit and loss by £0.4m (FY2018: £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 Euro denominated RCF utilised facility of €14.7m (£12.7m) are net investment hedged against the net asset value of *TR* VIC and *TR* Kuhlmann. Therefore all foreign exchange movements that are being hedged are taken to the translation reserve. All other loans are held in the local currency of the relevant company and so are excluded from the analysis below.

The Group's exposure to foreign currency risk is as follows (based on the carrying amount for cash and cash equivalents held in non-functional currencies):

31 March 2019	Sterling £000	Euro £000	US Dollar £000	Singapore Dollar £000	Total £000
Cash and cash equivalents exposure	1,297	2,719	5,094	281	9,391

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

26 Financial instruments continued

Sensitivity analysis

Group

A 1% change in significant foreign currency balances against local functional currency at 31 March 2019 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	
		2019	2018
Foreign currency	Local currency	£000	£000
EURO	Sterling	(11)	(10)
US Dollar	Singapore Dollar	(26)	(20)
US Dollar	Taiwanese Dollar	(14)	(26)

(c) Capital management and allocation

The Group's objectives when managing capital are to ensure that all entities within the Group will be able to continue as going concerns, whilst 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.

Capital allocation priorities

The Board's key capital allocation priorities are as follows:

- Continue to invest in the business to drive organic growth
- Realise acquisitions in-line with our acquisition strategy
- Pay progressive dividends, maintaining a target dividend cover range of between 3x to 4x

Due to ongoing investment opportunities, we have no medium term plans to return excess cash to shareholders.

Cash conversion

The Group has been and continues to expect to be consistently cash generative despite being in a period of investment driven growth. The Board continues to target normalised cash conversion of 70% to 80%, as we invest in the balance sheet to support our ongoing organic growth.

	2016	2017	2018	2019
Net debt to underlying EBITDA	0.88x	0.28x	0.30x	0.54x

The Board has set a maximum net debt to underlying EBITDA ratio of 2.0x. This would only be breached via investment, where a short term reversal can be reliably forecast.

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.

Notes to the financial statements

for the year ended 31 March 2019

26 Financial instruments continued

The capital structure of the Group is provided below:

	2019 £000	2018 £000
Cash and cash equivalents (note 19)	25,199	26,222
Borrowings (note 20)	(39,356)	(33,653)
Net debt	(14,157)	(7,431)
Equity	(121,093)	(110,289)
Capital	(135,250)	(117,720)

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Less than one year	3,315	3,181	29	30
Between two and five years	7,198	5,008	25	30
More than five years	3,770	3,117	—	—
Total	14,283	11,306	54	60

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

Group

During the year £4.1m was recognised as an expense (FY2018: £3.3m) 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 £0.1m (FY2018: £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 102 to 121.

Transactions with Directors and Directors' close family relatives

During 2019 a relative of the Chairman provided IT/Marketing consultancy services totalling £12,000 (FY2018: £12,000) on an arm's length basis and with terms similar to other third party suppliers. The outstanding balance at 31 March 2019 was £1,000 (FY2018: £1,000).

There were no other related party transactions with Directors, or Directors' close family members in the year (FY2018: £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 FY2019

	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	435	—	725	539	—	539
Lancaster Fastener Co Ltd	—	39	—	39	—	—	—
Precision Technology Supplies Ltd	—	—	—	—	—	—	—
TR Southern Fasteners Ltd	—	25	—	25	—	—	—
TR Norge AS	—	29	—	29	—	—	—
TR Fastenings AB	—	77	—	77	—	—	—
TR Miller BV	—	92	—	92	—	—	—
TR Hungary Kft	—	97	—	97	—	7	7
TR VIC SPA	—	104	—	104	—	—	—
TR Kuhlmann GmbH	—	82	—	82	—	—	—
TR Fastenings España	—	66	16	82	—	—	—
TR Fastenings Inc	—	87	22	109	—	—	—
TR Asia Investments Pte Ltd	—	716	—	716	—	—	—
	290	1,849	38	2,177	539	7	546

Company related party transactions with subsidiaries – income/expenditure FY2018

	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
Lancaster Fastener Co Ltd	—	32	—	32	—	—	—
TR Southern Fasteners Ltd	—	22	—	22	—	—	—
TR Norge AS	—	24	—	24	—	—	—
TR Fastenings AB	—	51	—	51	—	—	—
TR Miller BV	—	69	6	75	—	—	—
TR Hungary Kft	—	86	—	86	—	—	—
TR VIC SPA	—	104	—	104	—	5	5
TR Kuhlmann GmbH	—	67	—	67	—	—	—
TR Fastenings España	—	54	7	61	—	—	—
TR Fastenings Inc	—	38	—	38	—	—	—
TR Asia Investments Pte Ltd	—	633	—	633	—	—	—
	290	1,590	13	1,893	473	5	478

Notes to the financial statements

for the year ended 31 March 2019

29 Related parties continued

	2019		2018	
	Balances receivables £000	Balances payables £000	Balances receivables £000	Balances payables £000
TR Fastenings Ltd	2,026	3,462	1,373	56
Lancaster Fastener Company Ltd	93	—	32	—
Precision Technology Supplies	56	—		—
TR Southern Fasteners Ltd	23	—	13	—
TR Norge AS	55	—	31	—
TR Fastenings AB	164	—	78	—
TR Miller Holding B.V.	183	—	46	—
TR Hungary Kft	29	343	22	—
TR VIC SPA	136	—	87	2
TR Kuhlmann GmbH	143	—	78	—
TR Fastenings España	1,687	—	867	
TR Fastenings Inc	2,018	—	440	—
TR Asia Investments Holdings Pte Ltd	491	—	847	—
TR Formac Pte Ltd	234	—	147	—
TR Formac (Malaysia) SDN Bhd	75	—	41	—
TR Formac (Shanghai) Pte Ltd	67	—	48	—
Special Fasteners Engineering Co Ltd	96	—	52	—
Power Steel & Electro-Plating Works SDN Bhd	167	—	89	—
TR Fastenings Poland Sp Zoo	39	—	35	—
Non-trading dormant subsidiaries	—	267	—	267
Trifast Overseas Holdings Ltd	36,422	—	28,102	—
Trifast Holdings B.V.	—	90	523	—
	44,204	4,162	32,951	325

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.

On the 16 April 2019 the Group signed new four-year £80m Revolving Credit Facilities with a consortium of three banks. For further details see note 26. There are no other material non-adjusting events subsequent to the balance sheet date.

31 Accounting estimates and judgements

The preparation of financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported annual amounts of assets and liabilities, income and expenses. 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, the key judgement made by management relates to Project Atlas costs meeting the capitalisation criteria under IAS 38 Intangible Assets, allowing directly attributable costs to be capitalised. The judgement includes identifying and quantifying the costs that should be capitalised, which principally relate to the design and build of the IT infrastructure, from the overall Project Atlas spend. In the year, £0.9m (see notes 12 and 13) has been capitalised. The costs expensed in the income statement are disclosed in note 2. Other than Project Atlas, no 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 sources 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 are inventory valuation and recoverability of goodwill.

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 £57.6m of which £30.3m related to customer specific stock (FY2018: carrying value £49.2m, customer specific stock £27.2m).

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.

The carrying amount of goodwill at year end was £31.4m (FY2018: £29.1m) of which £0.8m (FY2018: £0.8m) relates to PSEP and £9.8m (FY2018: £10.0m) relates to VIC. As part of the impairment review testing, management have identified that the recoverability of goodwill in PSEP and VIC are sensitive to changes in assumptions, and have disclosed how these assumptions would need to change for their recoverable amount to equal their carrying amount. For more information, please see note 12.

There are also longer term risks involved with the recoverability of goodwill 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.

Notes to the financial statements

for the year ended 31 March 2019

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 profit after tax (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 >75 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.

In the twelve months since acquiring PTS to 31 March 2019, the subsidiary contributed £1.2m to the consolidated profit before tax for the period and £7.1m to Group revenue.

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 12% of Group revenue).

	Provisional fair values disclosed^ £000	Adjustments to provisional fair values £000	Recognised fair value £000
Property, plant and equipment	253	—	253
Intangible assets	4,816	—	4,816
Inventories	2,417	(164)	2,253
Trade and other receivables	1,324	—	1,324
Cash and cash equivalents	632	—	632
Trade and other payables	(1,218)	187	(1,031)
Provisions	—	(50)	(50)
Deferred tax liabilities	(861)	—	(861)
Net identifiable assets and liabilities	7,363	(27)	7,336
Consideration paid:			
Initial cash price paid	8,781	—	8,781
Contingent consideration at fair value*	598	—	598
Total consideration	9,379	—	9,379
Goodwill on acquisition	2,016	27	2,043

^ These figures were disclosed in the Annual Report for the year ended 31 March 2018

* Original contingent consideration fair value at acquisition date

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

The fair value of trade and other receivables is £1.3m. The gross contractual flows to be collected are £1.1m. The best estimate at acquisition date of the contractual flows not to be collected is £nil.

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 £0.1m up to 31 March 2019 (FY2018: £0.2m) 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. This has been offset by a movement of £0.1m in acquisition related contingent consideration.

Notes to the financial statements

for the year ended 31 March 2019

33 *Trifast* plc subsidiaries

	Country of incorporation or registration	Issued and fully paid share capital	Principal activity
Europe			
Trifast Overseas Holdings Ltd	United Kingdom	£112	Holding Company
Trifast Holdings B.V.	Netherlands	€18,428	Holding Company
TR Fastenings Ltd	United Kingdom	£10,200	Manufacture and distribution of fastenings
TR Southern Fasteners Limited	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
TR VIC 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
Precision Technology Supplies Ltd	United Kingdom	£10,000	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
Trifast Qualifying Employee Share Ownership Trustee Ltd	United Kingdom	£2	Dormant
Trifix Ltd	United Kingdom	£100	Dormant
Serco Ryan Ltd	United Kingdom	£3,000	Dormant
TR Europe Ltd	United Kingdom	£2,500	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%	—	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%	—	The Birches Industrial Estate, Imberhorne Lane, East Grinstead, West Sussex RH19 1XZ, UK
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%	100%	*Trifast* House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK

Notes to the financial statements

for the year ended 31 March 2019

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 42 and 43 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 2019 income statement results (of subsidiaries whose presentational currency is not sterling) using FY2018 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 operating margin**

Underlying operating margin is used in the business review to give the reader a better understanding of the performance of the Group and regions. It is calculated by dividing underlying operating profit by revenue in the year.

- **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 192. 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	2019 £000	2018 £000
Underlying EBIT/Underlying operating profit		24,196	22,713
Separately disclosed items within administrative expenses			
IFRS2 share based payment charge	22	(2,454)	(2,194)
Acquired intangible amortisation		(1,419)	(1,363)
Net acquisition costs	32	(3)	(110)
Project Atlas		(3,117)	(375)
Profit on sale of fixed assets		–	556
Costs on exercise of executive share options		(107)	(244)
Operating profit		17,096	18,983

- **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.

34 Alternative Performance Measures continued

	2019 £000	2018 £000
Underlying cash conversion	17,154	16,789
Acquisition expenses	(101)	—
Costs on exercise of executive share options	(107)	(244)
Movement in trade payables due to exercise of share options	—	(1,205)
Project Atlas	(3,162)	(375)
Cash generated from operations	13,784	14,965

The FY2018 movement in trade payables due to exercise of share options related to a 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.

	2019			2018		
	Profit impact £000	Tax impact £000	ETR %	Profit impact £000	Tax impact £000	ETR %
Profit before tax	16,421	(4,177)	25.4%	18,503	(3,417)	18.5
Separately disclosed items	7,100	(1,370)	19.3%	3,730	(802)	21.5
Tax adjusted items	—	—	—	—	(967)	—
Underlying profit before tax	23,521	(5,547)	23.6%	22,233	(5,186)	23.3

35 Reconciliation of net cash flow to movement in net debt

	2019 £000	2018 £000
Net (decrease)/increase in cash and cash equivalents	(1,152)	2,115
Proceeds from new loan	(12,136)	(5,542)
Repayment of borrowings	5,953	3,773
Proceeds/(payment) from finance lease liabilities	2	(66)
Net proceeds from borrowings	(6,181)	(1,835)
(Increase)/decrease in net debt before exchange rate differences	(7,333)	280
Exchange rate differences	607	(1,263)
Increase in net debt	(6,726)	(983)
Opening net debt	(7,431)	(6,448)
Closing net debt	(14,157)	(7,431)

Net debt consists of cash and cash equivalents and other interest-bearing loans and borrowings (both current and non-current) on the statement of financial position.

Notes to the financial statements

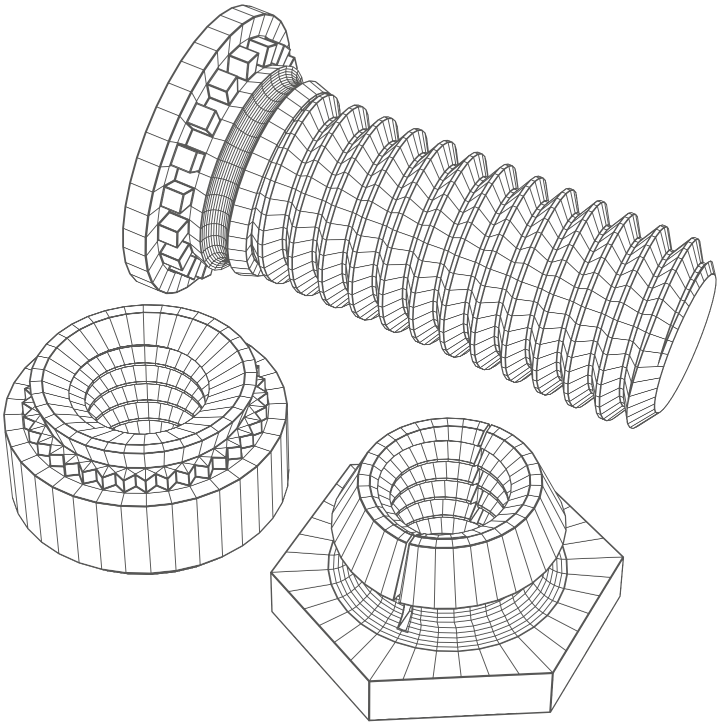
for the year ended 31 March 2019

36 Revenue from contracts with customers

In line with IFRS 15 *Revenue from Contracts with Customers* we have included the disaggregation of external revenue by sector, breaking this down by our geographical operating segments.

March 2019	**UK £000**	**Europe £000**	**USA £000**	**Asia £000**	**Total £000**
Electronics	3%	5%	2%	5%	15%
Automotive	10%	13%	2%	8%	33%
Domestic appliances	1%	12%	–	6%	20%
Distributors	10%	–	–	2%	12%
General industrial	7%	3%	–	1%	11%
Other	5%	3%	–	1%	9%
Revenue from external customers (AER)	36%	36%	4%	24%	100%

March 2018	UK £000	Europe £000	USA £000	Asia £000	Total £000
Electronics	5%	4%	1%	6%	16%
Automotive	11%	12%	2%	8%	33%
Domestic appliances	2%	14%	–	6%	22%
Distributors	7%	–	–	3%	10%
General industrial	6%	4%	–	–	10%
Other	5%	3%	–	1%	9%
Revenue from external customers (AER)	36%	37%	3%	24%	100%



SHAREHOLDER INFORMATION

Sheet metal

TR Fastenings manufactures and distributes an extensive range of components for the sheet metal industry, including our own branded range of Hank® self clinching fasteners and rivet bushes

Products:

- Self clinch
- Rivet bushes
- Cage nuts
- K series nuts
- Weld products
- Blind rivets & rivet nuts

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 distributors 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’

	2015	2016	2017	2018	2019
Revenue	£154.7m	£161.4m	£186.5m	£197.6m	**£209.0m**
GP margin	29.0%	29.7%	31.1%	30.5%	**30.0%**
Underlying operating profit*	£15.3m	£16.8m	£21.0m	£22.7m	**£24.2m**
Underlying operating profit margin	9.9%	10.4%	11.3%	11.5%	**11.6%**
Operating profit	£12.8m	£13.9m	£17.9m	£19.0m	**£17.1m**
Operating profit margin	8.3%	8.6%	9.6%	9.6%	**8.2%**
Underlying EBITDA*	£16.5m	£18.2m	£22.9m	£24.7m	**£26.4m**
Underlying PBT*	£14.3m	£16.0m	£20.5m	£22.2m	**£23.5m**
PBT	£11.8m	£13.1m	£17.3m	£18.5m	**£16.4m**
Underlying ROCE %	18.6%	18.5%	19.9%	20.1%	**18.8%**
Total dividend per share	2.10p	2.80p	3.50p	3.85p	**4.25p**
Dividend increase %	50.0%	33.3%	25.0%	10.0%	**10.4%**
Dividend cover	4.1 ×	3.6	3.7 ×	3.6 ×	**3.4 ×**
Underlying diluted EPS*	8.68p	9.99p	12.82p	13.78p	**14.53p**
Diluted EPS	7.07p	8.50p	10.40p	12.20p	**9.90p**
Net debt/(cash)	£13.4m	£16.0m	£6.4m	£7.4m	**£14.2m**
Cash conversion % of underlying EBITDA*	50.2%	88.9%	97.3%	68.1%	**64.9%**
Share price at 31 March	103p	127p	211p	255p	**193p**

* Before separately disclosed items, see note 2

Company and advisors

Trifast plc

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

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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

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Crawley, RH11 9PT

Corporate stockbroker

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London, EC2Y 5ET

Solicitors

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Registrars

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BS13 8AE

Financial PR

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

Financial calendar

AGM	**12 noon, Wednesday 24 July 2019**
Final dividend proposed payment date	**12 October 2019**
Half-yearly results	**November 2019**
Trading update	**February 2020**
Financial year end	**31 March 2020**
Pre-close trading update	**April 2020**
Preliminary results	**June 2020**

Trifast plc

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