TRIFAST PLC

HALF-YEARLY FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

"Another six months of solid growth, with significant ongoing investment across our regions and via Project Atlas"

KEY FINANCIALS

Underlying measures	CER HY2019	CER change v HY2018	AER HY2019	AER change v HY2018	HY2018	FY2018
Group revenue	**£105.4m**	**+7.8%**	**£105.0m**	**+7.3%**	£97.8m	£197.6m
Gross profit %	**30.2%**	—	**30.2%**	—	30.2%	30.5%
Underlying operating profit*	**£12.0m**	**+7.6%**	**£11.9m**	**+6.7%**	£11.1m	£22.7m
Underlying profit before tax*	**£11.7m**	**+6.8%**	**£11.6m**	**+5.9%**	£10.9m	£22.2m
Underlying diluted earnings per share*	**7.27p**	**+7.2%**	**7.20p**	**+6.2%**	6.78p	13.78p
Net debt			**£13.5m**	**+£5.6m**	£7.9m	£7.4m
Return on capital employed (ROCE)*			**19.5%**	**-60bps**	20.1%	20.1%
Interim/total dividend^			**1.20p**	**+9.1%**	1.10p	3.85p
GAAP measures						
Operating profit			**£8.3m**	**-10.9%**	£9.3m	£19.0m
Profit before tax			**£8.0m**	**-12.2%**	£9.1m	£18.5m
Diluted earnings per share			**4.82p**	**-26.5%**	6.56p	12.20p
Basic earnings per share			**4.93p**	**-26.6%**	6.72p	12.54p

* Before separately disclosed items (see notes 2, 6 and 9)
^ Change is in interim dividend only

OPERATIONAL HIGHLIGHTS

The investment driven growth story continues…

- Revenue up by 7.8% at Constant Exchange Rate (CER), 7.3% at Actual Exchange Rate (AER)
- Organic revenue growth of 4.3% at CER, 3.5% non-organic
- Underlying diluted earnings per share up by 7.2% at CER, 6.2% at AER
- Gross margins remain above our 30% target
- Capital investment of £1.3m increases our manufacturing capacity and capability, with more to follow
- Expanded distribution facilities in USA, support regional revenue growth of 34.8% at CER, 31.1% at AER
- Project Atlas, our multi-year investment in our systems, policies and procedures is on track, with a spend of £1.5m
- Interim dividend of 1.20p, an increase of 9.1% on the prior year interim

"*Our solid first half results, together with a robust balance sheet, good access to banking facilities and a proven track record of profitable investment, means the Group is in a great position to keep moving forward. The second half has started well and, with a healthy pipeline in place, the Board remains confident of delivering its expectations for the current financial year.*

Despite the macroeconomic backdrop we continue to have confidence in our model. As an international business serving a range of end markets and with c.70% of revenues and profits being generated outside the UK, we recognise the global opportunities that lie ahead in providing good product, skills and services to industry. We have these, coupled with the foresight and flexibility around the Group to keep moving forward and delivering on our future aspirations."

Malcolm Diamond MBE, Non-Executive Chairman

Presentation of Results:

This will be held at 9am (UK) today at, No1 Cornhill, The Dome Room - London, EC3V 3ND.
Conference dial-in facility: on request, please contact Fiona Tooley on +44 (0)7785 703523
or email fiona@tooleystreet.com.

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Editors' note:

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LEI number: 213800WFIVE6RUK3CR22

Group website: www.trifast.com

About us: *Trifast*, leading international specialists in the engineering, manufacturing and distribution of high-quality industrial fastenings to major global assembly industries. Key sectors are automotive, domestic appliances, electronics and distributors. The Group employs c.1,300 staff across 31 global locations across the UK, Europe, Asia and the USA.

For more information, visit
Commercial website: www.trfastenings.com
LinkedIn: www.linkedin.com/company/tr-fastenings
Twitter: www.twitter.com/trfastenings
Facebook: www.facebook.com/trfastenings

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 2018 unless specifically requested by individual shareholders. News updates, Regulatory News and Financial statements, can be viewed and downloaded from the Group's website, www.trifast.com.

Copies can also be requested via corporate.enquiries@trifast.com or, in writing to, The Company Secretary, *Trifast* plc, *Trifast* House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW.

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

TRIFAST PLC
HALF-YEARLY FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

"Investing to build the Trifast of tomorrow, a truly world class global industrial player"

Dear Shareholder,

It was way back in 1973 that the founders of our business, Mike Timms and Mike Roberts, frustrated by the suffocating bureaucracy of working for a large centralised conglomerate, took the plunge and established *TR* Fastenings Ltd in Uckfield, East Sussex.

They laid down the core values and culture of the business from day one, which I know have endured to the present as, now in FY2019, we celebrate our 45th Anniversary.

Those core values are to look professional, be professional, sell value - not cheapest price (as what customers need is reliable quality and service) and, finally, treat customers, suppliers and employees with equal care, consideration and respect.

Today, *Trifast* employs c.1,300 staff in the UK, Europe, Asia and North America, and manufactures over one third of its sales revenue within its own eight factories. We offer multinational customers the unique combination of global distribution logistics coupled with customised product prototyping and high volume in-house production.

Careful and considered sales targeting and marketing over the years has resulted in a growing focus on technically complex, higher value products, where quality and performance are the key drivers of purchasing decisions, with the result that, the vast majority of our sales are customer specific, individually negotiated, unique deals.

However, FY2019 is not only *Trifast's* 45th anniversary, it also marks the start of the investment period for Project Atlas, a ground-breaking multi-year investment in Group wide international strategic harmonisation of data systems, operational management procedures, communications and customer specifications.

Groups like *Trifast* that have grown consistently both organically and by regular acquisitions inevitably end up with disparate data systems, operational variations and cultures, and so cannot fully leverage their market capabilities, and to an extent, tend to operate in silos - rather than as a fully integrated cooperative unit. Project Atlas is designed to enable us to overcome this challenge and build the *Trifast* of tomorrow, a truly world class global industrial player.

This will not only enable *TR* to operate more efficiently and effectively, but further enhances competitiveness with our multinational customer groups who require consistent product prices, delivery and quality on identical components wherever they assemble products - whether they have plants in the UK, Europe, Asia, or America.

The success of this project will provide a distinct global competitive advantage and we look forward to giving you regular progress updates throughout the coming years as we hit vital milestones.

Meanwhile, I wish to put on record my admiration and thanks for the hard work, dedication and energy so freely given by so many of our colleagues over the past two years in developing this most ambitious of transformations of how we do business going forward.

As we say internally, despite hitting record profit performance every consecutive year since 2012, "we can't wait to get it right!".

Thank you again for your past, present, and future support.

Malcolm Diamond MBE, Non-Executive Chairman
12 November 2018

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). CER calculations have been calculated by translating the HY2019 figures by the average HY2018 exchange rate.

The impact of foreign exchange movements has decreased our AER revenue by 0.5%, £0.4m (HY2018: increased by 4.2%, £3.8m), our AER underlying profit before tax by 0.9%, £0.1m (HY2018: increased by 5.2%, £0.5m) and our AER underlying diluted EPS by 1.0%, 0.07p (HY2018: increased by 5.2%, 0.33p).

Our Group performance

Underlying measures	**HY2019 CER**	**Change at CER**	**HY2019 AER**	**Change at AER**	**HY2018**
Revenue	**£105.4m**	**+7.8%**	**£105.0m**	**+7.3%**	£97.8m
GP%	**30.2%**	**—**	**30.2%**	**—**	30.2%
Underlying EBITDA*	**£13.0m**	**+8.0%**	**£12.9m**	**+7.3%**	£12.1m
Underlying EBITDA%*	**12.4%**	**+10bps**	**12.3%**	**—**	12.3%
Underlying operating profit (UOP)*	**£12.0m**	**+7.6%**	**£11.9m**	**+6.7%**	£11.1m
UOP%*	**11.4%**	**—**	**11.3%**	**-10bps**	11.4%
Underlying profit before tax*	**£11.7m**	**+6.8%**	**£11.6m**	**+5.9%**	£10.9m
Underlying diluted EPS*	**7.27p**	**+7.2%**	**7.20p**	**+6.2%**	6.78p
Return on capital employed ROCE*			**19.5%**	**-60bps**	20.1%
GAAP measures					
Operating profit			**£8.3m**	**-10.9%**	£9.3m
Operating profit %			**7.9%**	**-160bps**	9.5%
Profit before tax			**£8.0m**	**-12.2%**	£9.1m
Diluted EPS			**4.82p**	**-26.5%**	6.56p

*Before separately disclosed items (see notes 2, 6 and 9)

In HY2019 we have seen another six months of strong revenue growth, up 7.8% to £105.4m (AER: up 7.3% to £105.0m; HY2018: £97.8m). This is split between an organic increase of 4.3% and, following on from our successful acquisition of PTS in April 2018, non-organic growth of 3.5%.

Organic growth, ahead of global industrial production benchmarks, continues to be driven out of our successful core growth strategy focusing on sales to our multinational OEMs. The global automotive sector is providing significant long-term opportunities for organic growth, with a double digit increase on the prior half year, through market share gains and site penetration as a result of strong collaboration across the *TR* Group to cross-sell local capacity to our Tier 1 and multinational OEM customers. Growth in the general industrial sector has also been strong and with the acquisition of PTS further strengthening the distributor sales segment, a balanced sector portfolio has been maintained. By non-organically increasing our distributor sales by >20%, our overall reliance on the automotive sector has remained level with FY2018 at 33% (HY2018: 32%).

Gross margins have been successfully maintained 20bps ahead of our 30.0% target at 30.2% (AER: 30.2%) and are in line with HY2018 (30.2%). Underlying operating margins have also remained steady at 11.4% (AER: 11.3%; HY2018: 11.4%), as we continue to invest operational gearing gains to support future growth.

Our underlying PBT is up 6.8% at CER to £11.7m (AER: 5.9%, to £11.6m, HY2018: £10.9m). This has resulted in a strong increase in our underlying diluted earnings per share (EPS) at CER, up 7.2% to 7.27p and at AER, up 6.2% to 7.20p (HY2018: 6.78p).

Revenue (CER)

We have seen strong revenue growth across all our regions, ranging from 4.3% to 34.8% (HY2018: 2.4% to 10.7%).

Europe has been a region of very strong growth for us, reporting a revenue increase of 7.3% to £38.7m (AER: up 6.6% to £38.4m, HY2018: £36.1m). This has arisen across a number of sectors, with double digit growth in the automotive sector in Holland; in the electronics sector in Hungary and in the general industrial sector in Germany. In Italy, ongoing volume reductions at one of the Group's largest domestic appliances customer have offset some of these gains. However, notwithstanding this, we continue to see Europe as a key area of investment driven growth.

In Asia, growth has been solid, up 4.3% on the prior period to £30.9m (AER: up 3.9% to £30.8m, HY2018: £29.6m). This has largely been driven out of the domestic appliances business in Singapore as well as an increase in distributor sales from our Taiwanese factories. In China, ongoing automotive wins have offset a decline in electronics sales, following the local factory closure of one of our multinational OEMs operating in the region. Production volumes are now shifting to India, and as a pan-regional business, we are already starting to see some of this business coming successfully back on line through our operations there.

In the UK, revenue has increased by 10.8% to £39.2m (HY2018: £35.4m). The majority of this increase, 9.5%, represents non-organic growth following our latest acquisition PTS. Strong organic growth in our distributor and other sales has been tempered by reductions in automotive volumes in the UK due to diesel-led transitory changes to product cycles and model builds. This has led to a modest organic growth rate of 1.3% in the period. The temporary impact of these challenges is expected to continue into the second half of the year, whilst platforms at a number of our key customers go through production changeover.

In the USA, growth has been excellent up 34.8% to £4.4m (AER: up 31.1% to £4.3m; HY2018: £3.3m). This is largely being driven out of our ongoing penetration into the Group's existing automotive multinational OEM customers.

Underlying operating profit (CER)

Underlying operating margins have remained steady at 11.4% (AER: 11.3%; HY2018: 11.4%) reflecting our continuing focus on strong overhead control, even in a period of investment driven growth, and leading to an overall increase in underlying operating profit of 7.6% to £12.0m (AER: up 6.7% to £11.9m; HY2018: £11.1m). This is split between an organic UOP of £11.5m and, following on from the acquisition of PTS, non-organic UOP of £0.5m.

In Europe, we have seen a strong increase in UOP margins of 80bps up to 11.7% (HY2018: 10.9%). This is the result of increased sales improving margin by c.100bps, in addition to a 120bps increase in the region's gross margin due to favourable product mix changes in Sweden and Hungary. In Italy, lower volumes in the period at one of our most important domestic appliances customers, and planned increases in fixed production costs as we invest for future growth, have continued to temporarily depress gross margins. However in HY2019, the negative impact of this has been offset by transactional FX gains arising from the improved strength of the € against the US$.

Outside of the above, for us Europe remains a key area for investment driven growth. This has led to additional overheads in the region reducing the UOP% by c.140bps against the prior period. Key investments have been made in our Dutch operations where we have expanded the warehousing to support ongoing double digit growth; in Sweden where we have opened our *TR* Technical and Innovation Centre in Gothenburg; in Hungary where we have been investing in cross-functional headcount to support the 80% trading increase the site has experienced over the last five years; and in Spain where our newest greenfield site, *TR* Espana, is very successfully continuing to develop and build the local market for us.

In Asia, gross margins have remained broadly in line with the prior period, with the UOP margin increase of 120bps to 16.0% (HY2018: 14.8%) mainly being driven off reductions in net overhead costs. This is largely the result of a £0.5m foreign exchange balance sheet translation gain, predominantly due to the ongoing strength of the US$ against our key Asian currencies.

In the UK, UOP margins have remained broadly level at 10.9% (HY2018: 11.1%). The increase in UOP % as a result of PTS, our latest acquisition coming on board, has been largely offset by an expected c.150bps reduction in gross margins since the year end in our existing UK business. This is the result of purchase price inflationary pressures feeding through from the protracted weakness of sterling since the referendum vote. The deferral of these increased costs to FY2019 has been hard won via a combination of negotiations with our suppliers and customers, as well as commercial stock holding decisions that we have made. Regional UOP is split between an organic UOP of £3.8m and a non-organic UOP of £0.5m.

In our smallest region, the USA, UOP% has increased by 130bps to 4.9% (HY2018: 3.6%), largely reflecting the significant increase in trading in the period. This has been partially offset by a gross margin reduction of 90bps due to a shift in focus towards automotive. Whilst an additional £0.2m investment in overheads, mostly as a result of the move to new premises in April 2018, has further temporarily reduced UOP% ahead of a continued increase in sales volumes. As in prior periods, low underlying operating margins are to be expected in this region for the medium term given the level of investments for future growth being made here.

Net financing costs (AER)

These have increased to £0.3m (HY2018: £0.2m) in line with the increase in facilities used to acquire PTS in April 2018.

Taxation (AER)
The HY2019 underlying effective tax rate (ETR) of 23.5% is in line with our normalised ETR of c.23.5%, based on the geographical split of the Group's profits. The HY2019 underlying ETR and unadjusted ETR of 26.1% are both significantly higher than the HY2018 unadjusted ETR of 11.2%. The main reason for this difference is that in the prior period, we finalised a £1.2m fully provided historic tax position in the UK via the payment of a £0.3m settlement.

Subject to future tax changes and excluding prior year adjustments, our normalised underlying ETR is expected to remain in the range of c.23-25% going forward.

Earnings per share (AER)
Our ongoing growth in underlying profit before tax, has led to a strong increase in our underlying diluted EPS of 6.2% to 7.20p (HY2018: 6.78p). Diluted EPS has reduced to 4.82p from 6.56p in the prior period due to the costs incurred in the period relating to Project Atlas and the finalisation of the fully provided tax position in HY2018 (see taxation section).

Dividend
Given our confidence for the future and continued profitable growth in a period of investment, the Board has declared an interim dividend increase of 9.1% to 1.20p (HY2018: 1.10p). This will be paid on 11 April 2019, to shareholders on the Register as at 15 March 2019. The shares will become ex-dividend on 14 March 2019.

Shareholder equity (AER)
As at 30 September 2018, the Group's shareholders' equity increased to £114.0m (FY2018: £110.3m). The £3.7m uplift reflects retained earnings of £2.0m (HY2018: £4.8m), a foreign exchange reserve gain of £1.3m and a reduction in our own shares held reserve of £0.4m.

At the 30 September 2018, the number of shares still held by the EBT to honour future equity award commitments as required is 1,317,378 shares (HY2018: 500,000 shares, FY2018: 1,500,000 shares).

Over this increased asset base, our strong trading performance and ongoing investment has led to an underlying ROCE of 19.5% (HY2018: 20.1%).

Net debt (AER)
Our net debt position at the end of HY2019 has increased by £6.1m to £13.5m (FY2018: £7.4m). Some £8.2m of this increase is due to the initial consideration paid to acquire PTS in April 2018.

Capital expenditure of £1.3m (HY2018: £1.3m) in the period supports the Board's ongoing plans to invest in the business, most specifically within our manufacturing sites with additional capacity projects underway in Italy and Singapore.

Outside of these movements, our cash generation has improved on the prior period with a conversion rate of underlying EBITDA to underlying cash of 67.4% (FY2018: 68.1%; HY2018: 52.3%). Our half year cash conversion is historically lower than our full year position, due to the higher stock levels we hold at this stage of the trading cycle.

Our overall investment in gross stock has increased by £7.0m since year end, including a £2.5m investment due to the acquisition of PTS in April 2018. Outside of this and normal working capital investments for growth, stock weeks across the Group have increased by 0.9 weeks (£2.2m), largely in Italy where reductions in volumes have led to temporarily higher stock holdings (up £1.1m) and in the USA, to support the very rapid growth in trading in the period (up £0.6m).

Banking facilities
As at 30 September the headroom on our banking facilities was £15.2m (FY2018: £24.0m). The net debt to EBITDA ratio is 0.54x which is significantly less than our covenant limit of 2.75x. In addition, we continue to have access to an accordion facility of £9.0m within our Group banking facilities with HSBC. This provides a degree of potential flexibility to debt finance future acquisitions and further investments as required.

Following on from the successful acquisition of PTS, and given both our significant investment plans under Project Atlas, combined with our ongoing appetite to acquire, we have already started discussions with a number of banks in order to secure access to additional funds and thereby maintain an appropriate degree of funding flexibility. This process will be ongoing over the second half of the financial year.

Ongoing and future investment plans
Trading

In Asia, over the course of FY2018, we invested S$1.2m (c.£0.7m) in the construction of a mezzanine level at our Singapore facility to expand capacity, initially by 25%, and to increase R&D capabilities. Over the course of FY2019, we will be completing this project through the acquisition of additional forging, packing and inspection equipment to bring that additional capacity fully on line.

In Europe, our successful green-field site in Spain continues to grow, with revenues of £0.5m already achieved in HY2019 and a strong pipeline in place. In Italy, additional investments have been made into plant and machinery to expand our European manufacturing capacity and capabilities. A warehouse expansion in Holland is successfully up and running to support ongoing double digit growth.

Whilst the *TR* Innovation and Technical centre situated in the heart of Sweden's electric vehicle development area, Lindholmen, Gothenburg is helping us to access the additional opportunities that the roll out of electric vehicle technologies is providing.

In the USA, the move to a new location in April 2018 has significantly increased the local warehouse capacity to better support both existing customers and future proof for further growth.

Complementing all of the above, we are continuing to invest in both our global and local sales resources and cross functional supporting teams. Specific investments have already been made into our sales, quality, IT, and contracts teams and additional plans are being pulled together to further develop and build our sourcing and supply side resources.

We successfully added PTS to our portfolio six months ago and it is pleasing to report that this operation has settled well into the *Trifast* Group and is generating good returns. Not only does PTS widen our customer base, it extends our presence in the stainless steel fastener arena (holding one of the widest product ranges of any supplier in Europe), boosting our core OEM customer offering and supporting ongoing distributor sales growth. PTS remains on target to be earnings enhancing in the year ending March 2019.

As ever, the search for the next successful acquisition remains an important strategic aim for the Group.

Project Atlas

Project Atlas is a significant £15.0m planned investment into the integration and development of the Group's IT infrastructure and underlying rules, processes and policies. This project is considered an essential part of our ongoing growth plans, both organic and acquisitive, and will allow us to continue to meet the evolving needs of our multinational OEM customers.

As planned, over the last six months our international Atlas cross functional worksteams have been working together to design the business rules that will form the foundation of the *Trifast* of tomorrow. A significant portion of the budgeted spend has been assigned to the comprehensive review and redesign of these rules and our underlying processes, which in turn will drive improvements in our operating and commercial effectiveness and help to underpin our return on investment.

As a consequence of the work undertaken to date on this project, we have incurred direct year one costs of £1.5m in HY2019, largely relating to project team and consultancy costs. We have excluded these costs from our underlying results, (see note 2), to reflect the unusual scale and one-off nature of this project. We anticipate continuing to do so, either as operating or capital expenses (in accordance with International Accounting Standards), in order to provide shareholders with a better understanding of our underlying trading performance during this period of investment.

Outlook

HY2019 delivered another six months of strong growth, with ongoing investment across all our regions.

Our solid first half results, together with a robust balance sheet, good access to banking facilities and a proven track record of profitable investment, means the Group is in a great position to keep moving forward. The second half has started well and, with a healthy pipeline in place, the Board remains confident of delivering its expectations for the current financial year.

Globally automotive continues to represent a strong organic growth opportunity for *Trifast* as we continue to increase our market share and site penetration with our multinational Tier 1 and OEM customers. This is being supported by close collaboration across the Group's international businesses through cross-selling of local capability and flexible utilisation of our manufacturing facilities to enhance competitiveness.

Over 90% of our automotive supply remains outside of the combustion engine, mainly in the seating, console, dashboard and lighting systems. This means that the increase in electric vehicle production is acting as a further significant growth opportunity for us, providing additional access points as many more new platforms come on line, battery technology develops and the demand for charging stations accelerates. Albeit in the short term, we do expect reductions in automotive volumes in the UK due to diesel-led transitory changes to product cycles and model builds to continue into the second half of the year.

The more muted performance in domestic appliances and electronics in HY2019 reflected customer specific factors, notably in Italy and China, but the strong local growth in these sectors in other regions provides confidence that these markets also continue to have attractive long term potential for *Trifast*.

As anticipated within the UK business, we have seen the impact on our gross margins of input cost inflation in the period as a result of the weak pound. However, notwithstanding the wider potential long-term implications of Brexit on the UK economy, we believe that the shorter term operational and financial impact of any Brexit scenario will be manageable. We have had a cross-functional Brexit team in place for the last two years and are on track to carry out our contingency plans to help mitigate the risks attached to a potential no-deal Brexit scenario.

We continue to have confidence in our model. As an international business serving a range of end markets and with c.70% of revenues and profits being generated outside the UK, we recognise the global opportunities that lie ahead in providing good product, skills and services to industry. We have these, coupled with the foresight and flexibility around the Group to keep moving forward and delivering on our future aspirations.

RISKS AND UNCERTAINTIES

The Directors do not consider that the principal risks and uncertainties of the Group have changed since the publication in June 2018 of the Group's Annual Report for the year ended 31 March 2018. 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 *TR*. 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. 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, and so, we continue to remain vigilant for any indications 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.

Mark Belton, Chief Executive Officer
Clare Foster, Chief Financial Officer
12 November 2018

Condensed consolidated interim income statement

Unaudited results for the six months ended 30 September 2018

	Notes	**Six months ended 30 September 2018 £000**	Six months ended 30 September 2017 £000	Year ended 31 March 2018 £000
Continuing operations				
Revenue		**104,981**	97,813	197,632
Cost of sales		**(73,327)**	(68,311)	(137,386)
Gross profit		**31,654**	29,502	60,246
Other operating income		**266**	238	467
Distribution expenses		**(2,223)**	(2,043)	(4,068)
Administrative expenses before separately disclosed items	2	**(17,822)**	(16,566)	(33,932)
IFRS 2 share based payment charge		**(1,152)**	(988)	(2,194)
Acquired intangible amortisation		**(734)**	(558)	(1,363)
Net acquisition costs		**(177)**	—	(110)
Project Atlas		**(1,490)**	—	(375)
Sale of fixed assets		—	—	556
Cost on exercise of executive share options		—	(245)	(244)
Total administrative expenses		**(21,375)**	(18,357)	(37,662)
Operating profit		**8,322**	9,340	18,983
Financial income		**36**	24	60
Financial expenses		**(356)**	(246)	(540)
Net financing costs		**(320)**	(222)	(480)
Profit before tax		**8,002**	9,118	18,503
Taxation	4	**(2,087)**	(1,025)	(3,417)
Profit for the period		**5,915**	8,093	15,086
(attributable to equity shareholders of the parent company)				
Earnings per share				
Basic	6	**4.93p**	6.72p	12.54p
Diluted	6	**4.82p**	6.56p	12.20p

Condensed consolidated interim statement of comprehensive income

Unaudited results for the six months ended 30 September 2018

	Six months ended 30 September 2018 £000	Six months ended 30 September 2017 £000	Year ended 31 March 2018 £000
Profit for the period	**5,915**	8,093	15,086
Other comprehensive income/(expense):			
Exchange differences on translation of foreign operations	**1,571**	(703)	(846)
Net loss on hedge of net investment in foreign subsidiary	**(295)**	(722)	(680)
Other comprehensive income/(expense) recognised directly in equity, net of income tax	**1,276**	(1,425)	(1,526)
Total comprehensive income recognised for the period (attributable to equity shareholders of the parent company)	**7,191**	6,668	13,560

Condensed consolidated interim statement of changes in equity
Unaudited results for the six months ended 30 September 2018

Unaudited results for the six months ended 30 September 2018	Share capital £000	Share premium £000	Own shares held £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2018	6,068	21,579	(3,437)	13,374	72,705	110,289
Total comprehensive income for the period:						
Profit for the period	—	—	—	—	5,915	5,915
Foreign currency translation differences	—	—	—	1,571	—	1,571
Net loss on hedge of net investment in foreign subsidiary	—	—	—	(295)	—	(295)
Total comprehensive income for the period	—	—	—	**1,276**	**5,915**	**7,191**
Transactions with owners, recorded directly in equity:						
Issue of share capital	1	21	—	—	—	22
Own shares used	—	—	409	—	(409)	—
Share based payment transactions (including tax)	—	—	—	—	1,088	1,088
Dividends	—	—	—	—	(4,625)	(4,625)
Total transactions with owners	**1**	**21**	**409**	—	**(3,946)**	**(3,515)**
Balance at 30 September 2018	**6,069**	**21,600**	**(3,028)**	**14,650**	**74,674**	**113,965**

Unaudited results for the six months ended 30 September 2017	Share capital £000	Share premium £000	Own shares held £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2017	6,014	21,378	—	14,900	59,406	101,698
Total comprehensive income for the period:						
Profit for the period	—	—	—	—	8,093	8,093
Foreign currency translation differences	—	—	—	(703)	—	(703)
Net loss on hedge of net investment in foreign subsidiary	—	—	—	(722)	—	(722)
Total comprehensive income/(expense) for the period	—	—	—	(1,425)	8,093	6,668
Transactions with owners, recorded directly in equity:						
Issue of share capital	42	12	—	—	(40)	14
Own shares acquired	—	—	(1,100)	—	—	(1,100)
Share based payment transactions (including tax)	—	—	—	—	950	950
Dividends	—	—	—	—	(4,231)	(4,231)
Total transactions with owners	42	12	(1,100)	—	(3,321)	(4,367)
Balance at 30 September 2017	6,056	21,390	(1,100)	13,475	64,178	103,999

Condensed consolidated interim statement of financial position

Unaudited results for the six months ended 30 September 2018

Group	Notes	**30 September 2018 £000**	30 September 2017 £000	31 March 2018 £000
Non-current assets				
Property, plant and equipment		**20,664**	18,421	20,013
Intangible assets		**45,104**	39,285	38,401
Deferred tax assets		**2,311**	2,139	2,355
Total non-current assets		**68,079**	59,845	60,769
Current assets				
Inventories		**55,594**	46,942	49,199
Trade and other receivables		**52,405**	49,251	52,466
Assets held for sale	11	**—**	1,023	—
Cash and cash equivalents	7	**26,661**	25,095	26,222
Total current assets		**134,660**	122,311	127,887
Total assets		**202,739**	182,156	188,656
Current liabilities				
Other interest-bearing loans and borrowings	7	**30,548**	18,453	21,912
Trade and other payables		**38,492**	35,309	38,697
Tax payable		**1,640**	2,331	1,811
Dividends payable	5	**3,307**	3,028	—
Provisions		**—**	—	76
Total current liabilities		**73,987**	59,121	62,496
Non-current liabilities				
Trade and other payables		**140**	—	—
Other interest-bearing loans and borrowings	7	**9,645**	14,512	11,741
Provisions		**991**	1,086	845
Deferred tax liabilities		**4,011**	3,438	3,285
Total non-current liabilities		**14,787**	19,036	15,871
Total liabilities		**88,774**	78,157	78,367
Net assets		**113,965**	103,999	110,289
Equity				
Share capital		**6,069**	6,056	6,068
Share premium		**21,600**	21,390	21,579
Own shares held	10	**(3,028)**	(1,100)	(3,437)
Reserves		**14,650**	13,475	13,374
Retained earnings		**74,674**	64,178	72,705
Total equity		**113,965**	103,999	110,289

Condensed consolidated interim statement of cash flows

Unaudited results for the six months ended 30 September 2018

Group	Notes	**Six months ended 30 September 2018 £000**	Six months ended 30 September 2017 £000	Year ended 31 March 2018 £000
Cash flows from operating activities				
Profit for the period		**5,915**	8,093	15,086
Adjustments for:				
Depreciation, amortisation & impairment		**1,801**	1,493	3,300
Unrealised foreign currency (gain)/loss		**(43)**	26	(66)
Financial income		**(36)**	(24)	(60)
Financial expense		**356**	246	540
Loss/(gain) on sale of property, plant & equipment and investments		**18**	2	(560)
Acquisition contingent consideration – discount unwinding		**76**	—	—
Equity settled share based payment charge		**1,126**	956	2,107
Taxation charge		**2,087**	1,025	3,417
Operating cash inflow before changes in working capital and provisions		**11,300**	11,817	23,764
Change in trade and other receivables		**1,475**	129	(2,536)
Change in inventories		**(3,649)**	(5,348)	(7,674)
Change in trade and other payables		**(1,984)**	(1,631)	1,677
Change in provisions		**20**	(101)	(266)
Net cash generated from operations		**7,162**	4,866	14,965
Tax paid		**(2,213)**	(1,219)	(4,849)
Net cash generated from operating activities		**4,949**	3,647	10,116
Cash flows from investing activities				
Proceeds from sale of property, plant & equipment		**2**	2	1,650
Interest received		**38**	26	61
Acquisition of subsidiary, net of cash acquired		**(8,150)**	—	—
Acquisition of property, plant & equipment and intangibles		**(1,288)**	(1,269)	(3,566)
Net cash used in investing activities		**(9,398)**	(1,241)	(1,855)
Cash flows from financing activities				
Proceeds from the issue of share capital		**22**	14	214
Purchase of own shares	10	**—**	(1,100)	(3,437)
Proceeds from new loan		**9,393**	2,316	5,542
Repayment of borrowings		**(3,202)**	(1,315)	(3,773)
Payment of finance lease liabilities		**22**	86	66
Dividends paid		**(1,319)**	(1,203)	(4,218)
Interest paid		**(356)**	(247)	(540)
Net cash generated from/(used in) financing activities		**4,560**	(1,449)	(6,146)
Net change in cash and cash equivalents		**111**	957	2,115
Cash and cash equivalents at 1 April		**26,222**	24,645	24,645
Effect of exchange rate fluctuations on cash held		**328**	(507)	(538)
Cash and cash equivalents at end of period	7	**26,661**	25,095	26,222

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
Unaudited results for the six months ended 30 September 2018

1. Basis of preparation

Except as described below, 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 2018.

The Group has adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* from 1 April 2018. Whilst these standards do not have a material effect on the Group financial statements, the accounting policy wording has been updated and there will be changes in disclosure. The details of the new significant accounting policies, nature of the change and disclosure requirements are set out below:

- IFRS 15 *Revenue from Contracts with Customers*

Revenue from the sale of goods rendered is recognised net of VAT in the consolidated income statement when control has been transferred to the buyer. The timing of the transfer of control, in accordance with normal practice, will be on dispatch of goods or at the point of customer acceptance where appropriate.

The impact of the change in accounting policy on the financial statements has been minimal as the point of control being transferred to the buyer under the new standard, remains the same as when risk and rewards were transferred under IAS 18 *Revenue*.

Disclosures required for interim financial reporting relate to the disaggregation of revenue. This new requirement has been reflected in note 13. The remaining disclosure requirements will be detailed in the Annual Report for the year ended 31 March 2019.

- IFRS 9 *Financial Instruments*

Trade and other receivables are classified at amortised cost less impairment losses. Impairment losses are measured using the ‘expected credit loss’ model.

The change in accounting policy has seen the ‘incurred loss’ model under IAS 39 replaced by the ‘expected credit loss’ (ECL) model under IFRS 9. The impact of this change on the financial statements has been minimal. From a Group perspective, the same provisioning level is required, although there have been immaterial changes in provisioning levels by region. The new disclosures required under IFRS 9 will be detailed in the Annual Report for the year ended 31 March 2019.

A number of amendments to existing standards are also effective from 1 April 2018 but they do not have a material effect on the Group financial statements.

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 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 2018. 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 at the end of this document.

The comparative figures for the financial year ended 31 March 2018 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 Business review from the Non-Executive Chairman, Chief Executive Officer and Chief Financial Officer. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are also described in the same report. In addition, note 26 to the Company’s previously published financial statements for the year ended 31 March 2018 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 include those disclosed in the consolidated financial statements for the year ended 31 March 2018. There is also a further addition for the judgement below:

- Valuation of intangible assets

During the period the Group acquired PTS (see note 12). Accounting standards require their assets and liabilities to be recognised in the consolidated financial statements at fair value. As part of a fair value exercise, judgements are made to value separately identifiable intangible assets. The key judgements made by management for these assets were profitability, growth, discount and tax rates. Management engaged an external valuation specialist to perform the review and they used the income methodology approach to calculate the £4.8m of intangible assets identified.

There are no other key judgements made, other than those involving estimations. The key source of estimation uncertainty is inventory valuation.

2. Underlying performance (before separately disclosed items)

	Six months ended 30 September 2018 £000	Six months ended 30 September 2017 £000	Year ended 31 March 2018 £000
Underlying profit before tax	**11,555**	10,909	22,233
Separately disclosed items within administrative expenses:			
IFRS 2 share based payment charge	**(1,152)**	(988)	(2,194)
Acquired intangible amortisation	**(734)**	(558)	(1,363)
Net acquisition costs	**(177)**	—	(110)
Project Atlas	**(1,490)**	—	(375)
Sale of fixed assets	—	—	556
Cost on exercise of executive share options	—	(245)	(244)
Profit before tax	**8,002**	9,118	18,503

	Six months ended 30 September 2018 £000	Six months ended 30 September 2017 £000	Year ended 31 March 2018 £000
Underlying EBITDA	**12,942**	12,066	24,650
Separately disclosed items within administrative expenses:			
IFRS 2 share based payment charge	**(1,152)**	(988)	(2,194)
Net acquisition costs	**(177)**	—	(110)
Project Atlas	**(1,490)**	—	(375)
Sale of fixed assets	—	—	556
Cost on exercise of executive share options	—	(245)	(244)
EBITDA	**10,123**	10,833	22,283
Acquired intangible amortisation	**(734)**	(558)	(1,363)
Depreciation and non-acquired amortisation	**(1,067)**	(935)	(1,937)
Operating profit	**8,322**	9,340	18,983

Management feel it is appropriate to remove the event driven costs and certain non-trading items included above to better allow the reader of the accounts to understand the underlying performance of the Group. Further reconciliations of underlying measures to IFRS measures can be found in note 9.

The rationale for the exclusion of Project Atlas costs is provided within the Business review.

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 consolidated into the four distinct geographical regions, which the Board use to monitor and assess the Group.

Goodwill and intangible assets acquired on business combinations are included in the region to which they relate. This is consistent with the internal management reports that are reviewed by the Chief Operating Decision Maker.

Segment revenue and results under the primary reporting format for the six months ended 30 September 2018 and 2017 are disclosed in the table below:

September 2018	**UK £000**	**Europe £000**	**USA £000**	**Asia £000**	**Central costs, assets and liabilities £000**	**Total £000**
Revenue*						
Revenue from external customers	37,628	37,718	4,176	25,459	—	104,981
Inter segment revenue	1,551	719	84	5,296	—	7,650
Total revenue	**39,179**	**38,437**	**4,260**	**30,755**	—	**112,631**
Underlying operating profit	**4,272**	**4,491**	**204**	**4,900**	**(1,992)**	**11,875**
Net financing (costs)/income	(45)	(22)	(5)	30	(278)	(320)
Underlying profit before tax	**4,227**	**4,469**	**199**	**4,930**	**(2,270)**	**11,555**
Separately disclosed items (see note 2)						(3,553)
Profit before tax						**8,002**
Specific disclosure items						
Depreciation and amortisation	(361)	(931)	(23)	(447)	(39)	(1,801)
Assets and liabilities						
Segment assets	51,131	78,972	5,069	59,445	8,122	202,739
Segment liabilities	(18,888)	(16,343)	(905)	(13,418)	(39,220)	(88,774)

September 2017	**UK £000**	**Europe £000**	**USA £000**	**Asia £000**	**Central costs, assets and liabilities £000**	**Total £000**
Revenue*						
Revenue from external customers	34,037	35,568	3,185	25,023	—	97,813
Inter segment revenue	1,336	496	65	4,567	—	6,464
Total revenue	35,373	36,064	3,250	29,590	—	104,277
Underlying operating profit	3,914	3,940	116	4,368	(1,207)	11,131
Net financing (costs)/income	(38)	(26)	—	24	(182)	(222)
Underlying profit before tax	3,876	3,914	116	4,392	(1,389)	10,909
Separately disclosed items (see note 2)						(1,791)
Profit before tax						9,118
Specific disclosure items						
Depreciation and amortisation	(123)	(832)	(9)	(483)	(46)	(1,493)
Assets and liabilities						
Segment assets	38,079	73,803	3,699	57,181	9,394	182,156
Segment liabilities	(18,399)	(15,843)	(364)	(11,630)	(31,921)	(78,157)

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

4. Taxation

	Six months ended 30 September 2018 £000	Six months ended 30 September 2017 £000	Year ended 31 March 2018 £000
Current tax on income for the period			
UK tax	**396**	276	597
Foreign tax	**1,940**	1,856	4,186
Deferred tax expense	**(269)**	24	(328)
Adjustments in respect of prior years	**20**	(1,131)	(1,038)
	2,087	1,025	3,417

The HY2019 underlying effective tax rate (ETR) of 23.5% is in line with our normalised ETR of c.23.5%, based on the geographical split of the Group's profits. The HY2019 underlying ETR and unadjusted ETR of 26.1% are both significantly higher than the HY2018 unadjusted ETR of 11.2%. The main reason for this difference is that in the prior period, we finalised a £1.2m fully provided historic tax position in the UK via the payment of a £0.3m settlement. The unadjusted HY2019 ETR is higher than the underlying HY2019 ETR at 26.1% due to the impact of the lower tax relief, at 17.7% (HY2018: 20.7%), on adjusted items, see note 6.

5. Dividend

The dividend payable of £3.3m represents the final dividend for the year ended 31 March 2018 which was approved by Shareholders at the AGM on 25 July 2018 and paid on 12 October 2018 to Members on the Register on 14 September 2018.

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 119,894,777 (HY2017: 120,401,805; FY2018: 120,313,586).

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 122,761,456 (HY2017: 123,420,081; FY2018: 123,678,854).

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 2018 £000	Six months ended 30 September 2017 £000	Year ended 31 March 2018 £000
Profit after tax for the period	**5,915**	8,093	15,086
IFRS 2 share based payment charge	**1,152**	988	2,194
Acquired intangible amortisation	**734**	558	1,363
Sale of fixed assets	—	—	(556)
Cost on exercise of executive share options	—	245	244
Net acquisitions costs	**177**	—	110
Project Atlas	**1,490**	—	375
Tax charge on adjusted items above	**(630)**	(371)	(802)
Tax adjustments	—	(1,145)	(967)
Underlying profit after tax	**8,838**	8,368	17,047
Basic EPS	**4.93p**	6.72p	12.54p
Diluted EPS	**4.82p**	6.56p	12.20p
Underlying diluted EPS	**7.20p**	6.78p	13.78p

7. Analysis of net debt

	At 30 September 2018 £000	At 30 September 2017 £000	At 31 March 2018 £000
Net cash and cash equivalents	**26,661**	25,095	26,222
Debt due within one year	**(30,548)**	(18,453)	(21,912)
Debt due after one year	**(9,645)**	(14,512)	(11,741)
Gross debt	**(40,193)**	(32,965)	(33,653)

Net debt	**(13,532)**	(7,870)	(7,431)

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

	Six months ended 30 September 2018 £000	Six months ended 30 September 2017 £000	Year ended 31 March 2018 £000
Net increase in cash and cash equivalents	**111**	957	2,115
Net (increase) in borrowings	**(6,213)**	(1,087)	(1,835)
	(6,102)	(130)	280
Exchange rate differences	**1**	(1,292)	(1,263)
Movement in net debt	**(6,101)**	(1,422)	(983)
Opening net debt	**(7,431)**	(6,448)	(6,448)
Closing net debt	**(13,532)**	(7,870)	(7,431)

9. 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.

• Constant Exchange Rate (CER) figures

These are used predominantly in the Business review and give the readers a better understanding of the performance of the Group, regions and entities from a trading perspective. They have been calculated by translating the HY2019 income statement results (of subsidiaries whose presentational currency is not sterling) using HY2018 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.

• Organic measures

Organic measures are calculated before the impact of acquisitions. This provides a better 'like-for-like' comparison against the prior period for the reader. Acquisitions are included in organic figures from the start of the 13th month of being part of the Group.

• 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 has been 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 underlying EBIT divided by average capital employed (net assets + net debt), multiplied by 100%. Underlying EBIT has been reconciled to operating profit below.

	Six months ended 30 September 2018 £000	Six months ended 30 September 2017 £000	Year ended 31 March 2018 £000
Underlying EBIT/Underlying operating profit	**11,875**	11,131	22,713
Separately disclosed items within administrative expenses			
IFRS2 share based payment charge	**(1,152)**	(988)	(2,194)
Acquired intangible amortisation	**(734)**	(558)	(1,363)
Profit on sale of fixed assets	—	—	556
Net acquisition costs	**(177)**	—	(110)
Project Atlas	**(1,490)**	—	(375)
Cost on exercise of executive share options	—	(245)	(244)
Operating profit	**8,322**	9,340	18,983

9. Alternative performance measures *(continued)*

• Underlying cash conversion as a percentage of underlying EBITDA

This is another key metric used by investors to understand how effective the Group were at converting profit into cash. Since the underlying cash conversion is compared to underlying EBITDA, which has removed the impact of IFRS2 share based payment charges, acquisition costs and Project Atlas (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 2018 £000	Six months ended 30 September 2017 £000	Year ended 31 March 2018 £000
Underlying cash conversion	**8,722**	6,316	16,789
Cost on exercise of executive share options	**—**	(245)	(244)
Movement in trade payables due to exercise of share options	**—**	(1,205)	(1,205)
Acquisition costs	**(274)**	—	—
Project Atlas	**(1,286)**	—	(375)
Cash generated from operations	**7,162**	4,866	14,965

• Underlying effective tax rate

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

One off tax adjustments have also been removed from the calculation as they are unlikely to repeat and therefore do not reflect recurring trading performance. In HY2019, there were no one off tax adjustments removed. In HY2018 the one-off adjustments relate to the release of the tax provision (see note 4) and the change in deferred tax of acquired intangibles relating to VIC following a reduction in tax rate in Italy. In FY2018 the one-off adjustment relates to those adjusted at HY2018 and the change in deferred tax in USA following a reduction in tax rate, see the Annual Report for further details.

10. Own shares held

The own shares held reserve comprises the cost of the Company's shares held by the Group. At 30 September 2018 the Group held 1,317,378 of the Company's shares (30 September 2017: 500,000; 31 March 2018: 1,500,000).

11. Assets held for sale

In the six months to 30 September 2017 management committed to a plan to sell a factory owned by our Malaysian entity, Power Steel & Electro-Plating Works (PSEP). The carrying amount of the factory at 30 September 2017 was MYR 5.8m (£1.0m) and since this was lower than the fair value, it was held at that amount on the balance sheet, presented as an asset held for sale. It was sold in February 2018 for £1.7m and generated a profit of £0.6m.

12. Acquisition of Precision Technology Supplies Limited ('PTS')

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

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

For the year ended 31 March 2017, PTS reported revenue of £5.1m and profit before tax of £0.7m. Gross assets at that date were £3.8m. These figures were not audited.

In the six months since acquiring PTS to 30 September 2018, the subsidiary contributed £0.5m to the consolidated profit before tax for the period and £3.3m to Group's revenue.

TR has experienced a growing demand for stainless steel fastenings from a number of our global OEM customers. Adding the PTS product portfolio has widened our global stock range to enhance our customer offering and provide further support to our distributor sales.

As the acquisition completed so close to 31 March 2018, a full fair value exercise was still to be completed and therefore, the amounts disclosed in the Annual Report for the year ended 31 March 2018 were given for information purposes only. A fair value exercise was

completed as part of the completion accounts process and updated consolidated values are disclosed below. These values will be further reviewed, updated and disclosed in the Annual Report for the year ended 31 March 2019.

	Provisional fair values disclosed^ £000	**Adjustments to provisional fair values £000**	**Provisional recognised fair value £000**
Property, plant and equipment	253	—	253
Intangible assets	4,816	—	4,816
Inventories	2,417	(164)	2,253
Trade and other receivables	1,324	—	1,324
Cash and cash equivalents	632	—	632
Trade and other payables	(1,218)	137	(1,081)
Deferred tax liabilities	(861)	—	(861)
Net identifiable assets and liabilities	**7,363**	**(27)**	**7,336**
Consideration paid:			
Initial cash price paid	8,781		8,781
Contingent consideration at fair value	598		598
Total consideration	**9,379**		**9,379**
Goodwill on acquisition	**2,016**	**27**	**2,043**

^These figures were disclosed in the Annual Report for the year ended 31 March 2018

The fair value of trade and other receivables is £1.3m. The gross contractual flows to be collected are £1.1m. The best estimate at acquisition date of the contractual flows not to be collected is £nil.

Intangible assets that arose on the acquisition include the following:

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

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

Effect of acquisition

The Group incurred costs of £0.2m up to 30 September 2018 (HY2018: £nil, FY2018: £0.2m) in relation to the PTS acquisition, split between acquisition costs (£0.1m) and unwinding of the contingent consideration (£0.1m). All costs have been included in administrative expenses (HY2018: £nil, FY2018: £0.1m) in the Group’s consolidated statement of comprehensive income and form part of separately disclosed items, (see note 2). The remaining £0.1m of acquisition costs in FY18 relating to the arrangement fee to drawdown part of the Accordion facility were recognised on the balance sheet and are being expensed to the consolidated statement of comprehensive income over the term of the facility.

13. Disaggregation of revenue

In line with IFRS 15 *Revenue from Contracts with Customers* we have included the disaggregation of external revenue by sector, breaking this down by our geographical operating segments.

September 2018	UK	Europe	USA	Asia	Total
Electronics	5%	4%	2%	5%	**16%**
Automotive	9%	14%	2%	8%	**33%**
Domestic appliances	2%	12%	—	6%	**20%**
Distributors	9%	—	—	2%	**11%**
General industrial	7%	4%	—	2%	**13%**
Other	4%	2%	—	1%	**7%**
Revenue from external customers (AER)	**36%**	**36%**	**4%**	**24%**	**100%**

September 2017	UK	Europe	USA	Asia	Total
Electronics	5%	4%	1%	7%	**17%**
Automotive	10%	12%	2%	8%	**32%**
Domestic appliances	2%	13%	—	7%	**22%**
Distributors	7%	—	—	3%	**10%**
General industrial	6%	4%	—	1%	**11%**
Other	5%	3%	—	—	**8%**
Revenue from external customers (AER)	**35%**	**36%**	**3%**	**26%**	**100%**

INDEPENDENT REVIEW REPORT TO *TRIFAST* PLC

Conclusion

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 2018 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 explanatory notes.

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 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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.

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 International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 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.

The purpose of our review work and to whom we owe our responsibilities

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 DTR of 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.

Mark Sheppard
for and on behalf of KPMG LLP
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12 November 2018