**Tuesday, 22 November 2022**

# TRIFAST PLC

(Trifast, Group or Company)

*Leading international specialist in the design, engineering, manufacture, and distribution of high-quality industrial fastenings and Category 'C' components principally to major global assembly industries*

***"Innovation today for a better tomorrow – growing sustainably, together"***

## HALF-YEARLY FINANCIAL REPORT

Unaudited results for the six months ended 30 September 2022

*"Whilst recognising the challenges in HY1, with the initiatives we are adopting we continue to see significant scope to build the business and we remain confident in the fundamentals of our business model over the medium term"*

**Mark Belton,** Chief Executive Officer

### Key financials

| **Underlying measures** | **CER[2] HY2023** | **CER[2] change** | **AER[2] HY2023** | **AER[2] change** | **AER HY2022** | **AER HY2021** |
|---|---|---|---|---|---|---|
| Revenue | **£117.8m** | **13.5%** | **£120.2m** | **15.8%** | £103.8m | £81.0m |
| Gross profit % | **24.5%** | **(180)bps** | **24.6%** | **(170)bps** | 26.3% | 27.0% |
| Underlying operating profit (UOP)[1] | **£6.0m** | **(20.0)%** | **£6.2m** | **(16.7)%** | £7.4m | £4.5m |
| Underlying operating profit %[1] | **5.1%** | **(210)bps** | **5.2%** | **(200)bps** | 7.2% | 5.5% |
| Underlying profit before tax[1] | **£5.2m** | **(25.5)%** | **£5.5m** | **(22.1)%** | £7.0m | £4.0m |
| Underlying diluted earnings per share[1] | **3.21p** | **(27.4)%** | **3.33p** | **(24.7)%** | 4.42p | 2.27p |
| Adjusted net (debt)/cash[3] | | | **£(40.4)m** | **£(35.3)m** | £(5.1)m | £3.4m |
| Return on capital employed (ROCE)[1] | | | **6.7%** | **(210)bps** | 8.8% | 5.5% |
| Interim dividend | | | **0.75p** | **7.1%** | 0.70p | — |
| **GAAP measures** | | | | | | |
| Operating profit | | | **£3.7m** | **(34.4)%** | £5.7m | £3.2m |
| Operating profit % | | | **3.1%** | **(240)bps** | 5.5% | 3.9% |
| Profit before tax | | | **£3.0m** | **(43.1)%** | £5.3m | £2.7m |
| Diluted earnings per share | | | **1.85p** | **(42.5)%** | 3.22p | 1.48p |

1. Before separately disclosed items (see notes 2, 6 and 7)
2. "CER" being Constant Exchange Rate, calculated by translating the HY2023 figures by the average HY2022 exchange rate & "AER" being Average Exchange Rate
3. Adjusted net (debt)/cash is presented excluding the impact of IFRS16 Leases as this is how the calculation is performed for the purposes of the Group's banking facilities. Including right-of-use liabilities, net debt would increase by £(14.8)m to £(55.2)m (HY2022: net debt would increase by £(13.4)m to £(18.5)m)

### Operational highlights

- Revenues increased by 13.5% to £117.8m at CER
- Additional contract wins in the period totalling £12m, reflecting market share gains and commercial focus on faster growing niches
- Inflationary cost pressures and the lag in passing increases through to customers has resulted in gross margins decreasing to 24.5% at CER
- Operational improvement programme commenced to drive recovery in HY2 and beyond
    - Margins - necessary price increases and cost efficiencies to return margin to medium term aspirations
    - Inventory - normalise as supply chain uncertainty 'recedes'
    - Project Atlas - roll out accelerated to finish before the end of FY2024
- Post period end - new Executive Committee formed including new key appointments of COO and CFO to increase the agility and pace for decision making

## Presentation of HY2023 results

1 The Group will be holding a presentation to financial analysts today at 9.15am (UK time). Further details can be obtained by contacting TooleyStreet Communications – details are shown below. Investor enquiries can also be made via the Company's stockbroker, Peel Hunt LLP and its corporate access team.

2 The Company will also be presenting the HY2023 results via the Investor Meet Company platform on Thursday, 24 November 2022 at 11.30am (UK time). CEO Mark Belton, Interim CFO Andy Cooksey and Chief Operating Officer Dan Jack will host this 'live' event.

Investors who follow Trifast on the IMC platform will automatically be invited to join the event. The webcast will be available on the Trifast website following the event. To register for the session, you may follow this link: https://www.investormeetcompany.com/trifast-plc/register-investor

## Enquiries please contact:

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## Editors' notes

### About Trifast plc

Trifast (TR) is a leading international specialist in the design, engineering, manufacture, and distribution of high-quality industrial fastenings and Category 'C' components principally to major global assembly industries. We supply to *c*.5,000 customers in *c*.75 countries across a wide range of industries, including Light vehicle, Heavy vehicle, Health & Home, Energy, Tech and Infrastructure (ET&I), General industrial and Distributors. As a full-service provider to multinational OEMs and Tier 1 companies spanning several sectors, TR delivers comprehensive support to its customers from concept design through to technical engineering consultancy, manufacturing, supply management and global logistics. The Group employs c.1,350 people across 34 business locations within the UK, Asia, Europe, and the USA including seven high-volume, high-quality, and cost-effective manufacturing sites and three technical & innovation centres across the world.

**"Innovation today for a better tomorrow - growing sustainably, together"**

**For more information, visit our**

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

Trifast, TR and TR Fastenings are registered trademarks of the Company
**LEI number:** 213800WFIVE6RUK3CR22

## Forward-looking statements

This announcement contains certain forward-looking statements. These reflect the knowledge and information available to the Company during the preparation and up to the publication of this document. By their very nature, these statements depend upon circumstances and relate to events that may occur in the future thereby involving a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company.

TRIFAST PLC

HALF-YEARLY FINANCIAL REPORT

Unaudited results for the six months ended 30 September 2022

## BUSINESS REVIEW

*Unless stated otherwise, current year 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). CER calculations have been calculated by translating the HY2023 figures by the average HY2022 exchange rate.*

The impact of foreign exchange movements has increased our AER revenue by 2.1%, £2.4m (HY2022: decreased by 2.5%, £2.6m), our AER underlying profit before tax by 4.5%, £0.2m (HY2022: decreased by 4.0%, £0.3m) and our AER underlying diluted EPS by 3.7%, 0.12p (HY2022: decreased by 3.7%, 0.17p).

| Underlying measures | CER HY2023 | CER change | AER HY2023 | AER change | HY2022 | HY2021 |
|---|---|---|---|---|---|---|
| Revenue | **£117.8m** | **13.5%** | **£120.2m** | **15.8%** | £103.8m | £81.0m |
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| Operating profit | | | **£3.7m** | **(34.4)%** | £5.7m | £3.2m |
| Operating profit % | | | **3.1%** | **(240)bps** | 5.5% | 3.9% |
| Profit before tax | | | **£3.0m** | **(43.1)%** | £5.3m | £2.7m |
| Diluted earnings per share (DEPS) | | | **1.85p** | **(42.5)%** | 3.22p | 1.48p |

1. Before separately disclosed items (see notes 2, 6 and 7)

### Group performance

HY2023 has proved to be one of challenge and opportunity against the global uncertainties surrounding industrial markets. Whilst our operations in Asia and North America have both produced a solid performance and are in line with expectations, we have experienced, as a result of weakened consumer demand, a slowdown in particular within the Health & home sector in UK and Europe. Volumes have improved across our other key markets with Light vehicle and General industrial showing the strongest growth over the same period last year, followed by the Distributors and Energy, tech & infrastructure sectors (ET&I).

Revenue overall increased year on year by 13.5% to £117.8m (AER: 15.8% to £120.2m) with growth in all sectors except Health & home. Organic growth was 9.9%, with 3.6% arising from the full period impact of our North American acquisition, TR Falcon (completed in August 2021).

Gross margins in the first half of the year have reduced to 24.5% compared to 26.3% reflecting the continuing inflationary cost pressures, the lag in passing these inflationary increases through to revenue, the impact of the Ukraine conflict on the Health & homes volumes in Europe and the Covid-19 lockdowns in Shanghai in the first two months of the year.

Reflecting the pressures on gross margins, the UOP margin has decreased by 210bps to 5.1% (AER: decrease 200bps to 5.2%; HY2022: 7.2%). UOP decreased by 20.0% to £6.0m (HY2022: £7.4m). We have continued to make targeted investment in overheads to support the growth of the business into new customers and sectors.

Underlying profit before tax (UPBT) is down 25.5% at CER to £5.2m (AER: down 22.1% to £5.5m, HY2022: £7.0m). Interest has increased year on year by £0.3m reflecting the higher level of net debt and an increase in interest rates. This coupled with a rise in our underlying effective tax rate has resulted in a decrease of 27.4% in our underlying diluted earnings per share (UDEPS) at CER to 3.21p (HY2022: 4.42p) and at AER, down 24.7% to 3.33p (HY2022: 4.42p).

Profit before tax has decreased 43.1% at AER to £3.0m (HY2022: £5.3m). In addition to the movements explained above, profit has been further reduced by Project Atlas spend of £0.8m, acquired intangible amortisation of £0.9m and CFO exit costs of £0.5m. The resultant DEPS has decreased by 42.5% to 1.85p (HY2022: 3.22p).

Inventory has increased by £13.9m (including £4.8m of FX) in the first half of the year to support growth and secure supply, but has also been impacted by some customer order deferment arising from microchip shortages coupled with a decline in demand from our Health & home customer base. This has resulted in adjusted net debt increasing from £23.8m to £40.4m at the end of September 2022. We continue to have undrawn facilities of £10.5m (FY2022: £29.3m), and an available accordion facility for a further £40m, providing us with the security and flexibility to continue to operate and invest in our future growth.

### Revenue (CER)

Total revenue in HY2023 increased 13.5% to £117.8m (AER 15.8% to £120.2m; HY2022: £103.8m), however there has been mixed demand by region and sector.

Against this mixed backdrop, the Group continues to win new contracts and has secured a further £12m of contractual wins in HY2023 across our key sectors with the largest uplift being in Light vehicles. The majority of these wins are engineering led through new and existing global customers.

Within Europe we have seen an 8.8% increase in sales to a record regional half year level of £43.3m (AER 6.1% to £42.2m; HY2022: £39.8m). With the exception of Health & home, all sectors delivered growth and with particularly strong performances in the Light vehicles, General industrial and ET&I sectors. Significant revenue growth was recorded in Germany, Hungary, Holland, Sweden and Spain, with again record sales being recorded in a number of these countries. The one noticeable exception is Italy, which has been negatively impacted in the Heath & home sector by the downturn in customer sentiment and the indirect impact the Ukraine conflict is having on some of our customers leading to a reduction in volumes produced in our Italian manufacturing operation.

In the UK, revenues have increased by 5.5% to £42.5m (HY2022: £40.3m). The largest increases have been due to higher distributor (Lancaster and PTS) volumes and increased transactional pricing. Light vehicle sales have shown a 20.8% increase in the period reflecting new customer wins, however the automotive sector as a whole continues to be impacted by semi-conductor shortages.

Asia has seen an increase in revenue of 14.1% to £29.9m (AER: 22.8% to £32.2m; HY2022: £26.3m), this is despite the impact of the Shanghai Covid-19 lockdowns in the first two months of the year, which impacted Chinese revenues by c.£1.1m. We experienced significant year on year increases in the Light vehicle, Distributor and Health & home sectors. Taiwan continues to see strong distributor sales in key European end markets. These gains were partly offset by declines in the General industrial and ET&I sectors.

USA, with the full year impact of the TR Falcon acquisition, has seen revenue growth of 80.8% to £12.1m (AER: 103.5% to £13.6m; HY2022: £6.7m). Organic growth was 23.6%, reflecting increases in Light vehicle, General industrial and ET&I. TR Falcon now represents 39% of our North American revenue. Chip shortage and other related supply chain shortages continue to impact the automotive industry, so pent up demand remains for this sector. In addition, we are actively progressing a strong pipeline of new opportunities.

### Underlying operating profit (CER)

| Region | HY2023 UOP | HY2022 UOP | Movement | HY2023 UOP margin | HY2022 UOP margin | Movement |
|---|---|---|---|---|---|---|
| Europe | £0.7m | £2.5m | £(1.8)m | 1.7% | 6.2% | (450)bps |
| UK | £3.0m | £4.0m | £(1.0)m | 7.1% | 10.0% | (290)bps |
| Asia | £4.8m | £3.3m | £1.5m | 16.1% | 12.6% | 350bps |
| USA | £(0.1)m | £(0.2)m | £0.1m | (0.6)% | (3.3)% | 270bps |

Despite the increase in Group sales, underlying operating profit (UOP) has been impacted by the ongoing inflationary challenges and the lag in recouping these cost increases resulting in UOP reducing to £6.0m (HY2022: £7.4m) and an UOP margin of 5.1% (HY2022: 7.2%).

In Europe, despite the 8.8% increase in revenues, we have seen an overall 450bps reduction in UOP margins to 1.7%, and operating profit of £0.7m (HY2022: 6.2%, £2.5m). Most of the negative movement in the UOP has occurred in TR VIC, which has been hard hit by reduced volumes arising from a loss of sales indirectly due to the Ukraine conflict and a significant softening in the Health & home sector, the main channel of Italian sales. Coupled with the resulting impact of reduced volumes in plant utilisation, the site has had to battle major input cost increases, most noticeable in energy, freight and commodity products. Actions are being taken, both on the sales and cost side to improve operational efficiencies and increase prices in the second half of the year.

In the UK, UOP margins have decreased year-on-year by 290bps to 7.1%, £3.0m (HY2022: 10.0%, £4.0m). The increased volumes and transactional pricing has improved margins at the distributor companies. However, this has been more than offset by cost input pressures at TR Fastenings (UK) and the lag in recouping the cost increases as discussions with customers are taking time to come to fruition. We expect that the margins will recover in the second half of the year.

UOP margins in Asia have been particularly strong, increasing by 350bps to 16.1%, £4.8m (HY2022: 12.6%, £3.3m). A key driver of the improvement has been in Taiwan which has seen exceptionally strong growth on the back of high distributor sales to key European and USA end markets.

In the USA, UOP margins have improved by 270bps, although these remain negative at (0.6)%, £(0.1)m (HY2022: (3.3)%, £(0.2)m). TR Falcon has delivered a solid performance; however, the Houston operation in particular is having to manage a lag in recovering substantial cost increases particularly in relation to freight costs. Again, we expect margins to improve in the second half of the year as the lag in prices reduces and cost inputs soften.

### Operating profit (AER)

The operating profit and margin (at AER) have been impacted as per the UOP by the inflationary cost factors and the lag in recouping the cost increases in revenues. This results in Group operating profit reducing from £5.7m to £3.7m and operating margin from 5.5% to 3.1%. Operating profit includes £2.5m of costs not included in UOP (primarily acquired intangible amortisation, Project Atlas costs and personnel termination costs).

At a regional level, the movements at operating profit and margins broadly follow the movements at UOP level:

| Region | HY2023 Operating profit | HY2022 Operating profit | Movement | HY2023 Operating margin | HY2022 Operating margin | Movement |
|---|---|---|---|---|---|---|
| Europe | £0.1m | £1.9m | £(1.8)m | 0.2% | 4.9% | (470)bps |
| UK | £2.8m | £3.3m | £(0.5)m | 6.7% | 8.1% | (140)bps |
| Asia | £5.2m | £3.3m | £1.9m | 16.0% | 12.5% | 350bps |
| USA | £(0.2)m | £(0.3)m | £0.1m | (1.8)% | (3.7)% | 190bps |

### Net financing costs (AER)

Net financing costs have increased to £0.7m (HY2022: £0.4m) due to the increase in average net debt during the period and higher interest rates.

### Taxation (AER)

The HY2023 underlying effective tax rate (UETR) has increased to 17.7% compared to 13.7% in HY2022 as last year included a one-off benefit relating to the UK tax change to 25% and the resulting increase in the deferred tax asset. The effective tax rate (ETR) at 16.5%, is similar to 16.4% in HY2022 as the UK tax change benefit in HY2022 is offset by HY2023 favourable movements in adjustments in respect of previous years.

Subject to future tax changes and excluding adjustments in respect of prior years, our normalised underlying ETR is expected to be in the range of 22-25% going forward.

### Earnings per share (AER)

The decrease in underlying profit before tax and the increase in our UETR, has reduced the underlying diluted EPS by 24.7% to 3.33p (HY2022: 4.42p). Diluted EPS has decreased by 42.5% to 1.85p (HY2022: 3.22p).

### Dividend

The Company has declared an interim dividend of 0.75p (HY2022: 0.70p) which will be paid on 13 April 2023 to members on the register as at 17 March 2023.

We continue to consider that an appropriate level of dividend cover is in the range of 3.0x to 4.0x.

### Return on Capital Employed (AER)

As at 30 September 2022, the Group's shareholders' equity increased to £143.3m (FY2022: £139.1m). The £4.2m uplift reflects profit for the period of £2.5m (HY2022: £4.4m), a dividend payment of £(2.8)m, a net movement in share based payments of £(0.5)m and a foreign exchange reserve gain of £5.0m (most notably sterling weakening against SGD, TWD, EUR and USD).

Over this increased asset base and given the reduction in profits, our ROCE has decreased (160)bps from 31 March 2022 to 6.7% (FY2022: 8.3%).

At 30 September 2022, the number of ordinary shares held by the Employee Benefit Trust (EBT) to honour future equity award commitments is 2,194,470, unchanged from FY2022.

### Adjusted net debt (AER)

As at 30 September 2022, the Group had an adjusted net debt position of £40.4m, which is an increase in net debt of £16.6m since FY2022 (£23.8m). The increase is fundamentally due to the increase in our inventory of £13.9m, reflecting a mix of foreign exchange (£4.8m), commodity price increases (£2.0m) and the need to ensure ongoing continuity of supply to our customers, but also ensure we have the ability to service the new contract wins in the latter part of the last financial year and the new contract wins this year, which will be coming on stream over the course of the coming months. While supply chain issues remain, we are seeing signs of an easing with a softening in lead times and freight costs. In line with this, we are working hard to ensure inventory levels are reduced over the remainder of the financial year and hence expect our net debt to reduce in line with this inventory reduction. The proceeds of new loans of £13.9m are drawdowns from the existing RCF facility, see note 26 in the 31 March 2022 consolidated financial statements.

Supporting the Board's ongoing strategic investments for growth, capital expenditure in the period amounted to £2.6m (HY2022: £2.1m) including £0.4m in relation to Project Atlas.

Including the impact of IFRS16 Leases, the Group's net debt position is £55.2m (FY2022: net debt of £37.5m).

### Other key balance sheet movements

Property, plant and equipment increased by £1.7m to £22.0m (FY2022: £20.3m) due to additions of £2.0m (predominantly the capacity expansion plan in TR VIC), depreciation charge of £(1.4)m and effects of movement on foreign exchange of £1.1m.

Intangibles has increased by £1.7m to £44.6m (FY2022: £43.0m) due to effects of movements in foreign exchange of £2.3m, amortisation charge of £(1.0)m and additions of £0.6m less disposals of £(0.2)m.

Trade and other receivables has increased by £5.5m to £66.0m (FY2022: £60.5m) due to effects of movements in foreign exchange of £2.5m, increase in other debtors (£1.6m) and increased trading levels (£1.4m). This, combined with the increase in our inventory (see adjusted net debt) has seen working capital as a % of sales increase to 49.3% (FY2022: 46.5%).

### Project Atlas

Project Atlas, a key driver of future growth and cost efficiencies, has continued to progress over FY2023. The phased roll-out at our highest revenue trading subsidiary TR Fastenings (UK) is expected to be completed by the end of this financial year. Significant benefits of Atlas, both expected and unexpected, are being seen within the business. We anticipate that Project Atlas will close as a project with the roll-out to the remaining distribution countries during Q4 of FY2024.

We have incurred direct costs of £1.2m in HY2023 (cumulatively £16.1m), largely relating to project team, consultancy, localised testing and training costs. We have excluded £0.8m of these costs from our underlying results, to reflect the unusual scale and one-off nature of this project. In line with accounting standards, we have also recognised the remaining £0.4m (cumulatively £7.6m) as intangible assets on the balance sheet at 30 September 2022.

### Acquisitions

A truly global fastenings business needs a North America region (the largest fastenings market in the world), of credible scale and reach. Currently, with the USA forming less than 15% of the Group's revenue we have significant appetite to acquire in the region. In the short term, the current macro-economic backdrop makes acquisition appraisal more challenging and so we will continue to take a highly disciplined approach and only progress opportunities that have a very clear value enhancement case.

A successful first step on the journey was taken with the acquisition of TR Falcon, an established fastenings distributor located in North Carolina (and Kentucky). Following our successful integration and the solid performance delivered by TR Falcon, we remain keen to continue our acquisition journey, with a focus on our strategic initiatives of rebalancing the regions alongside establishing supply chain support through more on/near-shoring manufacturing capabilities to help deliver economic and environmental benefits.

### People

The Board would like to acknowledge and thank the teams around the globe who in challenging times continue to work in partnership with commitment and focus to deliver the quality of service and supply that our customers expect.

The Group is in the process of undertaking a strategic restructure to deliver ambitious growth plans which will protect against any potential global recession. With such ambition comes the absolute need for pace and agility in our decision making structures.

Today, under a separate announcement released this morning via the regulatory news service, we have announced Main Board and Senior Management appointments, including a new post of Chief Operating Officer created within a more focused Executive Committee.

### Outlook

In HY2023, the Group has operated in a challenging environment given the general macroeconomic background. Significant progress has been made on our strategic growth initiatives through a mix of customer service, technical innovation, investment and capturing key commercial opportunities. Continued contract wins across our key sectors should give the basis for year on year growth in revenue. We also expect the lag between cost increase and recovery to improve leading to an overall improvement in both the gross and operating margins in the second half of the year.

Trading since the end of September 2022 has been in line with management expectations both in terms of revenue and operating margins.

The unprecedented political and economic times coupled with a looming recession make the short-term outlook for the Group challenging to predict and therefore we are increasing our focus on taking steps to mitigate these risks through a mix of operational efficiencies, price increases, profit enhancements and working capital (primarily inventory) improvements.

As a group, we continue to see significant scope to build the business and we remain confident in the fundamentals of our business model over the medium term.

## RISKS AND UNCERTAINTIES

The Directors do not consider that the principal risks and uncertainties of the Group have changed since the publication in July 2022 of the Group's Annual Report for the year ended 31 March 2022. The principal risks and uncertainties include: the macroeconomic environment, supply chain challenges, a breach of cyber security, stock obsolescence and personnel and resources. A copy of this publication can be found on the website www.trifast.com.

No system can fully eliminate risk and therefore the understanding of operational risk is central to the management process within the Group. The Group operates a system of internal control and risk management 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. These reviews are analysed and discussed at Audit & Risk 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, and so, we continue to remain vigilant for any indications that could adversely impact expected results going forward.

The long term success of the Group depends on the ongoing review, assessment and management 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 UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.
- the interim management report includes a fair review of the information required by:

  a. DTR 4.2.7R of the Disclosure Guidance 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 Guidance 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.

**Mark Belton**
**Chief Executive Officer**
21 November 2022

**Jonathan Shearman**
**Non-Executive Chair**

## Condensed consolidated interim income statement

Unaudited results for the six months ended 30 September 2022

| | Notes | **Six months ended 30 September 2022 £000** | Six months ended 30 September 2021 £000 | Year ended 31 March 2022 £000 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue | 3, 9 | **120,232** | 103,792 | 218,618 |
| Cost of sales | | **(90,683)** | (76,538) | (160,189) |
| **Gross profit** | | **29,549** | 27,254 | 58,429 |
| Other operating income | | **154** | 246 | 565 |
| Distribution expenses | | **(3,171)** | (2,350) | (5,296) |
| Administrative expenses before separately disclosed items | | **(20,333)** | (17,704) | (38,952) |
| Acquired intangible amortisation | 2 | **(892)** | (725) | (1,593) |
| Project Atlas | 2 | **(771)** | (512) | (1,041) |
| Settlement for loss of office | 2 | **(538)** | - | - |
| Aborted acquisition costs | 2 | **(253)** | - | - |
| Acquisition costs | 2 | **-** | (495) | (508) |
| Total administrative expenses | | **(22,787)** | (19,436) | (42,094) |
| **Operating profit** | | **3,745** | 5,714 | 11,604 |
| Financial income | | **41** | 20 | 31 |
| Financial expenses | | **(790)** | (468) | (1,018) |
| **Net financing costs** | 3 | **(749)** | (448) | (987) |
| **Profit before tax** | 3 | **2,996** | 5,266 | 10,617 |
| Taxation | 4 | **(496)** | (861) | (1,640) |
| **Profit for the period** (attributable to equity shareholders of the Parent Company) | | **2,500** | 4,405 | 8,977 |
| **Earnings per share** | | | | |
| Basic | 6 | **1.85p** | 3.23p | 6.61p |
| Diluted | 6 | **1.85p** | 3.22p | 6.56p |

## Condensed consolidated interim statement of comprehensive income

Unaudited results for the six months ended 30 September 2022

| | **Six months ended 30 September 2022 £000** | Six months ended 30 September 2021 £000 | Year ended 31 March 2022 £000 |
|---|---|---|---|
| **Profit for the period** | **2,500** | **4,405** | 8,977 |
| Other comprehensive income for the period: | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | **7,413** | **1,882** | 2,907 |
| Loss on a hedge of a net investment taken to equity | **(2,429)** | **(244)** | (147) |
| **Other comprehensive income for the period** | **4,984** | **1,638** | 2,760 |
| **Total comprehensive income recognised for the period** (attributable to equity shareholders of the parent company) | **7,484** | **6,043** | 11,737 |

## Condensed consolidated interim statement of changes in equity

Unaudited results for the six months ended 30 September 2022

| | Share capital £000 | Share premium £000 | Merger reserve £000 | Own shares held £000 | Translation reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 April 2022** | **6,804** | **22,512** | **16,328** | **(3,487)** | **12,284** | **84,704** | **139,145** |
| Total comprehensive income for the period: | | | | | | | |
| Profit for the period | **-** | **-** | **-** | **-** | **-** | **2,500** | **2,500** |
| Other comprehensive income for the period | **-** | **-** | **-** | **-** | **4,984** | **-** | **4,984** |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **4,984** | **2,500** | **7,484** |
| Transactions with owners, recorded directly in equity: | | | | | | | |
| Issue of share capital | **1** | **17** | **-** | **-** | **-** | **-** | **18** |
| Share-based payment transactions (net of tax) | **-** | **-** | **-** | **-** | **-** | **(530)** | **(530)** |
| Dividends (note 5) | **-** | **-** | **-** | **-** | **-** | **(2,812)** | **(2,812)** |
| **Total transactions with owners** | **1** | **17** | **-** | **-** | **-** | **(3,342)** | **(3,324)** |
| **Balance at 30 September 2022** | **6,805** | **22,529** | **16,328** | **(3,487)** | **17,268** | **83,862** | **143,305** |

| | Share capital £000 | Share premium £000 | Merger reserve £000 | Own shares held £000 | Translation reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 April 2021** | 6,802 | 22,461 | 16,328 | (595) | 9,524 | 77,284 | 131,804 |
| Total comprehensive income for the period: | | | | | | | |
| Profit for the period | - | - | - | - | - | 4,405 | 4,405 |
| Other comprehensive income for the year | - | - | - | - | 1,638 | - | 1,638 |
| **Total comprehensive income for the period** | - | - | - | - | 1,638 | 4,405 | 6,043 |
| Transactions with owners, recorded directly in equity: | | | | | | | |
| Issue of share capital | - | 11 | - | - | - | - | 11 |
| Share-based payment transactions (net of tax) | - | - | - | - | - | (379) | (379) |
| Movement in own shares held | - | - | - | (1,420) | - | (26) | (1,446) |
| Dividends (note 5) | - | - | - | - | - | (2,156) | (2,156) |
| **Total transactions with owners** | - | 11 | - | (1,420) | - | (2,561) | (3,970) |
| **Balance at 30 September 2021** | 6,802 | 22,472 | 16,328 | (2,015) | 11,162 | 79,128 | 133,877 |

## Condensed consolidated interim statement of financial position

Unaudited results for the six months ended 30 September 2022

| | Notes | **30 September 2022 £000** | 30 September 2021 £000 | 31 March 2022 £000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant, and equipment | | **21,983** | 19,360 | 20,297 |
| Right-of-use assets | | **13,890** | 12,509 | 12,757 |
| Intangible assets | | **44,633** | 42,823 | 42,981 |
| Deferred tax assets | | **3,039** | 2,885 | 2,787 |
| **Total non-current assets** | | **83,545** | 77,577 | 78,822 |
| **Current assets** | | | | |
| Inventories | | **102,833** | 73,434 | 88,933 |
| Trade and other receivables | | **65,956** | 56,093 | 60,520 |
| Cash and cash equivalents | 7 | **29,023** | 23,819 | 26,741 |
| **Total current assets** | | **197,812** | 153,346 | 176,194 |
| **Total assets** | 3 | **281,357** | 230,923 | 255,016 |
| **Current liabilities** | | | | |
| Trade and other payables | | **45,352** | 45,258 | 45,249 |
| Right-of-use liabilities | 7 | **3,424** | 2,796 | 3,028 |
| Tax payable | | **2,739** | 2,598 | 2,455 |
| Dividends payable | 5 | **1,875** | 2,156 | - |
| **Total current liabilities** | | **53,390** | 52,808 | 50,732 |
| **Non-current liabilities** | | | | |
| Other interest-bearing loans and borrowings | 7 | **69,382** | 28,906 | 50,507 |
| Right-of-use liabilities | 7 | **11,337** | 10,563 | 10,683 |
| Provisions | | **1,088** | 1,088 | 1,088 |
| Deferred tax liabilities | | **2,855** | 3,681 | 2,861 |
| **Total non-current liabilities** | | **84,662** | 44,238 | 65,139 |
| **Total liabilities** | 3 | **138,052** | 97,046 | 115,871 |
| **Net assets** | | **143,305** | 133,877 | 139,145 |
| **Equity** | | | | |
| Share capital | | **6,805** | 6,802 | 6,804 |
| Share premium | | **22,529** | 22,472 | 22,512 |
| Merger reserve | | **16,328** | 16,328 | 16,328 |
| Own shares held | 8 | **(3,487)** | (2,015) | (3,487) |
| Translation reserve | | **17,268** | 11,162 | 12,284 |
| Retained earnings | | **83,862** | 79,128 | 84,704 |
| **Total equity** | | **143,305** | 133,877 | 139,145 |

## Condensed consolidated interim statement of cash flows

Unaudited results for the six months ended 30 September 2022

| | Notes | **Six months ended 30 September 2022 £000** | Six months ended 30 September 2021 £000 | Year ended 31 March 2022 £000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit for the period | | **2,500** | 4,405 | 8,977 |
| Adjustments for: | | | | |
| Depreciation, amortisation, and impairment | | **2,420** | 1,926 | 4,125 |
| Right-of-use asset amortisation | | **1,747** | 1,457 | 3,131 |
| Unrealised foreign currency (gain)/loss | | **(40)** | 153 | (34) |
| Financial income | | **(41)** | (20) | (31) |
| Financial expense (excluding right-of-use liabilities) | | **602** | 329 | 692 |
| Right-of-use liabilities' financial expense | | **188** | 139 | 326 |
| Loss/(gain) on sale of property, plant & equipment, intangibles | | **127** | (12) | 6 |
| Equity settled share-based payment transactions | | **(530)** | (379) | 772 |
| Taxation charge | | **496** | 861 | 1,640 |
| **Operating cash inflow before changes in working capital and provisions** | | **7,469** | 8,859 | 19,604 |
| Change in trade and other receivables | | **(1,793)** | (1,464) | (5,950) |
| Change in inventories | | **(9,141)** | (16,306) | (31,716) |
| Change in trade and other payables | | **(1,519)** | 2,809 | 2,922 |
| Change in provisions | | **-** | - | - |
| **Cash used in operations** | | **(4,984)** | (6,102) | (15,140) |
| Tax paid | | **(1,795)** | (1,137) | (2,757) |
| **Net cash used in operating activities** | | **(6,779)** | (7,239) | (17,897) |
| **Cash flows from investing activities** | | | | |
| Proceeds from sale of property, plant & equipment | | **42** | 35 | 36 |
| Interest received | | **34** | 22 | 31 |
| Acquisition of subsidiary, net of cash acquired | | **-** | (5,850) | (5,847) |
| Acquisition of property, plant and equipment, and intangibles | | **(2,591)** | (2,145) | (5,248) |
| **Net cash used in investing activities** | | **(2,515)** | (7,938) | (11,028) |
| **Cash flows from financing activities** | | | | |
| Net proceeds from the issue of share capital | | **18** | 11 | 53 |
| Purchase of own shares | | **-** | (1,446) | (3,035) |
| Proceeds from new loan | | **13,924** | 11,479 | 32,980 |
| Repayment of right-of-use liabilities | | **(1,913)** | (1,520) | (2,977) |
| Dividends paid | | **(937)** | - | (2,156) |
| Interest paid | | **(656)** | (221) | (805) |
| **Net cash generated from financing activities** | | **10,436** | 8,303 | 24,060 |
| Net change in cash and cash equivalents | | **1,142** | (6,874) | (4,865) |
| Cash and cash equivalents at 1 April | | **26,741** | 30,265 | 30,265 |
| Effect of exchange rate fluctuations on cash held | | **1,140** | 428 | 1,341 |
| **Cash and cash equivalents at end of period** | 7 | **29,023** | 23,819 | 26,741 |

## NOTES TO THE 2023 HALF-YEARLY FINANCIAL REPORT

Unaudited results for the six months ended 30 September 2022

### 1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority and UK-adopted International Accounting Standard ("IAS") 34: Interim Financial Reporting. They do not include all 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 2022. The annual financial statements of the Group are prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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 BDO LLP and their Report is set out at the end of this document.

The comparative figures for the financial year ended 31 March 2022 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.

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 2022.

### Going concern

The Group's business activities, together with the factors (including the impact of COVID-19) likely to affect its future development, performance and position are set out in the accompanying Business Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the same report. In addition, note 26 to the Group's previously published financial statements for the year ended 31 March 2022 includes the Group'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.

Current trading and forecasts show that the Group will continue to be profitable and generate cash. The banking facilities and covenants (leverage and interest cover) that are in place provide appropriate headroom against forecasts. The Directors do not consider there to be material uncertainties relating to events or conditions that may be relevant to the next 12 months from signing of the half-yearly financial report, which cast doubt on the going concern status. This is also the case after performing sensitivity analysis, reverse stress testing scenarios to break point for the covenants and understanding what this would equate to either increasing net debt or reducing EBITDA. Thus the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and hence they continue to adopt the going concern basis of accounting in preparing the half-yearly financial report.

### Estimates and judgements

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 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 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 include those disclosed in the consolidated financial statements for the year ended 31 March 2022, except for fair value of assets acquired in a business combination.

A key judgement made by management relates to Project Atlas costs meeting the capitalisation criteria under IAS 38 Intangible Assets, also considering the March 2021 IFRS IC agenda decision update on 'Configuration and customisation costs in a cloud computing arrangement', allowing directly attributable costs to be capitalised.

No other key judgements have been made, other than those involving estimations. The key sources of estimation uncertainty are inventory valuation and recoverability of goodwill.

In the 31 March 2022 consolidated financial statements, in note 13, specific disclosure was made around sensitivity to changes in key assumptions relating to impairment testing for the recoverability of goodwill relating to TR VIC (HY2023: £3.0m; FY2022: £2.9m). This was based on post-tax discount rate being above average in recent years (FY2020: 10.8%; FY2019: 11.2%; FY2016-2018 average: c.9.3%), noting that if the discount rate returns to FY2019/2020 levels, or above, then it is possible that this might lead to an impairment of VIC's goodwill. The post-tax discount rate at HY2023 has increased to 10.8% (FY2022: 8.9%), decreasing headroom. In addition to the discount rates sensitivity, VIC has faced a challenging period with significant cost increases and reduced sales volumes, in part due the impact of the Ukraine conflict. Management are in the process of implementing a number of measures including price increases, improving the cost base and production efficiencies. Based on these detailed plans and actions, management believe there is no need to impair VIC's goodwill on an operational profitability point of view, However, the successful outcome of these actions will only become clear over the coming months and this will inform a further impairment review in the second half of the year.

The methodology for calculating the inventory provision has remained consistent with year end. 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 largely determines when a provision is recognised. Management then estimates the net realisable value of the stock for each individual classification. In most circumstances, a provision is made earlier for customer-specific stock (compared to standard) because it generally carries a greater risk of becoming obsolete or slow moving given the fastenings are designed specifically for an individual customer.

The key sensitivity to the carrying amount of customer-specific inventory relates to the future demand levels for specific products stocked for individual customers. In the event that an individual customer's demand for products specific to them unexpectedly reduced, the Company might be required to increase the inventory provision. Although one customer taking such action is unlikely to result in a material adjustment, multiple customers taking such action over a short timescale could result in a material adjustment. The range of possible outcomes includes a write off of the carrying amount at 30 September 2022, to a write back of the customer-specific inventory provision at period end (HY2023: £7.0 m; HY2022: £5.6m; FY2022: £6.1m).

### Government grants

Included in the consolidated income statement is £nil (HY2022: £59k) of government grants obtained.

## 2. Underlying profit before tax and separately disclosed items

| | **Six months ended 30 September 2022 £000** | Six months ended 30 September 2021 £000 | Year ended 31 March 2022 £000 |
|---|---|---|---|
| **Underlying profit before tax** | **5,450** | 6,998 | 13,759 |
| Separately disclosed items within administrative expenses: | | | |
| Acquired intangible amortisation | **(892)** | (725) | (1,593) |
| Project Atlas | **(771)** | (512) | (1,041) |
| Settlement for loss of office | **(538)** | - | - |
| Aborted acquisition costs | **(253)** | - | - |
| Acquisition costs | **-** | (495) | (508) |
| **Profit before tax** | **2,996** | 5,266 | 10,617 |

| | **Six months ended 30 September 2022 £000** | Six months ended 30 September 2021 £000 | Year ended 31 March 2022 £000 |
|---|---|---|---|
| **Underlying EBITDA** | **9,474** | 10,104 | 20,409 |
| Separately disclosed items within administrative expenses: | | | |
| Project Atlas | **(771)** | (512) | (1,041) |
| Settlement for loss of office | **(538)** | - | - |
| Aborted acquisition costs | **(253)** | - | - |
| Acquisition costs | **-** | (495) | (508) |
| **EBITDA** | **7,912** | 9,097 | 18,860 |
| Acquired intangible amortisation | **(892)** | (725) | (1,593) |
| Depreciation (including right-of-use depreciation) and non-acquired amortisation | **(3,275)** | (2,658) | (5,663) |
| **Operating profit** | **3,745** | 5,714 | 11,604 |

Consistent with prior periods, management feel it is appropriate to remove separately disclosed items as included above to allow the reader of the accounts to understand the underlying trading performance of the Group. Management use judgement in assessing which items, due to their size or incidence, should be disclosed as separately disclosed items. This is consistent with the way financial information is presented to the Board. Further reconciliations of underlying measures to IFRS measures and the cash flow impact of separately disclosed items can be found in note 7.

**Event driven/one-off separately disclosed items**

Project Atlas is a multi-year investment into our IT infrastructure and underlying business processes. We have excluded these costs (primarily relating to training and project team costs) from our underlying results, to reflect the unusual scale and one-off nature of this project. We anticipate continuing to do so in order to provide shareholders with a better understanding of our underlying trading performance during this period of investment. This investment will be recorded as a combination of capital expenditure and separately disclosed items, dependent on accounting convention.

Settlement for loss of office costs of £0.5m (HY2022: £nil) were recognised in the year from the CFO leaving the Group with immediate effect on 31 August 2022. The costs include payment in lieu of notice, compensation for loss of office and loss of contractual benefits. We have excluded these costs from our underlying results both due to their size and incidence.

Aborted acquisition costs of £0.3m (HY2022: £nil) were incurred in the year in relation to a potential target which was aborted in July 2022. They are excluded from underlying results to help provide a better understanding of the trading performance of the Group.

Net acquisition costs of £nil (HY2022: £0.5m) were incurred in the period. In HY2022, £0.5m of costs were incurred in relation to the acquisition of TR Falcon on 31 August 2021. They were excluded from underlying results to help provide a better understanding of the trading performance of the Group.

**Recurring items**

Acquired intangible amortisation has increased by £0.2m to £0.9m (HY2022: £0.7m) mainly due to the acquisition of TR Falcon. This is excluded from underlying results to provide a more consistent understanding of the trading performance of those entities when compared to those that have grown organically in the Group.

## 3. Geographical operating segments

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

- UK
- Europe: includes Norway, Sweden, Germany, Hungary, Ireland, Italy, Holland, Spain and Poland
- USA: includes USA and Mexico
- Asia: includes Malaysia, China, Singapore, Taiwan, Thailand, Philippines, 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 Operational Executive Board uses to monitor and assess the Group. Interest is reported on a net basis rather than gross as this is how it is presented to the Chief Operating Decision Maker. All material non-current assets are located in the country the relevant Group entity is incorporated in.

Segment revenue and results under the primary reporting format for the six months ended 30 September 2022 and 2021 are disclosed in the table below:

| **September 2022** | **UK £000** | **Europe £000** | **USA £000** | **Asia £000** | **Central costs, assets and liabilities £000** | **Total £000** |
|---|---|---|---|---|---|---|
| **Revenue*** | | | | | | |
| Revenue from external customers | 38,984 | 40,462 | 13,486 | 27,300 | - | 120,232 |
| Inter segment revenue | 3,546 | 1,762 | 111 | 4,939 | - | 10,358 |
| Total revenue | **42,530** | **42,224** | **13,597** | **32,239** | - | **130,590** |
| **Underlying operating profit (see note 7)** | **3,016** | **610** | **(42)** | **5,173** | **(2,558)** | **6,199** |
| Net financing costs | (108) | (150) | (108) | (9) | (374) | (749) |
| **Underlying profit before tax** | **2,908** | **460** | **(150)** | **5,164** | **(2,932)** | **5,450** |
| Separately disclosed items (see note 2) | | | | | | (2,454) |
| **Profit before tax** | | | | | | **2,996** |
| **Specific disclosure items** | | | | | | |
| Depreciation and amortisation | (1,063) | (1,592) | (436) | (887) | (189) | (4,167) |
| **Assets and liabilities** | | | | | | |
| Non-current asset additions | 377 | 2,959 | 39 | 1,144 | 524 | 5,043 |
| Segment assets | 78,518 | 86,159 | 28,399 | 76,389 | 11,892 | 281,357 |
| Segment liabilities | (26,294) | (19,045) | (3,643) | (15,930) | (73,140) | (138,052) |

### 3. Geographical operating segments……*continued*

| September 2021 | UK £000 | Europe £000 | USA £000 | Asia £000 | Central costs, assets and liabilities £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Revenue*** | | | | | | |
| Revenue from external customers | 36,923 | 38,781 | 6,613 | 21,475 | - | 103,792 |
| Inter segment revenue | 3,395 | 1,003 | 69 | 4,780 | - | 9,247 |
| Total revenue | **40,318** | **39,784** | **6,682** | **26,255** | - | **113,039** |
| **Underlying operating profit (see note 7)** | **4,023** | **2,463** | **(221)** | **3,303** | **(2,122)** | **7,446** |
| Net financing costs | (47) | (61) | (31) | (17) | (292) | (448) |
| **Underlying profit before tax** | **3,976** | **2,402** | **(252)** | **3,286** | **(2,414)** | **6,998** |
| Separately disclosed items (see note 2) | | | | | | (1,732) |
| **Profit before tax** | | | | | | **5,266** |
| **Specific disclosure items** | | | | | | |
| Depreciation and amortisation | (1,030) | (1,304) | (158) | (839) | (52) | (3,383) |
| **Assets and liabilities** | | | | | | |
| Non-current asset additions | 471 | 1,411 | — | 541 | 733 | 3,156 |
| Segment assets | 66,329 | 72,109 | 18,318 | 62,238 | 11,929 | 230,923 |
| Segment liabilities | (25,506) | (19,955) | (3,742) | (15,069) | (32,774) | (97,046) |

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

### 4. Taxation

| | **Six months ended 30 September 2022 £000** | Six months ended 30 September 2021 £000 | Year ended 31 March 2022 £000 |
|---|---|---|---|
| Current tax on income for the period | | | |
| UK tax | - | - | - |
| Foreign tax | **1,013** | 1,234 | 2,562 |
| Deferred tax income | **(362)** | (194) | (630) |
| Adjustments in respect of prior years | **(155)** | (179) | (292) |
| | **496** | 861 | 1,640 |

The HY2023 underlying effective tax rate (UETR) has increased to 17.7% compared to 13.7% in HY2022 as last year had a one-off benefit relating to the UK tax change to 25% and the resulting increase in the deferred tax asset. The effective tax rate (ETR) at 16.5%, is similar to 16.4% in HY2022 as the UK tax change benefit in HY2022 is offset by HY2023 favourable movements in adjustments in respect of previous years. Tax rates have been determined using a weighted average of tax rated across jurisdictions. An increase in the UK tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Group’s future current tax charge accordingly.

Deferred tax asset has increased by £0.2m to £3.0m (FY2022: £2.8m) due to an increase in deferred tax relating to provision on inventories and tax losses, offset by a decrease in deferred tax on IFRS2 Share-based payments. Deferred tax liabilities at £2.9m has remained in line with the year end balance (£2.9m).

### 5. Dividends

The dividend payable of £1.9m represents the final dividend for the year ended 31 March 2022 which was approved by Shareholders at the AGM on 7 September 2022 and paid on 14 October 2022 to members on the Register on 16 September 2022. The Company paid an HY2022 interim dividend of 0.70p (HY2021: nil) on 14 April 2022 totalling £0.9m to Shareholders on the register as at 18 March 2022. The Company has declared an HY2023 interim dividend of 0.75p (HY2022: 0.70p) which will be paid on 13 April 2023 to Shareholders on the Register as at 17 March 2023.

### 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 134,891,184 (net of own shares held) (HY2022: 136,184,256, FY2022: 135,880,620).

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 (net of own shares held). The number of shares used in the calculation amount to 134,902,422 (HY2022: 136,836,491 FY2022: 136,864,935).

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 2022 £000** | Six months ended 30 September 2021 £000 | Year ended 31 March 2022 £000 |
|---|---|---|---|
| Profit after tax for the period | **2,500** | 4,405 | 8,977 |
| Separately disclosed items: | | | |
| Acquired intangible amortisation | **892** | 725 | 1,593 |
| Project Atlas | **771** | 512 | 1,041 |
| Settlement for loss of office | **538** | - | - |
| Aborted acquisition costs | **253** | - | - |
| Acquisition costs | - | 495 | 508 |
| Tax charge on adjusted items above | **(468)** | (97) | (607) |
| Tax adjusted items | - | - | (386) |
| **Underlying profit after tax** | **4,486** | 6,040 | 11,126 |
| Basic EPS | **1.85p** | 3.23p | 6.61p |
| Diluted EPS | **1.85p** | 3.22p | 6.56p |
| Underlying diluted EPS | **3.33p** | 4.42p | 8.13p |

### 7. Alternative Performance Measure

The half-yearly financial report includes both IFRS 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 the Business Review) 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 half-yearly financial 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.

• **Underlying figures**

The Group believes that underlying measures provide additional guidance to statutory measures to help understand the underlying trading 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.

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.

Explanations for the items removed from the underlying figures are provided in note 2.

• **Constant Exchange Rate (CER) figures**

These are used 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 HY2023 income statement results (of subsidiaries whose presentation currency is not sterling) using HY2022 average 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. The calculation is disclosed in note 6.

• **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 a rolling 12 month underlying EBIT divided by average capital employed (net assets + gross debt) over this period, multiplied by 100%. Underlying EBIT has been reconciled to operating profit below.

| | **Six months ended 30 September 2022 £000** | Six months ended 30 September 2021 £000 | Year ended 31 March 2022 £000 |
|---|---|---|---|
| Underlying EBIT/Underlying operating profit | **6,199** | 7,446 | 14,746 |
| Separately disclosed items within administrative expenses: | | | |
| Acquired intangible amortisation | **(892)** | (725) | (1,593) |
| Project Atlas | **(771)** | (512) | (1,041) |
| Settlement for loss of office | **(538)** | - | - |
| Aborted acquisition costs | **(253)** | - | - |
| Acquisition costs | - | (495) | (508) |
| **Operating profit** | **3,745** | 5,714 | 11,604 |

• **Underlying cash conversion as a percentage of underlying EBITDA**

This is another key metric used by investors to understand how effective the Group was at converting profit into cash. Since the underlying cash conversion is compared to underlying EBITDA, which has removed the impact of separately disclosed items (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.

| | **Six months ended 30 September 2022 £000** | Six months ended 30 September 2021 £000 | Year ended 31 March 2022 £000 |
|---|---|---|---|
| Underlying cash conversion | **(4,068)** | (5,245) | (13,630) |
| Expensed Project Atlas costs paid | **(853)** | (488) | (983) |
| Settlement for loss of office | **(33)** | - | - |
| Aborted acquisition costs | **(30)** | - | - |
| Acquisition costs paid | **-** | (350) | (508) |
| Restructuring costs | **-** | (19) | (19) |
| Cash used in operations | **(4,984)** | (6,102) | (15,140) |

• **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.

| | **Six months ended 30 September 2022** | | | Six months ended 30 September 2021 | | |
|---|---|---|---|---|---|---|
| | **Profit impact £000** | **Tax impact £000** | **ETR %** | **Profit impact £000** | **Tax impact £000** | **ETR %** |
| **Profit before tax** | **2,996** | **(496)** | **16.5%** | 5,266 | (861) | 16.4% |
| Separately disclosed items | **2,454** | **(468)** | **19.1%** | 1,732 | (97) | 5.6% |
| **Underlying profit before tax** | **5,450** | **(964)** | **17.7%** | 6,998 | (958) | 13.7% |

**• Adjusted net cash/(debt) and adjusted net cash/(debt) to Underlying EBITDA ratio**

This removes the impact of IFRS16 from both net cash/(debt) and Underlying EBITDA and IFRS 2 Share-based Payments from underlying EBITDA to better reflect the banking facility covenant calculations. Other adjustments are made to meet the calculations specified in the facility agreement. Underlying EBITDA is reconciled to operating profit in note 2.

| | **At 30 September 2022 £000** | At 30 September 2021 £000 | At 31 March 2022 £000 |
|---|---|---|---|
| **Net cash and cash equivalents** | **29,023** | 23,819 | 26,741 |
| Debt due within one year | **(3,424)** | (2,796) | (3,028) |
| Debt due after one year | **(80,719)** | (39,469) | (61,190) |
| Gross debt | **(84,143)** | (42,265) | (64,218) |
| **Net debt** | **(55,120)** | (18,446) | (37,477) |
| Right-of-use lease liabilities | **14,761** | 13,359 | 13,711 |
| **Adjusted net debt** | **(40,359)** | (5,087) | (23,766) |

| | **Six months ended 30 September 2022 £000** | Six months ended 30 September 2021 £000 | Year ended 31 March 2022 £000 |
|---|---|---|---|
| **Underlying EBITDA** | **9,474** | 10,104 | 20,409 |
| IFRS2 share-based payment charge and other related costs | **(555)** | (398) | 760 |
| Operating lease rentals | **(1,996)** | (1,666) | (3,560) |
| **Adjusted underlying EBITDA** | **6,923** | 8,040 | 17,609 |

**• Working capital as a percentage of revenue**

This is calculated as current assets excluding cash, less current liabilities excluding debt like items as a percentage of Group revenue. It is a KPI for the Group as it remains a key focus to ensure efficient allocation of capital on the balance sheet to improve quality of earnings and reduce the additional investment needed to support organic growth.

## 8. Own shares held

The own shares held reserve comprises the cost of the Company's shares held by the Group. At 30 September 2022, the Group held 2,194,470 of the Company's shares (HY2022: 1,269,059; FY2022: 2,194,470).

## 9. Disaggregation of revenue

In line with IFRS15 *Revenue from Contracts with Customers* we have included the disaggregation of external revenue by sector, breaking this down by our geographical operating segments.

| **September 2022** | **UK** | **Europe** | **USA** | **Asia** | **Total** |
|---|---|---|---|---|---|
| Light vehicle | 5% | 11% | 4% | 5% | 25% |
| Health & home | 2% | 10% | — | 7% | 19% |
| Distributors | 11% | 1% | 1% | 7% | 20% |
| Energy, tech & infrastructure | 6% | 5% | 3% | 3% | 17% |
| General industrial | 5% | 5% | 2% | 1% | 13% |
| Heavy vehicle | 2% | 3% | 1% | — | 6% |
| **Revenue from external customers (AER)** | **31%** | **35%** | **11%** | **23%** | **100%** |

| **September 2021** | **UK** | **Europe** | **USA** | **Asia** | **Total** |
|---|---|---|---|---|---|
| Light vehicle | 5% | 12% | 4% | 4% | 25% |
| Health & home | 3% | 13% | — | 6% | 22% |
| Distributors | 13% | — | — | 6% | 19% |
| Energy, tech & infrastructure | 7% | 5% | 1% | 4% | 17% |
| General industrial | 6% | 6% | — | 1% | 13% |
| Heavy vehicle | 2% | 2% | — | — | 4% |
| **Revenue from external customers (AER)** | **36%** | **38%** | **5%** | **21%** | **100%** |

### 10. Financial instruments

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

### 11. IFRS2 Share-based payments

During the period, a gain of £0.6m (HY2022: gain of £0.4m) was recognised in relation to IFRS2 Share-based payments due to the reversal of the cumulative charge relating to the 2020 Board, OEB and Senior Manager LTIP shares as the non-market performance conditions are unlikely to be met.

### 12. Related parties

Transactions between subsidiaries of the Group, are not disclosed in this note as they have been eliminated on consolidation. The CFO's contract was terminated on 30 August 2022 with settlement costs of £0.5m being agreed and recognised as separately disclosed items in the income statement (see note 2). For the Executive Directors in the period, remuneration was moved to the median of those of the FTSE Small Cap Index, as signposted in the consolidated financial statements for the year ended 31 March 2022 on pages 112 and 113.

For the remaining key management personnel (OEB members), there is no significant change in the components of the compensation that would materially affect that disclosed in note 28 of the consolidated financial statements for the year ended 31 March 2022.
In the period, there were share options granted to key management personnel totalling 1,910,554 (HY2022: 1,365,467). There were lapses relating to the Board LTIP share options granted on 23 July 2019 totalling 549,879 (HY2022: 493,333) as the performance conditions had not been met.

### Electronic communications

The Company is not proposing to bulk print and distribute hard copies of this half-yearly financial report for the six months ended 30 September 2022. Copies can be requested via Companysecretariat@trifast.com, or by writing to, The Company Secretary, Trifast plc, Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW. News updates, Regulatory News and Financial statements, can also be viewed and downloaded from the Group's website, www.trifast.com.

## INDEPENDENT REVIEW REPORT TO TRIFAST PLC

### 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 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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 2022 which comprises the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim statement of financial position, the condensed consolidated interim statement of cash flows and the related notes.

### Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410"). 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 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.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

### Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the group to cease to continue as a going concern.

### Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

### Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

**BDO LLP**
Chartered Accountants
Gatwick
21 November 2022