Trifast plc

HALF-YEARLY FINANCIAL REPORT

for the six months ended 30 September 2015

# World of Opportunity

## a clear **strategy** for **growth**

Trifast plc

# Welcome to Trifast

"Through our global operations across three continents and 17 international locations, *TR* employs over 1,100 highly skilled and experienced people. We specialise in distributing and manufacturing standard and specialist industrial fasteners. Our competitive advantage is our strength and depth in customer service, product offering and resource and technical engineering application know-how. This is all backed up by 24/7 global logistics and high quality, low cost manufacturing. At *TR* we have the right people and the right business model to truly stand out from the competition"

# Mission and Vision

To continue to grow profitability,
improve stakeholder returns and drive efficiencies

To be acknowledged commercially as the market leader
in terms of service, quality & brand reputation

# Contents

# Half-yearly highlights

## *"Continued organic and acquisitive growth"*

### Key financials

| Continuing operations | Change HY 2016 v HY 2015 | Half year 30.9.2015 | Half year 30.9.2014 | Full year 31.3.2015 |
|---|---|---|---|---|
| Group revenue | +5.6% | £78.1m | £74.0m | £154.7m |
| Gross profit % | +30bps | 29.3% | 29.0% | 29.0% |
| Underlying operating profit* | +22.2% | £8.6m | £7.1m | £15.3m |
| Operating profit | +38.9% | £7.5m | £5.4m | £12.8m |
| Underlying pre-tax profit* | +24.8% | £8.3m | £6.6m | £14.3m |
| Pre-tax profit | +43.9% | £7.1m | £4.9m | £11.8m |
| Underlying diluted earnings per share* | +23.2% | 5.05p | 4.10p | 8.68p |
| Basic earnings per share | +42.3% | 4.41p | 3.10p | 7.39p |
| Dividend: | | | | |
| — final | | — | — | 1.50p |
| — interim | +33.3% | 0.80p | 0.60p | 0.60p |
| — total | | 0.80p | 0.60p | 2.10p |
| Net debt | +£1.3m | (£16.3m) | (£17.5m) | (£13.4m) |
| Return on capital employed (ROCE)* | +200bps | 19.3% | 17.3% | 18.6% |

* Before separately disclosed items, see note 2.

- Revenue at constant currency grew 8.7% with acquisitions representing 5.4%
- Organic constant currency growth of £4.6m from our top 50 multinational OEMs
- Underlying pre-tax profit* grew 24.8% to £8.3m, with VIC acquisition representing 11.1%
- Underlying diluted earnings per share* has increased by 23.2%
- Interim dividend has increased by 33.3%
- Factory expansion in Taiwan completed, increasing SFE capacity by 15%
- Additional investment in "lean-lift" technology in UK, halving pick times
- Post period end events:
  - Seamless transition of Mark Belton to CEO and Clare Foster to CFO on 1 October 2015
  - Strategic and earning enhancing acquisition of Kuhlmann on 1 October 2015 to drive further expansion into Germany

"We are pleased to report a solid first half performance which has delivered an underlying pre-tax profit increase of 24.8% to £8.3m and a 23.2% increase in underlying EPS.

Our order pipeline across our key locations remains encouragingly healthy. We continue to focus on cost control and supply chain management, particularly from ongoing investment into efficiency drivers. The positive impact this is having on our margins is expected to continue.

In our quest to add to the momentum of our organic growth, we were very pleased at the start of the second half to establish a strong domestic distribution and logistics facility in Germany through our acquisition of the well respected Kuhlmann business.

Overall, taking into account the current business climate we are operating within, the Board remains optimistic about the Group's prospects and continues to expect its trading for the financial year as a whole to be in line with its expectations. Organic growth remains only part of our strategy and we will continue to look for our next strategic acquisition to complement the Group's existing global, product and sector footprint."

**Malcolm Diamond** MBE
Executive Chairman

# Half-yearly financial report

**Malcolm Diamond** MBE
Executive Chairman

**Mark Belton**
Chief Executive Officer

**Clare Foster**
Chief Financial Officer

"Over 60% sales comes from global OEMs"

## Chairman's Introduction

Our ongoing focus so far this year is on operational efficiencies, especially on our incoming supply chain and warehousing costs, together with increasing our manufacturing capacity at PSEP in Malaysia and SFE in Taiwan.

### Global market overview

Clearly, global events have influenced the industrial sector's confidence during the period. However, *TR* trading to date has not been unduly affected, although it would be wrong to be complacent as we look forward. Rather, events serve as a prompt to be even more diligent in identifying non value add overhead reductions and seek supplier price reductions where steel prices, container rates, any spare factory capacity and relevant foreign exchange movements are opportunities for cost down reviews and negotiations.

### *TR* strategy update

Our core business of being the preferred fastener supplier to over 40 multinational OEMs, mostly in the electronics, Tier 1 automotive and domestic appliance sectors, continues to gather pace, thus reinforcing our commitment to this growth strategy. The reason why we believe this strategy has future momentum is due to our minor penetration into the many hundreds of sister manufacturing sites of our numerous multinational OEM customers spread across Europe, Asia and the Americas.

In addition, our global sales team has been successful in winning new multinational OEMs every year, and each of these have many plants dotted around the world; therefore, our opportunities for growth continue to roll out.

Elsewhere, our *TR* Branded Products team has maintained excellent margins, as have Lancaster Fastener and our *TR* Plastics specialist team. The factory extension at SFE in Taiwan has been completed and an additional section of new sophisticated cold forging machines installed, increasing our total capacity in Taiwan by 15%. Before the end of the 2015 calendar year, a Japanese six stage parts former, costing £1.0m and weighing over 40 tonnes, will be ready to commence production at PSEP in Malaysia. This will increase our capacity for complex larger components for the automotive, two wheel vehicle and compressor sectors. We believe that this machine will give us a distinct competitive advantage in these target markets.

We have long declared our continuing search for suitable acquisitions to add to the momentum of our organic growth. This has recently been rewarded by Kuhlmann becoming part of the *Trifast* Group. Germany has been a growing export market for *TR*, but our ability to leverage our business potential there has been constrained by the lack of a German speaking team with good local logistics capabilities — especially with the many multinational OEMs based in the country. Both the Kuhlmann management team and their *TR* colleagues are very optimistic about the benefits that will arise from their joint efforts and focus on new business targets.

### Succession and people

Finally, as of 1 October, Mark Belton handed over his CFO role to Clare Foster and took on the CEO position. As planned, Jim Barker retired as CEO but remains available to the Board as a valued consultant until June 2016.

I would like to personally acknowledge, with thanks and gratitude, my close and long term colleague's pivotal contribution in leading *Trifast* to the success it is today after we re-joined the Company back in early 2009.

Also, I take the opportunity to thank all my colleagues around the business for their ongoing dedication which has underpinned our performance.

**Malcolm Diamond** MBE
Executive Chairman

# Business review

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

The Group's sales for the period were up 8.7% on the same period last year, although within this we have seen regional variations, both up and down, in relation to the prior year period and our internal targets. The UK and Shanghai were virtually flat, Hungary and Malaysia were down, whereas the USA, Sweden, Holland and Singapore were each substantially higher. Moreover, the key customer order pipeline into 2016 remains encouraging. Our Italian operation, VIC, continues to yield strong results and now the earn-out has been successfully delivered, the integration of sales and marketing activities is gaining rapid momentum. A review to increase manufacturing capacity on the current site is under way. It is worth noting that the cost gap between the region of Italy where VIC is located and Taiwan is narrowing enticingly.

Importantly, gross and operating margins at a Group level have shown evidence of continuing improvement as, despite increasing expenditure on staff and management training and the ongoing restoration of performance driven staff remuneration, overheads have remained firmly under control.

We continue to invest in the business. In the UK, this period has seen the successful trial and then gradual introduction of computer controlled "lean-lift" stock storage and picking machines; these are halving stock picking times and reducing warehouse space consumption so dramatically, that the need for any new premises through business growth has been removed for the foreseeable future. In turn, this has led to the consolidation of the Poole warehouse into the Uckfield "Hub", which will deliver operational efficiencies whilst continuing to maintain strong customer service.

We are exploring a number of geographical areas, including Spain and Mexico, for new business opportunities and we will report on our progress by June 2016.

# Key financials

## Revenue

| Revenue (CER) | Six months 30 September 2015 (£'000) | Six months 30 September 2014 (£'000) | Growth at constant exchange rate (CER) | Growth at actual exchange rate (AER) |
|---|---|---|---|---|
| UK | **32,054** | 31,989 | 0.2% | 0.2% |
| Europe | **26,128** | 21,171 | 23.4% | 13.4% |
| Asia | **20,057** | 18,970 | 5.7% | 4.2% |
| USA | **2,218** | 1,903 | 16.5% | 22.5% |
| Total | **80,457** | 74,033 | 8.7% | 5.6% |

At CER, Group revenue in the period under review grew by 8.7%. An element of this growth reflects the acquisition of VIC which we acquired on 30 May 2014, two months into the prior half year period. Excluding VIC, organic growth for the Group was 3.3%.

Our half year organic growth has come largely from Europe and Asia at 4.7% (£1.0m) and 5.7% (£1.1m) respectively compared to HY 2015. Our US operation continued to do very well, albeit from a smaller base, to achieve revenue growth of 16.5% (£0.3m) in the half year. Revenue from our UK businesses remained broadly flat compared with HY 2015 with 0.2% (£0.1m) growth.

In Asia, our Singapore location continued to perform very well with revenue growth of 19.5% (£1.1m). In contrast, our PSEP business in Malaysia reported a 9.6% (£0.5m) fall in revenue from the previous half year. Both movements have arisen largely out of changes in product/sales quantities to specific key accounts in the region.

## Currency exchange rates

The ongoing volatility in the currency markets has impacted on reported revenue growth for the period. On an actual exchange rate ("AER") basis this has reduced CER growth by 3.1% to 5.6% compared to HY 2015.

The largest currency impact has been seen in Europe, where the continued weakness in the Euro has reduced HY 2016 revenue growth from our European businesses by £2.1m (10.0%) at AER compared to CER. In addition, the more recent depreciation of the Chinese Yuan and its wider impact on currencies across the Asian region has led to a decrease in the revenue from our Asian operations of £0.3m (1.5%) at AER compared to CER.

## Gross and operating profit

Gross margin at AER was 29.3% (HY 2015: 29.0%) with positive momentum coming predominantly out of our UK and Singapore businesses due to sales mix changes and close management of our supply chain and warehousing costs. Underlying overheads as a percentage of sales have continued to be well managed at 18.2% (HY 2015: 19.4%; FY 2015: 19.1%) reflecting our ongoing commitment and focus on operational efficiencies and continuous improvement.

Underlying operating profit at AER increased by 22.2% to £8.6m and excluding the impact of the additional two months of VIC in HY 2016, organic underlying operating profit grew 11.6% (£0.8m).

# Half-yearly financial report (continued)

## Separately disclosed items

The Group incurred £1.2m of separately disclosed items in the period. These are amounts that in the Directors' opinion should be shown separately in order to better understand the underlying performance of the Group. They are as follows:

| | 2015 £m | 2014 £m | |
|---|---|---|---|
| **Acquisition costs** | **0.3** | 1.2 | Represents the estimated total professional costs incurred in acquiring Kuhlmann on 1 October 2015 (HY 2015: VIC) |
| **Intangible amortisation** | **0.3** | 0.2 | Represents the amortisation charge on intangible assets acquired on acquisition. The increase relates to the intangibles acquired as part of the VIC acquisition |
| **Share based payment charges** | **0.6** | 0.3 | Represents the IFRS 2 fair value charge. The increase is due to the Directors' deferred equity bonus share scheme as approved at the 2014 AGM (FY 2015: £0.7m) |
| **Total** | **1.2** | 1.7 | |

## Margins

At AER, underlying operating margins in the UK have continued to increase in the period to 9.8% (HY 2015: 8.9%), largely driven by the gross profit improvements discussed above. In Asia the increase is more marked at 16.5% (HY 2015: 12.2%) reflecting a 250 bps increase in gross profit margin due to positive sales mix changes and a reduction in overhead costs.

Underlying operating margins in Europe have reduced to 12.1% (HY 2015: 13.5%). This is largely from adverse movements in the US$:€ exchange rate which has specifically impacted VIC at a gross profit level, leading to reduced underlying operating margins in VIC of 18.6% compared to 22.1% for the same period last year.

For the Group overall, underlying EBITDA increased to £9.6m (HY 2015: £7.7m) at CER and now represents 11.9% of revenue (HY 2015: 10.3%). Underlying pre-tax profit improved by 28.9% (£1.9m) at CER on the prior year period and by 24.8% (£1.6m) at AER. On an organic basis (excluding the two additional months of VIC in HY 2016), the increase remains strong at 16.9% (£1.1m) at CER and 13.7% (£0.9m) at AER.

## Interest costs

These were slightly lower at £0.4m (HY 2015: £0.4m). Although the average net debt position over the period increased to £14.5m (HY 2015: £10.9m), this has been offset by the additional arrangement fees relating to the VIC acquisition that were incurred in HY 2015.

The Group continues to operate comfortably within all banking covenants with an improved net debt to EBITDA ratio of 0.89 (HY 2015: 1.07).

## Taxation

The taxation charge of £2.0m (HY 2015: £1.5m) is recognised based on the estimated weighted average annual Group effective tax rate (ETR) of 27.9% (HY 2015: 29.4%). The decrease is primarily due to the reduction in the UK corporation tax rate and the increased proportion of profits being generated in the UK and Asian countries where taxation rates are lower.

## Earnings per share

Underlying diluted earnings per share increased by 23.2% to 5.05p (HY 2015: 4.10p) and basic earnings per share increased by 42.3% to 4.41p (HY 2015: 3.10p).

"Investment in manufacturing capacity in Taiwan and Italy"

## Balance sheet, cash flow and working capital

While the Group's profitability has increased, total shareholders' equity has decreased by £0.2m since the beginning of this financial year. This reflects a net retained profit for the period of £3.3m, offset by adverse foreign exchange differences on the translation of foreign operations of £3.5m.

Non-current assets reduced in the same timeframe by £1.5m to £47.5m. Capital expenditure in the period of £0.8m relates to the expansion of our manufacturing capacity at SFE in Taiwan and at VIC in Italy, as well as an investment in "lean-lift" technology in the UK. This has been offset by depreciation and amortisation charges around the Group.

Inventories have increased by £1.4m, reflecting increased stock levels of £1.0m to support the higher trading levels in Singapore. Receivables have remained stable at £39.5m (FY 2015: £39.9m). A £2.4m increase in the debtor position at VIC has arisen due to the decision to unwind the non-recourse factoring previously used pre acquisition. This has been offset by falls in receivables elsewhere within the Group. As a result net debtor days have increased from 72 days in FY 2015 to 79 days (HY 2015: 71 days) mainly due to the VIC de-factoring. Bad debts have continued to be minimal during the period.

Trade and other payables have reduced by £5.9m since 31 March 2015. Of this, £3.4m (€5.0m) relates to the settlement on 1 July 2015 of the final earn-out consideration for VIC. The remaining movement reflects a fall in the UK where trade and other payables have decreased by £1.8m due to the seasonality of the market causing lower purchasing requirements during the summer months.

The Group's cash balance has improved by £5.4m since 31 March 2015 to £20.9m (FY 2015: £15.5m). This increase relates to the additional funds accessed immediately prior to the 30 September 2015 and then held in trust at the balance sheet date in advance of the Kuhlmann acquisition on 1 October 2015. The initial consideration amount was €6.8m (£4.9m) (see note 9).

Net cash generated from Group operations has been affected by the movements in working capital discussed previously, leading to a cash conversion of underlying EBITDA of 46.3% (HY 2015: (4.7)%, FY 2015: 50.2%). We expect to see this position improve over the second half of the year.

The provisional values for the net assets acquired as part of the Kuhlmann acquisition total £4.0m (see note 9).

## Finance and banking facilities

There has been no requirement to change the existing banking facilities that the Group has in place. However, as our current Asset Based Lending facility is due for renewal in February 2016, the Group has commenced positive dialogue with HSBC plc.

At 30 September 2015, gross debt was £37.2m (FY 2015: £28.4m) and net debt was £16.3m (FY 2015: £13.4m). The primary reason for the increase in the net position was the drawdown of €5.0m (£3.4m) from the Revolving Credit Facility to meet the VIC deferred earn-out payment on 1 July 2015. The gross debt position also reflects the €6.8m (£4.9m) initial consideration for Kuhlmann.

The net gearing ratio was 22.7% (FY 2015: 18.7%) at the period end.

"Dividend underpins confidence in the business"

## Dividend

The Directors remain committed to a progressive dividend policy. To underpin the Board's confidence in the business and its future prospects, we are declaring an interim dividend of 0.80 pence per share, an increase of 33.3%. The interim dividend will be paid on 15 April 2016, to shareholders on the Register as at 18 March 2016. The shares will become ex-dividend on 17 March 2016.

## Kuhlmann

On 1 October 2015, *Trifast* acquired Kuhlmann for a total consideration of €8.5m (£6.2m). The initial amount of €6.8m (£4.9m) was paid on completion in cash and €0.04m (£0.03m) was satisfied by the allotment of 29,350 ordinary shares in the Company. Consideration of €1.7m (£1.2m) will be deferred for 12 months as a retention against any potential warranty and indemnity claims. The cash consideration was met from the Company's existing bank facilities.

Germany is the fourth largest industrial fastener market globally and the biggest in Europe. Over the last five years *TR* has successfully developed its export business and last financial year sales into Germany contributed around £7.0m. To further enhance *TR*'s reputation and presence in this important market, the Board consider it strategically beneficial to establish a strong domestic distribution and logistics facility managed by local German speaking industrial fastener professionals.

Kuhlmann has a highly experienced and motivated team with excellent technical knowledge which will enable the Group to drive its core growth strategy of growing revenues into its multinational OEM base.

## Outlook

Looking ahead, we are pleased to report that our order pipeline across our key locations remains encouragingly healthy with continued sales growth expected primarily from Europe and the USA. However, this is being tempered by a slight softening in demand, most specifically in the UK where we are starting to see some signs of hesitation and order deferral. In the longer term, we feel comfortable that our UK core business remains strong which is firmly evidenced by the high level of sales enquiries that continue to be registered on to our enquiry portal.

In Asia we have seen substantial growth in HY 2016 reflecting increased business with certain key customers, although we see at least an element of that increase will start to reduce in the second half of the year. At PSEP, slower order levels in the automotive sector are expected to continue in the short term. On a more positive note, following the recent £1.0m capital investment programme, we anticipate our increased capacity in Malaysia will start to counteract any possible slowdown in FY 2017.

In Europe we expect organic sales to continue to grow on a CER basis. We are also very excited about the addition of Kuhlmann to our business as it adds to our footprint an important market that will have a positive impact on our future trading.

As evidenced in the period, our cost control and supply chain management is positively impacting margins and this will continue, particularly given our ongoing investment into efficiency drivers such as the "lean-lifts" we are rolling out across our UK business.

As a global business operating in a number of different territories and currencies, we are aware the ongoing volatility in the currency markets could continue to impact on our results. As discussed in our 2015 Annual Report, we will continue to monitor and manage foreign exchange risk.

Overall, taking into account the current business climate we are operating within, the Board remains optimistic about the Group's prospects and continues to expect its trading for the financial year as a whole to be in line with its expectations. Organic growth remains only part of our strategy and we will continue to look for our next strategic acquisition to complement the Group's existing global, product and sector footprint.

# Half-yearly financial report (continued)

## Risks and uncertainties

The Directors do not consider that the principal risks and uncertainties of the Group have changed since the publication in July 2015 of the Group's Annual Report for the year ended 31 March 2015. A copy of this can be found on our website www.trifast.com.

No system can fully eliminate risk and therefore the understanding of operational risk is central to the management process within *TR*. The Group operates a system of internal control and risk management in order to provide assurance that we are managing risk whilst achieving our business objectives. Risk assessment reviews are regularly carried out by management, with responsibilities for monitoring and mitigating personally allocated to a broad spread of individual managers. The review is analysed and discussed at Audit Committee meetings chaired by our Senior Independent Non-Executive Director.

As with all businesses, the Group faces risks, with some not wholly within its control, which could have a material impact on the Group, and may affect its performance with actual results becoming materially different from both forecast and historic results. There are indications that the macroeconomic climate is still under pressure, so it is too soon in Management's opinion to assume the worst is reliably over, and so we continue to remain vigilant for any indications of a reversal that could adversely impact expected results going forward. Past and future acquisitions can also carry impairment risks on goodwill should there be a sustained downturn in trading within an acquired subsidiary.

The long-term success of the Group depends on the ongoing review, assessment and control of the key business risks it faces.

## *Trifast* plc — responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

**Malcolm Diamond** MBE
Executive Chairman
9 November 2015

# Condensed consolidated interim income statement

Unaudited results for the six months ended 30 September 2015

| | Notes | **Six months ended 30 September 2015 £000** | Six months ended 30 September 2014 £000 | Year ended 31 March 2015 £000 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue | | **78,142** | 74,033 | 154,741 |
| Cost of sales | | **(55,260)** | (52,575) | (109,866) |
| **Gross profit** | | **22,882** | 21,458 | 44,875 |
| Operating income | | **169** | 165 | 352 |
| Distribution expenses | | **(1,717)** | (1,490) | (3,108) |
| Administrative expenses before separately disclosed items | 2 | **(12,690)** | (13,059) | (26,845) |
| Net acquisition costs | | **(252)** | (1,200) | (750) |
| Intangible amortisation | | **(302)** | (238) | (551) |
| Cost on exercise of executive share options | | **—** | (228) | (511) |
| Release of closure provision for *TR* Formac (Suzhou) Co. Ltd | | **—** | — | 94 |
| IFRS 2 charge | | **(608)** | (22) | (741) |
| Total administrative expenses | | **(13,852)** | (14,747) | (29,304) |
| **Operating profit** | | **7,482** | 5,386 | 12,815 |
| Financial income | | **28** | 56 | 97 |
| Financial expenses | | **(401)** | (503) | (1,063) |
| **Net financing costs** | | **(373)** | (447) | (966) |
| Profit before tax | | **7,109** | 4,939 | 11,849 |
| Taxation | 4 | **(1,984)** | (1,453) | (3,455) |
| **Profit for the period** (attributable to equity shareholders of the parent company) | | **5,125** | 3,486 | 8,394 |
| **Earnings per share** | | | | |
| Basic | 6 | **4.41p** | 3.10p | 7.39p |
| Diluted | 6 | **4.27p** | 2.97p | 7.07p |

# Condensed consolidated interim statement of comprehensive income

Unaudited results for the six months ended 30 September 2015

| | **Six months ended 30 September 2015 £000** | Six months ended 30 September 2014 £000 | Year ended 31 March 2015 £000 |
|---|---|---|---|
| **Profit for the period** | **5,125** | 3,486 | 8,394 |
| Other comprehensive income/(expense): | | | |
| Exchange differences on translation of foreign operations | **(3,201)** | (349) | (2,726) |
| Net (loss)/gain on hedge of net investment in foreign subsidiary | **(302)** | 857 | 2,180 |
| **Other comprehensive (expense)/income recognised directly in equity, net of income tax** | **(3,503)** | 508 | (546) |
| **Total comprehensive income recognised for the period** (attributable to equity shareholders of the parent company) | **1,622** | 3,994 | 7,848 |

# Condensed consolidated interim statement of changes in equity

Unaudited results for the six months ended 30 September 2015

| Unaudited results for the six months ended 30 September 2015 | Share capital £000 | Share premium £000 | Translation reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|
| **Balance at 1 April 2015** | **5,809** | **20,978** | **6,342** | **38,551** | **71,680** |
| Total comprehensive income for the period: | | | | | |
| Profit for the period | **—** | **—** | **—** | **5,125** | **5,125** |
| Other comprehensive expense: | | | | | |
| Foreign currency translation differences | **—** | **—** | **(3,201)** | **—** | **(3,201)** |
| Net loss on hedge of net investment in foreign subsidiary | **—** | **—** | **(302)** | **—** | **(302)** |
| **Total other comprehensive expense** | **—** | **—** | **(3,503)** | **—** | **(3,503)** |
| **Total comprehensive (expense)/income for the period** | **—** | **—** | **(3,503)** | **5,125** | **1,622** |
| Transactions with owners, recorded directly in equity: | | | | | |
| Issue of share capital | **1** | **5** | **—** | **—** | **6** |
| Share based payment transactions (including tax) | **—** | **—** | **—** | **650** | **650** |
| Dividends | **—** | **—** | **—** | **(2,440)** | **(2,440)** |
| **Total transactions with owners** | **1** | **5** | **—** | **(1,790)** | **(1,784)** |
| **Balance at 30 September 2015** | **5,810** | **20,983** | **2,839** | **41,886** | **71,518** |

| Unaudited results for the six months ended 30 September 2014 | Share capital £000 | Share premium £000 | Translation reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|
| **Balance at 1 April 2014** | 5,435 | 18,488 | 6,888 | 30,856 | 61,667 |
| Total comprehensive income for the period: | | | | | |
| Profit for the period | — | — | — | 3,486 | 3,486 |
| Other comprehensive (expense)/income: | | | | | |
| Foreign currency translation differences | — | — | (349) | — | (349) |
| Net gain on hedge of net investment in foreign subsidiary | — | — | 857 | — | 857 |
| **Total other comprehensive income** | — | — | 508 | — | 508 |
| **Total comprehensive income for the period** | — | — | 508 | 3,486 | 3,994 |
| Transactions with owners, recorded directly in equity: | | | | | |
| Issue of share capital | 240 | 2,316 | — | — | 2,556 |
| Share based payment transactions (including tax) | — | — | — | — | — |
| Dividends | — | — | — | (1,568) | (1,568) |
| **Total transactions with owners** | 240 | 2,316 | — | (1,568) | 988 |
| **Balance at 30 September 2014** | 5,675 | 20,804 | 7,396 | 32,774 | 66,649 |

# Condensed consolidated interim statement of financial position

Unaudited results for the six months ended 30 September 2015

| Group | Notes | 30 September 2015 £000 | 30 September 2014 £000 | 31 March 2015 £000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | | **14,752** | 15,655 | 15,623 |
| Intangible assets | | **31,306** | 31,883 | 32,162 |
| Deferred tax assets | | **1,485** | 1,257 | 1,272 |
| **Total non-current assets** | | **47,543** | 48,795 | 49,057 |
| **Current assets** | | | | |
| Inventories | | **38,796** | 39,285 | 37,418 |
| Trade and other receivables | | **39,503** | 35,532 | 39,864 |
| Cash and cash equivalents | 7 | **20,889** | 13,596 | 15,453 |
| **Total current assets** | | **99,188** | 88,413 | 92,735 |
| **Total assets** | | **146,731** | 137,208 | 141,792 |
| **Current liabilities** | | | | |
| Bank overdraft | 7 | **1** | 47 | 439 |
| Other interest-bearing loans and borrowings | 7 | **20,268** | 11,691 | 11,906 |
| Trade and other payables | | **28,587** | 33,277 | 34,482 |
| Tax payable | | **3,138** | 2,256 | 1,927 |
| Dividends payable | 5 | **1,743** | 1,134 | — |
| Provisions | | **222** | — | 298 |
| **Total current liabilities** | | **53,959** | 48,405 | 49,052 |
| **Non-current liabilities** | | | | |
| Other interest-bearing loans and borrowings | 7 | **16,882** | 19,389 | 16,523 |
| Provisions | | **883** | 1,100 | 885 |
| Deferred tax liabilities | | **3,489** | 1,665 | 3,652 |
| **Total non-current liabilities** | | **21,254** | 22,154 | 21,060 |
| **Total liabilities** | | **75,213** | 70,559 | 70,112 |
| **Net assets** | | **71,518** | 66,649 | 71,680 |
| **Equity** | | | | |
| Share capital | | **5,810** | 5,675 | 5,809 |
| Share premium | | **20,983** | 20,804 | 20,978 |
| Reserves | | **2,839** | 7,396 | 6,342 |
| Retained earnings | | **41,886** | 32,774 | 38,551 |
| **Total equity** | | **71,518** | 66,649 | 71,680 |

# Condensed consolidated interim statement of cash flows

Unaudited results for the six months ended 30 September 2015

| Group | Notes | **Six months ended 30 September 2015 £000** | Six months ended 30 September 2014 £000 | Year ended 31 March 2015 £000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit for the period | | **5,125** | 3,486 | 8,394 |
| Adjustments for: | | | | |
| Depreciation, amortisation & impairment | | **952** | 820 | 1,768 |
| Unrealised foreign currency (gain)/loss | | **(648)** | — | 111 |
| Financial income | | **(28)** | (56) | (97) |
| Financial expense | | **401** | 503 | 1,063 |
| Gain on sale of property, plant & equipment and investments | | **(2)** | (14) | (3) |
| Equity settled share based payment charge | | **608** | 22 | 741 |
| Taxation charge | | **1,984** | 1,453 | 3,455 |
| **Operating cash inflow before changes in working capital and provisions** | | **8,392** | 6,214 | 15,432 |
| Change in trade and other receivables | | **(1,077)** | (3,700) | (9,187) |
| Change in inventories | | **(2,300)** | (3,059) | (1,679) |
| Change in trade and other payables | | **(708)** | 148 | 2,080 |
| Change in provisions | | **(2)** | 37 | 121 |
| **Net cash generated from/(used in) operations** | | **4,305** | (360) | 6,767 |
| Tax paid | | **(931)** | (2,546) | (4,639) |
| **Net cash generated from/(used in) operating activities** | | **3,374** | (2,906) | 2,128 |
| **Cash flows from investing activities** | | | | |
| Proceeds from sale of property, plant & equipment | | **15** | 16 | 25 |
| Interest received | | **43** | 56 | 97 |
| Acquisition of subsidiary, net of cash acquired | | **(3,361)** | (18,610) | (16,240) |
| Acquisition of property, plant & equipment | | **(769)** | (456) | (1,414) |
| **Net cash used in investing activities** | | **(4,072)** | (18,994) | (17,532) |
| **Cash flows from financing activities** | | | | |
| Proceeds from the issue of share capital | | **6** | 2,556 | 494 |
| Proceeds from new loan | | **10,496** | 20,337 | 20,337 |
| Repayment of borrowings | | **(2,129)** | (1,955) | (3,347) |
| (Payment)/purchase of finance lease liabilities | | **(13)** | 38 | 31 |
| Dividends paid | | **(697)** | (434) | (1,569) |
| Interest paid | | **(429)** | (503) | (1,063) |
| **Net cash generated from financing activities** | | **7,234** | 20,039 | 14,883 |
| Net change in cash and cash equivalents | | **6,536** | (1,861) | (521) |
| Cash and cash equivalents at 1 April | | **15,014** | 15,504 | 15,504 |
| Effect of exchange rate fluctuations on cash held | | **(662)** | (94) | 31 |
| **Cash and cash equivalents at end of period** | 7 | **20,888** | 13,549 | 15,014 |

# Notes to the condensed interim financial statements

Unaudited results for the six months ended 30 September 2015

## 1. Basis of preparation

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies set out in the full Annual Report and Accounts for the year ended 31 March 2015.

There are no new standards effective for the first time in the current financial period with significant impact on the Group's consolidated results or financial position.

These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority and International Financial Reporting Standard (IFRS) IAS 34: Interim Financial Reporting as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2015. The annual financial statements of the Group are prepared in accordance with International Reporting Standards (IFRSs) as adopted by the EU.

This statement does not comprise full financial statements within the meaning of Section 495 and 496 of the Companies Act 2006. The statement is unaudited but has been reviewed by KPMG LLP and their Report is set out on page 17.

The comparative figures for the financial year ended 31 March 2015 are not the Company's statutory accounts for that financial year and have been extracted from the full Annual Report and Accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The Report of the Auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their Report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the accompanying half-yearly financial report from the Executive Chairman, Chief Executive Officer and Chief Financial Officer. The financial position of the Company, its cash flows, liquidity position and borrowing facilities also are described in the same report. In addition, note 26 to the Company's previously published financial statements for the year ended 31 March 2015 include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

These condensed consolidated interim financial statements have been prepared on a going concern basis which the Directors consider to be appropriate.

### Estimates

The preparation of financial statements in conformity with IFRSs requires management to make estimates, judgements and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions take account of the circumstances and facts at the period end, historical experience of similar situations and other factors that are believed to be reasonable and relevant, the results for which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may ultimately differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were in the same areas as those that applied to the consolidated financial statements as at and for the year ended 31 March 2015. These were as follows:

- Recoverable amount of goodwill
- Provisions
- Inventory valuation
- Valuation of intangible assets acquired in a business combination

## 2. Underlying pre-tax profit (before separately disclosed items)

| | **Six months ended 30 September 2015 £000** | Six months ended 30 September 2014 £000 | Year ended 31 March 2015 £000 |
|---|---|---|---|
| **Underling pre-tax profit** | **8,271** | 6,627 | 14,308 |
| Separately disclosed items within administration expenses: | | | |
| Net acquisition costs | **(252)** | (1,200) | (750) |
| Intangible amortisation | **(302)** | (238) | (551) |
| Cost on exercise of executive share options | **—** | (228) | (511) |
| Release of closure provision for *TR* Formac (Suzhou) Co. Ltd | **—** | — | 94 |
| IFRS 2 share based payment charge | **(608)** | (22) | (741) |
| **Profit before tax** | **7,109** | 4,939 | 11,849 |

## 3. Geographical operating segments

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

- UK
- Europe includes Norway, Sweden, Hungary, Ireland, Italy, Holland 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.

Segment revenue and results under the primary reporting format for the six months ended 30 September 2015 and 2014 are disclosed in the table below:

| September 2015 | UK £000 | Europe £000 | USA £000 | Asia £000 | Central costs, assets and liabilities £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Revenue*** | | | | | | |
| Revenue from external customers | **32,054** | **23,998** | **2,332** | **19,758** | **—** | **78,142** |
| Inter segment revenue | **1,093** | **159** | **63** | **3,079** | **—** | **4,394** |
| Total revenue | **33,147** | **24,157** | **2,395** | **22,837** | **—** | **82,536** |
| **Underlying operating result** | **3,239** | **2,921** | **247** | **3,764** | **(1,527)** | **8,644** |
| Net financing costs | **(143)** | **(56)** | **(1)** | **(20)** | **(153)** | **(373)** |
| **Underlying segment result** | **3,096** | **2,865** | **246** | **3,744** | **(1,680)** | **8,271** |
| Separately disclosed items (see note 2) | | | | | | **(1,162)** |
| **Profit before tax** | | | | | | **7,109** |
| **Specific disclosure items** | | | | | | |
| Depreciation and amortisation | **106** | **395** | **10** | **409** | **32** | **952** |
| **Assets and liabilities** | | | | | | |
| Segment assets | **39,944** | **33,877** | **2,309** | **45,970** | **24,631** | **146,731** |
| Segment liabilities | **(21,902)** | **(9,952)** | **(332)** | **(9,606)** | **(33,421)** | **(75,213)** |

| September 2014 | UK £000 | Europe £000 | USA £000 | Asia £000 | Central costs, assets and liabilities £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Revenue*** | | | | | | |
| Revenue from external customers | 31,989 | 21,171 | 1,903 | 18,970 | — | 74,033 |
| Inter segment revenue | 929 | 184 | 25 | 2,868 | — | 4,006 |
| Total revenue | 32,918 | 21,355 | 1,928 | 21,838 | — | 78,039 |
| **Underlying operating result** | 2,920 | 2,877 | 193 | 2,661 | (1,577) | 7,074 |
| Net financing costs | (147) | (46) | (1) | (38) | (215) | (447) |
| **Underlying segment result** | 2,773 | 2,831 | 192 | 2,623 | (1,792) | 6,627 |
| Separately disclosed items (see note 2) | | | | | | (1,688) |
| **Profit before tax** | | | | | | 4,939 |
| **Specific disclosure items** | | | | | | |
| Depreciation and amortisation | 79 | 74 | 7 | 426 | 234 | 820 |
| **Assets and liabilities** | | | | | | |
| Segment assets | 38,016 | 29,768 | 1,728 | 47,148 | 20,548 | 137,208 |
| Segment liabilities | (22,616) | (9,159) | (300) | (11,081) | (27,403) | (70,559) |

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

# Notes to the condensed interim financial statements (continued)

Unaudited results for the six months ended 30 September 2015

## 4. Taxation

| | **Six months ended 30 September 2015 £000** | Six months ended 30 September 2014 £000 | Year ended 31 March 2015 £000 |
|---|---|---|---|
| Current tax on income for the period | | | |
| UK tax | **616** | (69) | 580 |
| Foreign tax | **1,636** | 1,562 | 3,223 |
| Deferred tax expense | **(285)** | (50) | (473) |
| Adjustments in respect of prior years | **17** | 10 | 125 |
| | **1,984** | 1,453 | 3,455 |

## 5. Dividend

The dividend payable of £1.7m represents the final dividend recommended for the year ended 31 March 2015, approved by shareholders at the AGM on 16 September 2015 and paid to shareholders on the Register on 13 October 2015.

## 6. Earnings per share

The calculation of earnings per 5 pence ordinary share is based on profit for the period after taxation and the weighted average number of shares in the period of 116,198,101 (HY2015: 113,495,406; FY2015: 113,540,187).

The calculation of the fully diluted earnings per 5 pence ordinary share is based on profit for the period after taxation. In accordance with IAS 33 the weighted average number of shares in the period has been adjusted to take account of the effects of all dilutive potential ordinary shares. The number of shares used in the calculation amount to 119,967,521 (HY2015: 117,436,525; FY2015: 118,768,522).

The underlying diluted earnings per share, which in the Directors' opinion best reflects the underlying performance of the Group, is detailed below:

| | **Six months ended 30 September 2015 £000** | Six months ended 30 September 2014 £000 | Year ended 31 March 2015 £000 |
|---|---|---|---|
| Profit after tax for the period | **5,125** | 3,486 | 8,394 |
| Net acquisition costs | **252** | 1,200 | 750 |
| Intangible amortisation | **302** | 238 | 551 |
| Costs on exercise of executive share options | **–** | 228 | 511 |
| Release of closure provision for *TR* Formac (Suzhou) Co. Ltd | **–** | – | (94) |
| IFRS 2 share based payment charge | **608** | 22 | 741 |
| Tax adjustment | **(232)** | (354) | (541) |
| Underlying profit after tax | **6,055** | 4,820 | 10,312 |
| Basic EPS | **4.41p** | 3.10p | 7.39p |
| Diluted EPS | **4.27p** | 2.97p | 7.07p |
| Underlying diluted EPS | **5.05p** | 4.10p | 8.68p |

## 7. Analysis of net debt

| | At 30 September 2015 £000 | At 30 September 2014 £000 | At 31 March 2015 £000 |
|---|---|---|---|
| Cash and cash equivalents | **20,889** | 13,596 | 15,453 |
| Bank overdraft | **(1)** | (47) | (439) |
| **Net cash and cash equivalents** | **20,888** | 13,549 | 15,014 |
| Debt due within one year | **(20,268)** | (11,691) | (11,906) |
| Debt due after one year | **(16,882)** | (19,389) | (16,523) |
| Gross debt | **(37,150)** | (31,080) | (28,429) |
| **Net debt** | **(16,262)** | (17,531) | (13,415) |

## 8. Reconciliation of net cash flow to movement in net debt

| | Six months ended 30 September 2015 £000 | Six months ended 30 September 2014 £000 | Year ended 31 March 2015 £000 |
|---|---|---|---|
| Net increase/(decrease) in cash and cash equivalents | **6,536** | (1,861) | (521) |
| Net increase in borrowings | **(8,354)** | (18,420) | (17,021) |
| | **(1,818)** | (20,281) | (17,542) |
| Exchange rate differences | **(1,029)** | 720 | 2,097 |
| Movement in net debt | **(2,847)** | (19,561) | (15,445) |
| Opening net (debt)/cash | **(13,415)** | 2,030 | 2,030 |
| Closing net debt | **(16,262)** | (17,531) | (13,415) |

## 9. Subsequent event — Acquisition of Kuhlmann Befestigungselemente GmbH & Co. KG ('Kuhlmann')

On 1 October 2015, *Trifast* acquired Kuhlmann for a total consideration of €8.5m (£6.2m). The initial amount of €6.8m (£4.9m) was paid on completion in cash and €0.04m (£0.03m) was satisfied by the allotment of 29,350 ordinary shares in the Company. Consideration of €1.7m (£1.2m) will be deferred for 12 months and is to serve as a retention against which any potential warranty and indemnity claims will be offset. The cash consideration will be met from the Company's existing bank facilities.

*Trifast* will be investing into Kuhlmann to further develop the opportunities in the German market and expect the acquisition of Kuhlmann to be earnings enhancing in the first full year of ownership.

Based in Verl, close to Bielefeld, Germany, Kuhlmann was founded in 1996 and employs 18 staff. It is a well-respected highly efficient distributor of industrial fastenings within the domestic German market. Its emphasis is on delivering high quality products and services to its well-established longstanding customer base in the principal sectors of machinery and plant engineering, sheet metal processing and industrial. Kuhlmann's management team and previous owners, Frank Niggebrügge, Eric Hütter and Peter Henning, will continue to run the business with the support of the operational management team and staff who will remain within the business.

For the year ended 31 December 2014, Kuhlmann reported revenue of €6.7m (£5.4m) and profit before tax of €1.7m (£1.4m). Gross assets at the same date were €1.4m (£1.1m).

As the acquisition completed so close to the 30 September 2015, the values disclosed below are all considered provisional and are given for information purposes only. Prior to consolidation in to the Group numbers, all amounts will be subject to a full fair value assessment as part of the completion accounts process. Updated consolidated values will be disclosed in the Report and Accounts for 31 March 2016.

# Notes to the condensed interim financial statements (continued)

Unaudited results for the six months ended 30 September 2015

## 9. Subsequent event — Acquisition of Kuhlmann Befestigungselemente GmbH & Co. KG ('Kuhlmann') (continued)

| **Effect of Acquisition** | **Provisional values on acquisition £000** |
|---|---|
| Property, plant and equipment | 176 |
| Intangible assets | 3,651 |
| Inventory | 463 |
| Trade and other receivables | 420 |
| Cash and cash equivalents | 583 |
| Trade and other payables | (297) |
| Deferred tax liabilities | (1,011) |
| Net identifiable assets and liabilities | 3,985 |
| Consideration paid: | |
| Initial cash price paid | 4,897 |
| Deferred consideration at fair value | 1,232 |
| Equity instruments issued | 31 |
| Total consideration | 6,160 |
| Goodwill on acquisition | 2,175 |

Intangible assets that arose on the acquisition include the following:

- £3.3m of customer relationships, with an amortisation period deemed to be ten years
- £0.4m of other intangibles, with an amortisation period deemed to be under one year

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 Kuhlmann and *Trifast* Group and Kuhlmann's assembled workforce.

### Effect of Acquisition

The Group estimates that it will incur costs of £0.3m in relation to the acquisition of Kuhlmann. These estimated costs have been included as separately disclosed items in administrative expenses in the Group's consolidated statement of comprehensive income.

# Independent review report by KPMG LLP to Trifast plc

## Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2015 which comprises the consolidated income statement, the consolidated statement of comprehensive Income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

## Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

## Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

**Derek McAllan**
for and on behalf of KPMG LLP
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

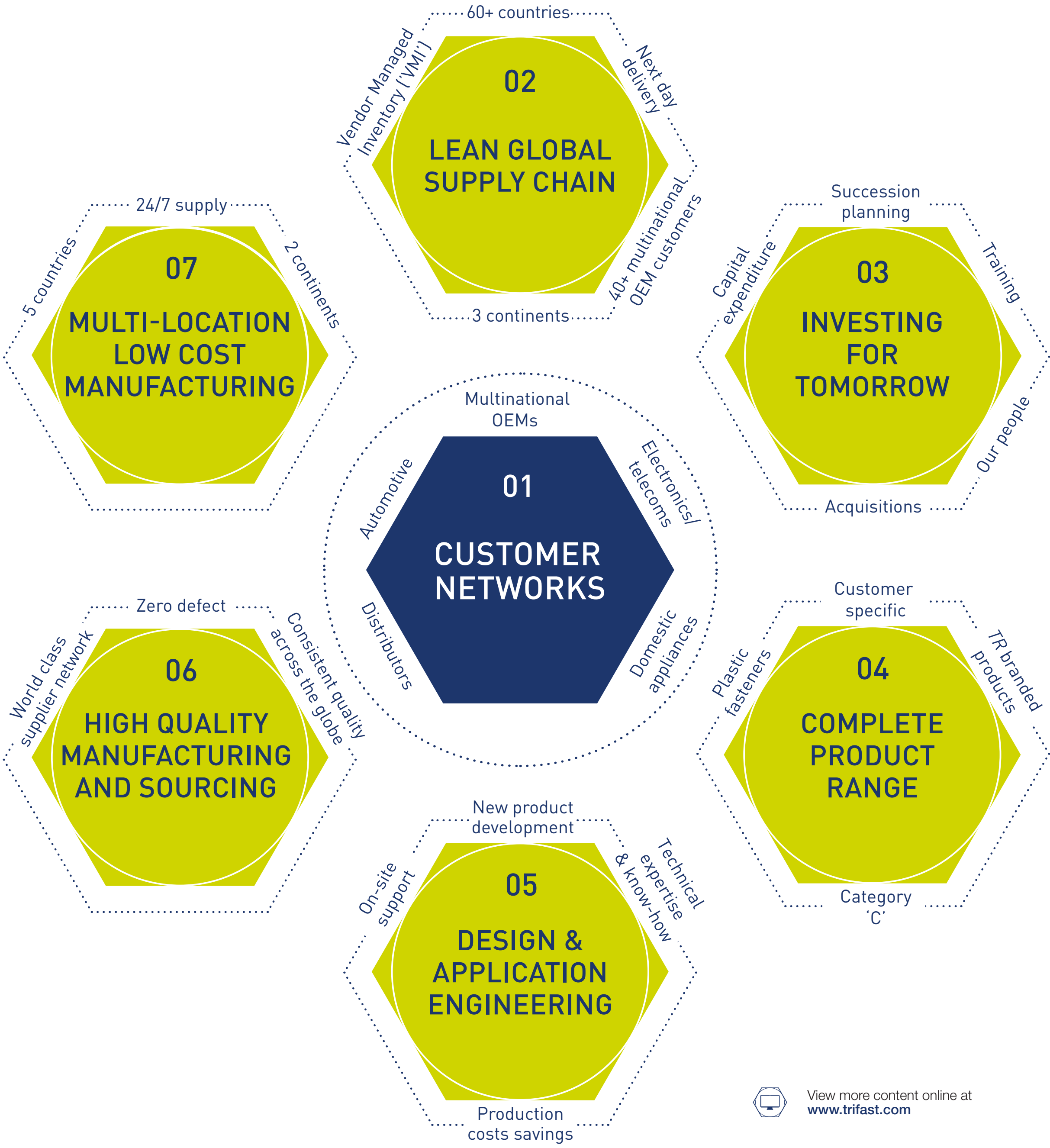
9 November 2015

## ‘World of Opportunity’

www.trifast.com

# Our Group business model

## Adding value for our customers, colleagues and shareholders




View more content online at
**www.trifast.com**

### 01 Customer networks

Worldwide we service customers of all sizes and across a range of sectors from automotive through to electronics/telecoms and the domestic appliance market. Whether you are one of our over 40 multinational OEMs or a local family business, at *Trifast* you will get the same high quality, low cost, people centred approach. It is our reliability of supply, coupled with our willingness to consistently go the extra mile that makes our customer networks such a key strength of the business.

### Adding value

Our existing customer base and reputation within the industry act as a springboard for our continuing growth, whether we are seeking to win new customers, acquire complementary niche bolt-on businesses or to further penetrate into our existing customer base. It is our total commitment to maintaining our ever expanding customer network that will continue to drive our market share and growth.

## 02 Lean global supply chain

The *Trifast* Group achieves over 60% of its revenue from more than 40 multinational OEM customers. Our core facilities in Asia, North America and Europe mirror the global spread of our customer base. We know that being able to meet the challenging geographical requirements of our customers is about more than just resources and logistics. It is also an absolute necessity to be a regional or local business with the knowledge and skills needed to manage the many regulatory and cultural differences around the world.

### Adding value

Our world class supply chain management (serving over 60 countries) is a priority requirement for global customers as it offers a combination of lean logistics, high quality low cost manufacturing and technical support, together with design and product development skills. This provides an 'open door' for *TR*, allowing us the opportunity to continue to expand our global customer base.

## 03 Investing for tomorrow

To keep moving forward it is key that we continue to invest in our business, whether this is in our people, our manufacturing capabilities and quality, or in finding the next successful bolt-on niche acquisition. At *TR*, we have both the resources and the targeted investment strategy to keep pushing the Group onwards.

We recognise that a key part of our success is our people — their skills, enthusiasm, loyalty and energy are constantly acknowledged by our customers and suppliers. We understand that the **right people** are what make *TR* the **right choice** for our customers, shareholders and other stakeholders.

### Adding value

We employ over 1,100 people around the world. Our people are an invaluable asset with *c.*50% having given ten years+ of service.

Career mapping, ongoing training and a performance development culture are all firmly embedded in the business, thereby preserving the complex knowledge and skills that underpin both our financial and commercial performances. This foundation gives us the ability to attract, retain and promote our leaders of the future from within *TR*, whilst identifying parallel cultures in acquisition targets.

## 04 Complete product range

The majority of the products we currently supply are customer specific or registered *TR* own brand designs. The rest of Group revenue derives from selling category 'C' commodity type products. Looking ahead, the 'one stop shop' trend developing within the industry is allowing us to increase our scope and become our customers' single 'preferred supplier' of choice for all fasteners and related components.

### Adding value

The fastest and most cost effective strategy for growth is to sell more to existing customers. By combining this with successful targeting of new customers we are able to drive positive dynamics in our business. It is also through this strategy that existing customer value is not only preserved, but grown as the range of products we can offer is constantly increased.

## 05 Design & application engineering

With such a large proportion of sales being driven by customer specific assembly components (including unique product introductions within automotive, electronics/telecoms and domestic appliances), it is vital that *TR* is a 'Full Service Provider' to multinational OEMs. It is a fact that even the large automotive manufacturers tend not to employ in-house specialist fastener engineers. *TR*'s recruitment of experienced fastener engineers over the past two years is raising the Group's profile as a technical innovator and assembly problem solver.

### Adding value

Our technically skilled engineers can deliver cost savings to the customer through specific component design or process applications. These savings are then credited against purchase spend thus reducing any price discounting demands and further enhancing our reputation of adding value.

## 06 High quality manufacturing and sourcing

*TR* is unique in its sector as it combines low cost, high quality/zero defect manufacturing with sophisticated supply chain distribution and logistics. Two-thirds of Group revenue is sourced from world class external suppliers which gives us a competitive edge. Our business teams are able to freely make decisions on whether to buy in or manufacture components, thus ensuring that our factories will only gain internal orders by means of price, quality or delivery market advantage against external competitors.

### Adding value

Offering reliability of quality and supply 24/7, whilst being 'fleet of foot' is a key requirement for managing rapidly changing market trends and macroeconomic fluctuations. Our open market policy and consistently high quality standards ensure our retention of customer driven competitiveness and flexibility.

## 07 Multi-location low cost manufacturing

By the time Asia had established itself as a prolific low cost global manufacturing region, we were already in Singapore. Today, the Group through targeted investments also has a presence in Taiwan and Malaysia. Additional substantial manufacturing capability also came with our acquisition in VIC in Italy, whilst specific *TR* branded products continue to be manufactured in the UK at our head office site.

### Adding value

'Just in Time' supply chains and advancements in robotic assembly have driven expectations and demand for zero defect components. By self-manufacturing we are better able to invest to meet these changing demands. Ongoing capital expenditure in new manufacturing and inspection plant within our Asian factories is almost routine, with significant investment at both our Taiwanese and Malaysian sites.

# Strategy

## World of Opportunity

### A clear **strategy for growth**

Market research indicates that global demand for mechanical fasteners will continue to grow over the next five years

Our growth opportunity is firmly built around the enticing knowledge that *Trifast* has less than 1% of the global industrial fastener market. Our offering on an international scale is an attractive USP to many OEMs

**Our strategy for growth could not be clearer**

**Strategic pillars**

1. Investment driven growth
2. Core strategy – focus on multinational OEMs
3. Competitive = Value add
4. Acquisitions
5. It's all about our people and planning for the future

## Rolling out a winning formula

Today, we are confident that as a result of the strong action over recent years from our restructured operational management teams, we have established a well-defined strategic business model and path that can be implemented on an ongoing roll out basis, virtually anywhere around the world where there is a strong demand for assembly fasteners and related high quality volume components.

The competitive pressures constantly endured by the automotive, electronics/telecoms and domestic appliance sectors force their suppliers to embrace continuous improvement in every element of their processes.

The combination of our peoples' technical skills, world-class manufacturing facilities and sophisticated service and logistics is well proven to be ideally placed for the ever increasing supply chain efficiencies being demanded by our high volume assembly customers.

As a business, we are totally committed to the 'can always do better' philosophy and culture. We consider we are 'ready to go' and can deliver what the market both needs and expects. *Trifast*'s head start was the far reaching process and management changes arising from the savage downturn suffered in 2007–2009. This was truly a case of a cloud developing a silver lining.

Strategic pillars

Our strategy explained

## Investment driven growth

Our consistent ability to improve margins and generate cash allows us to plan ahead with confidence on future proofing our business resources. This includes smarter management information systems (MIS), space efficient storage and materials handling equipment, lean logistics processes, modular packaging, manufacturing plant upgrades and refining our sales and marketing targeting as well as payback effectiveness. Our ‘recovery phase’ implemented in 2009 is completed and is now behind us. Looking forward, we have the headroom to combine progressive profitability and growing dividend returns with a clear, well defined investment programme that will provide tangible continued momentum to our progress.

## Core strategy — focus on multinational OEMs

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

Over 60% of Group sales come from multinational OEMs. We carry ‘preferred supplier’ status to over 40 such multinationals, several of which own more than 200 plants making comparable or identical finished products. Developing this pipeline is the backbone of our overall growth strategy.

## Competitive = Value add

Value is not just about price. What *TR* offers to the market is high quality products, reliable supply logistics and sound inventory management. We pride ourselves on our consistently high levels of service and our commitment to finding the solutions that our customers are looking for. This approach can see us stepping in to help with an urgent supply issue at short notice, or using our engineering know-how to generate production line efficiencies for our customers in the longer term. What *TR* is able to offer is a complete value add package at a price that benefits both our customers and our shareholders.

## Acquisitions

*Trifast* has shown it is capable of delivering a firm trend of healthy organic growth. However, as we have clearly stated over the last five years, this is not enough to maximise the opportunities available to us in what is a fragmented market sector.

The acquisitions of PSEP (2011), VIC (2014) and Kuhlmann (2015) exemplify what constitute ideal targets for the business, namely knowledge and skills, capable self-managing and ongoing management teams, niche market positioning, growing revenue and profitability and earnings enhancing. Our search continues for similar businesses which meet our criteria and support our growth plans and ambitions.

## It’s all about our people and planning for the future

Developing our people’s talents will identify our leaders of the future. It is paramount that through training we retain and diversify skills as these underpin our reputation and competitive edge in what is an increasingly limited labour market globally.

All *TR* operations are managed on a day-to-day basis by country directors who represent the core foundation for our succession planning. Looking back over our 40+ years in the business, it is clear that our best and most successful succession planning has come from within. For this reason attention is paid to performance management, training and mentoring to ensure that our business growth, customer partnerships and all round continuity can be reliably sustained.

# Shareholder Notes

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26
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