Strategic report
TR – recognised as a market leader and global brand

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

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

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

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

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

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

We quite literally have been:

'holding the world together'
The world of **Trifast**

Our sites are based in 31 global locations:

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

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

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

**USA**
- Houston

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**Revenue by region (including intercompany revenues)**

- 36% UK
- 27% USA
- 34% Europe
- 3% Asia

**Employees by region**

- 36% UK
- 36% USA
- 44% Europe
- 2% Asia

**Manufacturing & distribution**

- 66% Manufacturing
- 34% Distribution

**Customer sectors**

- 33% Domestic appliances
- 34% Electronics
- 16% Automotive
- 19% Distributors
- 22% Other

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* PTS acquisition on 4 April 2018
As we acknowledge yet another strong, progressive and profitable year for Trifast, I would like to offer my sincere thanks, admiration and gratitude to all our colleagues across our various locations within our Group.
Chairman’s letter

A solid record of delivering growth

Dear Shareholder

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

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

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

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

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

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

All these initiatives are aimed at Trifast remaining widely acknowledged by the market as being truly world class. However, no financial business investment will provide a realistic return from consistent care and attention, complemented by motivation and appropriate training provided by our team leaders.

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

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

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

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

Malcolm Diamond MBE
Chairman
11 June 2018

Malcolm Diamond MBE
Chairman
11 June 2018

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

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

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Our people continued

The lead team

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

2 Glenda Roberts
Group Sales Director

3 Clare Foster
Chief Financial Officer

4 Mark Belton
Chief Executive Officer

5 Malcolm Diamond MBE
Non-Executive Chairman

6 Neil Warner
Senior Independent Non-Executive Director

7 Jonathan Shearman
Independent Non-Executive Director

8 Scott Mac Meekin
Independent Non-Executive Director

Read the Director’s biographies on pages 72 and 73
Specialisation and focus
– the keys to success

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Martin Greenwood
Director of Supply Chain Development

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

Sam Wilson
Managing Director
Lancaster Fasteners

Without our people we would not be able to achieve the results and have the success that we do. All our employees contribute positively to our effectiveness and to our overall performance.
Our team is what TR Fastenings embodies as a strategy; a diverse, energetic team, able to keep up with the global marketplace, leveraging its global footprint while relying on its most important asset, its employees. When someone asks who do you work for; we “all” proudly respond TR Fastenings, our second family.

Gary Badzioch
Managing Director, USA

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

Charlie Foo
Managing Director, Asia

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

Dara Horgan
Location Head, Ireland
Global marketplace

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

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

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

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

Electronics and technology
Lighting and LED is a large part of the product we supply in Europe to facilities in Poland, Hungary and Spain. This can be for use in street lighting, stadia, architectural installations and for domestic use with the LED transformation leading the way. The IT enclosure market sector continues to grow fuelled by the need for the cabinets that house the communications and IT systems in offices and buildings; we are supplying the hardware for many of the major brands. We primarily opened up TR España to develop the automotive Tier 1’s in this territory so we have been encouraged by our success in securing electronics business with a number of companies through being established in Spain.

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

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

Heat map showing areas of growth for Trifast
Spain produces 2.9 million vehicles, of which over 80% are exported, this is expected to grow by a further 5.6% this year. This growth will be helped by Ford agreeing to invest €880 million in Spain to manufacture the new KUGA this year. We opened TR España in 2017 and we are delighted to have already secured sizeable contracts for production builds thereby justifying the capital investment. Being close to the clusters of the automotive OEM's and Tier 1’s is essential. Many of the HQs and design centres for the major Tier 1’s are in Spain. This helps us in the negotiations to secure business for the builds that are manufactured outside of the country.

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

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

New opportunity for TR

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

Enhancing the skills base to support growth

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

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

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

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

Glenda Roberts
Group Sales Director
Our business model

We are a 24/7 ‘full service provider’ offering ‘end-to-end’ support to all our customers. Our success and ongoing growth is based on a unique blend of high quality in-house manufacturing, our long-standing customer relationships, sourcing know-how and adaptable, consistently reliable global logistics.

What we offer

TR is a recognised and established global brand across a wide range of manufacturing sectors. We pride ourselves on the end-to-end support that we offer to all customers. We don’t just sell industrial fastenings – we design, we problem-solve, we engineer, we manufacture, we source and we reliably deliver high quality, often complex components and logistical solutions to production lines across the world.

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

So how do we do it?

Design and application

Opportunities for growth

Investing for growth

Flexible global logistics

High quality, low cost manufacturing

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

Our engineering teams, through their strong relationships with our customers’ R&D departments, look to get involved from the start of the enquiry and design process, helping our multinational OEM customers to make the right fastener design decisions before full scale production begins. While staff at our growing number of Technical Innovation Centres around the world, work on creating design solutions to proactively take to market.

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

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

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

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

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 fastener and related components.

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

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

We have been a global supplier of fasteners and related components for 45 years. Over that time, we have established secure and proven logistic networks across the world. We now offer seamless and reliable supply to over 60 countries. From complex VMI and ‘Just-in-Time’ delivery to local third party warehousing and straightforward ex-works solutions, we are able to provide the most cost-effective supply logistics to suit our multinational OEMs’ needs.

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

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

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

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

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

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

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

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Innovation
– Technical, application and design engineering

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

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

Technical centres for the future
The next stage in this development is to open ‘technical and innovation centres’ in the heart of automotive and electronics clusters of manufacturing. Our Swedish team were given a brief to find a campus environment, close to the design centres of the major customers that we support today, in a futuristic building in Gothenburg. They exceeded the brief and during November 2017 we moved in to serviced offices on the Docklands building in Gothenburg. The building we occupy is a ‘hot house’ purely for companies involved in the automotive sector and electric vehicle (EV) development. The design centres for Volvo, Geely, Ericsson and many more are within walking distance of our centre, and the expanding city will be home to another 7,000 people moving in to this area of engineering excellence. The product designed in this city will influence their OEM manufacturing sites globally and the Tier 1’s that support them. The TR team based in Gothenburg is engaging with other TR teams in Europe, China, USA and India on an increasing basis to ensure that we secure the business that we have been involved in and that it goes global.

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

Electric vehicle development
The emergence of the EV development is the hottest topic at the moment and we are already engaged with, and on the builds of, prestigious models through the Tier 1’s. The interiors of the vehicles are becoming more futuristic, but they still require car seats, IP console and air bag assemblies the same as a conventional diesel or petrol engine car, so the vast majority of the parts we already supply will remain the same. We are involved however with the battery manufacturers and changing technology.

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

We have launched a major campaign globally to be seen as the one-stop source for EV charging units. A dedicated industry page on our technical website has been created to showcase our full capabilities.

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

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

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

Glenda Roberts
Group Sales Director
TR retains level 2 JOSCAR status
Accreditation register is used by buyers in the defence, aerospace and security sectors.

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

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

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

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

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

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

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

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

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

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

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

Core strategy

Focus on multinational OEMs
Against the backdrop of forecast global economic growth, TR is in a good position to continue to grow

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

Carying on from FY2018, we see the next few years as being a period of continued investment and growth. Using as a base the strong foundations we have built and the investments we have already made, we will continue to make carefully targeted investments in the coming years. Working hard to ensure that we are best able to seize the opportunity to grow alongside our key global customers and markets for the long term.

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

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

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

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

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

Plans for the future
Over the coming years we will continue to drive investment in both our sales and cross-functional teams to support the ongoing development of our core strategy. In part this will be by increasing head count to expand our sector expertise and knowledge across different geographies and by ensuring that our sales teams work closer together on a global basis to continue to improve site penetration levels at our multinational OEMs.

To assist this, the ongoing investment and development of our global enquiry portal is set to continue with our Group and local teams working closely together to review existing functionality against future requirements. This will be further supported by the investments we are making as part of Project Atlas into developing and integrating our wider IT and business infrastructure.

In the medium term we see our revenue to our top multinational OEMs continuing to increase organically and for us to build meaningful trading relationships with at least another ten multinational OEMs over that same period to be identified as key development accounts.
<table>
<thead>
<tr>
<th>Strategic pillar</th>
<th>KPI's</th>
<th>Link to strategy in action</th>
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</thead>
<tbody>
<tr>
<td><strong>Investing in our people</strong></td>
<td>• Group total revenue&lt;br&gt;• Key multinational OEM revenue&lt;br&gt;• Return on capital employed (‘ROCE’)&lt;br&gt;• Broaden skills of management</td>
<td>Read more on pages 26 to 29</td>
</tr>
<tr>
<td><strong>Investment driven growth</strong></td>
<td>• Group total revenue&lt;br&gt;• Return on capital employed (‘ROCE’)&lt;br&gt;• Manufacturing to distribution ratio&lt;br&gt;• Underlying cash conversion as a % of underlying EBITDA</td>
<td>Read more on page 30</td>
</tr>
<tr>
<td><strong>Continue to add value and differentiate</strong></td>
<td>• Group total revenue&lt;br&gt;• Key multinational OEM revenue&lt;br&gt;• Underlying operating margin enhancement</td>
<td>Read more on page 32</td>
</tr>
<tr>
<td><strong>Acquisitions</strong></td>
<td>• Group total revenue&lt;br&gt;• Return on capital employed (‘ROCE’)&lt;br&gt;• Underlying diluted earnings per share (‘EPS’)&lt;br&gt;• Manufacturing to distribution ratio</td>
<td>Read more on page 34</td>
</tr>
<tr>
<td><strong>Operational efficiencies</strong></td>
<td>• Group total revenue&lt;br&gt;• Underlying operating margins enhancement&lt;br&gt;• Group underlying profit before tax&lt;br&gt;• Underlying diluted earnings per share (‘EPS’)&lt;br&gt;• Underlying cash conversion as a % of underlying EBITDA</td>
<td>Read more on page 36</td>
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Read about our **Key Performance Indicators (KPIs)** on page 44
Investing in our people

Training and development

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

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

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

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

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

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

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

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

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

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

- Employee development
- Health and safety
- Environment

Through the introduction of a new HR system this process will become increasingly efficient.
Maddy Webb  
Director of Quality

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

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

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

Quality is ‘conformance to standard’ and Quality is everybody’s responsibility.

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

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

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

Maddy Webb  
Director of Quality

Ping Siong Tong  
General Manager, TR PSEP, Malaysia

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

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

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

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

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

Ping Siong Tong  
General Manager  
TR PSEP Malaysia
Strategy in action
continued

Investing in our people continued

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

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

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

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

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

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

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Pay and bonus</th>
<th>Median</th>
<th>Mean</th>
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<tbody>
<tr>
<td>Hourly pay</td>
<td>-2.17%</td>
<td>2.58%</td>
</tr>
<tr>
<td>Bonus pay</td>
<td>0.00%</td>
<td>21.00%</td>
</tr>
</tbody>
</table>
These charts illustrate a difference of 2.18% between the numbers of men and women being paid a bonus. As a Company we reward all our employees, the only reason the statistics do not show 100% is due to the eligibility criteria for the bonus payments at the time of the snapshot.

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

www.trifast.com
Strategy in action
continued

Investment driven growth

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

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

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

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

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

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

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

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

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

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

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

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

Raul Fernandez
Commercial Director
TR España

TR Formac, Shanghai
New laboratory and warehousing facility

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

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

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

Phua Yong Sang
General Manager
TR Formac, Shanghai

www.trifast.com
Strategy in action

continued

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

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

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

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

We continuously undergo and pass customer audits in our manufacturing and distribution locations. With external recognition also evident in the various awards we have once again received during the year.

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

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

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

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

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

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

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

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

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

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

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

Awards and recognition

TR Fastenings’ USA team recognised for supplier excellence by Yanfeng

Photo credit: On the Run Photography

Global intelligent products provider Flex honours TR with preferred supplier award

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

TR Holland receives fourth 100% delivery award from Philips

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

Description
Trifast has consistently demonstrated its ability to deliver organic growth. However, this is not enough to maximise the opportunities available to us in what is a very fragmented industry, with no one player having more than 5% of the market share.

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

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

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

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

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

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

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

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

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

“TR adds established stainless steel fastener supplier to its portfolio, to drive global product range extension and ongoing growth”
Strategy in action continued

Operational efficiencies

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

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

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

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

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

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

Performance so far
The significant investments we have made in our Italian and Singaporean factories over the last two years have increased capacity and, in the long term, will help improve efficiencies and maintain gross margins as in-house production levels increase. Across our wider manufacturing sites, we have been investing in plant and machinery to improve efficiency wherever possible. In Italy we have invested in automated packaging machinery, whilst in Malaysia these investments have been focused on additional sorting technologies.
As a business, we have been successfully investing for growth in a number of areas over the last few years. And whilst that investment has focused to date on increasing our manufacturing capabilities and supporting our ongoing organic distribution growth, it has become more and more apparent over that time that one area where we also need to turn our attention to, is in developing our MIS, IT infrastructure and the underlying business processes that stand alongside it.

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

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

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

The four key drivers for this investment are:

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

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

Project Atlas

Stevie Meiklem
Project Lead

Niall McClure
Programme Director
1. Supporting our core strategy

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

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

Read about our ‘Core strategy’ on page 24 and ‘Continue to add value and differentiate strategy’ on page 32

2. Operational efficiencies and integration

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

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

Read about our Operational efficiencies strategy on page 36
3. Improving our management information and data management

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

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

4. Building an adaptable, scalable and stable environment

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

<table>
<thead>
<tr>
<th>Before Atlas</th>
<th>After Atlas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systems and processes have been built around an outdated delivery model based on national customer relationships and a geographic P&amp;L bias, leading to workarounds to support our ongoing core multinational OEM strategy to grow</td>
<td>An IT platform and underlying processes specifically tailored to support the way we and our customers do business across the world</td>
</tr>
<tr>
<td>Ageing equipment and software coming to end-of-life, leading to increasingly high costs to maintain</td>
<td>Significant ongoing investment by our chosen leading global software provider - automatic upgrades and ever increasing connectivity will future proof our IT infrastructure without significant additional investment</td>
</tr>
<tr>
<td>Reliance on in-house technical capability in a number of key locations</td>
<td>Cloud based technology, with widely available support. Facilitating the implementation of global IT shared services wherever possible</td>
</tr>
<tr>
<td>Non-scalable, inflexible, slow and expensive to change</td>
<td>Flexible, scalable and rapidly deployable, supporting both our acquisition strategy and ongoing organic growth in an ever changing marketplace</td>
</tr>
</tbody>
</table>
Outline timeline and scoping
Given the scale of this investment programme there are likely to be points of evolution and change during the course of the project as we look to secure and build the best solution for the business and its future growth plans. Some key considerations will only be fully visible to us as we move through the various stages of the project plan. In the context of this, we have set out below an overview of the programme and the expected timetable.

Our timeline

<table>
<thead>
<tr>
<th>Phase</th>
<th>Approximate timing of roll-out</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Distribution entities currently using our bespoke software solution – Tribune</td>
</tr>
<tr>
<td>2</td>
<td>Distribution entities using other IT platforms</td>
</tr>
<tr>
<td>3</td>
<td>Manufacturing entities</td>
</tr>
<tr>
<td>4</td>
<td>Transactional entities (in-fill stockists/ manufacturers)</td>
</tr>
<tr>
<td></td>
<td>Subsequent acquisitions</td>
</tr>
</tbody>
</table>

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

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

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

Outside of the above, we are also considering the timing and scoping for how this affects other areas of our business, including: marketing, contracts management, acquisition activities, and document storage.
High level cost-benefit analysis
This project clearly represents a major multi-year organic investment programme for Trifast and after the necessary consideration, the Board has signed off on a budget of up to £15m (to cover phases 1 to 3). Given the scale and complexity of the programme, this budget will be closely monitored and may be subject to change as we further develop and refine the scope and timings of this investment.

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

Change management and adoption
“Project Atlas is about far more than an IT system. This project will fundamentally change the way that we operate together as a business”
This is not just an investment in technology. Project Atlas is also about investing in our people. The only way to secure the full benefits from the project is to ensure the highest possible levels of user adoption across the Group. This requires fully educated and trained individuals around the Group who understand the rationale for the changes taking place, the functionality of the system and the rules, policies and processes that will affect them.
We are safeguarding this engagement in a number of ways. Our recently recruited Change Programme Manager has led the development of a comprehensive change management strategy and related Internal Communications Plan. This is now being translated into a detailed training programme to be rolled out across all levels of our business.

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

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

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

Project Governance
“Such a significant investment demands the right team, with extensive experience, and the very best in project governance”
As shareholders would expect with Trifast, we are not underestimating the demands of delivering this significant investment programme. We set out below the key elements of project governance that we have put in place to ensure that this project is able to stay both on track and on budget so as to secure its full benefits in the coming years.

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

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stevie Meiklem</td>
<td>Project Lead</td>
<td>Stevie has worked for Trifast for 26 years. Operations Director on the Board of TR Fastenings Limited (UK) and also oversees our TR Hungary operations. Stevie’s role is project lead, helping to drive support for the ongoing successful roll out of the project in the wider business</td>
</tr>
<tr>
<td>Niall McClure</td>
<td>Programme Director</td>
<td>Niall joined Trifast in April 2017. Very experienced Programme Director, with 22 years working on substantial projects across a range of industries. Niall was recruited to oversee the initial scoping period and will go on to direct the ongoing development and roll-out of the project</td>
</tr>
</tbody>
</table>

Other key project team members

<table>
<thead>
<tr>
<th>Role</th>
<th>Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change Programme Manager</td>
<td>Recruited</td>
</tr>
<tr>
<td>IT Project Manager</td>
<td>Recruited</td>
</tr>
<tr>
<td>Project Management Officer</td>
<td>In place, internal re-allocation</td>
</tr>
<tr>
<td>Project Planner</td>
<td>Recruited</td>
</tr>
<tr>
<td>Change analyst</td>
<td>To be recruited</td>
</tr>
<tr>
<td>Test and Training Manager</td>
<td>Recruited</td>
</tr>
<tr>
<td>Business Analysts (x 5)</td>
<td>Recruited</td>
</tr>
<tr>
<td>Training and test team</td>
<td>To be recruited</td>
</tr>
</tbody>
</table>

Steering Committee

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

Data Governance Board

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

Conclusion

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

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

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

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

“With the Project Atlas investment, Trifast will transcend from being a leading international company into a truly World Class global industrial player"
The Board and the Operational Management teams regularly monitor and develop a range of financial and non-financial Key Performance Indicators (KPIs) to allow them to measure performance against expected targets, which can be analysed under various categories. Where we refer to underlying this is defined as being before separately disclosed items. Where we refer to EBITDA this is defined as earnings before interest, tax, depreciation and amortisation. For definitions and reconciliations to GAAP measures see note 2, note 25, note 34 and the glossary.

The following represents a selection of these indicators:

### Financial KPIs

<table>
<thead>
<tr>
<th>KPI</th>
<th>Link to strategy</th>
<th>Relevance and performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group total revenue</strong></td>
<td></td>
<td>Our clear strategy for growth makes turnover an important barometer of the Group's success.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Turnover has grown significantly from 2013, increasing by 62.7% to £197.6m (2013: £121.5m), equating to 10.2% p.a.</td>
</tr>
<tr>
<td><strong>Underlying operating margin enhancement</strong></td>
<td></td>
<td>Growth is about more than just the top line. Controlling our cost base is a key part of our investment plans.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reflecting our success in this area, underlying operating margin has increased by 490bps, from 6.6% in 2013 to 11.5% in 2018. This represents margin growth since 2013 of 11.8% p.a.</td>
</tr>
<tr>
<td><strong>Group underlying profit before tax</strong></td>
<td></td>
<td>Underlying profit before tax is a key measure of the underlying performance of the business.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Our underlying profit before tax has grown by over 204.6% (or 25.0% p.a.) since 2013.</td>
</tr>
<tr>
<td><strong>Underlying cash conversion as a % of underlying EBITDA</strong></td>
<td></td>
<td>Our quality of earnings is reflected in our ability to consistently turn underlying EBITDA in to underlying cash.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The Group continued to be cash generative in FY2018 with a normalised conversion rate of 68.1%, increasing to 78.2% net of a £2.5m investment in stock to normalise stock weeks (2013: 85.3%).</td>
</tr>
<tr>
<td><strong>Return on capital employed (‘ROCE’)</strong></td>
<td></td>
<td>ROCE measures the return that we can provide to both our equity and debt investors. Maintaining this continues to be a key focus of the Group.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Since 2013 our ROCE has grown by 10.7% p.a. to 20.1% (2013: 12.1%).</td>
</tr>
<tr>
<td><strong>Underlying diluted earnings per share (‘EPS’)</strong></td>
<td></td>
<td>EPS is a key target for the Group. Our clear strategy for growth is focused on increasing this ratio year-on-year.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Since 2013 underlying diluted EPS has increased by 9.05p to 13.78p (2013: 4.73p).</td>
</tr>
<tr>
<td><strong>Strategic multinational OEM revenue</strong></td>
<td></td>
<td>Working to grow this revenue as well as building relationships with new multinational OEMs is the backbone of our overall growth strategy.</td>
</tr>
</tbody>
</table>

### Non-financial KPIs

<table>
<thead>
<tr>
<th>KPI</th>
<th>Link to strategy</th>
<th>Relevance and performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Broaden skills of management</strong></td>
<td></td>
<td>Training programmes continue to be developed that allow our employees across the globe to learn together and share best practice.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>These programmes include operational, functional and leadership elements and are designed for our employees to enhance existing, and acquire, new skills.</td>
</tr>
<tr>
<td><strong>Manufacturing to distribution ratio</strong></td>
<td></td>
<td>By maintaining and expanding our manufacturing capabilities and capacities around the world, we will reduce our reliance on purely distribution revenues and be better able to manage unit price production costs to maintain our ongoing profitability.</td>
</tr>
</tbody>
</table>
Financial KPIs

**Historic performance**

- **Group total revenue**: Our clear strategy for growth makes turnover an important barometer of the Group's success. Turnover has grown significantly from 2013, increasing by 62.7% to £197.6m (2013: £121.5m), equating to 10.2% p.a.

- **Underlying operating margin**
  - Growth is about more than just the top line. Controlling our cost base is a key part of our investment plans. Reflecting our success in this area, underlying operating margin has increased by 490bps, from 6.6% in 2013 to 11.5% in 2018. This represents margin growth since 2013 of 11.8% p.a.

- **Group underlying profit before tax**
  - Underlying profit before tax is a key measure of the underlying performance of the business. Our underlying profit before tax has grown by over 204.6% (or 25.0% p.a.) since 2013.

- **Underlying cash conversion as a % of underlying EBITDA**
  - Our quality of earnings is reflected in our ability to consistently turn underlying EBITDA into underlying cash. The Group continued to be cash generative in FY2018 with a normalised conversion rate of 68.1%, increasing to 78.2% net of a £2.5m investment in stock to normalise stock weeks (2013: 85.3%).

- **Return on capital employed (ROCE)**
  - ROCE measures the return that we can provide to both our equity and debt investors. Maintaining this continues to be a key focus of the Group. Since 2013 our ROCE has grown by 10.7% p.a. to 20.1% (2013: 12.1%).

- **Underlying diluted earnings per share (EPS)**
  - EPS is a key target for the Group. Our clear strategy for growth is focused on increasing this ratio year-on-year. Since 2013 underlying diluted EPS has increased by 9.05p to 13.78p (2013: 4.73p).

**Strategic multinational OEM revenue**

- Working to grow this revenue as well as building relationships with new multinational OEMs is the backbone of our overall growth strategy.

**Non-financial KPIs**

- **Broaden skills of management**
  - Training programmes continue to be developed that allow our employees across the globe to learn together and share best practice. These programmes include operational, functional and leadership elements and are designed for our employees to enhance existing, and acquire, new skills.

- **Manufacturing to distribution ratio**
  - By maintaining and expanding our manufacturing capabilities and capacities around the world, we will reduce our reliance on purely distribution revenues and be better able to manage unit price production costs to maintain our ongoing profitability.

**Key to strategic pillar icons**

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

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Our Group performance

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

<table>
<thead>
<tr>
<th>Our Group performance:</th>
<th>FY 2018 CER</th>
<th>FY 2018 AER</th>
<th>FY 2017</th>
<th>Growth at CER</th>
<th>Growth at AER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£193.9m</td>
<td>£197.6m</td>
<td>£186.5m</td>
<td>-4.0%</td>
<td>+6.0%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>£59.2m</td>
<td>£60.2m</td>
<td>£58.0m</td>
<td>+2.0%</td>
<td>+3.8%</td>
</tr>
<tr>
<td>GP%</td>
<td>30.5%</td>
<td>30.5%</td>
<td>31.1%</td>
<td>-60bps</td>
<td>-60bps</td>
</tr>
<tr>
<td>Underlying operating profit (‘UOP’)</td>
<td>£22.1m</td>
<td>£22.7m</td>
<td>£21.0m</td>
<td>+5.1%</td>
<td>+8.1%</td>
</tr>
<tr>
<td>UOP %</td>
<td>11.4%</td>
<td>11.5%</td>
<td>11.3%</td>
<td>+10bps</td>
<td>+20bps</td>
</tr>
<tr>
<td>Operating profit (‘OP’)</td>
<td>£18.4m</td>
<td>£19.0m</td>
<td>£17.9m</td>
<td>+3.1%</td>
<td>+6.3%</td>
</tr>
<tr>
<td>OP%</td>
<td>9.6%</td>
<td>9.6%</td>
<td>9.6%</td>
<td>-10bps</td>
<td>+6.3%</td>
</tr>
<tr>
<td>Underlying EBITDA</td>
<td>£24.0m</td>
<td>£24.7m</td>
<td>£22.9m</td>
<td>+4.9%</td>
<td>+7.8%</td>
</tr>
<tr>
<td>Underlying EBITDA %</td>
<td>12.4%</td>
<td>12.5%</td>
<td>12.3%</td>
<td>+10bps</td>
<td>+20bps</td>
</tr>
<tr>
<td>Underlying profit before tax</td>
<td>£21.6m</td>
<td>£22.2m</td>
<td>£20.5m</td>
<td>+5.4%</td>
<td>+8.5%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>£17.9m</td>
<td>£18.5m</td>
<td>£17.3m</td>
<td>+3.4%</td>
<td>+6.7%</td>
</tr>
<tr>
<td>Underlying diluted EPS</td>
<td>£13.39p</td>
<td>£13.78p</td>
<td>£12.82p</td>
<td>+4.4%</td>
<td>+7.5%</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>11.82p</td>
<td>12.20p</td>
<td>10.40p</td>
<td>+13.7%</td>
<td>+17.3%</td>
</tr>
<tr>
<td>Underlying ROCE</td>
<td>20.1%</td>
<td>19.9%</td>
<td>19.8%</td>
<td>+10bps</td>
<td>+20bps</td>
</tr>
</tbody>
</table>

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

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

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

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

GAAP measures commentary (at AER)

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

With a proven track record, a strong balance sheet and an established strategy for growth we remain committed to a progressive dividend policy. As a result the Directors are proposing, subject to shareholder approval, a final dividend of 2.75p per share. This together with the interim dividend of 1.10p (paid on 12 April 2018), brings the total for the year to 3.85p per share, an increase of 10.0% on the prior year (2017: 3.50p). The final dividend will be paid on 12 October 2018 to shareholders on the register at the close of business on 14 September 2018. The ordinary shares will become ex-dividend on 13 September 2018.

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

Dividend progression

Dividend cover

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

FX effects

Given the ongoing weakening of sterling since June 2016, CER continues to be the best way of understanding the positive progress of our underlying business. To aid understanding, the impact of this on our key metrics is illustrated in the graph below.
Share price – recovery to growth:
The significant increase in our share price over the last five years illustrates the TR story of successful and sustainable growth (compound annual growth rate: 34.9%).

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

Our European operations have exited the year strongly, with revenues in HY2 growing by 5.2% at CER (7.5% at AER) and leading to a year-on-year revenue growth of 3.8% at CER, 8.6% at AER (2017: 9.9% of which 4.6% was organic at CER). This good regional performance is particularly commendable, as it follows abnormally high sales volumes in our Italian domestic appliances business in 2017, as we supported a global product recall programme for one of our key accounts. Our most significant trading gains in 2018 have arisen in the automotive sector in Holland and Sweden, with both of these sites achieving double digit CER revenue growth of 15.4% and 13.6% respectively.

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

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

In the US, we are very pleased to report a return to higher growth levels following a slow HY1 as a result of Hurricane Harvey. A very strong HY2, predominantly in the automotive sector, has seen year-on-year growth increase back up to 8.2%, £6.5m (6.8% at AER, HY1 2018: 3.7%; 2017: 12.3%).
Gross profit
The Group’s gross margin of 30.5% means we have remained a comfortable 50bps above our long held, but only recently achieved, 30.0% target (2017: 31.1%).

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

In the UK, gross margins have held steady, with the net impact of purchase price inflation, following the protracted weakness of sterling, having been relatively modest to date. Whilst in Asia, gross margins have remained consistent, as growth driven production cost benefits have helped to successfully offset the impact of e-bidding pricing pressures at one of our key electronics multinational OEMs.

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

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

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

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

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

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

Underlying operating profit and margin by region (CER)*

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2018</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>£8.3m</td>
<td>£8.6m</td>
</tr>
<tr>
<td>Europe</td>
<td>£8.4m</td>
<td>£8.0m</td>
</tr>
<tr>
<td>Asia</td>
<td>£22.1m</td>
<td>£21.0m</td>
</tr>
<tr>
<td>USA</td>
<td>£6.5m</td>
<td>£9.8m</td>
</tr>
</tbody>
</table>

* Before separately disclosed items which are shown in note 2
† After deducting central costs
Net debt bridge (AER)

Underlying operating margin (continued)
GAAP measures commentary (at AER, refer to table on page 52)
After considering separately disclosed items, the Group's operating margin at 9.6% (2017: 9.6%) is consistent with last year and broadly in line with the 10bps increase at underlying operating margin level. Operating margins in the UK have increased by 160bps to 10.7% (2017: 9.1%). The 50bps reduction from that achieved at underlying operating margin level is due to increased IFRS2 costs as there is now a full year's charge for the Senior Manager deferred bonus shares (2017: 3 months), (see note 22). For Europe, the operating margins have reduced by 240bps to 10.5% (2017: 12.9%). This reduction is in line with the reduction in underlying operating profit, as reduced amortisation charges are offset by the profit on disposal of PPE in VIC last year and an increase to the IFRS2 charge for the same reasons as noted above. Asia's operating margin has increased by 10bps to 14.7% (2017: 14.6%), compared to a reduction at underlying operating profit of 30bps, due to the profit on disposal of the factory in PSEP, partially offset by an increase to the IFRS2 charge, USA operating margins have reduced 530bps to 0.1% (2017: 5.4%), compared to a reduction at underlying operating profit of 470bps, due to an increase to the IFRS2 charge.

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

Taxation (at AER)
The 2018 effective tax rate ("ETR") of 18.5% is significantly lower than our underlying 2018 ETR of 23.3%.
The main reason for this difference is due to the finalisation of a fully provided historic tax position in the UK relating to a combination of EU loss relief claims (£0.6m) for losses made in the run up to the closure of TR France in 2007 and EU dividend relief claims (£0.6m) to cover dividends paid up to Trifast plc between the years of 2007 to 2009. The provision in the accounts at 31 March 2017 was £1.2m whereas the final settlement agreed on 7 September 2017 was £0.3m, leading to a prior year corporation tax adjustment of £0.9m.

Due to the size and the nature of this amount we have removed the net impact of these from our underlying ETR (see note 9).
The underlying Effective Tax Rate ('ETR') has remained in line at 23.3% (2017: 23.6%).
Subject to future tax changes and excluding prior year adjustments, our normalised underlying ETR is expected to remain in the range of c.23-25% going forward.

Net debt
Our net debt position increased by £1.0m to £7.4m (2017: £6.4m). Some £1.2m of this increase is due to the payment out of cash held specifically at 31 March 2017 to settle the national insurance and income tax payments relating to the Chairman, Malcolm Diamond’s, exercise of 1,000,000 share options on 17 February 2017.
Capital expenditure of £3.6m (net of £0.1m paid in April 2018) in the period (2017: £2.9m) supports the Board’s ongoing investment in the business, most specifically within our manufacturing sites, with the most significant additional capacity project in the final stages of completion in Singapore via the construction of a new mezzanine floor. In addition, £3.4m has also been used to acquire 1,500,000 Sp ordinary shares on the open market via the Trifast EBT.
In February 2018, we received an additional cash inflow relating to the successful disposal of our second property in PSEP, Malaysia. This office building had been rented out to the same automotive Tier 1 company since before our acquisition of PSEP in 2011. In August 2017, the property was vacated and as we retained no ongoing commercial requirement for the additional space, a decision was made to sell. The profit of £0.6m and the net proceeds of £1.6m generated on disposal have been shown outside of our underlying results (see note 3), but have impacted positively on our year end net debt position.

Although our cash is held across a number of currencies around the world, our gross debt continues to be held predominantly in € and this has led to a £1.3m net increase in net debt mainly from the relative strengthening of the Euro in the period.
Outside of these movements, as expected our cash generation has reduced with a conversion rate of underlying EBITDA to underlying cash of 68.1% (FY2017: 97.3%). Our investment in gross stock in the period includes an extra £2.5m to normalise the very low position we ended 2017 on. Without the impact of this, our conversion rate of underlying EBITDA to underlying cash would be higher at 78.2%.
Business review

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

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

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

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

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

Looking ahead
Group outlook:
Ongoing and future investment plans
As a Group, we continue to invest in our operations around the world to support our ongoing growth story.

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

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

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

GAAP measures
Operating profit and margin by region (AER)

<table>
<thead>
<tr>
<th>Region</th>
<th>2018 Profit</th>
<th>2017 Profit</th>
<th>2018 Margin</th>
<th>2017 Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>7.8</td>
<td>6.3</td>
<td>10.7%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Europe</td>
<td>7.8</td>
<td>8.7</td>
<td>10.5%</td>
<td>12.9%</td>
</tr>
<tr>
<td>Asia</td>
<td>8.4</td>
<td>7.9</td>
<td>14.7%</td>
<td>14.6%</td>
</tr>
<tr>
<td>USA</td>
<td>—</td>
<td>0.3</td>
<td>0.1%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Total†</td>
<td>19.0</td>
<td>17.9</td>
<td>9.8%</td>
<td>9.6%</td>
</tr>
</tbody>
</table>

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

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

**Acquisitions**

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

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

**Outlook**

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

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

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

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

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

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

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

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

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

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

Underlying operating margins have performed very well in the year, with a 210bps increase to £67.0m (2017: £65.9m). This reflects strong cost control, despite the investments for growth that have been made, and a growing sales line against what is a relatively fixed cost base.

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

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

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

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

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

Geoff Budd
Director
TR Europe

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

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

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

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

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

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

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

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

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USA

Gary Badzioch
Managing Director
TR Fastenings Inc.

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

Regional Performance

This has been a very strong year of revenue growth for our US region up 8.2% year-on-year to £6.5m (2017: £3.9m), with a notable return to double digit growth in HY2 following a slower start in HY1 due to Hurricane Harvey.

As reported last year we have continued our focus on the automotive sector seeing significant growth from it. This now represents 46% (2017: 26%) of our revenue. We have found our niche in this buoyant USA market, despite there being capable long established vendors in position already. We are a major supplier to the Tier 1’s in Europe and the knowledge we have gained in supplying to these multinationals has put us in an advantageous situation in the local market. We have knowledge of and understand their stringent quality requirements and finishes, and we hold stocks which has enabled us to supply samples and support prebuilds with very short lead times.

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

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

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

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

Looking ahead

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

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

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

Charlie Foo
Managing Director
TR Asia

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

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

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

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

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

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

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

Looking beyond organic growth, Asia also remains a region of great interest to us for potential non-organic investment. As a result, at both a Group and local level, we will continue to proactively identify and review acquisition opportunities as they arise.
Trifast plc Annual report 2018

Corporate social responsibility

Health, Safety & Environmental team

Jenni Morland
European Health, Safety and Environmental Manager

Kelly Bennett
Environmental Health and Safety Co-ordinator

Tracey Nixon-Mordica
Compliance Co-ordinator

Health, safety and environment

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

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

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

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

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

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

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

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

- Minimise energy consumption per full time equivalent (FTE) and square metre as is reasonably practical
- Prevent pollution as far as is reasonably practical
- Reduce the production of waste and develop effective waste management and recycling procedures, as well as disposing of unavoidable waste in such a way as to minimise its environmental impact
- Minimise emissions when defined as having a significant impact
- Periodically review its environmental arrangements, and performance against objectives to ensure that it remains relevant and appropriate
- Encourage awareness of internal and external environmental issues, and this Environmental Policy
- Reduce, control and where applicable prevent the use of restricted substances
- Conduct its activities in full knowledge of, and compliance with, the requirements of applicable environmental legislation, Approved Codes of Practice and other environmental requirements agreed by top management
## Carbon footprint 2017–2018

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

### Data period for reporting
- **01/04/2017 – 31/03/2018**
- **01/04/2016 – 31/03/2017**

### Total scope 1 Emission
- **1,840 tonnes CO₂e**
- **1,710 tonnes CO₂e**

#### Purchased Fuels
- **1,334 tonnes CO₂e**
- **1,90 tonnes CO₂e**

#### Company Vehicle use
- **506 tonnes CO₂e**
- **520 tonnes CO₂e**

### Total scope 2 Emission
- **6,128 tonnes CO₂e**
- **6,125 tonnes CO₂e**

#### Purchased Electricity
- **6,128 tonnes CO₂e**
- **6,125 tonnes CO₂e**

### Total GHG Emissions
- **7,968 tonnes CO₂e**
- **7,835 tonnes CO₂e**

#### Total manufacturing
- **6,526 tonnes**
  - (2017: 6,057 tonnes)
  - 11.5 per FTE
  - 0.18 per SQM

#### Asia manufacturing
- **3,734 tonnes**
  - (2017: 3,501 tonnes)
  - 9.31 per FTE
  - 0.153 per SQM

#### Europe manufacturing
- **2,792 tonnes**
  - (2017: 2,556 tonnes)
  - 16.82 per FTE
  - 0.235 per SQM

#### Total distribution
- **1,442 tonnes**
  - (2017: 1,778 tonnes)
  - 2.28 per FTE
  - 0.045 per SQM

#### USA distribution
- **34 tonnes**
  - (2017: 35 tonnes)
  - 1.33 per FTE
  - 0.036 per SQM

#### Europe distribution
- **1,050 tonnes**
  - (2017: 1,095 tonnes)
  - 2.32 per FTE
  - 0.047 per SQM

#### Asia distribution*
- **318 tonnes**
  - (2017: 648 tonnes)
  - 9.31 per FTE
  - 0.036 per SQM

#### USA distribution
- **34 tonnes**
  - (2017: 35 tonnes)
  - 1.33 per FTE
  - 0.036 per SQM

*Trifast has seen a reduction in its Asia distribution CO₂e emissions, due to offices being moved to more efficient premises.

### Figures are reported in tonnes of CO₂e (carbon dioxide equivalent)

Reports are calculated in the following ways:

- Tonnes of CO₂e
- Tonnes of CO₂e per FTE (Full Time Equivalent)
- Tonnes of CO₂e per SQM (Square metres of floor space occupied by the company)

### Code of conduct

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

### Business and the community

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

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

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

[www.trifast.com](http://www.trifast.com)
Trifast in the community

GROUP:

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

ASIA:

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

EUROPE:

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

German team runs up a great total for charity
TR Kuhlmann, raised €300 for humanitarian projects in Uganda by taking part in a charity run last summer.

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

UK – SOUTH EAST:

TR Uckfield score with football club
TR Fastenings has agreed a first-time sponsorship of Brighton & Hove Albion Football Club. Known by its fans as the “Seagulls” this local club debuted in the UK Premier League for the first time in 2017. TR is amongst a number of local businesses showing their support to the club and the local community.
UK – NORTH EAST:

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

No valley too deep, no mountain too high for Avril
Avril McNeil, who works within the automotive strategic support at TR’s North East division, completed an exhausting series of white-knuckle zip wire challenges across sheer mountain faces and deep caverns in the Welsh countryside. The challenge successfully smashing her target raised over £600 for the Sir Bobby Robson Foundation.

NORTHERN IRELAND:

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

SCOTLAND:

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

GROUP SPORT SPONSORSHIPS:

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

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

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

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

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

Marketing team

Abi Burnett
Head of Marketing

Sian Whitlock
Marketing Executive

Jessica D’Silva
Marketing Administrator

Tom Dewhurst
Marketing Projects Assistant

Victoria Chappell
Creative Designer

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

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

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

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

Online marketing
A fundamental tool for our teams and customers is our global technical and commercial website, which details the 50,000 products available including a new range of 3D models, interactive installations and ‘how it works’ animations, all developed in-house. With visitor numbers growing to over 350,000 and page views increasing by 30%, the ongoing need to keep our data and content relevant and up-to-date is vital – a task that is undertaken by working closely with our website team.
Product innovation has been a focal point, and we have developed an additional section online to showcase how TR is growing as an innovator in the market. Animations created in-house show how the new products work and are installed. This asset library will continue to grow as the team advances and develops new techniques in 3D modelling.

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

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

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

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

**Branding**

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

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

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

TR website team

Glenda Roberts
Group Sales Director

Keith Gibb
Head of Web Development

Peter Webb
Software Development Manager

Anjie Baker
Web Project Manager

Tim Vince
Software Developer

Abi Burnett
Head of Marketing

Jo Devlin
Head of Projects
Strategic Team

Technical and commercial website for customers

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

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

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

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

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

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

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

Looking ahead
We’ve got a lot planned for the next 12 months including:

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

The Trifast website

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

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

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

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

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

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

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

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

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

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

Global IT team

Colin Coddington
Group IT Director

Stephen Hopkins
IT Operations Manager

Ataur Rahman
Technical Manager

Peter Webb
Software Development Manager

Kerry Moran
Support Desk Manager

John Paton
Global Security Architect

David France
Group Chief Privacy Officer

Damian White
Systems Engineer

Stephen Maxwell
Web Developer

Chris Tull
Support Desk Analyst

Alex Canham
Systems Engineer

Tim Vince
Software Developer

Lucy Sinden
Support Desk Analyst

Graham Morrison
Junior Technician

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

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

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

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

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

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

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

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

### Overview > incoming mail summary

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

continued

Viability statement

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

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

In assessing the prospects of the Group over the three year period, the Directors have also considered the Group’s current financial position as well as its financial projections in the context of the Group’s debt facilities and associated covenants. These financial projections are based on a bottom-up budgeting exercise for FY2019 and FY2020 which has been approved by the Board and a more top down view aligned to the Group’s strategic objectives for FY2021. The Group’s base projections indicate that debt facilities and projected headroom are adequate to support the Group over the next three years.

In conducting the assessment, the Directors have considered the principal risks outlined on pages 69 to 71 to perform stress testing on the forecast to determine the impact on the financial position and performance of the Group. These risks have been identified by the Board, and are actively monitored on an ongoing basis, the most significant of which are considered in more detail below:

1. Potential impact that Brexit could have on the business due to foreign exchange movements, the possibility of a general downturn in the UK economy and/or the future impact of WTO tariffs and customs arrangements. To date the impact has largely been in the form of foreign exchange translation tail winds, which have significantly increased our Group results at AER in FY2017 and FY2018, although in time there is a risk that this could reverse if the relative value of Sterling were to increase again. We have also started to experience some pricing pressures due to the extended weakness of Sterling against the US Dollar and recent increases in raw material pricing. In the longer term, as a global business with worldwide logistics and over 70% of our revenue generated outside of the UK, we consider we have the flexibility to withstand any UK specific challenges by either adjusting our supply routes in the medium term, or even potentially following our customer base overseas if manufacturing moves out of the UK in the longer term.

2. A serious quality issue occurring, both in terms of an immediate reduction in revenue, and possible penalties incurred, and longer term, considering the impact to our reputation, including the possible risk that this could lead to the loss of one or more of our key multinational OEM customers. We have robust quality processes in place around the world, both in terms of our own manufacturing processes and our vendor assessment and sourcing policies. In addition, our established global quality team and issue resolution procedures ensure that any supply problems that do arise are dealt with and resolved as soon as possible for our customers, ensuring that the costs incurred by us and the end customer are minimised as far as possible. However, although this has not happened in our 45 year history, it is possible to imagine a more significant quality issue arising with a customer which could result in substantial recall costs and penalties. In these circumstances, our comprehensive global guarantee and recall insurance would be utilised to cover any direct costs incurred, although the ongoing negative impact on the business may still be significant whilst the market builds back up its trust in the Group.

3. The risk of a significant cyberattack, or data security breach could incur penalties and have a serious impact on the Group’s ability to trade in the short term, with longer term negative implications to our reputation in the marketplace and therefore our ability to meet our growth targets in the medium term. We have made substantial additional investments in to our cyber security, including our back-up data storage and power systems in recent years and have global IT policies in place that are managed by a dedicated in-house team.

We continue to invest in IT security and are rolling out best practice ISO 27001 around the world. However, in this world of heightened cyber risk, it is not impossible that a circumstance could arise where our trading results could be negatively impacted as a result of a cyber threat or data loss.

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

After considering the risks identified and based on the assessments completed, the Directors believe that there is a reasonable expectation that the Company will be able to continue to operate and meet its liabilities as they fall due over the next three years.
Risk table
How the business manages risk
As a Public Listed Company and in line with the UK Corporate Governance Code, “The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board should maintain sound risk management and internal control systems”. The Board recognises that the management of risk is required to enable the business to meet its objective to create ‘stakeholder value’.

Risk management

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description and potential impact</th>
<th>Current mitigation</th>
<th>Has the risk materialised?</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel &amp; resource</td>
<td>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.</td>
<td>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.</td>
<td>The Group enjoys extremely high retention levels with 51.2% of staff having been in the Group for more than ten years and the average length of service being over ten years. All key succession risks are appropriately managed.</td>
<td></td>
</tr>
<tr>
<td>Quality and manufacturing</td>
<td>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.</td>
<td>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.</td>
<td>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.</td>
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<td>Foreign exchange volatility</td>
<td>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.</td>
<td>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.</td>
<td>Foreign exchange volatility has remained high with movements of c. 5% across a basket of the Group’s key currencies. Our results have been presented at CER and AER to assist our stakeholders’ understanding of the underlying business. Further information in respect of the Group’s policies on financial risk management objectives including policies to manage foreign exchange is given in note 26.</td>
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## Risk management continued

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<thead>
<tr>
<th>Risk</th>
<th>Description and potential impact</th>
<th>Current mitigation</th>
<th>Has the risk materialised?</th>
<th>Trend</th>
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<td>Macro-economics</td>
<td>Traditionally distribution/ manufacturing sectors bear the effect of inventory reduction in challenging economic periods earlier than other industries</td>
<td>By operating globally and across several sectors, the Group is better able to manage the risk of regional or industry contractions. As customers move, or expand, we have the capability and flexibility to move with them, whilst our first class customer service works to protect us from rapid supplier changeover. We hold less than 1% of a £25bn target market meaning growth via market share remains credible even in a falling market.</td>
<td>The global economy remains in a period of growth.</td>
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<td>Loss of a key customer and debtor exposure</td>
<td>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.</td>
<td>Our global multinational OEM focus means we can build strong head office and local relationships with our key multinational customers. Improving our supplier power and helping us to retain and grow key trading relationships for the longer term. We maintain strong credit control procedures from new customer setup, through to regular monitoring as trade develops. We also have global catastrophe credit insurance cover.</td>
<td>The Group has not in recent years experienced any substantial credit issues and attrition of our key multinational OEMs remain very low.</td>
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<td>Interruption of supply</td>
<td>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.</td>
<td>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.</td>
<td>In recent times, political and climatic instability have increased in several countries across 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.</td>
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</table>
**Risk** | **Description and potential impact** | **Current mitigation** | **Has the risk materialised?** | **Trend**
---|---|---|---|---
**Inventories obsolescence** | The Group holds substantial inventory balances across the world. As the business grows these levels will increase to meet both transactional needs and the requirements of our multinational OEM customers. Higher stock levels lead to an increased exposure to obsolete inventory. | Stock management processes are a key part of the Group’s internal controls and stock weeks are a KPI, monitored locally and at Board level. We continue to invest in stock management processes and systems to ensure we keep optimum levels across the world. Our multi-locational set up, allows us to reduce lead times, and therefore stock holding, as far as possible. | Customers’ requirement and our product mix are ever evolving. Our tight stock management and engineering know-how allow us to view these changes as an opportunity to develop and sell new lines, rather than as a risk to the business. |  |
**Cyber security** | Unauthorised access to, or a breach of, our systems, networks or premises, could immediately and materially affect our reputation with possible implications for revenue and growth over the short to medium term. Such a breach may also cause financial loss. | We have undertaken a review of our cyber security controls worldwide. Additional investment has been made where required to manage our risk. Our IT policies are managed by a dedicated in-house team and access to systems is strictly limited to appropriate personnel. IT risk reviews are routinely carried out across all our sites and we hold ISO/IEC 27001:2013 accreditation in our Group IT function. | The Group has not to date experienced any significant cyber security threats but at the macro-level risk continues to increase. |  |
**Impact of BREXIT:**
**FX/ Transaction risk/ pricing pressures** | The prolonged weakness in Sterling has brought inflationary pressures to our imported purchase costs into the UK. | We perform ongoing reviews of our global supplier base as a matter of course to manage pricing pressures that arise. In the UK these reviews have been designed to specifically focus on the ongoing impact of foreign exchange fluctuations to ensure we continue to strike the best deal with our suppliers. | We have started to see input price increases impacting our UK margins over the second half of FY2018. However, if the more recent relative weakening of the US$ continues, then we would expect the impact of this to begin to stabilise. |  |
**Post-Brexit trading rules (WTO)** | A default to WTO rules could have a negative impact on trading between our UK sites and the EU/our EU sites and the UK. | As a global group with several EU subsidiaries we are in a strong position to manage our supply chain to allow trading routes that bypass a UK-EU or EU-UK transfer to a large extent. We see this challenge as an opportunity to insert greater efficiencies into our supply chain. | The situation now is increasingly unclear, but a hard Brexit may lead to a default to WTO rules. We are currently reviewing our options as a business, in advance of greater clarity. |  |
**UK macro-economic environment** | Given the degree of uncertainty in the wider market, the extended weakness in Sterling and the risk of restrictions to our ongoing access to the single market the UK economy may contract in the medium term. If we are unable to react to a possible slow down sufficiently quickly and effectively, then temporary trading/ restructuring losses could be incurred if the UK business needs to resize. | Regular quarterly forecasting and sales trend analysis at UK level will identify any issues as soon as possible. Whilst our access to the UK distribution market, acts as a good barometer of the wider marketplace, providing us with an early insight into toughening market conditions and allowing us to react quickly and effectively if a changing situation demands it. In the short term, manufacturing levels are protected by existing manufacturing investments in the UK, most specifically in the automotive sector. In the long term, we are a global business with the flexibility to follow our customers wherever they may end up following any prolonged downturn in the UK manufacturing industry. | The UK economy continues to grow. The automotive sector is our largest UK sector and government led discussions are ongoing with several of the UK’s major car manufacturers. We have seen no evidence of a Brexit-led contraction in investment to date, but we will continue to monitor the situation closely over the coming months to ensure we are able to react quickly to any change in circumstances. |  |
Introducing the lead team

Board biographies

Mark Belton
Chief Executive Officer
Length of service
19 years; appointed to the plc Board in 2010 and CEO on 1 October 2015
Key areas of expertise
Over his career with Trifast, Mark has forged a wealth of knowledge and great understanding of the industry, the TR model, key sectors and our customer portfolio. As Group Finance Director, he also played a pivotal role in the successful acquisitions of PSEP in Malaysia, VIC in Italy and Kuhlmann in Germany. Other skills include all aspects of strategic and financial planning, and investor relations
Committee membership
Nominations Committee and by invitation

Glenda Roberts
Group Sales Director
Length of service
28 years as Director of TR Fastenings Limited (UK) and Director for TR Fastenings Inc (USA) since July 2012; appointed to the plc Board in 2010
Key areas of expertise
Global sales & marketing experience in logistics & global supply chain, Key Account Management (KAM) and Customer Relationship Management (CRM)
Committee membership
By invitation

Clare Foster
Chief Financial Officer
Length of service
3 years; appointed to the plc Board on 1 October 2015
Key areas of expertise
All aspects of Trifast's financial management, accounting governance and strategic planning and implementation across all levels
Committee membership
By invitation

Geoff Budd
Commercial Director & European Managing Director
Length of service
42 years; appointed to the plc Board in 1986 (retired from the Board 31 March 2018)
Key areas of expertise
Geoff has extensive knowledge of the industry, European and Asian markets particularly in sales & purchasing, manufacturing management and quality. His role gives him responsibility of all of the European operations but he also holds the responsibility for the Group on all aspects of the commercial business, specifically advising the Board on capex requirements for the manufacturing sites
Committee membership
By invitation

Malcolm Diamond MBE
Non-Executive Chairman
Length of service
Total 43 years; appointed as Non-Executive Chairman on 1 April 2017
Formerly, Trifast Executive Chairman after being re-appointed in 2009, CEO for 18 years before retiring in 2002. 1984-2002 Managing Director, TR Fastenings Limited
Key areas of expertise
Significant commercial skills and leadership experience gained from growing an international business covering sales and marketing, strategic planning and implementation, business development and investor relations
Other directorships
Non-Executive Chairman (appointed May 2014) at Flowtech Fluidpower plc, the UK’s leading supplier of technical hydraulic fluid power products (Ticker: AIM: FLO) and joined the Board of discoverIE plc (formerly known as ACAL plc), a leading designer and manufacturer of specialist electronic components (Ticker: DSCV), in November 2015 before being appointed Non-Executive Chairman in April 2017
Committee membership
Chairman of the Nominations Committee and by invitation
Neil Warner  
Senior Independent Non-Executive Director

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

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

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

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

Jonathan Shearman  
Independent Non-Executive Director

Length of service  
9 years; appointed to the plc Board in 2009

Key areas of expertise  
Investment Fund management, stockbroking and investment banking, and charitable foundations

Other directorships  
Non-executive director at AIM listed Orchard Funding Group

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

Lyndsey Case  
Company Secretary

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

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

Committee membership  
Secretary to the Committees and by invitation

Scott Mac Meekin  
Independent Non-Executive Director

Length of service  
5 years; appointed to the plc Board in 2013

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

Other directorships  
Director at Morgan Legend Limited Hong Kong, Director at Tes-Amm Private Limited, and CEO at Dearman Engine Company  
Member of Harvard Alumni Association & National University Singapore Alumni Association

Committee membership  
Member of the Audit Committee and Remuneration Committee

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The Strategic report was approved by the Board of Directors on 11 June 2018 and signed on its behalf by:

Malcolm Diamond MBE  
Non-Executive Chairman

Trifast House, Bellbrook Park,  
Uckfield, East Sussex  
TN22 1QW

Company registered number: 01919797
My views on the role of ... Non-Executive Director (NED)

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

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

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

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

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

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

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

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

There is an old saying “who gives the boss a stroke”? In other words, everyone has a need for peer recognition and praise where due (in any sphere of human interaction). Sadly, it seems to be unusual for the “boss” to experience this from internal colleagues, as it can be taken for granted by many that their status or level of financial reward somehow alleviates their need for basic emotional reassurance. Conversely, it is also rare for colleagues to openly criticise any perceived minor weakness or fault they encountered with the exec team, to the extent that I have witnessed visible and audible demotivation of those individuals affected.

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

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

Malcolm Diamond MBE
Chairman