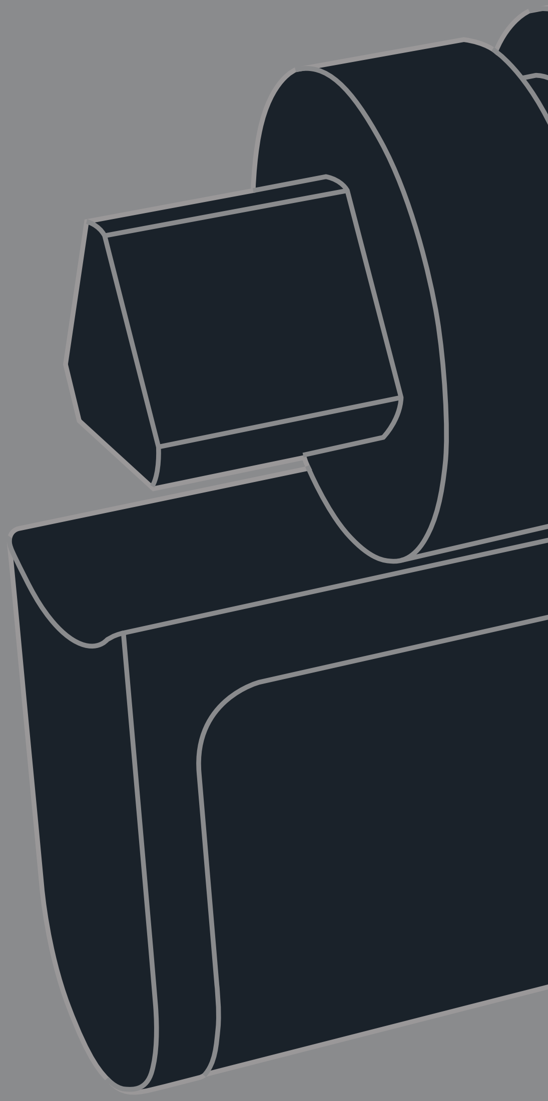
Our financials



Contents

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Independent auditor's report

to the members of Trifast plc

1. Our opinion is unmodified

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

In our opinion:

— the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2018 and of the Group's profit for the year then ended;

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

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

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

Basis for opinion

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

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

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

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

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

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

	The risk	Our response
Carrying amount of customer specific inventory (Customer specific inventory of £27.2 million; 2017: £23.2 million) *Refer to page 83 (Audit Committee Report), page 118 (accounting policy) and page 135 (financial disclosures).*	**Subjective estimate** A proportion of the group's inventory is manufactured to meet specific customer requirements. There is a risk over the recoverability of these balances if a customer experiences financial stress or there is a demand issue with a customer's product that includes a part manufactured by Trifast.	Our procedures included: — **Historical comparisons:** we assessed whether old and slow moving inventory is provided against in accordance with the group accounting policy and in compliance with accounting standards. We challenged the appropriateness of the policy by comparing amounts written off against previous provision levels. We considered the estimation method applied through historical trend analysis; — **Tests of detail:** we inspected a sample of service level agreements to compare customers' minimum purchase commitments to year-end inventory levels and considered any residual risk of recoverability. We reviewed these customers' trade receivable levels for indicators of financial stress; and; — **Assessing transparency:** we considered the adequacy of the group's disclosures about the degree of estimation involved in arriving at the inventory provision; **Our results** — We found the carrying amount of inventory to be acceptable (2017 result: acceptable).

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

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

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

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

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

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

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

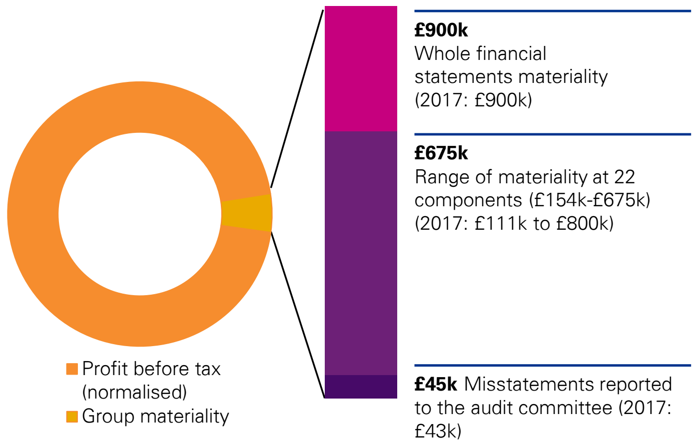
The components within the scope of our work accounted for the percentages illustrated opposite.

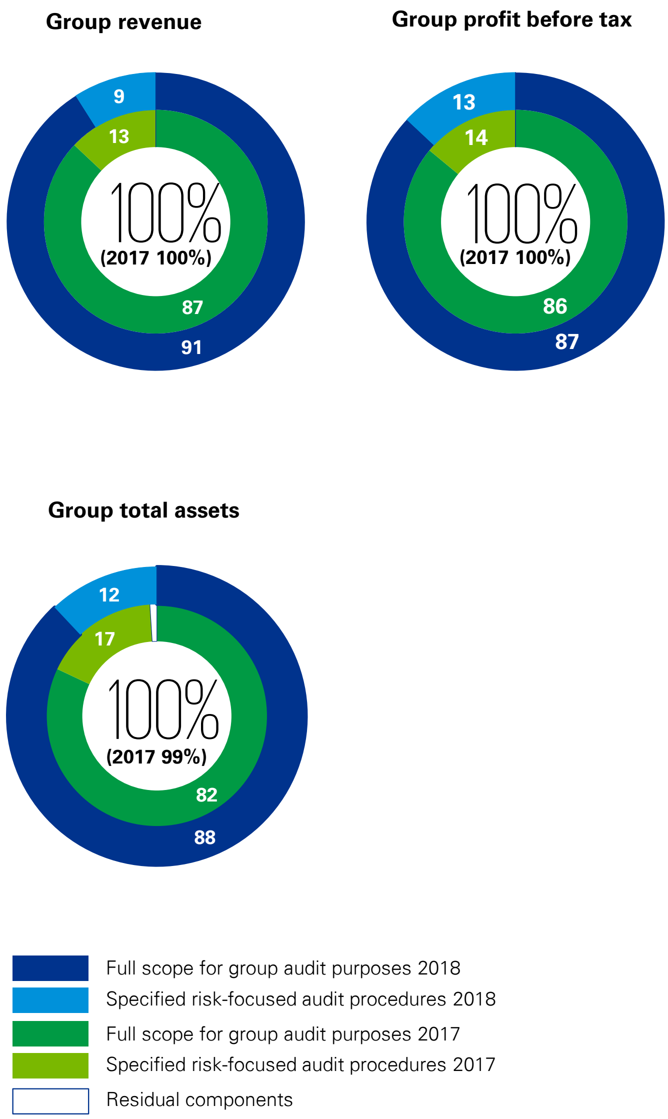
The group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities which ranged from £154,000 to £675,000 (2017: £111,000 to £800,000), having regard to the mix of size and risk profiles of the Group across the components. The work on 8 out of 21 reporting components subject to audit or specified risk-focussed audit procedures (2017: 8 out of 18) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team. The Group team performed procedures on the items excluded from normalised group profit before tax.

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

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

Group Materiality
£900k (2017: £890k)





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4. We have nothing to report on going concern

We are required to report to you if:

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

We have nothing to report in these respects.

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

Directors' remuneration report

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

Disclosures of principal risks and longer-term viability

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

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

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

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

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

We have nothing to report in these respects.

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

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

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

Auditor's responsibilities

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

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

Irregularities – ability to detect

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

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

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

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

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

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

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

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

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Consolidated income statement

for the year ended 31 March 2018

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

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

Consolidated statement of comprehensive income

for the year ended 31 March 2018

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

Consolidated statement of changes in equity

for the year ended 31 March 2018

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

Consolidated statement of changes in equity

for the year ended 31 March 2017

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

Company statement of changes in equity

for the year ended 31 March 2018

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

Company statement of changes in equity

for the year ended 31 March 2017

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

Statements of financial position

at 31 March 2018

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

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

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

Mark Belton
Director

Clare Foster
Director

Statements of cash flows

for the year ended 31 March 2018

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

Notes to the financial statements

for the year ended 31 March 2018

1 Accounting policies

a) Significant accounting policies

Trifast plc ('the Company') is a company incorporated in the United Kingdom. The registered office details are on page 163.

The Consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group). The Company financial statements present information about the Company as a separate entity and not about its Group. The profit after tax for the Company is £4.7m (2017: £4.8m).

Statement of compliance

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

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

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

b) Basis of preparation

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

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

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

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

Going concern

A review of the business activity and future prospects of the Group are covered in the accompanying Strategic report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are specifically described in the Business review on pages 46 to 57. Detailed information regarding the Group's current facility levels, liquidity, credit, interest and foreign exchange risk are provided in note 26.

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

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

c) Basis of consolidation

i) Subsidiaries

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

ii) Transactions eliminated on consolidation

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

Notes to the financial statements

for the year ended 31 March 2018

1 Accounting policies (continued)

d) Foreign currency

i) Foreign currency transactions

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

ii) Financial statements of foreign operations

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

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

e) Hedge of net investment in foreign operations

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

f) Property, plant and equipment

i) Owned assets

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

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

ii) Depreciation

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

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

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

iii) Leased assets

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

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

1 Accounting policies (continued)

iv) Subsequent costs

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

g) Intangible assets

i) On business combinations

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

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

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

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

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

ii) Other intangible assets

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

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

iii) Subsequent expenditure

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

iv) Amortisation

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

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

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

h) Non-derivative financial instruments

i) Investments in subsidiaries

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

ii) Trade and other receivables

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

Notes to the financial statements

for the year ended 31 March 2018

1 Accounting policies (continued)

iii) Cash and cash equivalents

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

iv) Interest-bearing borrowings

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

v) Trade and other payables

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

i) Inventories

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

j) Impairment

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

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

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

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

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

i) Calculation of recoverable amount

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

ii) Reversals of impairment

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

k) Share capital

i) Dividends

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

ii) Classification of share capital issued by the Group

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

1 Accounting policies (continued)

l) Employee benefits

i) Defined contribution plans

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

ii) Share based payment transactions

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

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

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

iii) Termination benefits

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

m) Provisions

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

n) Revenue

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

o) Expenses

i) Operating lease payments

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

ii) Finance lease payments

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

iii) Net financing costs

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

Notes to the financial statements

for the year ended 31 March 2018

1 Accounting policies (continued)

p) Taxation

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

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

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

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

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

q) Operating segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenditure (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (the Board) in order to make decisions about allocating resources and to assess its performance, and for which discrete financial information is available.

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

r) Financial guarantee contracts

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

s) Earnings per share

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

t) Underlying measure of profits and losses

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

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

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

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

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

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

1 Accounting policies (continued)

u) Separately disclosed items (see note 2)

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

v) Own shares acquired by Employee Benefit Trust

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

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

w) Asset held for sale

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

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

x) Adopted IFRS not yet applied

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

- IFRS 9 Financial Instruments (effective date 1 January 2018)

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

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

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

It is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. This means that it will be effective for the year ending 31 March 2019 for *Trifast*. As the majority of the Group's revenue is derived from arrangements in which the transfer of risks and rewards coincides with the fulfilment of performance obligations and transfer of control as defined by IFRS15, no material changes in respect of timing and amount of revenue currently recognised by the Group are expected. Management therefore do not expect a transition adjustment will be presented on adoption, in the primary statements. Management does, however, expect to make changes to revenue related disclosures, including further disaggregation of revenue, and updates to the accounting policy to reflect new terminology under IFRS15.

- IFRS 16 Leases (effective date 1 January 2019)

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

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

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. This will be effective for *Trifast* in the year ending 31 March 2020. The Group is currently performing a detailed assessment of the impact of IFRS 16 on the financial statements and will provide further details in the next Annual Report. Given the value of the Group's operating lease commitments, it is expected it will have a material impact on the values of gross assets and gross liabilities recognised in the financial statements as well as a less significant impact on the recognition and classification of costs in the income statement.

Notes to the financial statements

for the year ended 31 March 2018

2 Underlying profit before tax and separately disclosed items

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

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

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

Recurring items

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

Acquired intangible amortisation has remained in line with prior year.

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

Event driven/one-off items

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

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

A factory, previously rented to an automotive Tier 1 company, in PSEP was sold during the year for £1.7m, generating a profit of £0.6m. Last year, obsolete plant and machinery was sold in our Italian manufacturing company Viteria Italia Centrale. The sales price and profit recorded on this sale was £0.2m.

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

3 Operating segmental analysis

Segment information, as discussed in note 1 (q), is presented in the consolidated financial statements in respect of the Group's geographical segments. This reflects the Group's management and internal reporting structure, and the operating basis on which individual operations are reviewed by the Chief Operating Decision Maker (the Board). Performance is measured based on each segment's underlying profit before finance costs and income tax as included in the internal management reports that are reviewed by the Chief Operating Decision Maker. This is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within the industry.

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

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

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

Geographical operating segments

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

— UK

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

— USA: includes USA and Mexico

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

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

March 2018	UK £000	Europe £000	USA £000	Asia £000	Common costs £000	Total £000
Revenue						
Revenue from external customers	**70,286**	**72,721**	**6,271**	**48,354**	—	**197,632**
Inter segment revenue	**2,689**	**938**	**162**	**8,838**	—	**12,627**
Total revenue	**72,975**	**73,659**	**6,433**	**57,192**	—	**210,259**
Underlying operating result	**8,410**	**9,085**	**52**	**8,426**	**(3,260)**	**22,713**
Net financing costs	**(100)**	**(52)**	—	**55**	**(383)**	**(480)**
Underlying segment result	**8,310**	**9,033**	**52**	**8,481**	**(3,643)**	**22,233**
Separately disclosed items (see note 2)						**(3,730)**
Profit before tax						**18,503**
Specific disclosure items						
Depreciation and amortisation	**267**	**1,713**	**17**	**1,215**	**88**	**3,300**
Assets and liabilities						
Segment assets	**44,561**	**75,729**	**3,788**	**60,392**	**4,186**	**188,656**
Segment liabilities	**(19,350)**	**(16,211)**	**(408)**	**(11,592)**	**(30,806)**	**(78,367)**

Notes to the financial statements

for the year ended 31 March 2018

3 Operating segmental analysis (continued)

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

There were no material differences in Europe and USA between the external revenue based on location of the entities and the location of the customers. Of the UK external revenue £14.9m (2017: £11.3m) was sold into the European market. Of the Asian external revenue, £4.7m (2017: £4.6m) was sold into the American market and £5.9m (2017: £5.5m) sold into the European market.

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

4 Other operating income

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

5 Expenses and auditor's remuneration

Included in profit for the year are the following:

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

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

Auditor's remuneration:

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

6 Staff numbers and costs

The average number of people employed by the Group (including Directors) during the year, analysed by category, was as follows:

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

The aggregate payroll costs of these people were as follows:

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

Notes to the financial statements

for the year ended 31 March 2018

7 Directors' emoluments

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

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

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

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

	Number of Directors 2018	2017
Retirement benefits are accruing to the following number of Directors under money purchase schemes	**4**	4
The number of Directors who exercised share options was	**4**	2

See pages 86 to 98 of the Remuneration Report for more details.

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

8 Financial income and expense

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

9 Taxation

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

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

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

Reductions in the UK tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. Deferred tax has been calculated based on these enacted rates.

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

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

Notes to the financial statements

for the year ended 31 March 2018

10 Property, plant and equipment — Group

	Land and buildings £000	Leasehold improvements £000	Plant and equipment £000	Fixtures & fittings £000	Motor vehicles £000	Total £000
Cost						
Balance at 1 April 2016	16,270	933	26,160	5,355	613	49,331
Additions	319	30	2,174	349	31	2,903
Disposals	—	(103)	(792)	(490)	(80)	(1,465)
Effect of movements in foreign exchange	911	54	1,955	194	54	3,168
Balance at 31 March 2017	17,500	914	29,497	5,408	618	53,937
Balance at 1 April 2017	17,500	914	29,497	5,408	618	53,937
Additions	727	129	1,786	973	112	3,727
Disposals	(1,178)	(65)	(340)	(302)	(32)	(1,917)
Effect of movements in foreign exchange	42	(10)	(67)	(2)	(15)	(52)
Balance at 31 March 2018	**17,091**	**968**	**30,876**	**6,077**	**683**	**55,695**
Depreciation and impairment						
Balance at 1 April 2016	4,653	703	22,144	4,146	514	32,160
Depreciation charge for the year	262	65	947	500	47	1,821
Disposals	—	(103)	(786)	(482)	(80)	(1,451)
Effect of movements in foreign exchange	308	44	1,607	146	44	2,149
Balance at 31 March 2017	5,223	709	23,912	4,310	525	34,679
Balance at 1 April 2017	5,223	709	23,912	4,310	525	34,679
Depreciation charge for the year	268	72	1,135	376	49	1,900
Disposals	(132)	(65)	(339)	(280)	(11)	(827)
Effect of movements in foreign exchange	17	(18)	(58)	1	(12)	(70)
Balance at 31 March 2018	**5,376**	**698**	**24,650**	**4,407**	**551**	**35,682**
Net book value						
At 1 April 2016	11,617	230	4,016	1,209	99	17,171
At 31 March 2017	12,277	205	5,585	1,098	93	19,258
At 31 March 2018	**11,715**	**270**	**6,226**	**1,670**	**132**	**20,013**

Included in the net book value of land and buildings is £9.8m (2017: £10.9m) of freehold land and buildings, and £1.9m (2017: £1.4m) of long leasehold land and buildings.

11 Property, plant and equipment — Company

	Land and buildings £000	Fixtures & fittings £000	Total £000
Cost			
Balance at 1 April 2016	3,563	571	4,134
Additions	288	—	288
Balance at 31 March 2017	3,851	571	4,422
Balance at 1 April 2017	3,851	571	4,422
Additions	6	—	6
Balance at 31 March 2018	**3,857**	**571**	**4,428**
Depreciation and impairment			
Balance at 1 April 2016	1,216	556	1,772
Depreciation charge for the year	74	2	76
Balance at 31 March 2017	1,290	558	1,848
Balance at 1 April 2017	1,290	558	1,848
Depreciation charge for the year	85	2	87
Balance at 31 March 2018	**1,375**	**560**	**1,935**
Net book value			
At 1 April 2016	2,347	15	2,362
At 31 March 2017	2,561	13	2,574
At 31 March 2018	**2,482**	**11**	**2,493**

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

Notes to the financial statements

for the year ended 31 March 2018

12 Intangible assets – Group

	Goodwill £000	Other £000	Total £000
Cost			
Balance at 1 April 2016	41,462	14,294	55,756
Additions	—	45	45
Effect of movements in foreign exchange	2,298	945	3,243
Balance at 31 March 2017	43,760	15,284	59,044
Balance at 1 April 2017	43,760	15,284	59,044
Additions	—	30	30
Disposals	—	(238)	(238)
Effect of movements in foreign exchange	(402)	380	(22)
Balance at 31 March 2018	**43,358**	**15,456**	**58,814**
Amortisation and impairment			
Balance at 1 April 2016	14,025	3,472	17,497
Amortisation for the year	—	1,302	1,302
Effect of movements in foreign exchange	414	149	563
Balance at 31 March 2017	14,439	4,923	19,362
Balance at 1 April 2017	14,439	4,923	19,362
Amortisation for the year	—	1,400	1,400
Disposals	—	(238)	(238)
Effect of movements in foreign exchange	(208)	97	(111)
Balance at 31 March 2018	**14,231**	**6,182**	**20,413**
Net book value			
At 1 April 2016	27,437	10,822	38,259
At 31 March 2017	29,321	10,361	39,682
At 31 March 2018	**29,127**	**9,274**	**38,401**

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

Other intangible assets are made up of:

- Customer relationships acquired as part of the acquisition of PSEP. The remaining amortisation period left on these assets is 5.75 years
- Customer relationships, technology know-how and technology patents acquired as part of the acquisition of VIC. The average remaining amortisation period on these assets is 9.8 years.
- Customer relationships acquired as part of the acquisition of Kuhlmann. The average remaining amortisation period on these assets is 7.50 years.

12 Intangible assets – Group (continued)

The following cash generating units have carrying amounts of goodwill:

	2018 £000	2017 £000
Special Fasteners Engineering Co. Ltd (Taiwan)	**10,305**	10,834
TR Fastenings AB (Sweden)	**1,063**	1,063
Lancaster Fastener Company Ltd (UK)	**1,245**	1,245
Serco Ryan Ltd (within *TR* Fastenings Ltd) (UK)	**4,083**	4,083
Power Steel and Electro-Plating Works SDN Bhd (PSEP) (Malaysia)	**779**	763
TR Viterie Italia Centrale (VIC) (Italy)	**10,007**	9,731
TR Kuhlmann GmbH (Germany)	**1,541**	1,498
Other	**104**	104
	29,127	29,321

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

The Group tests goodwill annually for impairment. The recoverable amount of cash generating units is determined from value in use calculations.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. In this method, the free cash flows after funding internal needs of the subject company are forecast for a finite period of four years based on actual operating results, budgets and economic market research. Beyond the finite period, a terminal (residual) value is estimated using an assumed stable cash flow figure.

The values assigned to the key assumptions represent management's assessment of future trends in the fastenings market and are based on both external and internal sources of historical data. Further information on sources of data used can be found in each description of the key assumptions below.

The recoverable amount of Special Fasteners Engineering Co. Ltd (Taiwan), *TR* Viterie Italia Centrale (Italy) and Serco Ryan Ltd (within *TR* Fastenings Ltd) (UK) have been calculated with reference to the key assumptions shown below:

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

Long term revenue growth rate

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

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

Notes to the financial statements

for the year ended 31 March 2018

12 Intangible assets – Group (continued)

Post-tax risk adjusted discount rate

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

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

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

To calculate the pre-tax discount rate we have taken the post-tax discount rate and divided this by one minus the applicable tax rate. We consider this an appropriate approximation of the pre-tax rate as there are no significant timing differences between the tax cash flows and tax charges. The table above discloses the discount rate on a post and pre-tax basis. This takes into account certain components such as the various discount rates reflecting different risk premiums and tax rates in the respective regions. Overall, the Board is confident that the discount rate adequately reflects the circumstances in each location and is in accordance with IAS36.

Terminal EBIT margin

The margins used in the value in use calculations are based on historic performance adjusted for any known or expected changes to occur to existing operations based on management plans. Key adjustments relate to known efficiency gains from increased volumes achieved in the business as well as the transactional foreign exchange impact based on forecast rates.

Sensitivity to changes in assumptions

The impairment test carried out on PSEP assumes a compound annual sales growth rate over the four year period cash flows are projected of 4.2%, reducing to 2.0% for the terminal year. The sales growth relates to increased Intercompany sales as part of a Group initiative to bring more supply in-house, supported by increased sales from extending relationships with existing multinational OEM customers.

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

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

Excluding PSEP, management believe that no reasonably possible change in any key assumptions would cause the carrying value of any other cash generating unit to exceed its recoverable amount.

13 Intangible assets – Company

	Other £000
Cost	
Balance at 1 April 2016, 31 March 2017 and 31 March 2018	62
Amortisation and impairment	
Balance at 1 April 2016, 31 March 2017 and 31 March 2018	62
Net book value	
At 1 April 2016, 31 March 2017 and 31 March 2018	**–**

14 Equity investments – Company

Investments in subsidiaries

	£000
Cost	
Balance at 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	42,585
Provision	
Balance at 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	1,145
Net book value	
Balance at 1 April 2016, 31 March 2017 and 31 March 2018	**41,440**

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

All subsidiaries have a reporting date concurrent with *Trifast* plc, except *TR* Formac (Shanghai) Pte Ltd which has a reporting date of 31 December due to local regulatory requirements.

Notes to the financial statements

for the year ended 31 March 2018

15 Deferred tax assets and liabilities – Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

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

A potential £2.0m (2017: £2.1m) deferred tax asset relating to the Company's trapped management losses was not recognised on the grounds that recovery of these losses is highly unlikely.

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

Movement in deferred tax during the year

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

Movement in deferred tax during the prior year

	1 April 2016 £000	Recognised in income £000	Recognised in equity^ £000	31 March 2017 £000
Property, plant and equipment	1,673	(135)	78	1,616
Intangible assets	2,187	(270)	159	2,076
Inventories	(737)	15	(52)	(774)
Provisions/accruals	(168)	(188)	7	(349)
IFRS2 Share based payments	(903)	(62)	130	(835)
Tax losses	(539)	152	(70)	(457)
	1,513	(488)	252	1,277

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

16 Deferred tax assets and liabilities – Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

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

A potential £2.0m (2017: £2.1m) deferred tax asset relating to the Company's trapped management losses was not recognised on the grounds that recovery of these losses is uncertain.

Movement in deferred tax during the year

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

Movement in deferred tax during the prior year

	1 April 2016 £000	Recognised in income £000	Recognised in equity £000	31 March 2017 £000
Property, plant and equipment	175	(11)	—	164
Provisions/accruals	(39)	38	—	(1)
IFRS2 Share based payments	(797)	(24)	137	(684)
	(661)	3	137	(521)

17 Inventories — Group

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

In 2018, inventories of £125.0m (2017: £115.5m) were recognised as an expense during the year and included in cost of sales. Inventories have been written down by £0.8m in the year (2017: £1.7m) in line with the Group's stock provisioning policy. Such write-downs were recognised as an expense during 2018. No significant specific stock provisions have been reversed in the year.

No inventories are pledged as security for liabilities.

The carrying amount of inventories carried at fair value less costs to sell is £0.8m (2017: £0.6m).

Notes to the financial statements

for the year ended 31 March 2018

18 Trade and other receivables

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

An explanation of credit risk and details of the security held over receivables is provided in note 26.

19 Cash and cash equivalents/bank overdrafts

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

20 Other interest-bearing loans and borrowings

This note provides information about the Group and Company's existing interest-bearing loans and borrowings. For more information about the security provided by the Group and Company over loans or the Group and Company's exposure to interest rate, foreign currency and liquidity risk, see note 26.

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

21 Trade and other payables

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

22 Employee benefits

Pension plans

Defined contribution plans

The Group operates a number of defined contribution pension plans, which include stakeholder pension plans whose assets are held separately from those of the Group, in independently administered funds.

The total expense relating to these plans in the current year was £1.9m (2017: £1.8m) and represents contributions payable by the Group to the funds.

At the end of the financial year, there were outstanding pension contributions of £0.1m (2017: £0.1m), which are included in creditors.

Share based payments

The Group Share Options (including SAYE plans) provide for an exercise price equal to the average quoted market price of the Group shares on the date of grant. In the case of SAYE, this price is discounted in line with HMRC limits. The vesting period is generally three, five or seven years. The options expire if they remain unexercised after the exercise period has lapsed. Furthermore, options are forfeited if the employee leaves the Group before the options vest, unless for retirement, redundancy or health reasons. The options are equity settled.

The number and weighted average exercise prices of share options are as follows:

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

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

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

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black Scholes model.
The contractual life of the option is used as an input into this model.

Notes to the financial statements

for the year ended 31 March 2018

22 Employee benefits (continued)

Board deferred equity bonus shares

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

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

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

These nil cost options are subject to a three year service period and the fair value has been calculated using the Discounted Dividend model (DDM). This is based on expected dividends over the three year term. They are equity settled shares.

The weighted average share price at the date of exercise for share options exercised in 2018 was £2.16 (2017: £1.35).

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

Senior manager deferred bonus shares

The number of deferred bonus shares is as follows:

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

The shares granted are subject to a base award and a multiplier award. The base award requires a service period from date of grant to 31 December 2019 to be achieved and is also subject to personal performance conditions being met during the performance period. The multiplier award is determined by a non-market performance condition. This requires the Group's underlying organic profit before tax in the financial year 2019 to be £18.5m (representing a compound annual growth rate of 5.0% from 31 March 2016) for the total payout to be 1.5x the base award. A maximum payout of 2.0x the base award can be achieved if this metric is £21.3m (representing a compound annual growth rate of 10.0% from 31 March 2016). If it falls between £18.5m and £21.3m the multiplier applied is calculated on a straight line basis to determine the number of awards. If it is below £18.5m the multiplier used is 1.0x.

The awards were granted on 30 December 2016 and 24 November 2017 and are due to vest in December 2019. The method of settlement for these shares are a mixture of equity and cash settled. The fair value has been calculated using the Discounted Dividend model. This was at grant date for the equity settled awards. The fair value for the cash settled awards are remeasured at the reporting date.

Board LTIP shares

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

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

These nil cost options are subject to performance (EPS growth and TSR performance) and service conditions over a three year period. The fair value for the EPS element has been calculated using the DDM whilst the fair value for the TSR element has been calculated using the Monte-Carlo simulation. They are equity settled shares. In line with IFRS2 the amount recognised as an expense has been adjusted to reflect the number of awards for which the service and non-market performance conditions are expected to be met.

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

22 Employee benefits (continued)

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

*Fair value at the reporting date

Notes to the financial statements

for the year ended 31 March 2018

22 Employee benefits (continued)

Expected volatility was determined by calculating the historic volatility of the Group's share price over one, two and three years back from the date of grant. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

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

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

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

All options require continued employment from grant date to the later of vesting date or exercise date.

23 Provisions

Group	Restructuring costs £000	Dilapidations £000	Total £000
Balance at 31 March 2017	**76**	**1,111**	**1,187**
Provisions utilised during the year	—	**(5)**	**(5)**
Provisions released during the year	—	**(261)**	**(261)**
Balance at 31 March 2018	**76**	**845**	**921**

The restructuring provision relates to onerous leases arising from the 'right-sizing' of our portfolio of properties within the UK. Dilapidations also relate to properties. Both will be utilised by vacation.

In respect of onerous leases and dilapidation provisions, external advisors were used to provide estimates of potential costs and likelihood of sub-letting. The future cash flows were then discounted using risk free rates over the length of the leases.

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

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

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

24 Capital and reserves

Capital and reserves – Group and Company

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

Reserves

The translation reserve comprises all foreign exchange differences arising from the translation of foreign operations, as well as from the translation of liabilities that hedge the Group's net investment in foreign subsidiaries.

The merger reserve has arisen under Section 612 Companies Act 2006 and is a non-distributable reserve.

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

Share capital

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

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

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

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

During the year the following dividends were recognised and paid by the Group:

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

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

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

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

Notes to the financial statements

for the year ended 31 March 2018

25 Earnings per share

Basic earnings per share

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

Weighted average number of ordinary shares

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

Diluted earnings per share

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

Weighted average number of ordinary shares (diluted)

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

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options and deferred equity awards were outstanding.

Underlying earnings per share

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

The 'underlying diluted' earnings per share is detailed in the above tables. In the Directors' opinion, this best reflects the underlying performance of the Group and assists in the comparison with the results of earlier years (see note 2).

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

26 Financial instruments

(a) Fair values of financial instruments

There is no significant difference between the fair values and the carrying values shown in the balance sheet.

(b) Financial instruments risks

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business, and the Group continues to monitor and reduce any exposure accordingly. Information has been disclosed relating to the individual Company, only where a material risk exists.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a predetermined amount. Bad debt insurance is taken out on all key accounts where the cost is appropriate given the risk covered. All overdue debts are monitored regularly and customers are put on credit hold if payments are not received on time. The carrying amount of trade receivables represents the maximum credit exposure for the Group. Therefore, the maximum exposure to credit risk at the balance sheet date was £48.0m (2017: £47.5m), being the total carrying amount of trade receivables net of an allowance. Management does not consider there to be any significant unimpaired credit risk in the year-end balance sheet (2017: £nil).

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

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

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

When the Group is satisfied that no recovery of the amount owing is possible, at that point the amounts considered irrecoverable are written off against the trade receivables directly.

Impairment losses

The movement in the allowance for impairment in respect of receivables during the year was as follows:

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

There are no significant losses/bad debts provided for specific customers. Impairments are recognised where a credit exposure has been identified whether amounts are past due or not.

(ii) Liquidity and interest risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group holds net debt and hence its main interest and liquidity risks are associated with the maturity of its loans against cash inflows from around the Group. The Group's objective is to maintain a balance of continuity of funding and flexibility through the use of loans and banking facilities as applicable.

Notes to the financial statements

for the year ended 31 March 2018

26 Financial instruments (continued)

The Group banking facilities with HSBC comprise:

- a term loan facility of €25.0m ('Facility A') used to fund the acquisition of VIC (balance at 31 March 2018: €15.0m)
- a revolving multi-currency credit facility ('RCF') of up to £26.0m with an option to increase the facility by £9m ('Facility B') (balance at 31 March 2018: £13.0m)
- a property loan of £2.1m (balance at 31 March 2018: £2.1m)

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

Interest on facility A and B is charged at the aggregate rate of LIBOR/EURIBOR plus a margin of 1.50%, in accordance with a formula incorporating the ratio of consolidated net debt against the consolidated underlying EBITDA of the Group. Interest on the property loan is charged at LIBOR plus a margin of 1.25%.

Facilities A and B were restructured in October 2016. At the same time, the property loan was taken out, secured on the Group's premises in Uckfield.

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

In June 2015, VIC took out a €3m repayment loan with MPS in Italy to part fund the de-factoring of their receivables. Interest is charged at 1.95% above EURIBOR until maturity in 2020.

Covenant headroom

The current and modified UK term facilities are subject to quarterly covenant testing as follows:

Interest cover:	Underlying EBITDA to net interest to exceed a ratio of three.
Debt Service cover:	Underlying EBITDA to debt service to exceed a ratio of one.
Net Debt cover:	Total net debt to underlying EBITDA not to exceed a ratio of 2.75.

These covenants currently provide significant headroom and forecasts indicate no breach is anticipated.

Liquidity tables

The following are the contractual maturities of the existing financial liabilities, excluding bank overdrafts and finance lease liabilities:

	2018				
	Carrying amount/ contractual cash flows^ £000	**Less than 1 year £000**	**1 to 2 years £000**	**2 to 5 years £000**	**5 years and over £000**
Non-derivative financial liabilities					
Company					
Facility A — VIC acquisition loan	**13,194**	**4,398**	**4,398**	**4,398**	—
Facility B — Revolving credit facility	**12,995**	**12,995**	—	—	—
Property loan	**2,100**	—	—	**2,100**	—
Total Company	**28,289**	**17,393**	**4,398**	**6,498**	—
Group					
Asset based lending	**3,968**	**3,968**	—	—	—
VIC unsecured loan	**1,320**	**528**	**528**	**264**	—
Total Group	**33,577**	**21,889**	**4,926**	**6,762**	—

^ Excluding interest charges

26 Financial instruments (continued)

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

	2017				
	Carrying amount/ contractual cash flows^ £000	Less than 1 year £000	1 to 2 years £000	2 to 5 years £000	5 years and over £000
Non-derivative financial liabilities					
Company					
Facility A — VIC acquisition loan	16,038	3,208	4,276	8,554	—
Facility B — Revolving credit facility	7,869	7,869	—	—	—
Property loan	2,100	—	—	2,100	—
Total Company	26,007	11,077	4,276	10,654	—
Group					
Asset based lending	3,280	3,280	—	—	—
VIC unsecured loan	1,796	513	513	770	—
Total Group	31,083	14,870	4,789	11,424	—

^ Excluding interest charges

Liquidity headroom

Trading forecasts show that the current facilities provide sufficient liquidity headroom. The Group continues to maintain positive relationships with a number of banks and the Directors believe that appropriate facilities will continue to be made available to the Group as and when they are required.

Available existing facilities at 31 March 2018 (excluding bank overdrafts and finance lease liabilities):

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

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

Notes to the financial statements

for the year ended 31 March 2018

26 Financial instruments (continued)

Interest risk

The Group monitors closely all loans outstanding which currently incur interest at floating rates. When interest rate exposure risk becomes significant the Group makes use of derivative financial instruments, including interest rate swaps and caps. The only instrument held at the balance sheet date relates to Facility A, where a cap of 1.0% EURIBOR is in place (2017: 1.0%). The Group will continue to review this position going forward.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates the split between fixed and variable interest rates at the balance sheet date.

Further details of the rates applicable on interest-bearing loans and borrowings is given in note 20.

All assets and liabilities in place at year end bear interest at a floating rate and therefore may change within one year.

Interest rate table (including bank overdraft and finance lease liabilities)

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

^ £13.2m of the variable rate financial liability balance in the Group and the Company relates to Facility A and has a 1.0% EURIBOR interest rate cap in place

Sensitivity analysis

A change of one point in interest rates at the balance sheet date would change equity and profit and loss by £0.3m (2017: £0.3m). This calculation has been applied to risk exposures existing at the balance sheet date.

This analysis assumes that all other variables, in particular foreign currency rates, remain consistent and considers the effect of financial instruments with variable interest rates. The analysis is performed on the same basis for the comparative period.

(iii) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than local functional currency. The Group faces additional currency risks arising from monetary financial instruments held in non-functional local currencies.

Operational foreign exchange exposure

Where possible the Group tries to invoice in the local currency at the respective entity. If this is not possible, then to mitigate any exposure, the Group tries to buy from suppliers and sell to customers in the same currency.

Where possible the Group tries to hold the majority of its cash and cash equivalent balances in the local currency at the respective entity.

Monetary assets/liabilities

The Group continues to monitor exchange rates and buy or sell currencies in order to minimise open exposure to foreign exchange risk. The Group does not speculate on exchange rates. No foreign exchange derivative financial instruments are held at the balance sheet date.

The €25m VIC acquisition loan and the RCF utilised facility of €12.5m (£11.0m) are net investment hedged against the net asset value of VIC and *TR* Kuhlmann. Therefore all foreign exchange movements that are being hedged are taken to the translation reserve. All other loans are held in the local currency of the relevant company and so are excluded from the analysis below.

26 Financial instruments (continued)

The Group's exposure to foreign currency risk is as follows (based on the carrying amount for cash and cash equivalents held in non-functional currencies):

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

31 March 2017	Sterling £000	Euro £000	US Dollar £000	Singapore Dollar £000	Total £000
Cash and cash equivalents exposure	733	3,213	5,895	290	10,131

Sensitivity analysis

Group

A 1% change in significant foreign currency balances against local functional currency at 31 March 2018 would have changed equity and profit and loss by the amount shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the comparative period.

		Equity & profit or loss	
Foreign currency	Local currency	**2018 £000**	2017 £000
EURO	Sterling	**(10)**	(19)
US Dollar	Singapore Dollar	**(20)**	(31)
US Dollar	Taiwanese Dollar	**(26)**	(20)

(c) Capital management

The Group's objectives when managing capital are to ensure that all entities within the Group will be able to continue as going concerns, while maximising the return to shareholders through the optimisation of the debt and equity balance. We regularly review and maintain or adjust the capital structure as appropriate in order to achieve these objectives, consistent with the management of capital for previous periods. The Group has various borrowings and available facilities (see section (b) (ii) Liquidity and interest risk) that contain certain external capital requirements ('covenants') that are considered normal for these types of arrangements. As discussed above, we remain comfortably within all such covenants.

Identification of the total funding requirement is achieved via a detailed cash flow forecast which is reviewed and updated on a monthly basis.

The capital structure of the Group is presented below:

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

Notes to the financial statements

for the year ended 31 March 2018

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

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

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

Group

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

Company

During the year £0.05m (2017: £0.04m) was recognised as an expense in the income statement in respect of operating leases.

28 Contingent liabilities

Company

The Company has cross guarantees on its UK banking facilities with its three UK subsidiaries. The amount outstanding at the end of the year was £nil (2017: £nil).

29 Related parties

Group and Company

Compensation of key management personnel of the Group

Full details of the compensation of key management personnel are given in the Directors' remuneration report on pages 86 to 98.

Transactions with Directors and Directors' close family relatives

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

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

Related party transactions

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

29 Related parties (continued)

Company related party transactions with subsidiaries – income/expenditure 2018

	Rent income £000	Income management fees £000	Loan interest £000	Total income £000	Expenditure management fees £000	Loan interest £000	Total expense £000
TR Fastenings Ltd	**290**	**410**	—	**700**	**473**	—	**473**
TR Southern Fasteners Ltd	—	**22**	—	**22**	—	—	—
TR Norge AS	—	**24**	—	**24**	—	—	—
TR Fastenings AB	—	**51**	—	**51**	—	—	—
TR Miller BV	—	**69**	**6**	**75**	—	—	—
Lancaster Fastener Co Ltd	—	**32**	—	**32**	—	—	—
TR Hungary Kft	—	**86**	—	**86**	—	—	—
Viterie Italia Centrale SPA	—	**104**	—	**104**	—	**5**	**5**
TR Kuhlmann GmbH	—	**67**	—	**67**	—	—	—
TR Asia Investments Pte Ltd	—	**633**	—	**633**	—	—	—
TR Fastenings Inc	—	**38**	—	**38**	—	—	—
TR Fastenings España – Ingenieria Industrial, S.L.	—	**54**	**7**	**61**	—	—	—
TR Fastenings Poland Sp Zoo	—	—	—	—	—	—	—
	290	**1,590**	**13**	**1,893**	**473**	**5**	**478**

Company related party transactions with subsidiaries – income/expenditure 2017

	Rent income £000	Income management fees £000	Loan interest £000	Total income £000	Expenditure management fees £000	Loan interest £000	Total expense £000
TR Fastenings Ltd	290	470	—	760	399	—	399
TR Southern Fasteners Ltd	—	17	—	17	—	—	—
TR Norge AS	—	21	—	21	—	—	—
TR Fastenings AB	—	49	—	49	—	—	—
TR Miller BV	—	67	26	93	—	—	—
Lancaster Fastener Co Ltd	—	29	—	29	—	—	—
TR Hungary Kft	—	49	—	49	—	—	—
Viterie Italia Centrale SPA	—	104	—	104	—	3	3
TR Kuhlmann GmbH	—	49	—	49	—	—	—
TR Asia Investments Pte Ltd	—	569	—	569	—	—	—
TR Fastenings Inc	—	55	—	55	—	—	—
TR Fastenings España – Ingenieria Industrial, S.L.	—	—	1	1	—	—	—
TR Fastenings Poland Sp Zoo	—	—	1	1	—	—	—
	290	1,479	28	1,797	399	3	402

Notes to the financial statements

for the year ended 31 March 2018

29 Related parties (continued)

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

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

30 Subsequent events

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

31 Accounting estimates and judgements

The preparation of financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported annual amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key judgements

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

Sources of estimation uncertainty

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

Inventories are stated at the lower of cost and net realisable value with a provision being made for obsolete and slow moving items. Initially, management makes a judgement on whether an item of inventory should be classified as standard or customer specific. This classification then determines when a provision is recognised. Management then estimates the net realisable value of the stock for each individual classification. A provision is made earlier for customer specific stock (compared to standard) because it carries a greater risk of becoming obsolete or slow moving given the fastenings are designed specifically for an individual customer. The amount of write downs recognised as an expense in the period relating to this estimate is detailed in note 17.

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

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

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

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

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

Notes to the financial statements

for the year ended 31 March 2018

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

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

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

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

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

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

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

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

Intangible assets that arose on the acquisition include the following:

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

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

Effect of acquisition

The Group incurred costs of £0.2m up to 31 March 2018 in relation to the PTS acquisition of which £0.1m have been included in administrative expenses in the Group's consolidated statement of comprehensive income and form part of separately disclosed items, see note 2. The remaining £0.1m relates to the arrangement fee to drawdown part of the Accordion facility and this is recognised on the balance sheet and will be expensed to the consolidated statement of comprehensive income over the term of the facility.

Notes to the financial statements

for the year ended 31 March 2018

33 *Trifast* plc subsidiaries

Name	Country of incorporation or registration	Issued and fully paid share capital	Principal activity
Europe			
Trifast Overseas Holdings Ltd	United Kingdom	£112	Holding Company
Trifast Qualifying Employee Share Ownership Trustee Ltd	United Kingdom	£2	Investment Company
Trifast Holdings B.V.	Netherlands	€18,428	Holding Company
TR Fastenings Ltd	United Kingdom	£10,200	Manufacture and distribution of fastenings
TR Southern Fasteners Ltd	Republic of Ireland	€254	Distribution of fastenings
TR Norge AS	Norway	NOK 300,000	Distribution of fastenings
TR Miller Holding B.V.	Netherlands	€45,378	Distribution of fastenings
Lancaster Fastener Company Ltd	United Kingdom	£40,000	Distribution of fastenings
TR Fastenings AB	Sweden	SEK 1,500,000	Distribution of fastenings
TR Hungary Kft	Hungary	HUF 68,257,300	Distribution of fastenings
TR Fastenings Poland Sp. Z o.o	Poland	PLN 50,000	Distribution of fastenings
Viterie Italia Centrale SPA	Italy	€187,200	Manufacture and distribution of fastenings
VIC Sp. Z o.o.	Poland	PLN 50,000	Distribution of fastenings
TR Kuhlmann GmbH	Germany	€25,000	Distribution of fastenings
TR Fastenings España - Ingenieria Industrial, S.L.	Spain	€3,085	Distribution of fastenings
Asia			
TR Asia Investment Holdings Pte Ltd	Singapore	S$4	Holding Company
TR Formac Pte Ltd	Singapore	S$315,000	Manufacture and distribution of fastenings
TR Formac (Malaysia) SDN Bhd	Malaysia	MYR 480,000	Manufacture and distribution of fastenings
TR Formac (Shanghai) Pte Ltd	China	US$200,000	Distribution of fastenings
Special Fasteners Engineering Co Ltd	Taiwan	TW$100,000,000	Manufacture and distribution of fastenings
TR Formac Fastenings Private Ltd	India	INR 18,850,000	Distribution of fastenings
Power Steel & Electro-Plating Works SDN Bhd	Malaysia	MYR 4,586,523	Manufacture and distribution of fastenings
TR Formac Co. Ltd	Thailand	THB 20,000,000	Distribution of fastenings
Americas			
TR Fastenings Inc	USA	US$1,168,063	Distribution of fastenings
Dormants			
Trifast Systems Ltd	United Kingdom	£100	Dormant
Ivor Green (Exports) Ltd	United Kingdom	£5,000	Dormant
Charles Stringer's Sons & Co.Limited	United Kingdom	£18,000	Dormant
Fastech (Scotland) Ltd	United Kingdom	£100	Dormant
Micro Screws & Tools Ltd	United Kingdom	£1,000	Dormant
Trifast International Ltd	United Kingdom	£2	Dormant
Rollthread International Ltd	United Kingdom	£10,000	Dormant
TR Group Ltd	United Kingdom	£100	Dormant
Fastener Techniques Ltd	United Kingdom	£73,939	Dormant
Trifix Ltd	United Kingdom	£100	Dormant
Serco Ryan Ltd	United Kingdom	£3,000	Dormant
TR Europe Ltd	United Kingdom	£2,500	Dormant
KNH Verwaltungs GmbH	Germany	€1	Dormant

All of the above subsidiaries have been included in the Group's financial statements.

Percentage of ordinary shares held Group	Company	Office Address
100%	100%	*Trifast* House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	*Trifast* House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	—	Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands
100%	—	*Trifast* House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	—	Mallow Business & Technology Park, Mallow, Co. Cork, P51 HV12, Republic of Ireland
100%	—	Masteveien 8, NO-1481 Hagan, Norway
100%	—	Kelvinstraat 5, 7575 AS, Oldenzaal, Netherlands
100%	—	Stevant Way, Northgate, White Lund Industrial Estate, Morecambe, LA3 3PU, UK
100%	—	Box 4133, Smedjegatan 6, 7tr, SE-131 04 Nacka, Sweden
100%	—	Szigetszentmiklós, Leshegy út 8, 2310 Hungary
100%	100%	Al Jerozolimskie 56c, 00-803 Warszawa, Poland
100%	—	Via Industriale, 19, 06022 Fossato Di Vico (PG), Italy
100%	—	Wroclaw, ul Wiosenna 14/2, Poland
100%	—	Lerchenweg 99, 33415 Verl, Germany
100%	—	Calle De La Cilencia 43, Viladecans, Barcelona, CP 08840, Spain
100%	—	57 Senoko Road, Singapore 758121
100%	—	57 Senoko Road, Singapore 758121
100%	—	1 & 3 Lorong Iks Juru 11, Taman Industri Ringan Juru, 14100 Simpang Ampat, Seberang Perai (S), Pulau Pinang, Malaysia
100%	—	No. 1222, JinHu Road, Pudong, Shanghai, PR China. 201206
100%	—	9F.-3 No. 366, Bo Ai 2nd Rd., Kaohsiung 81358, Taiwan, R.O.C
100%	—	Plot No:180, Door No:2, 10th Cross Street, Mangala Nagar, Porur, Chennai-600 116, India
100%	—	Jalan Pengapit 15/19, Section 15, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia
100%	—	29/1, Piya Place Langsuan, 6th Floor, Unit no.6H, Soi Langsuan, Ploenchit Rd., Lumpini, Patumwan, Bangkok 10330 Thailand
100%	—	11255 Windfern Road, Houston, TX. 77064
100%	100%	*Trifast* House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	*Trifast* House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	*Trifast* House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	International House, Stanley Boulevard, Hamilton Intnl Technology Park, Blantyre, Glasgow, Scotland, G72 0BN
100%	100%	*Trifast* House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	*Trifast* House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	*Trifast* House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	*Trifast* House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	*Trifast* House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	*Trifast* House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	*Trifast* House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	*Trifast* House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	—	Lerchenweg 99, 33415 Verl, Germany

Notes to the financial statements

for the year ended 31 March 2018

34 Alternative Performance Measures

The Annual Report includes both GAAP measures and Alternative Performance Measures (APMs). The latter of which are considered by management to better allow the readers of the accounts to understand the underlying performance of the Group. A number of these APMs are used by management to measure the KPIs of the business (see pages 44 and 45 for Key Performance Indicators) and are therefore aligned to the Group's strategic aims. They are also used at Board level to monitor financial performance throughout the year.

The APMs used in the Annual Report (including the basis of calculation, assumptions, use and relevance) are detailed in note 2 (underlying profit before tax, EBITDA and underlying EBITDA) and below.

- Constant Exchange Rate (CER) figures

These are used predominantly in the Business review and give the readers a better understanding of the performance of the Group, regions and entities from a trading perspective. They have been calculated by translating the 2018 income statement results (of subsidiaries whose presentational currency is not sterling) using FY2017 average annual exchange rates to provide a comparison which removes the foreign currency translational impact. The impact of translational gains and losses made on non-functional currency net assets held around the Group have not been removed.

- Underlying diluted EPS

A key measure for the Group as it is one of the measures used to set the Directors' variable remuneration, as disclosed in the Directors' remuneration report. The calculation has been disclosed in note 25.

- Return on capital employed (ROCE)

Return on capital employed is a key metric used by investors to understand how efficient the Group is with its capital employed. The calculation is detailed in the Glossary on page 160. The numerator is underlying EBIT which has been reconciled to operating profit below. Note 2 explains why the separately disclosed items have been removed to aid understanding of the underlying performance of the Group.

	Note	**2018 £000**	2017 £000
Underlying EBIT/Underlying operating profit		**22,713**	21,018
Separately disclosed items within administrative expenses			
IFRS2 share based payment charge	22	**(2,194)**	(1,512)
Acquired intangible amortisation		**(1,363)**	(1,273)
Net acquisition costs	32	**(110)**	—
Project Atlas		**(375)**	—
Profit on sale of fixed assets		**556**	195
Costs on exercise of executive share options		**(244)**	(567)
Operating profit		**18,983**	17,861

- Normalised net debt

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

34 Alternative performance measures (continued)

- Underlying cash conversion as a percentage of underlying EBITDA

This is another key metric used by investors to understand how effective the Group were at converting profit into cash. Since the underlying cash conversion is compared to underlying EBITDA, which has removed the impact of IFRS2 share based payment charges (see note 2), the impact of these have also been removed from the underlying cash conversion. The adjustments made to arrive at underlying cash conversion from cash generated from operations are detailed below. To reconcile operating profit to underlying EBITDA, see note 2.

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

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

- Underlying effective tax rate

This is used in the underlying diluted EPS calculation. It removes the tax impact of separately disclosed items in the year to arrive at a tax rate based on the underlying profit before tax.

One off tax adjustments have also been removed from the calculation as they are unlikely to repeat and therefore do not reflect recurring trading performance. In FY2018 the one off adjustments include the release of the tax provision from the open tax enquiry and the tax rate changes in Italy and the USA respectively. See notes 9 and 15 for further details. In FY2017 the one-off adjustment relates to a deferred tax asset not recognised for losses in the year due to significant tax deductions available from the exercise of executive share options.

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

35 Reconciliation of net cash flow to movement in net debt

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