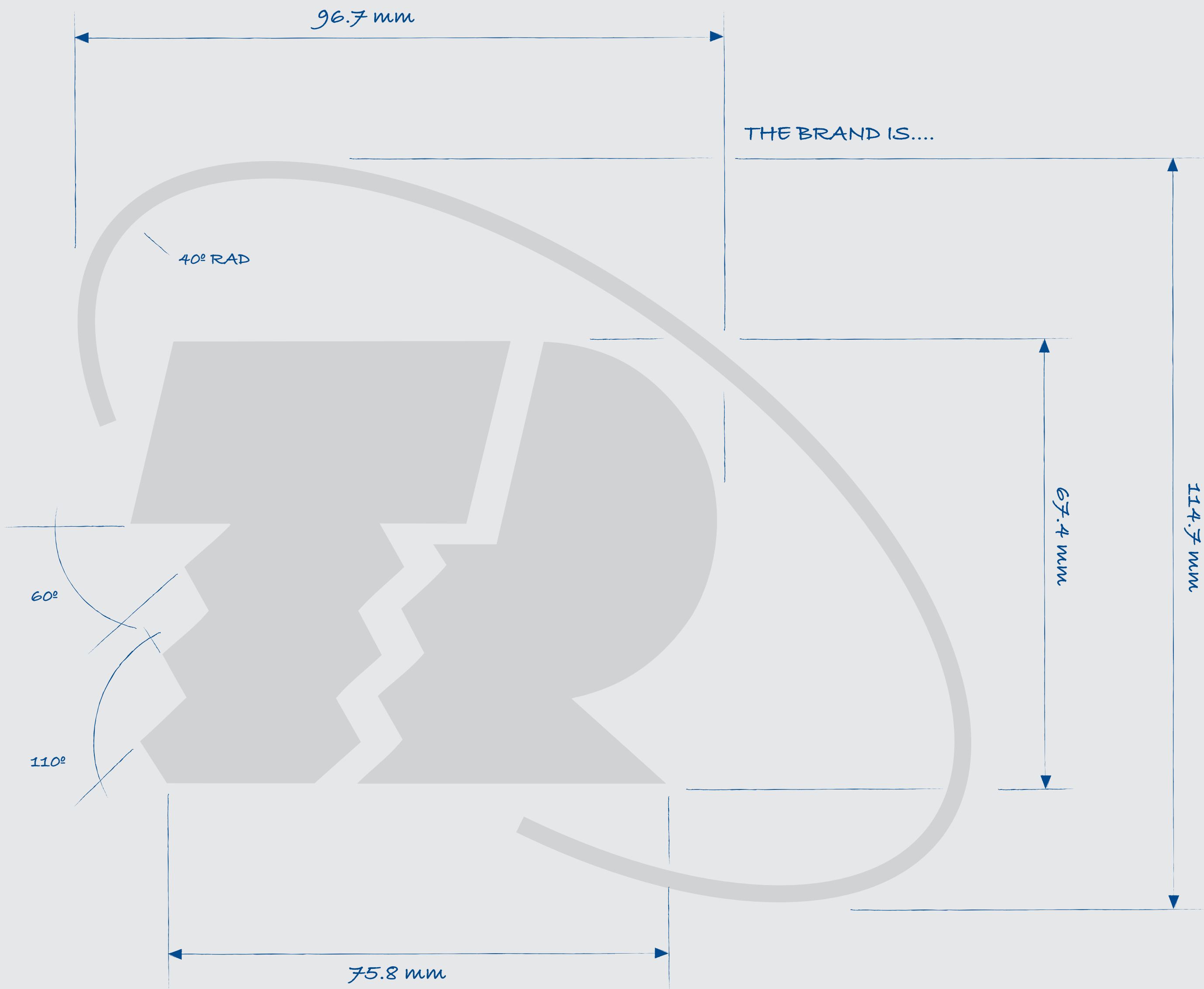
Trifast plc



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ANNUAL REPORT & ACCOUNTS 2007

THE BRAND IS.....

Security • Trust • Quality • Integrity

CONTENTS

www.trifast.com

Trifast — A worldwide manufacturer and distributor of industrial fasteners and components

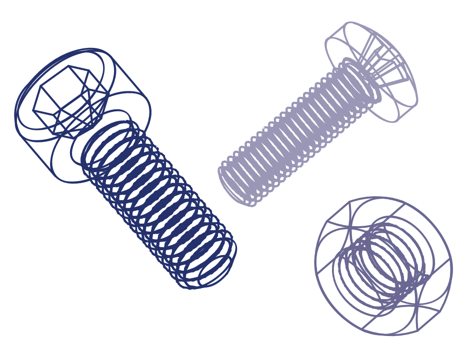
Our Market — Worth £24 billion p.a. and predicted to grow to £27.5 billion by 2010

WHERE WE CAME FROM

- 1973 — Established as a local fastener distributor in Uckfield, East Sussex
- 1976 — Opened our first manufacturing site in Uckfield
- 1992 — Introduced Vendor Managed Inventory (VMI) into the UK fastener market
- 1997 — Acquired fastener manufacturer Formac Technologies in Singapore, creating our hub for Asia
- 2002 — Opened distribution operation in mainland China specifically to target European and US companies operating in China
- 2005 — Consolidated our position in the UK by acquiring Serco-Ryan, the UK's fourth largest fastener company

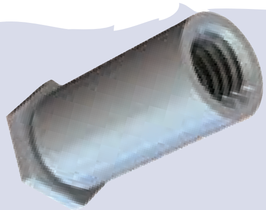
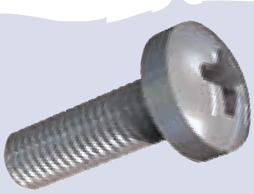
WHERE WE ARE TODAY

- 30 distribution sites in 16 countries across Europe, Asia and North America, employing over 1,100 people
- Manufacturing plants in China, Singapore, Malaysia, Taiwan and the UK which concentrate on niche, high value products
- Strong focus on branded products, supply solutions and engineering support
- Strong track record of profit and cash generation



Market valuations — Source: Freedonia Study 2056

EXAMPLES OF WHAT WE DO

TR Product	Customers	Customer's Products	Why the customer chose TR
 High performance screws for plastic	Electrolux		Distribution capabilities across Europe, North America and Asia
 Self-clinch standoffs	SHARP		Manufacturing capacity and engineering support
 Specialist screws for Hard Disk Drives	HITACHI		Asian manufacturing capacity and clean room facilities
 Stainless steel fasteners	Sunseeker		Supply chain security and guaranteed product quality

CHAIRMAN'S STATEMENT

Statement by the Chairman Anthony Allen

Introduction

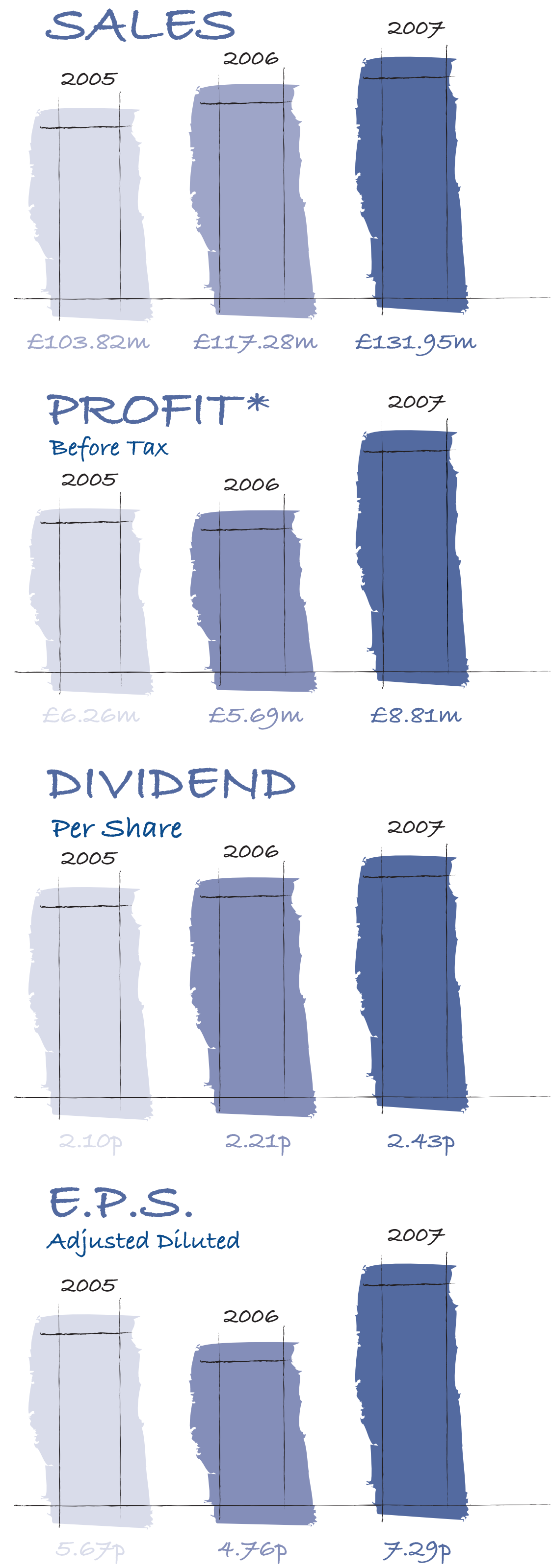
2006/07 has been marked by many excellent results for Trifast plc.

The Group's financial targets have been achieved enabling the Management Team to report improved shareholder value, to consider investment in new business strategies and, very importantly, to look at new business opportunities in new countries.

Revenues for the Group increased by 12% to £131.95 million, with the contribution of acquisitions and strong growth in Asia offset in part by a decline in sales in the UK. Export sales grew by 36%. The 55% increase in pre-tax profit (before intangible amortisation, goodwill impairment, IFRS 2 charges and restructuring costs) to £8.81 million reflects both the growth in revenues and operating margin improvements driven by an improved business mix, purchasing initiatives and the successful integration of Serco-Ryan resulting in cost savings in excess of £2.00 million per annum.

The development of "key skills" in our Group has undergone a complete review with more staff now attending or starting training initiatives supported by the Group and its Management Teams.

Operating a clear business strategy that is targeting sales growth, the Group will continue to utilise its financial strengths, motivated and experienced staff, modern "world class" Asian factories and global distribution network.



* Before intangible amortisation, goodwill impairment, IFRS 2 charges and restructuring costs.

Dividend

In line with a progressive dividend policy and our confidence in the business, the Directors are recommending an increased final dividend of 1.66 pence per ordinary share (2006: 1.48 pence). This, together with the interim dividend of 0.77 pence per share, makes a total for the year of 2.43 pence (2006: 2.21 pence), an increase of 10% over 2006.

The final dividend is subject to shareholder approval at the AGM to be held on 27 September 2007 and will be paid on 17 October 2007 to the shareholders on the register as at 29 June 2007.

People

I would like to take this opportunity to extend my thanks to Jim Barker for his work as Chief Executive of Trifast. Since Jim's appointment profitability and shareholder value have increased significantly. In particular, Trifast's acquisition of Serco-Ryan in 2005 has contributed to the transformation of the Group into a major player in the industrial fastener market.

I would also like to welcome Steve Auld to his new role as Chief Executive of Trifast. After 25 years in the fastening industry Steve brings a wealth of experience and knowledge to his new role.

On behalf of the Board, I welcome all new staff who joined us during the year. I would like to thank all of our people for their valued hard work, support and commitment to the business.

At the year end the Group employed 1,130 people (2006: 1,152).

Transparency and readability

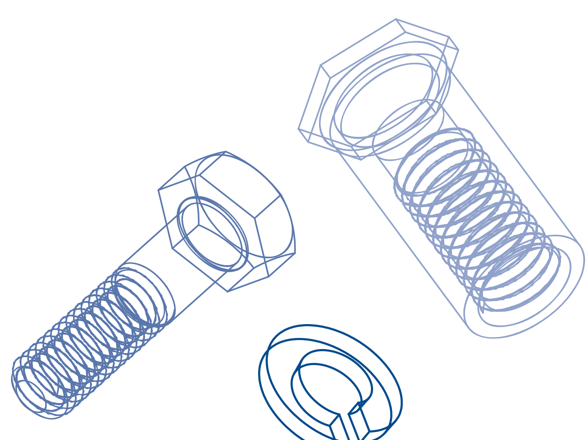
The management team has made considerable efforts to improve the transparency and readability of this year's Report & Accounts which has resulted in significant changes to the content and layout from previous years. We believe that these changes will enable you to have an increased knowledge and understanding of our business.

Prospects

Today, the structure of our business allows us to provide flexible solutions through an enhanced level of service to our customers both in the UK and around the world. We have strong management and operating teams, a good spread of customers and sectors supported by a widespread geographical operational network with highly motivated and experienced staff.

The excellent performance in 2006/07 has created a strong platform for the Group and the Board is pleased to report that the new financial year has started positively. The Board is confident about the future prospects for the Group.

Anthony Allen
Chairman
18 June 2007



BUSINESS REVIEW

Steve Auld, CEO

Stuart Lawson, CFO

Financial and Operational Highlights:

- Revenues increased by 12% to £131.9m (2006: £117.3m)
- Pre-tax profit* grew by 55% to £8.8m (2006: £5.7m)
- Diluted earnings per share increased by 154% to 4.70p (2006: 1.85p)
- Final dividend increased by 12% to 1.66p (2006: 1.48p)
- Successful integration of Serco-Ryan, planned £2.0m cost savings exceeded
- Purchased 25% stake in leading Malaysian manufacturer Techfast for £2.7m
- Positive start to new financial year
- Development of the "key skills" of staff to underpin a strategy of sales growth

* Pre-intangible amortisation, goodwill impairment, IFRS 2 charges and restructuring costs.

Summary of trading

The 2006/07 business year has been very successful and has seen the Group achieve market expectation for its operational profit numbers, creating a strong platform for the management team to invest in new business strategies and importantly to look at new business opportunities in new countries.

We faced many challenges during the year, all of which created disruption and took up valuable management resources. We are pleased to report that our people met all of these challenges and dealt with them in a successful and professional manner to deliver excellent results for 2006/07. Over the coming 12 months this management effort will be fully directed towards our key strategy of top line revenue growth.

A Growing Market

Americas

34% of global market

2.8% of Trifast's revenue

The World Fastener Market

2005: £21.7 billion

2010: £27.5 billion

2015: £34.7 billion

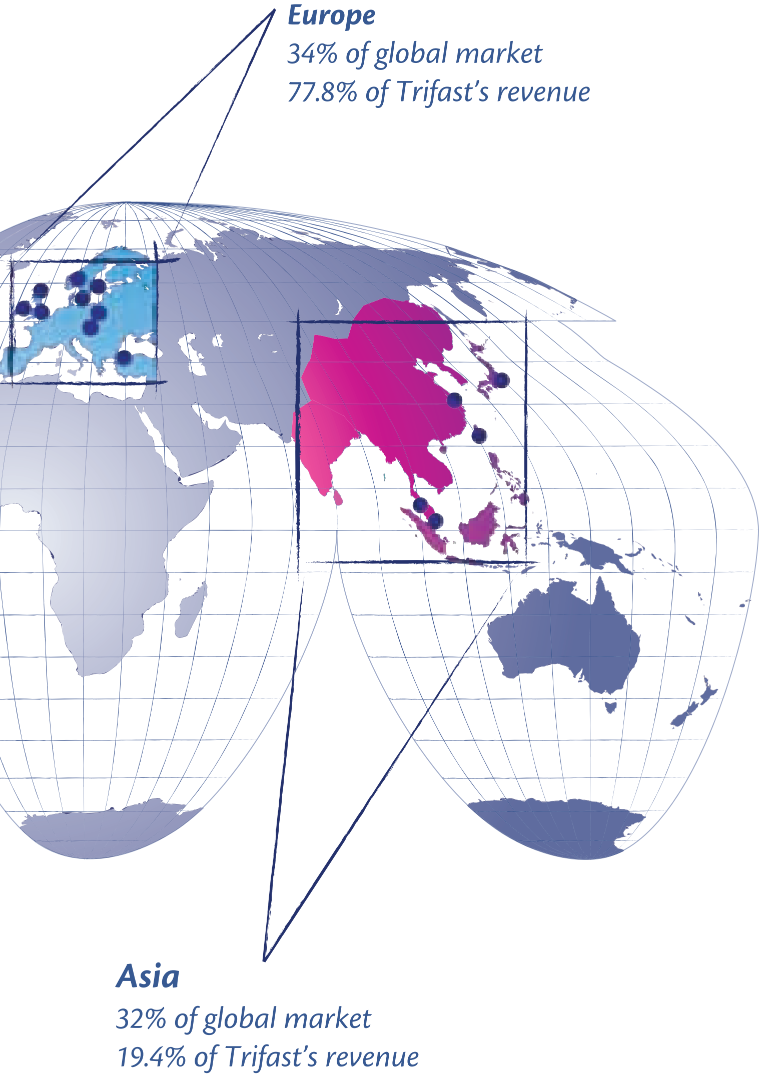
Source: Freedonia Study 2056

CHALLENGES WE FACE AND HOW WE ARE OVERCOMING THEM:

Challenge: Market consolidation and acquisition.
Answer: We are an acquisitive company with a growing share price.

Challenge: Raw material shortages (stainless steel) leading to price escalation.
Answer: Utilisation of Asian manufacturing platform and increased raw material stockholding.

Challenge: Stockholding risk associated with customer special parts obsolescence.
Answer: Supply chain management and customer contracts in place.



CHALLENGES WE FACE AND HOW WE ARE OVERCOMING THEM:

Challenge: Internationalisation of the manufacturing base, leading to the loss of one of our unique selling points, our Asian manufacturing base.
Answer: Increased internationalisation of our manufacturing base, e.g. India.

Challenge: Vulnerability to market sector.
Answer: Increased diversification of our customer base by both market sector and geography.

Summary of trading (continued)

The business integration of Serco-Ryan has been a great success. This has allowed us to accelerate our plans for the further development of the Group.

During the year we have undertaken detailed market research within Europe on the markets in which we plan to operate and we are now starting to make key investments in organisational structure.

We have also expanded in Asia to meet the anticipated growth in demand for our products where we have seen turnover increase by 21% in this region.

In consolidating our UK businesses following the acquisition of Serco-Ryan, we have seen our UK operating profits grow by 55% despite a decline in sales resulting from the continued downsizing of the UK automotive sector.

The disappointing region for us this year has been the USA, which is covered in more detail later.

As expected, the raw material price pressures have continued resulting in the marketplace still being price competitive. However, we are pleased to report that the new financial year started positively. The Group is operating from a position of strength led by a highly experienced Management Team.

Opportunities

Within Europe the Group is currently reviewing its sales activities in Poland and is in the process of setting up a sales office to support both our current and future business in this region. In Asia our Management Team is investigating the business case for setting up a distribution and manufacturing facility in India. These opportunities, if implemented, will become operational towards the end of the current financial year.

BUSINESS REVIEW

What are our objectives?

In defining our objectives, we look at 3 key areas: Market Competitiveness, Operational Excellence and Acquisitions. We have set 9 key objectives for both Market Competitiveness and Operational Excellence which are outlined on the table on pages 10 and 11. Our acquisition strategy is also outlined on page 10.

Market Competitiveness

We sell our products and services through 3 distinct channels, each of which requires its own strategy:

1. Direct to large Original Equipment Manufacturers (OEMs) often via a Vendor Managed Inventory (VMI) system.
2. Direct to smaller manufacturers who tend to spot purchase. We call this Transactional Sales. Approximately 40% of transactional sales are for our own branded fasteners, one of our key product lines.
3. Via distributors. Approximately 80% of our sales to distributors are for our own branded fasteners.

1. Direct sales to large OEMs

Predominately, we work on two areas: Maximising sales from our existing customers, which we achieve through Key Account Management, and winning new business which is led by our New Business Sales Team.

Key Account Management

The Key Account Management Team has the responsibility of optimising our current customer base. This process is critical to all businesses. Over the last 6 months we have taken this sales management skill to the next level.

This specialised team is able to support customers who have global business and, indeed, are able to deliver to the Group significant value add in terms of Group revenues. Also the use of the VMI programme enables our team to use common logistics solutions which offer flexible and robust supply chain techniques.

We are the acknowledged market leader in VMI and are constantly setting new standards both in terms of technology and service levels.

This team continues to maintain the personal business touch whilst managing language and cultural barriers to maintain a common Group business practice which allows us to utilise generic Group training programmes.

New Business Development

The planned introduction of the European New Business Sales Team in this financial year is to target new customers intelligently and to explore selling product into identified market sectors. We plan to recruit across Europe to make sure we fully utilise our intelligent sales platform tool, and in order to find the right people to do this job, we have sought the help of an expert recruitment company which operates on a pan-European basis.

The plan for the New Business Sales Team is to ensure that the TR brand is recognised as a premier brand within the market sectors in which we operate.

To support the New Business Sales Team we have completed an update of our marketplace publications and indeed launched a new website, which is multi-lingual and aimed at engineers working within our target markets.

2. Transactional Sales

In order for us to grow the small–medium OEM accounts we have identified that we need to focus on a UK-based programme for transactional sales. The key to this activity is the use of a consistent and controlled pricing policy, whilst making sure we have a market required logistic solution.

To increase activity in this area we will be introducing catalogues which identify product ranges and prices and potentially allow customers to use an Internet trading portal. Given that this area is targeted for growth during 2007/08, a marketing programme will support this activity.

3. Distributors

To increase our sales to distributors, we are launching the Master Distributor Programme (MDP) in this financial year. This programme will be fully operational both in Europe and North America.

Through this programme we will be selling our own branded products, manufactured by our own Asian factories, which will then be sold directly through nominated distributors. This sales platform will see the development of the TR brand becoming recognised as the premier brand for both quality and availability of materials.

This is a very exciting challenge for our Company as this programme pulls together a dedicated operational sales team working with our manufacturing locations in Asia in order to satisfy customer and market demands.

Operational Excellence

In order to retain existing customers and maximise both sales and profits we must achieve consistent, high operational standards across the whole of our Group.

We invest a great deal of time and money into maintaining a highly trained and committed workforce which ensures our service levels continue to be the best in our industry.

During 2007/08 we will focus on improving our supply chain to ensure we buy the best products at the best prices and maximise our own in-house manufacturing capabilities wherever possible.

Stock levels are critical to providing a high level of service but can negatively impact both cash flow and warehouse space. This is why we are working closely with our suppliers, encouraging them to maintain stocks on our behalf.

Kate Pocock — Regional Sales Manager, Uckfield

Alan Bate — Group Distributor Sales Manager

Nicola Nicholas — European HR and Communications Director

BUSINESS REVIEW AND OBJECTIVES

Acquisitions

As the Senior Management Team, we have during the period reviewed our objectives and with our advisers have agreed that we will look for acquisitions that show any of the following key characteristics:

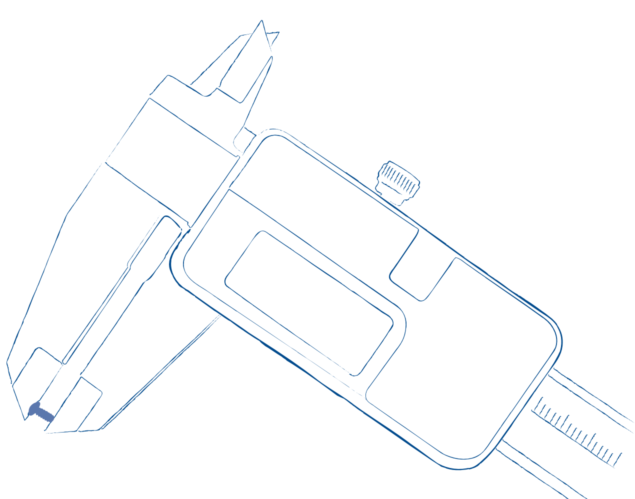
1. Geographic development (expansion of the Trifast footprint).
2. Market sector development (companies operating in market sectors where we have identified growth).
3. Product development (innovative products sold into our operating markets).
4. Revenue development (companies who are able to sustain earnings above industrial standards).

Together with our advisers we are planning to identify a clear target list of companies which will fall into the above criteria.

Key Objectives

Set out in the table opposite, are the 9 key objectives we have selected to support our global business strategy.

We have set Key Performance Indicators (KPIs) for each objective which will ensure that the business operations are involved in "value-added" activities, resulting in increased shareholder value.



	KEY OBJECTIVE
MARKET COMPETITIVENESS	**To win key, large, profitable customers in Asia and Europe**
	To introduce priced catalogues for transactional customers
	To increase market penetration of TR branded products
	To provide customers with engineering and design data
	To retain existing customers and strengthen customer relationships to maximise the available opportunities
OPERATIONAL EXCELLENCE	**To have the best trained, most committed, inspired workforce in the industry**
	To improve the quality of our supply chain
	To continue to operate as a socially conscious company
	To generate cash

KEY PERFORMANCE INDICATORS	POTENTIAL CHALLENGES	WHAT ARE WE DOING?
New customer conversion rate	Raw material price increases Pressure from large customers to reduce prices	p.13 p.15 p.23
Improve % revenue from transactional customers	Transactional sales in the fastener industry are highly competitive and tend to be served by local companies	p.8
Sales of TR branded products	Proprietary brands becoming commodity priced	p.9 p.17
Number of engineers registered for our web-based solution	Maintaining an informative and relevant database	p.16
Growth from existing customers and customer satisfaction results	Centrally controlled Group contracts Manufacturing migration to low-cost countries	p.8
Staff retention Staff satisfaction results	Talent management Career development	p.22 p.23
Own manufactured spend as a % of total spend Number of quality rejects	Raw material availability Geographical spread of suppliers Meeting customer quality expectations	p.19
% of profits committed to CSR activities Environmental audits	Cost implications Legislation	p.28 p.29
Reduction in debt funding organic growth Cash funding of acquisitions	Exchange rate risk Bad debts Working capital requirements for new accounts	p.26

EUROPE AND AMERICA

Europe

Europe has seen the greatest improvement in fortunes when compared to the prior year, with profit growth of 59% (before intangible amortisation, goodwill impairment, IFRS 2 charges and restructuring costs).

Despite continued support from the Group, we believe that TR France has no prospect of achieving profit in the medium term and we will discontinue operations over the next 6 months, electing to supply customers from the UK or Holland.

The European subsidiaries, with the exception of France, have generated healthy revenues and operating profit for the financial year 2006/07. In particular, our sites in the UK, Sweden, Holland, Hungary, Norway and Ireland delivered double digit profit growth to the Group.

The European countries which presented us with the greatest revenue growth by destination were Poland, Germany, Czech Republic and Finland.

Elsewhere, sales to distributors through Lancaster Fasteners have been very successful with an operating profit growth of 23%.

Europe's £7.3 billion industrial fastener market remains a key part of our sales strategy with significant growth prospects in both Eastern and Western European countries.

The Americas

Trifast's acquisition of a West Coast distributor business in the late 1990s supported the strategy of pursuing global OEM customers. Much of the larger business has since evaporated as these major OEMs opted for the use of contract manufacturers predominantly sited in Asia.

Trifast subsequently achieved outstanding success by following this business to Asia, necessitating a review of our US strategy as described below.

The USA will concentrate on its existing small OEM customer base and the foundation of a distributor network of proprietary products. The Board is confident that a more narrowly focused OEM sales activity, in conjunction with a distributor-based products sales initiative, provides the best prospect for future success in the USA.

Opportunities

Poland and the Czech Republic

Poland and the Czech Republic are two of the fastest growing industrial fastener markets in Europe.

Many multinational companies in industry sectors such as white goods, automotive and telecommunications have established themselves in either or both of these countries within the last few years.

We are currently supplying a number of companies in both countries and are actively recruiting sales people to pursue sales opportunities further.

The industrial fastener market in Poland is expected to rise by 50% over the next few years with the Czech Republic market expected to rise by almost 60% in the same time period.*

* Source: Freedonia Industrial Study 2056.

Morten Bjorlo
European New Business Sales Director

European/USA Management Team

The European/USA Management Team is a selected group of individuals with nearly 100 years' industry experience.

We have professionally qualified and industry trained individuals that offer the Company a unique team who are able to blend skills that are demanded in the modern marketplace.

Keith Gibb and the marketing team

THE INTELLIGENT SALES PLATFORM

In August 2006 we subscribed to an Internet-based service which contains detailed information on over 8 million European companies.
This allowed us to produce initial target lists based on industry sector, revenue and geography.

In October 2006 we employed the services of a multi-lingual telemarketing agency who called each of the companies on our target list to confirm fastener usage, buyer's details and spending habits.

By March 2007 we had compiled a definitive list of key target accounts in Europe — over 3,000 companies in 10 countries.

This concentrated approach means that every one of our existing and newly appointed sales people (see page 23) has a list of specific target accounts to focus on over the coming years which will dramatically increase our chances of securing new, large contract business.

Keith Gibb
Group Marketing Manager

Seamus Murphy
European Purchasing & IT Director

Morten Bjorlo
European New Business Sales Director

Glenda Roberts
European Key Account Sales Director

Nicola Nicholas
European HR & Communications Director

Mark Belton
Group Financial Controller & Company Secretary

ASIA

Sales growth in Asia was 21% in the financial year 2006/07 which produced a significant operating profit growth of 43%.

Our challenge in Asia is to ensure our current manufacturing equipment and processes keep pace with the demand from our valued customer base. We have further manufacturing capacity within our Asian facilities as all factories are not running a three shift programme, with the exception of Singapore.

Our Asian businesses are constantly looking to maintain full compliance with industry quality standards and indeed the environmental accreditation IS14001 (our Singapore factory is approved).

Asia Management Team

We are pleased to introduce our Asian Management Team responsible for our critical Asian business operations. Our highly qualified, professionally trained team is able to develop business strategy, engineering excellence and operate in multi-currency financial markets. These key skills will enable the Group to keep pace with the demands of the new Asian business practices.

Michael Teng
Deputy Managing Director,
TR Asia Group

Albert Chan
Financial Controller,
TR Asia Group

Thomas Tan
Technical Manager, TR Asia Group
Managing Director, TR Singapore

Opportunities

India

A recent ISA-Frost & Sullivan report estimates that Indian electronics equipment manufacturing would grow at 5.5 times the rate of global electronics equipment production through 2015. Direct foreign investment is fuelling the growth in India, just as it did in China.

Many of our customers and potential customers have either invested or committed to invest in India, especially in Chennai and Bangalore. They are attracted to these two places mainly because of:

1. Low manufacturing cost.
2. Skilled manpower availability.
3. Excellent communication infrastructure in terms of bandwidth availability.
4. Low cost of living, as Chennai ranks 138 among 145 cities of the world.
5. Good air and sea connectivity.

Our customers who have already set up, or have committed to set up, operations in Chennai and Bangalore need us to support them locally, so we are now embarking on a project to establish our presence in Chennai in order to meet their needs. We intend to send a manager from Singapore to Chennai to organise the set-up of a legal entity and a hub.

Thomas Tan
Managing Director, TR Singapore

Phua Yong Sang

TR IN CHINA

Our distribution business in China continued to achieve strong growth with sales revenue improved by 28.3% in 2006/07 which can be attributed to our ability to provide a high level of customer service through Vendor Managed Inventory (VMI) programmes to our 20 key multinational customers in China.

Through strategically located warehouses within China, we provided VMI solutions to major OEMs and CEMs. In China, end users faced problems with parts being delivered with inconsistent quality from their local sources. We bridged this gap by forming strategic alliances with key suppliers locally and enforcing a stringent incoming inspection process.

We fully anticipate expanding our existing network and forecast additional revenue from new accounts we have been developing over the last 18 months.

Phua Yong Sang
General Manager — TR China

Manufacturing plant — Asia

ADDING VALUE

PRODUCTS AND SERVICES

Large manufacturing companies choose TR as we are one of a very small number of industrial fastener companies that can offer multinational distribution combined with low-cost, quality assured Asian manufacturing.

Small to medium manufacturers choose TR because of our local distribution facilities, ability to respond quickly to demand and our reputation for product quality.

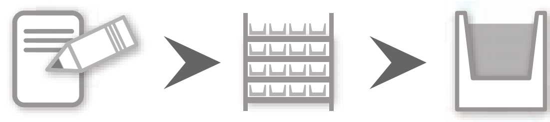
Products
We supply over 100,000 different products from tiny screws for micro-electronics through to large diameter bolts for the agricultural industry.

We have six of our own, TR brand, specialist product ranges, such as self-clinch fasteners, which provide fastening solutions that dramatically cut our customers' assembly times. We are focused on expanding this portfolio through R&D and acquisition.

Services
We are acknowledged as an industry leader for Vendor Managed Inventory (VMI) supply systems, having first introduced them in 1992. The diagram on the right demonstrates how we significantly reduce our customers' administration costs by managing all aspects of their fastener inventory.

Engineering
We have one of the most visited industrial fastener websites in the world with over 22,000 registered users. These users are predominately engineers who use the on-line technical information and CAD models we provide to specify our products at design stage. Getting specified at this stage dramatically increases the probability of TR being chosen as the supplier when volume manufacture starts.

INITIAL SET-UP



ONGOING

1. Service Level Agreement (SLA)
2. TR installs racks and bins directly into production area
3. Initial stock supplied
4. Production takes stock from bins
5. On agreed day, TR Direct Line Feed (DLF) operator visits customer
6. TR DLF operator scans all bins that need replenishing
7. TR DLF operator downloads information to TR location
8. TR DLF operator delivers stock and replenishes bins

LCD TELEVISIONS

One of the biggest growth markets we are currently involved in is LCD televisions with the world market predicted to grow to $75 billion in 2008 and $93 billion in 2010 (Reuters, Nov 2006).

LCD televisions contain a high number of self-clinch standoffs, a product we specialise in.

Based on the growth of the LCD market we estimate a global market potential of $125 million for self-clinch standoffs by 2010.

We are already globally specified by a number of manufacturers and, with divisions in Turkey and Asia, are well positioned to service this niche, high-value market.

Burak Kutal
Managing Director
TR-Keba, Turkey

ADDING VALUE

WHERE DO WE GET OUR PRODUCTS FROM?

We sell over 170 million parts every day and have an enviable reputation for quality and service. It is essential that we maintain tight control over our supply chain and only work with suppliers that operate strictly to our own quality and ethical procedures.

Our own factories

We currently manufacture just under 16% of the products we sell in our own factories, which are predominately based in Asia. These factories operate the very latest machinery and concentrate on specially manufactured, high value components for high technology industries such as hard disk drive production.

Other suppliers

As over 84% of the products we sell are manufactured outside of the Group, we put enormous effort into maintaining and controlling over 2,000 different suppliers in Asia, Europe and North America. Suppliers are chosen based on a number of criteria, the most important of which are product quality and service.

Over the last 12 months, we have been working with a number of European and Asian suppliers to improve the efficiency of our supply chain. These companies now supply us with pre-checked parts in our own packaging which allows us to dispatch them directly to our customers without re-packing.

SUPPLY CHAIN SOLUTIONS

The challenges facing our business today mean that a traditional and generic procurement approach across all products and suppliers is no longer valid. It is difficult to gain the full potential benefit of our procurement resource across the full product range. There is now a greater need to develop discrete supply chain strategies in order to support the Sales, Profit and Cash targets of the business.

One such strategy that has been developed has been the General Fastener range of our business which supports a high proportion of transactional sales activity.

General Fasteners are largely a commodity-based product with little or no stock liability implications. To date General Fasteners spend has incurred a disproportionate amount of transactional cost.

We have embarked on a collaborative approach with a major European distributor to pool our volume requirements. We now have a full range of General Fastener stock available on the shelf in China packed and quality inspected to our own requirements.

As a result we are significantly driving down the in-place costs of this stock range while at the same time increasing availability across a broader range of sizes and reducing overall stock levels.

Seamus Murphy
European Purchasing & IT Director

ADDING VALUE

HOW DO WE GET OUR PRODUCTS TO OUR CUSTOMERS?

We currently supply over 5,000 customers in 57 countries, so the quality and reliability of our distribution network is critical.

Our network is specifically designed to get the goods to the customers as quickly as possible while keeping as little stock in our own inventory as possible.

By asking our suppliers to maintain stock on our behalf we dramatically reduce the cost of stockholding and achieve our target of less than 12 weeks inventory in the Group.

These suppliers then ship to TR warehousing hubs which support either smaller TR satellite warehouses or third party logistics providers. This allows us to offer efficient distribution to potentially every country in the world.

In addition to our existing hubs, we are currently in the process of establishing a new warehousing operation China which will act as a central hub for Europe, Asia and North America for the vast majority of goods sourced or manufactured in Asia.

Andy Fletcher

MANAGING THE WAREHOUSE

Sites that are either a hub location or a smaller localised unit operate the same effective systems. In the Midlands region we service 100 VMI accounts and a further 300 scheduled accounts.

As Regional Warehouse Manager my role is not only to ensure that each location within the region continues to operate efficiently and effectively but to implement new initiatives in warehousing and distribution and it is therefore crucial that I have a winning team in all of the locations. Using KPIs as a measuring tool my region has, since January, picked and dispatched over 75,000 customer items. This shows commitment and hard work from all of my staff.

Andy Fletcher
Regional Warehouse Manager, TR Wednesbury

SFE Manufacturing Plant

TR SPECIALISED FASTENER ENGINEERING (SFE)

Located in Kaohsiung in Southern Taiwan, TR SFE has two factories operating more than 150 production machines making fasteners from 2.5 mm to 10 mm diameter.

The primary market for TR SFE's production is automotive related applications. Most customers are other fastener distributors based in Europe or North America who specialise in supplying tier 1 and 2 automotive component makers.

Customers are attracted to TR SFE where quality is of prime concern and a high level of process and quality control can be demonstrated.

Geoff Budd
Product Development Director

Ian Carlton

QUALITY ACCREDITATIONS

TR currently holds ISO9001:2000 and ISO14001:2004 (Environmental Management Systems). In addition, a number of our locations now hold QS9000/TS19649 which is more specific to the automotive industry.

The ISO9001 certificate gives our customers confidence that the Sales input, Purchasing output and warehouse functions are controlled; the supply chain into the customer from our manufacturers is approved; and that as a total business commitment they are receiving good quality product. The ISO14001 certification ensures that we review and control the impact we have on the environment.

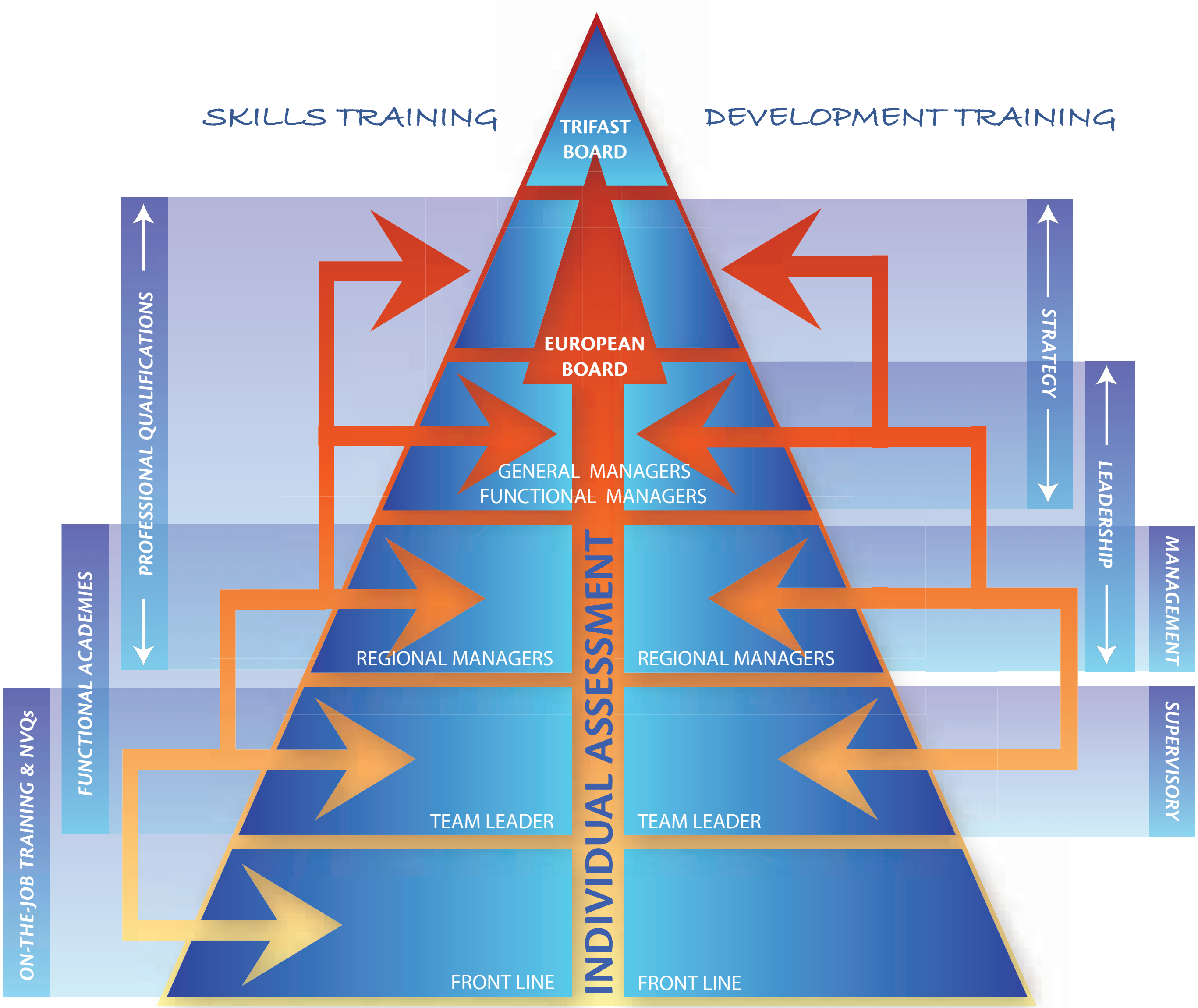
Ian Carlton
European Quality Manager

ADDING VALUE

OUR PEOPLE AND TRAINING

Training
This financial year will see the biggest investment in the Training and Development of our staff. We want to inspire teams to help us achieve our goals and at the same time encourage staff to fulfil their own ambitions and aspirations. We have a focused training plan for all levels within the organisation which provides skills training and development training.

By bringing out the potential that exists in people we will have a team that take ownership and responsibility in their stride, but most importantly will enjoy coming into work. Enjoyment and knowledge are the key ingredients for joint success.



TRVQ

VOCATIONAL QUALIFICATIONS

Apprentices

This year we launched our TRVQ (TR Vocational Qualifications) scheme in the UK which is targeting 90% of our recruitment at apprentice level. Apprentices are provided with relevant NVQ (National Vocational Qualification) development training and internal on-the-job skills training plans. Once training has been completed, apprentices take on front line positions within their chosen discipline. This scheme enables us to provide new recruits with clear plans for their future, mapping out clearly through our Training pyramid how they can progress within the business. The benefit for the Company is that we recruit people who are gaining knowledge about the business right from the beginning of their employment.

Currently we are running NVQ II in IT, Customer Service, Business and Administration Apprenticeship and Warehousing as well as NVQ IV in Procurement. All our apprentices will be put through TRVQ II in Confidence Building and Time Management and we have run internal TRVQ Level III Academies for several disciplines, including Sales, Logistics, Quality, Purchasing and Recruitment and Selection.

Our close partnership with local colleges and our focused training and development plans have played a big part in our becoming an Employer of Choice within the local environment.

Sarah Logan

CAREER OPPORTUNITIES

When I first saw the advertisement for the Sales Academy my initial thoughts were that it would be a great opportunity and it was great that the Company was investing in this type of training.

This was the first time TR had run a Sales Academy so I felt privileged to be a part of it.

The training programme was exceptionally well organised and each part of the programme was relevant to the job that I would be doing when I graduated.

The Sales Academy has helped to make me feel part of a team, motivate me and has created a culture of happy, enthusiastic Sales Executives.

Sarah Logan
Sales Executive

RECRUITING THE RIGHT PEOPLE

To ensure we are employing the very highest calibre of people, we have recently engaged the services of one of Europe's largest professional recruitment agencies.

Their first task is to support our New Business Development (page 8) by helping us secure New Business Sales Executives in Poland, Czech Republic, Germany, Holland, Sweden and Hungary.

Potential candidates are given psychological profiling then interviewed by the agency before being recommended to us for final evaluation. This methodical, tried and tested approach ensures we get the right people to help us grow the business.

Nicola Nicholas
European HR &
Communications Director

FINANCIAL REVIEW

How do we measure Value Creation?
The Management Team are focused on creating value for our shareholders. In this section we review our performance for the year just ended and present management's expectations for value creation in future years.

In our view shareholder value comes from:

1. Market Competitiveness
2. Operational Excellence

All objectives and goals set fit into one of the above categories; see pages 10 and 11 of the Directors' Business Review.

In assessing whether the Group has created value, we recognise the importance of a return to shareholders. To this end, we measure Return On Capital Employed (ROCE) and Total Shareholder Return (TSR).

What is ROCE?
ROCE is the profit before interest and tax shown as a percentage of the average total assets of a period less the current liabilities (excluding cash and short-term debt). It is a measure of the Management's utilisation of the net assets at its disposal and therefore a measure of the increased value creation within the business.

What is TSR?
TSR shows the return on investment a shareholder receives over a specified time frame. It is shown as a percentage and includes both the changes in share price and dividends received.

It is a total measure of the Management's ability to return both share price increase and dividend growth to the shareholders. It is an absolute measure. A positive TSR, year on year, means that value has been created.

So have we created Value in 2006/07?
The Management Team are pleased to report that we have achieved growth in both areas:

	Year end 31 March 2007	Year end 31 March 2006	Percentage change
ROCE	15.31%	11.74%	**Up 31%**
TSR	44.33%	(19.66)%	—

With our continued strategic focus, the Board firmly believes that we will continue to create value in the future for our shareholders.

So what was our Financial Performance in the Year?

	31 March 2007 £million	31 March 2006 £million	Percentage change
Turnover	131.9	117.3	**Up 12%**

Principal reasons for revenue growth in 2006/07
- A full year's results for the acquisition made in 2005 of Serco-Ryan.
- Increased transactional sales in the UK.
- 52% growth in Singapore sales due to increased usage in disk drive products.
- The above partly offset by a decreased turnover in some large contract accounts in the UK, predominantly in the automotive sector due to consolidation, and a continued downsizing of the UK manufacturing base.

	31 March 2007	31 March 2006	Percentage change
Gross profit margin*	26.32%	24.84%	**Up 6%**
Operating margin*	7.38%	5.44%	**Up 36%**

* Before intangible amortisation, goodwill impairment, IFRS 2 charges and restructuring costs.

Principal reasons for margin improvement in 2006/07
- Improved quality and mix of business.
- Improved purchasing initiatives including increased spend in Asia and more importantly in our own factories.
- Reduction of business in lower margin automotive sector.
- Increased operational efficiency.
- Improved overhead efficiency (see opposite).

	31 March 2007 £million	31 March 2006 £million	Percentage change
Profit before tax, intangible amortisation, goodwill impairment, IFRS 2 charges and restructuring costs	8.81	5.69	**Up 55%**

Principal reasons for improvement in profit before tax in 2006/07

- Increased turnover (as noted opposite).
- Restructuring programme with the planned £2.00 million annualised cost savings exceeded.
- Full year's results for acquisitions made in 2005/06, Serco-Ryan and TR-Keba, Turkey.

	31 March 2007	31 March 2006	Percentage change
Overhead costs as % of turnover*	19.10%	19.50%	**Reduced by 2%**

* Before intangible amortisation, goodwill impairment, IFRS 2 charges and restructuring costs.

Principal reasons for increased overhead efficiency in 2006/07

- Consolidation of business platforms.
- Improved use of IT technology.
- Streamlined management structure throughout Europe.
- Improved awareness of costs and cost controls.

As a team we are satisfied that the Group has made good progress in all of the above areas as shown by the numbers. Having reduced our operating platform and improved our efficiencies over the last two years, our focus for the next 12 months is now firmly on topline sales growth with the Management Team now involved in all areas of our business to promote this.

Restructuring costs

During the period, we completed the integration of the UK businesses of TR Fastenings Limited and Serco-Ryan and commenced the closure of Trifast's French operation, thereby completing the restructuring of our European business platform. The costs associated with this restructuring amounted to £2.89 million, predominantly arising from employee contract termination costs, property dilapidation and fixed asset disposal and the legal costs associated with site closures. In total, eight sites were closed or significantly restructured in Europe and the business merged into other larger and more efficient Trifast locations.

Have these improvements increased Shareholder Wealth?

Earnings per share

We are presenting an adjusted diluted earnings per share measure that adds back the effect of restructuring costs, intangible amortisation and impairment of goodwill and the related tax effects.

	31 March 2007	31 March 2006	Percentage change
Adjusted diluted earnings per share	7.29p	4.76p	**Up 53%**
Basic earnings per share	4.70p	1.86p	**Up 153%**

The diluted weighted average number of shares outstanding during the period was 84,584,980 (2006: 77,639,682).

Dividend payment

The Board continues to maintain its progressive dividend policy (an increase of 5% per year for the last 5 years) but, given the excellent results this year, it is proposed to increase dividends by a further 5% giving a full year dividend growth of 10% on the prior year. This is a good reflection of the Board's view of the success of this year's numbers and confidence in the future prospects of the Group.

	31 March 2007	31 March 2006	Percentage change
Final dividend payment*	1.66p	1.48p	**Up 12%**
Full year payment	2.43p	2.21p	**Up 10%**

The final dividend, which is subject to shareholder approval at the Annual General Meeting on 27 September 2007, will be paid on 17 October 2007 to shareholders on the Register as at 29 June 2007.

* In compliance with IAS 10 the final dividend will be shown as an appropriation of reserves in the year ending 31 March 2008.

FINANCIAL REVIEW

Have we managed our assets successfully?
We have grown Return on Capital Employed by 31% by growing profitability and successfully managing our working capital.

The stock level remained relatively constant at £25.61 million (2006: £25.12 million) which reflects an underlying decrease in customer specific stock held, an increase in own branded product ranges held for the growth of the Master Distribution Programme and foreign exchange loss on revaluation. We continue to focus on stock levels and to drive initiatives to increase the return we generate from our stock asset.

Capital expenditure was relatively low during the period at £0.68 million (2006: £1.15 million). This reflected the continued focus during the period on restructuring and reduced investment in our manufacturing plant in China as it reaches profitability at Phase 1 before moving into Phase 2. We expect to see an increase in capital expenditure for 2007/08 as we invest in upgraded IT systems and Phase 2 in China, pushing capital expenditure for 2007/08 to around £1.25 million.

Depreciation levels were £1.17 million (2006: £1.22 million). We expect this to remain relatively constant for 2007/08.

Although our gross debt figure remains relatively unchanged at £19.19 million (2006: £18.96 million) we have during the period paid out the final £2.00 million instalment for the Serco-Ryan acquisition in cash instead of shares, a move which had a positive impact on earnings per share, and we also acquired the 25% stake in Techfast Holdings Bhd in Malaysia for £2.74 million cash, again a decision that enhanced earnings per share.

As last year, cash generation from operating activities was strong with £10.88 million (2006: £8.64 million) being generated before the cash impact of £1.63 million restructuring costs, an increase of 26%.

Free cash flow (being cash flow before acquisitions, financing costs and restructuring costs) for the Group for 2006/07 was an inflow of £9.89 million (2006: £6.28 million inflow). Controls on working capital remain tight with debtor days at 67 days (2006: 65 days) and creditors at 78 days (2006: 69 days).

At the year end the Group held net cash of £6.47 million (2006: £6.25 million), thus giving us net borrowings of £12.72 million (2006: £12.71 million). This has resulted in a reduced gearing level of 26.0% (2006: 26.5%), which leaves the Group with the capacity to continue its growth strategy and to take advantage of the consolidating marketplace.

Of our £6.76 million gross cash balance at the year end, £6.37 million was held in foreign currencies. As a Group, our policy is to monitor exchange rates and buy or sell currencies in order to minimise our open exposure to foreign exchange risk, but we do not speculate on rates.

Funding our operations
The business continues to generate cash for investment into both organic growth and future acquisitions. We will continue using some of it to strengthen the balance sheet by paying down debt. Some £2.56 million (26% of free cash flow) will go to shareholders as dividends for the year 2006/07 to give them a return on their investment.

To finance our operations, the Board continues its policy of using a combination of retained earnings and external financing raised principally by the Parent Company, either in the form of debt or on the equity markets.

The net interest payable increased this year to £1.03 million (2006: £0.69 million) due to the increased loans taken out to fund the acquisitions. We continue to regularly review all of our loans (which are currently all at variable rates, see note 20, page 80) to ensure that we are comfortable with the interest rate level and the exposure to movement.

	March 2007	March 2006	Banking covenants
EBITDA: Net Interest†	10.7 times	11.0 times	≥ 3 times
Net Debt: EBITDA†	1.2 times	1.7 times	≤ 3 times

† Being earnings before interest, tax, depreciation and amortisation and also before restructuring costs.

Clearly, the banking facilities are adequate for the current business requirements and offer significant headroom for future growth. We continue to review our banking facilities on an annual basis.

Taxation

The net charge for the year was £1.45 million (2006: £1.12 million) which, after adjusting for goodwill amortisation, timing differences (on US losses not recognised as a deferred asset), impact of UK restructuring costs and withholding tax suffered within the Group, represents an effective tax rate of 19.0% (2006: 21.2%). This improvement is due to the increased proportion of our taxable profits made in Asia.

Pensions

Trifast plc predominantly operates Defined Contribution style schemes (e.g. Stakeholder) and so has not had to report any valuation shortfalls. All scheme payments are up to date and we see no financial exposure to the Group with these schemes.

Our Summary of 2006/07

The financial year 2006/2007 has been marked by a number of positive achievements for our Group, which will open up many career opportunities for all of our staff who wish to progress within the Group.

The introduction of new operational strategies, experienced management teams and the identification of new business opportunities indicates that our future prospects are exciting.

Steve Auld
Chief Executive Officer

Stuart Lawson
Chief Financial Officer
18 June 2007

Corporate Social Responsibility
We recognise that our social, environmental and ethical conduct has an impact upon our reputation. We take our Corporate Social Responsibility (CSR) seriously and are committed to implementing our policies and systems across the Group. These include good ethical behaviour, concern for employee health & safety, care for the environment and community involvement.

The Board takes ultimate responsibility for CSR and is committed to developing and implementing appropriate policies to create and maintain long-term value for shareholders. Sound Company ethics makes business sense by helping to minimise risk, ensuring legal compliance, enhancing Company efficiency and building reputation among stakeholders.

Our full CSR Report can be read on the Group's website www.trifast.com

Business Ethics
We expect all of our business activities to be conducted in accordance with high standards of ethical conduct and full compliance with all applicable national and international laws. We, in turn, apply these standards to all dealings with customers, suppliers, employees and other stakeholders.

Our Code of Business Ethics and Responsible Behaviour provides a guide to the way we achieve our business goals, helping us to behave in an open and ethical manner. This extends to provisions for 'whistle-blowing' whereby employees may report suspected wrongdoings in confidence. Appropriate ethical behaviour is reviewed as part of the Group's performance appraisal process.

We have extended this Code to our vendors/suppliers. This requires our key strategic suppliers to work towards achieving, as a minimum, standards covering such issues as the environment, employee health & safety and the prohibition of child labour. We are ensuring, through business reviews and visits, that our key suppliers are in compliance, thereby encouraging good practice in our supply chain.

We will do our utmost to contract only with subcontractors or suppliers who themselves adhere to international human rights and environmental laws and practices. Trifast commits through review programmes to monitor the ethical performance of its key suppliers and to taking immediate steps in cases where the ethical performance of its key suppliers comes into question.

Health & Safety
The Managing Directors/General Managers appointed by the Board have responsibility for the health & safety and environmental performance of their operational areas. They are assisted by the Health & Safety Manager. Trifast is committed to meeting all relevant health & safety legislation, regulation and Codes of Practice.

The Group Health & Safety Policy places responsibility for the management of health & safety on the individual business unit management who are supported by Health & Safety Advisers where necessary.

All business units provide employees with relevant comprehensive health & safety training and a written health & safety policy.

The Managing Directors/General Managers ensure regular inspections and annual internal audits of health & safety performance and also have regular designated health & safety training. These audits have been successfully reinforced by the use of the British Safety Council. Our health & safety performance and significant risk exposures are reviewed regularly by management and the Board.

Environment
Good environmental practice and the impact that our operations have on the environment are of great importance to Trifast. The main aim of Trifast's Environmental Policy is to comply with all relevant legislation in all areas in which we operate and to adopt responsible environmental practices.

We have established a process for monitoring legislation and acting upon it where necessary. Business units are required to comply with Group policy and local statutory regulations and are committed to setting their own environmental targets such as improving energy efficiency, reducing waste and increasing recycling in conjunction with Group objectives.

In respect of waste management specifically, we use the services of an external professional agency to manage and monitor activities using health check compliance audits and advice on data collection systems. Promoting recycling, we follow the agency's recommendation for appropriate waste disposal.

Group performance and risk reviews are undertaken via Management Review on a regular basis and reported directly to Steve Auld, Chief Executive who has Main Board Responsibility for the Group's Environmental Risk Policy.

Employees

Trifast continues to aim at attracting, retaining and motivating the highest calibre of employees within a structure that encourages their development and initiative. Employees are provided with ongoing learning and development opportunities that are aligned to the Group's strategic and business units' objectives and formal personal development programmes operate where linked to the Group's objectives. All of these processes are reinforced with appropriate remuneration, incentives and are on recognised systems.

Community

Trifast recognises the role local communities play in our businesses. We aspire to be a responsible partner in the communities in which we operate around the world. We encourage all our businesses to support the particular needs of their communities by contributing to local charities and community initiatives.

Communications

We aim to maintain a productive and open dialogue with all interested parties in our business including shareholders, customers, suppliers and employees. We have established customer relations, conduct customer satisfaction surveys, monitor and develop supplier performance and undertake regular employee surveys. We maintain our website as one of the main routes for providing information to interested parties and for contacting us.

The introduction of Works Councils throughout most of our European locations has proved a positive mechanism for staff and management to work together to achieve a constructive working environment that provides a good communication base to share ideas and "Best Practice".

SAFEPOINT
INFORMING THE NEXT GENERATION

"Every Man Woman and Child deserves the right to a safe injection" SafePoint

It is a sad fact that, in many places in the world, not all injections are safe but the public believe that they are.

It is vital that anyone receiving an injection must be responsible along with the health giver to ensure this simple invasive procedure does no harm to either party or the environment.

The public are not aware of the dangers. SafePoint's purpose is to educate as far as possible a new generation of public, and so raise awareness.

In the same way a mother gives advice to her child to not step into the road when traffic is coming, it is equally vital that injections are not received with "blind" faith.

SafePoint promotes a simple message directly to children and they, in turn, tell all!

This is to make sure the syringe is sterile before use, that it is destroyed after use, and it is disposed of in a safe manner.

This is why Trifast is supporting the SafePoint charity. For more information, see the enclosed booklet which has been sponsored by both Trifast and our printers, Jones and Palmer.

DIRECTORS' REPORT

The Directors present their Directors' report and financial statements for the year ended 31 March 2007.

Results and Proposed Dividends
Total Group revenue was £131.95 million (2006: £117.28 million) and the profit for the year before taxation was £5.43 million (2006: £2.55 million). Profit before intangible amortisation, goodwill impairment, IFRS 2 charges and restructuring costs was £8.81 million (2006: £5.69 million).

The Directors recommend a final dividend of 1.66p (2006: 1.48p) per ordinary share to be paid on 17 October 2007 to shareholders registered at the close of business on 29 June 2007 making, with the interim of 0.77p (2006: 0.73p) per ordinary share, a total of 2.43p (2006: 2.21p) per ordinary share for the year. The final dividend has not been included within creditors as it was not approved before the year end.

Dividends paid during the year comprise a final dividend of 1.48p (2006: 1.41p) per ordinary share in respect of the previous year ended 31 March 2006, together with an interim dividend in respect of the year ended 31 March 2007 of 0.77p (2006: 0.73p) per ordinary share.

Principal Activities and Business Review
The principal activity of the Group during the financial year has been that of the manufacture and distribution of industrial fastenings and category 'C' components.

A review of the business activity and future prospects of the Group are covered in the Chairman's Statement and the Directors' Business Review.

This includes that information to be included in the Directors' Report as required by the enhanced business review under s234ZZB of the Companies Act 1985.

A balanced and comprehensive review of the development and performance of the Group and its position at the year end is given on pages 6 to 27. The key performance indicators are given on pages 10 and 11.

A description of the principal risks and undertakings facing the Group are discussed on pages 6, 7, 10, 11 and 88.

Annual General Meeting
The Annual General Meeting will be held on 27 September 2007 at Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW.

Policy and Practice on Payment of Creditors
The Group does not follow any code or standard on payment practice as it is the Group's policy to settle creditors promptly on mutually agreed terms. The terms will vary from supplier to supplier and suppliers will be aware of the terms of payment.

For smaller suppliers where no terms are agreed, payment will normally be made in the month following receipt of goods or services.

The number of days' purchases in trade payables at the end of the financial year for the Company was 40 (2006: 38) and 78 (2006: 69) for the Group.

Directors and Directors' interests
The Directors who held office during the year were as follows:

Chairman (Non-Executive Director)
A V Allen

Executive Directors
S Auld — (Chief Executive Officer — appointed 1 June 2007)
J C Barker — (Chief Executive Officer — resigned 31 May 2007)
G P Budd
S Lawson (Chief Financial Officer)
S Tan

Non-Executive Directors
A G Cripps
E G Hutchinson

The Directors' remuneration and their interests in share capital are shown in the Remuneration Report and notes on pages 34 to 42.

Substantial Shareholdings
As at 31 May 2007, the Company was aware of the following material interests, representing 3% or more of the issued share capital of the Company:

	No. of shares held	% of shares held
Hermes Pension Management	11,680,800	13.79
Gartmore Investment Management Limited	9,148,590	10.80
Axa (Institutional Group)	7,518,327	8.88
Michael C Timms (including family interests)	7,349,760	8.68
Fidelity Investment Management	7,142,858	8.43
Michael J Roberts	5,960,000	7.04
Liontrust Asset Management	5,207,459	6.15
Schroder Investment Management Limited	5,036,321	5.95

Employees
The Group has a policy of offering equal opportunities to employees at all levels in respect of the conditions of work. Throughout the Group it is the Board's intention to provide possible employment opportunities and training for disabled people and to care for employees who become disabled having regard to aptitude and abilities. Further details can be found in our Corporate Social Responsibility Statement which can be found on our website www.trifast.com.

Regular consultation and meetings, formal or otherwise, are held with all levels of employees to discuss problems and opportunities. Information on matters of concern to employees is presented in the in-house letters and publications.

Political and Charitable Contributions
During the year the Group made no political donations (2006: £nil) and various charitable contributions totalling £24,457 (2006: £4,010).

Disclosure of Information to Auditors
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors
In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

M Belton
Company Secretary
Trifast House
Bellbrook Park
Uckfield
East Sussex
TN22 1QW
18 June 2007

THE TR SPIRIT

BOARD OF DIRECTORS

Anthony Allen
Non-Executive Chairman — Aged 58

Anthony joined the Group in January 2003 as a Non- Executive Director and became Chairman on 1 January 2004. He brings extensive corporate experience to the Group gained during a 35 year career with N M Rothschild & Sons Limited.

Eric Hutchinson
Non-Executive Director — Aged 52

Eric trained as an Accountant with Thomas McLintock & Co. (which has since become part of KPMG LLP). He was appointed to the Board as a Non-Executive Director on 21 June 2004. Eric has worked for Spirent plc (formerly Bowthorpe Holdings PLC) since 1983. Before being appointed Group Finance Director of Spirent plc in 2000, he was the Head of Financial Reporting and Control for 12 years. He chairs Trifast's Audit Committee and sits on the Remuneration and Nominations Committees.

Andrew Cripps
Non-Executive Director — Aged 49

Andrew joined as a Non-Executive Director in September 2004. After qualifying as a Chartered Accountant, he joined Rothmans International plc in 1983. He held a number of positions in Europe before becoming Director of Corporate Finance. From 1999 until 2005, he was responsible for acquisitions and then corporate strategy. Andrew is now a Board Member of Swedish Match AB, a multinational consumer products group listed in Stockholm. He chairs Trifast's Remuneration Committee and sits on the Audit and Nominations Committees.

Steve Auld

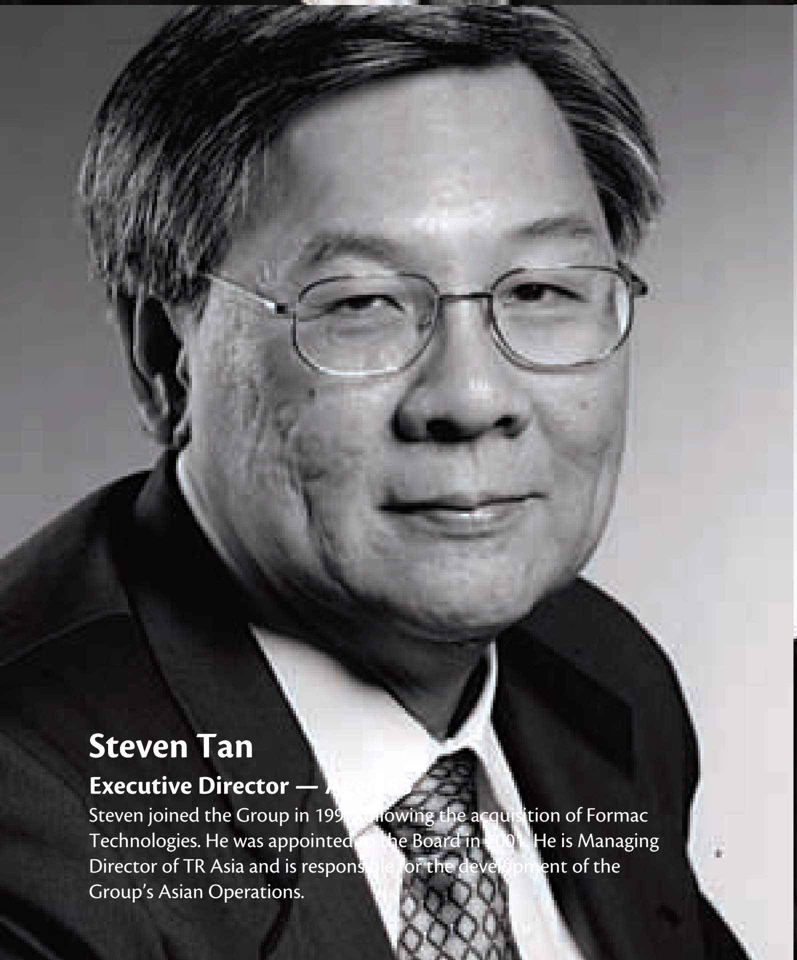
Chief Executive Officer — Aged 47

Steve was appointed Chief Executive Officer on 1 June 2007 having joined the Board on 13 October 2005 following the acquisition of Serco-Ryan. He has spent 25 years in the fastenings industry and has a wealth of commercial experience. Steve joined the Serco-Ryan Board in March 1990 as Sales and Marketing Director and in July 2004, was appointed Managing Director to oversee the reorganisation of the Company. He is also Chairman of the British Association of Fastener Distributors (BAFD) and Vice-President of the European Fastener Distributor Association (EFDA).

Stuart Lawson

Chief Financial Officer — Aged 39

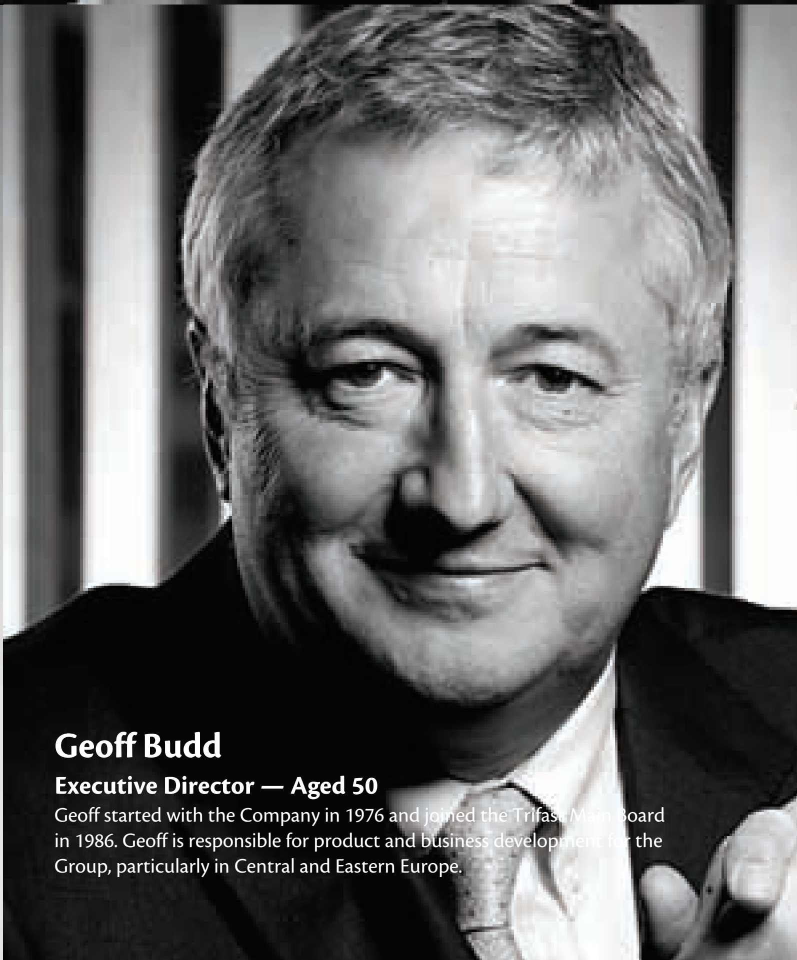
Stuart joined in 1995 as UK Finance Director and Group Company Secretary. He was subsequently appointed to the Trifast Board in 2003. Prior to this Stuart was with KPMG for six years where he qualified as a Chartered Accountant. Before being appointed to the Trifast Board, he held the positions of Group Financial Controller, European Finance Director and Managing Director of the Group's Scandinavian operations. Stuart also has responsibility for Purchasing, Logistics, IT, Legal and HR services.



Steven Tan

Executive Director — Aged 53

Steven joined the Group in 1997 following the acquisition of Formac Technologies. He was appointed to the Board in 2001. He is Managing Director of TR Asia and is responsible for the development of the Group's Asian Operations.



Geoff Budd

Executive Director — Aged 50

Geoff started with the Company in 1976 and joined the Trifast Main Board in 1986. Geoff is responsible for product and business development for the Group, particularly in Central and Eastern Europe.

DIRECTORS' REMUNERATION REPORT

(Information not subject to audit)

The Directors present the Remuneration Report for the year ended 31 March 2007. This report has been prepared in accordance with The Directors' Remuneration Report Regulations 2002 ("the regulations"). The auditors are required to report on the "auditable" part of this report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the regulations). The report is therefore divided into separate sections for audited and unaudited information. In accordance with schedule 7A of the Companies Act, this report has been approved by the Board for approval by shareholders at the forthcoming Annual General Meeting.

Statement of Compliance

The Board has reviewed the Group's compliance with the Combined Code and it is their opinion that throughout the year the Company complied with the Principles and Provisions on remuneration specified in the Combined Code.

Remuneration Committee

The objective of the Remuneration Committee (the Committee) is to develop remuneration strategies that drive performance and provide levels of reward which reflect that performance, both for the Executive Directors and other key Executives. It is also responsible for reviewing the overall remuneration policy for all employees.

The Committee is composed entirely of independent Non-Executive Directors. Its current members are Andrew Cripps (Chairman), Anthony Allen and Eric Hutchinson. Members have no day-to-day involvement in the running of the business and no personal financial interest in the Company other than that of shareholders. No Executive Director sits on the Committee. The Remuneration Committee is formally constituted with written Terms of Reference. A copy of the terms of reference is available to shareholders by writing to the Company Secretary whose details are set out on page 31 of the Report and Accounts.

The Committee had 9 meetings during the year. All members of the Committee at the time attended each meeting.

The Committee is advised on matters relating to Directors as required. It has appointed Halliwell Consulting, an independent executive compensation and share scheme consultancy, to advise on remuneration matters.

The Committee also consults with the Group HR Manager and Company Secretary regarding issues on areas of remuneration and Corporate Governance. With regard to Senior Executives in the Company (excluding Board Directors), the Committee also takes advice from Executive Directors.

Remuneration Policy

During the year the Committee reviewed its remuneration policy to ensure that it continues to motivate, retain and incentivise the key individuals within the Company who are ultimately responsible for driving shareholder value.

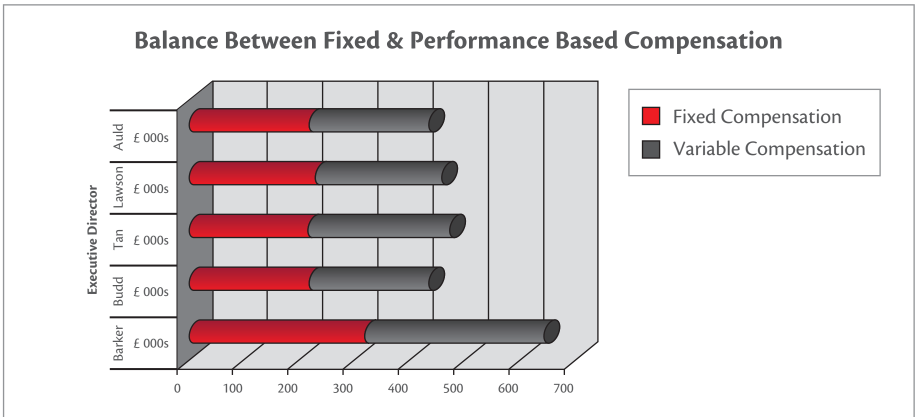
The overriding principles behind the policy are that levels of salary should be competitive and balanced with the opportunity to earn generous rewards from short and long-term incentives to the extent of achievement of stretching performance targets, which lead to the enhancement of shareholder value.

DIRECTORS' REMUNERATION REPORT

(Information not subject to audit)

The chart below demonstrates the balance between fixed and maximum variable performance based pay, assuming all performance conditions are satisfied in full for each Executive Director for the year ended 31 March 2007.

Actual remuneration of the Executives is shown in the table on page 42.



Key
Fixed Compensation — Salary, Pension Contribution, Benefits
Variable Compensation — Maximum Bonus Potential, Expected value of LTIP Award

Components of Remuneration Package
In order to achieve the objectives of the Committee's policy on remuneration, the individual components of an Executive Director's remuneration package are determined as follows:

Base Salary
The policy of the Committee during the year ended 31 March 2007 was to set base salaries around the lower quartile to median of an appropriate comparator group.

Factors taken into account by the Committee when determining base salary levels are:

- Objective research based on a review of the remuneration in UK quoted companies with similar corporate attributes drawn from the following industry sectors:
  - ❑ Support Services
  - ❑ Engineering and Machinery
  - ❑ Electronic and Electrical Equipment
  - ❑ Engineering
- The performance of the individual Executive Director
- Experience and responsibilities of each Executive Director
- Pay and conditions throughout the Group

Salaries are reviewed annually in April. It is the intention of the Committee that base salaries will continue to be competitive with the comparator group.

DIRECTORS' REMUNERATION REPORT

(Information not subject to audit)

Benefits

In line with other companies, benefits are provided in the form of a company car (or car allowance), private medical insurance, permanent health insurance, critical illness cover and life cover at a maximum 13.33 times earnings at date of death. This life cover provides a benefit in the form of a four times salary lump sum and a balance to buy a spouse's annuity. The provision of these benefits is in line with market practice.

Pension

Jim Barker and Steve Auld are members of the Company's non-contributory pension plan. This is an Inland Revenue approved defined contribution scheme. The rate of Company contribution to this scheme is 20% of basic salary. The normal age of retirement is 65 years. Steven Tan is based in Singapore and has a maximum of 20% basic salary paid into a Government enforced retirement savings scheme. Geoffrey Budd and Stuart Lawson do not participate in the Company plan and the Company has agreed to make a contribution of a maximum of 20% of current basic salary into their private pension schemes.

The pension provision is in line with market practice.

Annual Bonus Payment

As part of its recent review of remuneration policy the Committee has made amendments to the annual bonus scheme. These changes ensure that a greater proportion of an Executive's compensation package is linked to deliverable and stretching short-term performance in line with corporate governance best practice.

For the year ended 31 March 2007 the maximum bonus potential is 70% of salary at the start of the financial year. This is the median level of maximum bonus potential within the comparator group. Bonus payments are not pensionable. Performance targets are linked to Earnings per Share ("EPS") growth (up to 50% of salary) and objective personal financial targets (up to 20% of salary), except for the Director responsible for the Far East, Steven Tan, whose bonus is primarily linked to objective local financial targets. For the year ended 31 March 2007 the Committee determined that the following bonuses would be paid, expressed as a percentage of salaries on 31 March 2006:

Jim Barker	70%
Steve Auld	70%
Stuart Lawson	70%
Steven Tan	70%

Bonus targets are reviewed and agreed by the Committee at the beginning of each financial year. The performance measures for the annual bonus are reviewed annually by the Committee to ensure that they are appropriate to the current market conditions and position of the Company, so that they continue to remain challenging. It is the opinion of the Committee that the nature of the performance conditions remain appropriate for the year ending 31 March 2008.

DIRECTORS' REMUNERATION REPORT

(Information not subject to audit)

Long-Term Incentives

Following approval at the 2005 Annual General Meeting, the Company introduced a new long-term incentive arrangement known as the Trifast plc 2005 Long Term Incentive Plan ("LTIP"). Awards under the LTIP are delivered in the form of conditional share awards which will be released in three years dependent on continued employment and the satisfaction of demanding performance targets.

The Company believes that the LTIP is closely aligned to the Group's business strategy and the delivery of performance by Executive Directors. The LTIP is designed to lock in Executive Directors and to motivate them through the opportunity to earn competitive levels of financial reward on the achievement of demanding performance targets linked to the Company's long-term strategy.

Full details of the awards made to Executive Directors under the LTIP are contained in the audited section of this report on page 41.

It should be noted that the Company will not grant any Executive share options to individuals who have been granted awards under the LTIP.

The Executive Directors may also participate in the Trifast Savings Related Share Option Scheme that is open to all UK employees and is Inland Revenue approved. The Scheme offers 3, 5 and 7 year savings contracts which provide an option to purchase shares after maturity at a discount to the share price on the date the contract is taken out. (The maximum discount is 20% of the mid-market price.)

Shareholding Guidelines

The Committee will ensure that Executive Directors are encouraged to build up a meaningful holding in the Company over a five year period. This demonstrates their commitment and confidence in the Company going forward and further aligns the interests of the Executive Directors with those of shareholders.

Contracts

a) Executive Directors

During the year all Executive Directors, except Steven Tan, had rolling service contracts, under which the Company had the right to give 12 months' notice of termination (or payment in lieu) and the Director had also to give 12 months' notice.

Steve Tan was an employee of a Group company until 31 December 2006. Since that date, his services as a Director have been secured through a contract with his wholly owned mangement company, Stan Management Pte Ltd.

The Board is confident that these rolling contracts with a notice period of 12 months (and contractual termination payments) are appropriate for the business and in accordance with best practice Corporate Governance.

The dates of the Executive Directors contracts are:

J C Barker	17 April 2003
G P Budd	17 April 2003
S Tan	1 January 2007
S Lawson	1 January 2003
S Auld	13 October 2005

No Executive Directors held any position, either Executive or Non-Executive, outside the Group during the year.

DIRECTORS' REMUNERATION REPORT

(Information not subject to audit)

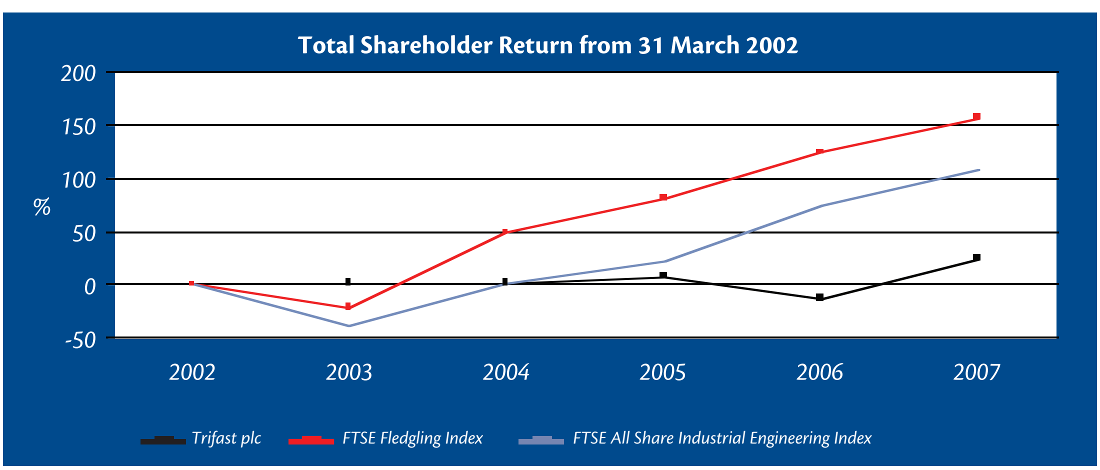
b) Non-Executive Directors
All Non-Executive Directors are paid fees for their services which are determined by the Board as a whole and reviewed against market levels on an annual basis. They are all on annual contracts which are reviewed each year; their original signing dates were as follows:

A V Allen	1 January 2003
E G Hutchinson	21 June 2004
A G Cripps	23 September 2004

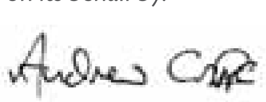
All Non-Executive Directors have one month notice periods and no contractual terminating payments.

Their remuneration is not performance related and is not pensionable. The only other payments made to them are mileage allowances at Inland Revenue rates and expenses for items incurred during the fulfilment of their roles.

c) Performance Graph
In accordance with the Directors' Remuneration Report Regulations 2002, the graph below shows Trifast's total shareholder return compared with the FTSE Actuaries Fledgling Index and the FTSE All-Share Industrial Engineering Index for the last 5 years. The Board considers these Indices to be fair measure of the Company's performance against its competitors.



The Remuneration Report (including accompanying notes) was approved by the Board of Directors on 18 June 2007 and was signed on its behalf by:



Andrew Cripps
Chairman of Remuneration Committee

NOTES TO THE DIRECTORS' REMUNERATION REPORT

(Information subject to audit)

The beneficial interests in the ordinary shares of 5p each in the Company held by the Directors who were in office at the end of the financial year were as follows:

	Number of shares	
	Interest at end of year	Interest at beginning of year
A V Allen	30,000	10,000
S Auld	60,000	50,000
J C Barker	297,350	247,350
G P Budd	235,955	215,955
A G Cripps	50,000	10,000
E G Hutchinson	10,000	10,000
S Lawson	113,626	28,626
S Tan	75,000	—

There were no non-beneficial interests.

The Directors retiring by rotation are Stuart Lawson, Geoff Budd and Anthony Allen who hold one-year rolling service contracts with the Company and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

The rights of the Directors who held office during the financial year to subscribe for ordinary shares of 5p each in the Company, including SAYE options, are as follows:

Number of options

	Date granted	Option price £	At 31 March 2006	Options granted in the year	Options cancelled in the year	Options exercised in the year	**At 31 March 2007**
J C Barker	20 July '98	1.52	120,000	—	—	—	**120,000**
	17 Dec '99	2.51	92,000	—	—	—	**92,000**
	24 July '00	2.69	70,100	—	—	—	**70,100**
	2 July '03	0.65	200,000	—	—	—	**200,000**
	27 Sept '04	0.73	200,000	—	—	—	**200,000**
G P Budd	20 July '98	1.52	120,000	—	—	—	**120,000**
	17 Dec '99	2.51	92,000	—	—	—	**92,000**
	24 July '00	2.69	64,800	—	—	—	**64,800**
	2 July '03	0.65	125,000	—	—	—	**125,000**
	27 Sept '04	0.73	160,000	—	—	—	**160,000**
S Lawson	11 Aug '98	1.52	20,000	—	—	—	**20,000**
	17 Dec '99	2.51	20,000	—	—	—	**20,000**
	24 July '00	2.69	48,600	—	—	—	**48,600**
	7 Aug '01	0.91	25,000	—	—	—	**25,000**
	31 July '02	0.57	75,000	—	—	75,000	**—**
	2 July '03	0.65	75,000	—	—	—	**75,000**
	27 Sept '04	0.73	160,000	—	—	—	**160,000**
	SAYE options	0.50	33,100	—	—	—	**33,100**
S Tan	11 Aug '98	1.52	20,000	—	—	—	**20,000**
	7 Aug '01	0.91	60,000	—	—	—	**60,000**
	31 July '02	0.57	100,000	—	—	100,000	**—**
	2 July '03	0.65	50,000	—	—	50,000	**—**
	27 Sept '04	0.73	160,000	—	—	—	**160,000**
S Auld	SAYE options	0.50	32,200	—	—	—	**32,200**

NOTES TO THE DIRECTORS' REMUNERATION REPORT

(Information subject to audit)

No other Director held share options in the year.

The aggregate gains made by the Directors on the exercise of share options in the year were £52,250. All these options were exercised on the same date when the market price of these shares was £0.82.

The SAYE options for Stuart Lawson were granted on 1 October 2002. They are exercisable in October 2007 at an exercise price of £0.50 per share.

The options granted on 20 July 1998 are exercisable between July 2001 and July 2008 at an exercise price of £1.52 per share.

The options granted on 11 August 1998 are exercisable between August 2001 and August 2008 at an exercise price of £1.52 per share.

The options granted on 17 December 1999 are exercisable between December 2002 and December 2009 at an exercise price of £2.51 per share.

The options granted on 24 July 2000 are exercisable between July 2003 and July 2010 at an exercise price of £2.69 per share.

The options granted on 7 August 2001 are exercisable between August 2004 and August 2011 at an exercise price of £0.91 per share.

The options granted on 31 July 2002 are exercisable between July 2005 and July 2012 at an exercise price of £0.57 per share.

The options granted on 2 July 2003 are exercisable between July 2006 and July 2013 at an exercise price of £0.65 per share.

The options granted on 27 September 2004 are exercisable between September 2007 and September 2014 at an exercise price of £0.73 per share.

The SAYE options for Steve Auld were granted on 1 October 2006. They are exercisable in October 2011 at an exercise price of £0.50 per share.

Options granted before September 2004 (with the exception of SAYE) can only be exercised if the Company's growth based on annualised earnings per share in the period or any 3 consecutive financial years after the grant exceeds RPI plus an average of 2% per annum. Options granted in September 2004 can only be exercisable where the Company's earnings per share growth is at least RPI plus 4% over the three-year period from the date of grant.

The market price of the ordinary shares at 31 March 2007 was £0.80 (2006: £0.58) and the range during the year was £0.48 to £0.87 (2006: £0.42 to £0.81).

The Company's register of Directors' interests, which is open to inspection, contains full details of Directors' shareholdings and options to subscribe.

There have been no other changes in the interests or rights to subscribe for shares of the Directors in the ordinary share capital of the Company since the end of the financial year.

NOTES TO THE DIRECTORS' REMUNERATION REPORT

(Information subject to audit)

Details of the awards made to Executive Directors under the LTIP are shown below:

LTIP Awards over shares of 5p each

Executive Directors	Date of grant	Share price at date of grant	Value of shares conditionally awarded		Date of the end of the holding period
			Number	Value at date of grant	
J C Barker	21.09.2005 31.07.2006	70.00p 54.25p	320,000 450,000	£224,000 £244,125	21.09.2008 31.07.2009
G P Budd	21.09.2005 31.07.2006	70.00p 54.25p	220,000 300,000	£154,000 £162,750	21.09.2008 31.07.2009
S Tan	21.09.2005 31.07.2006	70.00p 54.25p	220,000 300,000	£154,000 £162,750	21.09.2008 31.07.2009
S Lawson	21.09.2005 31.07.2006	70.00p 54.25p	220,000 300,000	£154,000 £162,750	21.09.2008 31.07.2009
S Auld	31.07.2006	54.25p	300,000	£162,750	31.07.2009

Performance Condition — The release of LTIP Awards is dependent upon the average growth of the Company's return on capital employed ("ROCE") over the three-year holding period. The table below sets out the vesting schedule for the LTIP Award at the date of grant:

Average ROCE over 3 year holding period	Percentage of LTIP Award released.
Below 12%	0%
12%	25%
13%	37.5%
14%	50.0%
15%	62.5%
16%	75.0%
17%	87.5%
18%	100.0%

Straight-line vesting between points.

In addition, LTIP Awards will only be released if the Company's comparative total shareholder return is at least at the median of the total shareholder return of the companies comprising the FTSE All Share Index at the date of grant over the holding period.

NOTES TO THE DIRECTORS' REMUNERATION REPORT

(Information subject to audit)

Directors' Remuneration

MARCH 2007

Name	Fees £000	Salaries £000	Bonus £000	Benefits in kind £000	Restructuring cost[2] £000	Subtotal £000	Pension £000	Total £'000
Chairman								
A V Allen	65	—	—	—	—	65	—	65
Executive Directors								
J C Barker (resigned 31.5.07)	—	250	175	18	360	803	50	853
G P Budd	—	167	—	19	—	186	33	219
S Tan[1]	51	152	122	10	—	335	1	336
S Lawson	—	177	124	18	—	319	35	354
S Auld	—	167	117	18	—	302	33	335
Other Non-Executive Directors								
E G Hutchinson	32	—	—	—	—	32	—	32
A G Cripps	32	—	—	—	—	32	—	32
Totals	180	913	538	83	360	2,074	152	2,226

MARCH 2006

Name	Fees £000	Salaries £000	Bonus £000	Benefits in kind £000	Subtotal £000	Pension £000	Total £'000
Chairman							
A V Allen	60	—	—	—	60	—	60
Executive Directors							
J C Barker	—	230	34	18	282	46	328
G P Budd	—	162	12	19	193	25	218
S Tan[1]	—	186	84	12	282	2	284
S Lawson	—	168	23	18	209	31	240
S Auld (appointed 13.10.05)	—	69	10	8	87	13	100
Other Non-Executive Directors							
E G Hutchinson	28	—	—	—	28	—	28
A G Cripps	28	—	—	—	28	—	28
Totals	116	815	163	75	1,169	117	1,286

[1] The amounts shown for Steven Tan are translated using the average exchange rate for the period as he is paid in Singapore dollars.
[2] The restructuring cost for J C Barker is a provision for compensation for loss of office following his stepping down from the Board on 31 May 2007.

CORPORATE GOVERNANCE

Throughout the year to 31 March 2007, the Company complied with the provisions of the revised Combined Code on corporate governance issued by the Financial Reporting Council in July 2003 (as amended) ("the Combined Code").

The structure of the Board and its standing committees is as follows:

The Board

Currently the Board consists of four Executive Directors, two Non-Executive Directors and a Chairman. All Non-Executive Directors are considered to be independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement for the purposes of the Code. The Chairman is also considered by the Board to be independent. The Non-Executive Directors, excluding the Chairman, met once during the year without the Executive Directors being present.

The Senior Independent Non-Executive Director was Eric Hutchinson who was chosen due to his Executive Board experience with other companies.

All the Non-Executive Directors have the authority to meet with shareholders without first seeking approval from the Chief Executive or the Chairman.

The Board met 10 times during the period with attendance as follows:

A V Allen	10
J C Barker (resigned 31.5.07)	10
S Lawson	10
G P Budd	9
S Auld	10
E G Hutchinson	10
A G Cripps	9
S Tan (non-UK based)	2

Steven Tan is principally based in Asia and, hence, cannot readily attend all Board Meetings. However, he discusses all major issues with the Chief Executive by telephone before each Board Meeting.

Upon appointment the Directors are required to seek election at the first AGM following appointment. All Directors are required to submit themselves for re-election at regular intervals and at least every 3 years.

The Company has separate posts of Chairman and Chief Executive. The Chairman leads the Board and the Chief Executive is responsible for the management of the Company, implementing policies and strategies determined by the Board.

The Board has for many years had a significant Non-Executive membership. The Non-Executive Directors have full access to the external auditors and to management and there is a formal procedure for Directors to obtain independent professional advice in the furtherance of their duties should this be necessary. All Directors have access to the advice and services of the Company Secretary.

Appropriate and relevant training is provided to the Directors as and when required.

The Board meets a minimum of 10 times per year, and is supplied as early as practicable with an agenda and appropriate papers. Further ad hoc meetings of the Board are held as and when required. Directors are appointed by the Board on recommendation from the Nominations Committee. The Board monitors the financial performance of the Group, and approves and reviews major projects and acquisitions. The Board has formally adopted a schedule of matters which are reserved to the Board for decision, thus ensuring that it maintains control over appropriate strategic, financial, organisation and compliance issues.

The Board undertakes annual evaluation of its own performance and that of its Committees using questionnaires and continues to train and evaluate Senior Managers below Board level in order to maintain its continuous succession policy.

Eric Hutchinson and Andrew Cripps were appointed using an independent recruitment consultant.

The Board has delegated specific responsibilities to Committees, as described below:

The Audit Committee
The Audit Committee consists entirely of independent Non-Executive Directors. It is chaired by Eric Hutchinson and has met twice in the year. It provides a line of communication between the Board and the external auditors. The Committee reviews the Group's interim and annual financial statements before submission for approval by the Board, reviews the effectiveness of internal controls and considers any matters raised by the auditors.

The Committee is considered adequately qualified with all members having strong financial backgrounds and the Chairman (Eric Hutchinson) is a qualified FCCA currently working in industry as a Group Finance Director.

For remuneration details see the tables on page 42.

It is Group policy to ensure auditor independence by carefully considering any non-audit work carried out by the auditors. The Group uses a number of accounting advisers and has a specific policy not to use current auditors for any accounts preparation work.

During the period the Committee felt that given the size of the Group it was valuable having the Group Chairman attending the committee meetings.

The Remuneration Committee
The Remuneration Committee comprises independent Non-Executive Directors and is chaired by Andrew Cripps. They meet as required during the year to review and determine the terms and conditions of employment of the Executive Directors and senior management, including levels of remuneration and other benefits. During the period the Committee met on nine occasions.

The Nominations Committee
The Nominations Committee comprises all the Non-Executive Directors and the Chief Executive and meets at least once a year. The Committee is responsible for reviewing the Board structure, size and composition and for nominating candidates for Executive and Non-Executive positions. It will also ensure that any newly appointed Director receives a full and proper induction into the Company's affairs.

Shareholder relations
The Group has a website, which is continually updated to ensure that shareholders are fully aware of the Group's activities — www.trifast.com. The Group's registrar, Computershare, is also linked into the Trifast website and offers services for the shareholders.

The members of the Audit, Remuneration and Nomination Committees will normally be available to speak to shareholders at the AGM. In addition, shareholders can contact them at any time by writing to Trifast plc, Trifast House, Bellbrook Park, Uckfield, TN22 1QW.

CORPORATE GOVERNANCE

Going Concern Report

After making enquiries, the Directors have reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal Control

The Combined Code requires that Directors review the effectiveness of the Group's system of internal controls which includes controls over financial, operational, compliance and risk management. The Audit Committee has reviewed the effectiveness of the system of internal control and reported its positive conclusions to the Board.

In addition, the Board takes required account of the significance of social, environmental and ethical matters in regard to the business of the Group and seeks to take an ethical view of its responsibilities in providing business opportunities.

Further details can be found in our Corporate Social Responsibility Statement which can be found on our website, www.trifast.com.

The Board has overall responsibility for the Group's controls. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss regarding;

- The safeguarding of assets against unauthorised use or disposition.
- The maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

The key elements of the system are as follows:

- Full detailed reviews of the business risks undertaken as part of the ongoing day-to-day procedures of the business.
- An organisational structure with clearly defined lines of responsibility and delegation of authority.
- Group policies for financial reporting, accounting, financial risk management, information security, capital expenditure appraisal and Corporate Governance are all well documented.
- Detailed annual budgets are prepared for all operating units and reviewed/approved by the Board.
- Regular "Healthcheck" reviews are undertaken at each site to cover both operational and financial controls.
- Performance against budget is monitored closely and material variances reported to the Board on a monthly basis.
- The control system is operated with the full co-operation of all Company Directors in a controlled manner. Risk assessments are done at all levels from local divisional right up to Main Board with the summaries all being fed up to Main Board for review.
- The Audit Committee deals with significant control issues raised by the external auditors.
- Well-structured reporting lines to the Board. There is a formal schedule of matters specifically reserved for decisions by the Board.
- Investment approval, controlled by the budgetary process with authorisation levels in place. Any single capital expenditure over £20,000 goes to the Board with detailed written proposals and financial analysis of expected returns.

A formalised internal review process has been set up to routinely review the operational and financial controls within the Group. These reviews are conducted by senior personnel who are independent from the entity which is under review. Whilst the Board recognises this does not constitute a fully independent internal audit function, it believes that due to the size of the Group this process provides appropriate comfort as to the operational and financial controls in place.

The Board and Audit Committee continually review the effectiveness of the Group's internal control systems. No significant failings or weaknesses were identified as a result of this review process. As such, the Board and Audit Committee are comfortable that they meet the requirements of the Turnbull Report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The Directors are responsible for preparing the Annual Report and Accounts and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the Parent Company financial statements in accordance with IFRSs as adopted by the EU and applicable law.

The Group and Parent Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and the Parent Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable laws and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with the law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF TRIFAST plc

KPMG

KPMG Audit Plc
1 Forest Gate
Brighton Road
Crawley
RH11 9PT
United Kingdom

Independent Auditors' Report to the members of Trifast plc
We have audited the Group and Parent Company financial statements (the "financial statements") of Trifast plc for the year ended 31 March 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors
The Directors' responsibilities for preparing the Annual Report and Accounts and the Directors' Remuneration Report, in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, are set out in the Statement of Directors' Responsibilities on page 46.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Directors' Business Review that is cross-referenced from the Principal Activities and Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF TRIFAST plc

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion
In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 March 2007 and of its profit for the year then ended;

- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, as applied in accordance with the provisions of the Companies Act 1985 of the state of the Parent Company's affairs as at 31 March 2007;

- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and

- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
18 June 2007

CONSOLIDATED INCOME STATEMENT

for year ended 31 March 2007

	Note	2007 £000	2006 £000
Revenue	2	**131,946**	117,282
Cost of sales		**(97,224)**	(88,150)
Gross profit		**34,722**	29,132
Other operating income	4	**220**	238
Distribution expenses		**(2,868)**	(3,774)
Administrative expenses before the following items:		**(22,336)**	(19,218)
Goodwill impairment	12	**—**	(786)
IFRS 2 charge		**(213)**	(121)
Intangible amortisation	12	**(274)**	(121)
Restructuring costs	2, 5	**(2,894)**	(2,108)
Total administration costs		**(25,717)**	(22,354)
Operating profit	2, 5, 6, 7	**6,357**	3,242
Financial income	8	**144**	54
Financial expenses	8	**(1,175)**	(743)
Net financing costs		**(1,031)**	(689)
Share of profit of associate	14	**100**	—
Profit before tax		**5,426**	2,553
Taxation	9	**(1,453)**	(1,115)
Profit for the year			
(attributable to equity shareholders of the Parent Company)		**3,973**	1,438
Earnings per share			
Basic	25	**4.70p**	1.86p
Diluted	25	**4.70p**	1.85p
Dividends			
Final proposed 2007 — 1.66p (2006: 1.48p)	24	**1,406**	1,249
Interim paid 2007 — 0.77p (2006: 0.73p)	24	**650**	616

All amounts in the income statement are derived from continuing operations for the current and prior year.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE
for year ended 31 March 2007

		Group		Company	
		2007	2006	**2007**	2006
	Note	**£000**	£000	**£000**	£000
Foreign exchange translation differences		**(1,511)**	1,470	**—**	—
Net gain on hedge of net investment in foreign subsidiary		**14**	4	**—**	—
Net (expense)/income recognised directly in equity	24	(1,497)	1,474	—	—
Profit for the year	24	**3,973**	1,438	**2,449**	893
Total recognised income for the year	24	**2,476**	2,912	**2,449**	893

BALANCE SHEETS

at 31 March 2007

		Group		Company	
		2007	2006	2007	2006
	Note	£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	10, 11	**8,324**	9,208	**2,776**	2,887
Intangible assets	12, 13	**23,316**	24,591	**16**	29
Investment in associate	14	**2,836**	—	**2,736**	—
Equity investments	14	**—**	—	**28,920**	27,828
Deferred tax assets	15, 16	**350**	573	**—**	—
Total non-current assets		**34,826**	34,372	**34,448**	30,744
Current assets					
Stocks	17	**25,611**	25,123	**—**	—
Trade and other receivables	18	**28,109**	30,070	**4,088**	3,807
Cash and cash equivalents	19, 26	**6,757**	6,524	**5,256**	5,208
Total current assets		**60,477**	61,717	**9,344**	9,015
Total assets	2	**95,303**	96,089	**43,792**	39,759
Current liabilities					
Bank overdraft	19, 26	**287**	272	**3,187**	1,513
Other interest-bearing loans and borrowings	20, 26	**2,795**	3,008	**1,696**	1,764
Trade and other payables	21	**24,181**	24,404	**2,749**	1,033
Tax payable		**192**	365	—	—
Contingent consideration	3	**—**	562	—	562
Deferred consideration	3	**—**	2,000	—	2,000
Provisions	23	**1,624**	242	**475**	—
Total current liabilities		**29,079**	30,853	**8,107**	6,872
Non-current liabilities					
Other interest-bearing loans and borrowings	20, 26	**16,394**	15,950	**13,047**	10,989
Provisions	23	**1,096**	1,215	**—**	—
Deferred tax liabilities	15, 16	**509**	826	**189**	314
Total non-current liabilities		**17,999**	17,991	**13,236**	11,303
Total liabilities		**47,078**	48,844	**21,343**	18,175
Net assets	2	**48,225**	47,245	**22,449**	21,584
Equity attributable to equity holders of the parent					
Share capital	24	**4,236**	4,219	**4,236**	4,219
Share premium	24	**12,046**	11,873	**12,046**	11,873
Reserves	24	**(626)**	871	**2,786**	2,786
Retained earnings	24	**32,569**	30,282	**3,381**	2,706
Total equity	24	**48,225**	47,245	**22,449**	21,584

These financial statements were approved by the Board of Directors on 18 June 2007 and were signed on its behalf by:

Steve Auld
Director

Stuart Lawson
Director

CASH FLOW STATEMENTS
for year ended 31 March 2007

	Note	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Cash flows from operating activities					
Profit for the year		**3,973**	1,438	**2,449**	893
Adjustments for:					
Depreciation, amortisation and impairment		**1,445**	2,124	**138**	125
Financial income		**(144)**	(54)	**(312)**	(186)
Financial expense		**1,175**	743	**791**	383
Gain on sale of property, plant and equipment and investments		**(7)**	(24)	**—**	—
Dividends received		**—**	—	**(5,550)**	(5,000)
Write-off investment		**—**	—	**—**	1,852
Equity settled share-based payment expenses		**213**	121	**125**	84
Profit from Associate		**(100)**	—	**—**	—
Taxation		**1,453**	1,115	**(123)**	18
Operating profit before changes in working capital and provisions		**8,008**	5,463	**(2,482)**	(1,831)
Change in trade and other receivables		**973**	(691)	**(280)**	(37)
Change in stock		**(1,066)**	1,073	**—**	—
Change in trade and other payables		**72**	(50)	**35**	24
Change in provisions		**1,262**	1,243	**475**	—
Cash generated from the operations		**9,249**	7,038	**(2,252)**	(1,844)
Tax paid		**(1,668)**	(1,738)	**—**	—
Net cash from operating activities		**7,581**	5,300	**(2,252)**	(1,844)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**64**	17	**—**	—
Interest received		**145**	52	**311**	186
Proceeds from sales of investments		**—**	144	**—**	—
Acquisition of subsidiary and associates, net of cash acquired	3	**(4,761)**	(16,719)	**(4,850)**	(14,892)
Acquisition of property, plant and equipment	10, 11	**(683)**	(1,150)	**(14)**	(126)
Dividends received		**—**	—	**5,550**	5,000
Net cash from investing activities		**(5,235)**	(17,656)	**997**	(9,832)

CASH FLOW STATEMENTS (continued)
for year ended 31 March 2007

		Group		Company	
		2007	2006	2007	2006
	Note	£000	£000	£000	£000
Cash flows from financing activities					
Proceeds from the issue of share capital	24	**190**	8,274	**190**	8,274
Expenses for issue of share capital	24	**—**	(375)	**—**	(375)
Proceeds from new loan		**3,799**	11,200	**3,799**	11,200
Repayment of borrowings		**(2,810)**	(2,103)	**(1,741)**	(947)
Dividends paid	24	**(1,899)**	(1,630)	**(1,899)**	(1,630)
Interest paid		**(1,090)**	(618)	**(720)**	(241)
Net cash from financing activities		**(1,810)**	14,748	**(371)**	16,281
Net change in cash and cash equivalents		**536**	2,392	**(1,626)**	4,605
Cash and cash equivalents at 1 April		**6,252**	3,622	**3,695**	(910)
Effect of exchange rate fluctuations on cash held		**(318)**	238	**—**	—
Cash and cash equivalents at 31 March	19	**6,470**	6,252	**2,069**	3,695

NOTES
(forming part of the financial statements)

1 **Accounting policies**

a) Significant accounting policies

Trifast (the Company) is a company incorporated in the United Kingdom. The registered office details are on page 98.

The Group financial statements consolidate those of the Company, its subsidiaries and the Group's interest in the associate (together referred to as the "Group"). The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

Statement of Compliance

Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

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

Adopted IFRS not yet applied

The following Adopted IFRSs were available for early application but have not been applied by the Group in these financial statements:

- IFRS 7 'Financial instruments: Disclosure' applicable for years commencing on or after 1 January 2007.

  The application of IFRS 7 in the current year would not have affected the balance sheets or income statement as the standard is concerned only with disclosure. The Group plans to adopt it in the year ending 31 March 2008.

Effect of adoption of amendments to IAS 39 and IFRS 4

- Amendments to IAS 39 and IFRS 4 in relation to financial guarantee contracts applicable for periods commencing on or after 1 January 2006.

  As the Company considers its intra-group guarantees as insurance contracts, the amendments have not affected the balance sheet or income statement in the current year.

- Amendments to IAS 39 in relation to the fair value option applicable for periods commencing on or after 1 January 2006 and the consequential amendments to IAS 32 in relation to disclosures in respect of financial assets and financial liabilities designated as fair value through profit or loss.

  The application of the amendment to IAS 39 in the current year has not had a significant affect on the balance sheets or income statement. The consequential amendments to IAS 32 introduced at the same time have also not affected the balance sheets or income statement as they are concerned only with disclosure.

1 Accounting policies (continued)

b) Basis of preparation

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

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

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

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

c) Basis of consolidation

i) Subsidiaries

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

ii) Associates

Associates are those entities in which the Group has the power to exercise significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised income and expense of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

iii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

d) Foreign currency

i) Foreign currency transactions

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

1 Accounting policies (continued)

ii) Financial statements of foreign operations

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

Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity, the translation reserve. They are released into the income statement upon disposal.

e) Hedge of net investment in foreign operations

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

f) Property, plant and equipment

i) Owned assets

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

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

ii) Depreciation

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

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

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

iii) Leased assets

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

1 Accounting policies (continued)

iv) Subsequent costs

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

g) Intangible assets

i) Goodwill

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

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

Goodwill arising on acquisitions before 1 April 1998 was written off to reserves in the year of acquisition. Under IFRS 1 and IFRS 3, this goodwill will now remain eliminated against reserves. Goodwill arising on acquisitions after 1 April 1998 but before 31 March 2004 is included on the basis of its deemed cost, which represents the amortised amount recorded under UK GAAP as at 31 March 2004. The classification and accounting treatment of business combinations that occurred prior to 1 April 2004 has not been reconsidered in preparing the Group's year end balance sheets.

Decreases in goodwill resulting from the non-payment of contingent consideration are recognised in the period when non payment occurs.

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

ii) Other intangible assets

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

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

iii) Subsequent expenditure

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

iv) Amortisation

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

1 Accounting policies (continued)

The estimated useful lives of other intangibles are as follows:

Customer relationships	—	12.5% per annum
Other	—	20.0% per annum

h) Investments in equity securities and associates

Investments in subsidiaries and associates are held in the Company balance sheet at historic cost net of any impairment.

i) Trade and other receivables

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

j) Stocks

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

k) Cash and cash equivalents

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

l) Impairment

The carrying amounts of the Group's assets, other than stocks (see accounting policy j), employee benefit assets (see accounting policy o) and deferred tax assets (see accounting policy t), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy l(i)). Financial assets are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

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

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

1 Accounting policies (continued)

i) Calculation of recoverable amount

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

ii) Reversals of impairment

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. An impairment loss in respect of goodwill is not reversed. An impairment loss on any other asset is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

m) Share capital — Dividends

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

n) Interest-bearing borrowings

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

o) Employee benefits

i) Defined contribution plans

The Group operates Defined Contribution Pension Schemes which include stakeholder pension plans. The assets of these schemes are held separately from those of the Group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

ii) Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Parent Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial lattice model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. IFRS 2 has been applied, in accordance with IFRS 1, to equity settled share options granted after 7 November 2002 and not vested at 1 April 2005.

iii) Termination benefits

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

1 **Accounting policies (continued)**

p) Provisions

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

i) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

ii) Dilapidations

A provision for dilapidations is recognised when expected costs become more likely than not and can be estimated reliably.

iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

q) Trade and other payables

Trade and other payables are stated at cost.

r) Revenue

Revenue from the sale of goods rendered is recognised net of VAT in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer. In accordance with normal practice, this will be on dispatch of goods.

s) Expenses

i) Operating lease payments

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

ii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested. Interest income is recognised in the income statement as it accrues, using the effective interest method.

t) Taxation

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

1 Accounting policies (continued)

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

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

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

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

u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group operates in a number of geographical economic environments. These economic environments are subject to different risks and rewards and the results are shown by different geographical segments. The Company only operates in one business segment being the manufacture and logistical supply of industrial fasteners and category 'C' components.

v) Financial guarantee contracts

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

w) Earnings per share

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

2 Segmental analysis

Segment information, as discussed above, is presented in the consolidated financial statements in respect of the Group's geographical segments. This reflects the Group's management and internal reporting structure.

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

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

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Geographical segments

The Group is composed of the following main geographical segments:

Europe/America:	includes UK, Norway, Sweden, France, Hungary, Southern Ireland, Holland, Turkey, Poland, United States and Mexicp
Asia:	includes Malaysia, China, Singapore and Taiwan

In presenting information on the basis of geographical segments, segment revenue and segment assets are based on the geographical location of our entities across the world.

	Europe/USA		Asia		Central		Group	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Revenue*								
Revenue from external customers	**106,307**	96,132	**25,639**	21,150	**—**	—	**131,946**	117,282
Inter segment revenue	**4,664**	5,082	**3,543**	4,033	**—**	—	**8,207**	9,115
Total revenue	**110,971**	101,214	**29,182**	25,183	**—**	—	**140,153**	126,397
Segment result before items listed below	**6,057**	3,856	**5,752**	4,022	**(2,184)**	(1,621)	**9,625**	6,257
Goodwill impairment	**—**	(786)	**—**	—	**—**	—	**—**	(786)
Intangible amortisation	**(274)**	(121)	**—**	—	**—**	—	**(274)**	(121)
Restructuring costs	**(2,324)**	(2,108)	**—**	—	**(570)**	—	**(2,894)**	(2,108)
Operating profit/(loss) before financing costs	**3,459**	841	**5,752**	4,022	**(2,754)**	(1,621)	**6,457**	3,242
Net financing costs							**(1,031)**	(689)
Profit on ordinary activities before taxation							**5,426**	2,553
Taxation							**(1,453)**	(1,115)
Profit for the year							**3,973**	1,438

2 **Segmental analysis (continued)**

	Europe/USA		Asia		Central		Group	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Assets and liabilities								
Segment assets	**59,667**	70,003	**24,744**	24,056	**10,892**	2,030	**95,303**	96,089
Segment liabilities	**(18,892)**	(27,178)	**(8,521)**	(9,997)	**(19,665)**	(11,669)	**(47,078)**	(48,844)
Segment net assets/(liabilities)	**40,775**	42,825	**16,223**	14,059	**(8,773)**	(9,639)	**48,225**	47,245

* Of the Asian external revenue, £4.9 million was sold into the American market and £1.5 million sold into the European market.

There was no material difference in the European and American regions between the external revenue based on location of the entities and the location of the customers.

Revenue is derived solely from the manufacture and logistical supply of industrial fasteners and category 'C' components and therefore considered to be only one business segment.

The share of the Associate Techfast (based in Malaysia) has been included in the Asia segment and not shown separately.

	Europe/USA		Asia		Central		Group	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Cash flows								
Operating activities								
Segment cash flow	**8,031**	5,346	**1,234**	1,813	**(1,684)**	(1,859)	**7,581**	5,300
Investing activities								
Segment cash flow	**677**	(2,077)	**(791)**	(580)	**(5,121)**	(14,999)	**(5,235)**	(17,656)
Financing activities								
Segment cash flow	**(1,183)**	(1,525)	**(257)**	(8)	**(370)**	16,281	**(1,810)**	14,748
Capital expenditure								
Segment cash flow	**354**	266	**315**	758	**14**	126	**683**	1,1503

3 Acquisition of subsidiaries

Serco-Ryan Ltd

On 13 October 2005, the Company acquired all the shares in Serco-Ryan Ltd for £15.17 million (net of fees) and took on the assumed overdraft of £1.83 million. This was satisfied in cash and deferred consideration. The Company distributes fasteners, cutting tools and industrial consumables. In the five and a half months to 31 March 2006 the subsidiary contributed net profit before restructuring costs of £0.99 million to the consolidated net profit for the year. If the acquisition had occurred on 1 April 2005, Group revenue would have been approximately £135.00 million and net profit before restructuring costs and goodwill impairment would have been approximately £6.35 million in the year ended 31 March 2006.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

	Acquiree's book values £000	Fair value adjustments £000	Carrying amounts £000
Property, plant and equipment	632	(124)	508
Intangible assets	—	2,090	2,090
Deferred tax liability on intangible asset (note 15)	—	(627)	(627)
Stocks	4,220	(168)	4,052
Trade and other receivables	6,839	(470)	6,369
Overdraft	(1,831)	—	(1,831)
Trade and other payables	(5,022)	(21)	(5,043)
Deferred tax asset (note 15)	—	347	347
Net identifiable assets and liabilities	4,838	1,027	5,865
Goodwill on acquisition			10,288
Consideration paid (including fees of £984,000), satisfied/to be satisfied in cash			16,153
Overdraft acquired			1,831
Consideration deferred			(2,000)
Net cash outflow for 2006			15,984

The final deferred consideration of £2 million was reduced by £5,000 and was paid in October 2006. It was settled in cash.

Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisition. The value of assets and liabilities recognised on acquisition are their fair values.

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 represents the value of the workforce acquired and the future synergistic benefits of the combination of Serco-Ryan Ltd and TR Fastenings Ltd and has been reduced to £10,283,000 during the year ended 31 March 2007 to reflect the reduced deferred consideration above now paid.

3 Acquisition of subsidiaries (continued)

TR Keba Ltd

On 1 February 2006, the Company acquired all the shares in Keba Ltd (Turkey) for a maximum consideration of £1.24 million (net of fees), satisfied in cash of £0.68 million at date of acquisition and contingent consideration of £0.56 million payable in February 2007 subject to performance criteria. The Company distributes fasteners. In the 2 months to 31 March 2006 the subsidiary contributed net profit of £0.5 million to the consolidated net profit for the year. If the acquisition had occurred on 1 April 2005, Group revenue would have been approximately £118.00 million and net profit before restructuring costs and goodwill impairment would have been approximately £5.51 million.

During the year ended 31 March 2007 the contingent consideration performance criteria was not met and therefore the amount of £0.56 million was not paid.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Acquiree's book values £000	Fair value adjustments £000	Carrying amounts £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	39	—	39
Stocks	29	—	29
Trade and other receivables	340	—	340
Cash and cash equivalents	4	—	4
Trade and other payables	(332)	—	(332)
Net identifiable assets and liabilities	80	—	80
Goodwill on acquisition			1,221
Consideration paid (including legal fees of £64,000), satisfied/to be satisfied in cash			1,301
Cash acquired			(4)
Consideration deferred			(562)
Net cash outflow for 2006			735

Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisition. The value of assets and liabilities recognised on acquisition are their fair values.

Goodwill is the excess of the purchase price over the fair value of the net assets acquired and it is not deductible for tax purposes. It represents the value of the workforce acquired and the future synergistic benefits of the combination of Keba Ltd and the Trifast Group. The potential customer and supply relationships were not deemed significant enough to meet the criteria for recognition as an intangible asset at the date of acquisition.

3 Acquisition of subsidiaries (continued)

During the year ended 31 March 2007 the goodwill has been reduced by £0.56 million to £0.69 million to reflect the reduced contingent consideration not paid.

	Group		Company	
	2007	2006	**2007**	2006
Net cash outflow	**£000**	£000	**£000**	£000
Cash flows from investing activity				
Serco-Ryan Ltd (acquisition)	**1,995**	15,984	**1,995**	14,153
Keba Ltd (acquisition)	**—**	735	**—**	739
	1,995	16,719	**1,995**	14,892

4 Other operating income

	2007	2006
	£000	£000
Net gain on disposal of property, plant and equipment	**7**	24
Other	**213**	214
	220	238

5 Expenses and auditors' remuneration

Included in profit for the year are the following:

	2007	2006
	£000	£000
Depreciation	**1,171**	1,217
Amortisation	**274**	121
Impairment loss on goodwill	**—**	786
Forex (gains)/losses	**(47)**	71
Restructuring costs — included in administrative expenses	**2,894**	2,108

Restructuring costs comprise £1.4 million redundancy payments, £0.4 million for compensation of loss of office and £1.1 million other restructuring costs, largely the result of the closure of our French site.

5 Expenses and auditors' remuneration (continued)

Auditors' remuneration:

	2007 £000	2006 £000
Audit of these financial statements	42	43
Audit of financial statements of subsidiaries pursuant to legislation	183	207
Other services relating to taxation	65	61
Services relating to corporate finance transactions entered into by the Company	—	267
All other services	28	26

Auditors' remuneration for services relating to corporate finance transactions of £nil (2006: £267,000) have been included in the consideration paid on acquisition of subsidiaries (note 3).

6 Staff numbers and costs

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

	Number of employees Group		Number of employees Company	
	2007	2006	2007	2006
Office and management	82	80	14	13
Manufacturing	291	292	—	—
Sales and distribution	777	780	—	—
	1,150	1,152	14	13

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Wages and salaries (including bonus)	20,250	18,390	1,608	1,053
Share-based payments	213	121	125	76
Social security costs	1,861	1,752	140	121
Other pension costs	1,133	1,134	169	138
	23,457	21,397	2,042	1,388

7 Directors' emoluments

	2007 £000	2006 £000
Directors' emoluments	1,631	1,148
Company contributions to money purchase pension plans	152	117
Amounts paid to third parties in respect of Directors' services	83	21
Compensation for loss of office	360	—
	2,226	1,286

The emoluments of individual Directors are shown in the Remuneration Report on page 42.

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director (excluding compensation for the loss of office of £360,000) was £443,000 (2006: £282,000), and Company pension contributions of £50,000 (2006: £46,000) were made to a money purchase scheme on his behalf.

	Number of Directors 2007	Number of Directors 2006
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	4	4
The number of Directors who exercised share options was	2	1

See pages 34 to 42 of the Remuneration Report and notes for more details.

Directors' rights to subscribe for shares in the Company are indicated in the Remuneration Report.

8 Financial income and expense

	2007 £000	2006 £000
Interest income	144	54
Interest expense	1,175	743

9 Taxation

Recognised in the income statement

	2007 £000	2006 £000
Current UK tax expense		
Current year	300	26
Double taxation relief	(103)	(26)
Adjustments for prior years	3	(39)
	200	(39)
Current tax on foreign income for the year	1,431	1,199
Adjustments for prior years	(92)	(35)
	1,339	1,164
Total current tax	1,539	1,125
Deferred tax expense (note 15)		
Origination and reversal of temporary differences	(26)	9
Adjustments for prior years	(60)	(19)
	(86)	(10)
Total tax in income statement	1,453	1,115

Reconciliation of effective tax rate and tax expense

	2007 £000	ETR %	2006 £000	ETR %
Profit before tax	5,426		2,553	
Tax using the UK corporation tax rate of 30% (2006: 30%)	1,628	30	766	30
Goodwill impairment	—	—	236	9
Non-deductible expenses	340	6	465	18
IFRS 2 Share Option Charge	(73)	(1)	51	2
Associate Tax	(30)	—	—	—
Deferred tax assets not recognised	548	10	193	8
Different tax rates on overseas earnings	(811)	(15)	(503)	(20)
Over provided in prior years	(149)	(3)	(93)	(4)
Total tax in income statement	1,453	27	1,115	43

10 Property, plant and equipment — Group

	Land and buildings £000	Leasehold improvements £000	Plant and equipment £000	Fixtures & fittings £000	Motor vehicles £000	Total £000
Cost						
Balance at 1 April 2005	5,367	360	7,676	3,684	168	17,255
Acquisitions through business combination	—	—	10	1,500	90	1,600
Additions	—	111	690	300	49	1,150
Disposals	—	(30)	(154)	(714)	(17)	(915)
Effect of movements in foreign exchange	186	19	358	54	16	633
Balance at 31 March 2006	5,553	460	8,580	4,824	306	19,723
Balance at 1 April 2006	5,553	460	8,580	4,824	306	19,723
Additions	12	42	345	276	8	683
Disposals	—	—	(89)	(344)	(16)	(449)
Effect of movements in foreign exchange	(170)	(17)	(396)	(66)	(32)	(681)
Balance at 31 March 2007	5,395	485	8,440	4,690	266	19,276
Depreciation and Impairment						
Balance at 1 April 2005	978	157	4,586	2,945	126	8,792
Acquisition through business combination	—	—	—	982	70	1,052
Depreciation charge for the year	73	37	723	367	17	1,217
Disposals	—	(11)	(141)	(656)	(17)	(825)
Effect of movements in foreign exchange	31	8	191	37	12	279
Balance at 31 March 2006	1,082	191	5,359	3,675	208	10,515
Balance at 1 April 2006	1,082	191	5,359	3,675	208	10,515
Depreciation charge for the year	72	78	613	378	30	1,171
Disposals	—	—	(78)	(297)	(16)	(391)
Effect of movements in foreign exchange	(35)	(7)	(229)	(49)	(23)	(343)
Balance at 31 March 2007	1,119	262	5,665	3,707	199	10,952
Net book value						
At 1 April 2005	4,389	203	3,090	739	42	8,463
At 31 March 2006 and 1 April 2006	4,471	269	3,221	1,149	98	9,208
At 31 March 2007	**4,276**	**223**	**2,775**	**983**	**67**	**8,324**

10 Property, plant and equipment — Group (continued)

Included in the net book value of land and buildings are £3,206,000 (2006: £3,309,000) of freehold land and buildings, £1,069,000 (2006: £1,161,000) of long leasehold land and buildings and £1,000 (2006: £1,000) of short leasehold land and buildings.

£3,513,000 (2006: £3,513,000) of land and buildings have been recognised at a deemed cost that is equal to their fair value at transition date as allowable under IFRS/transition rules.

11 Property, plant and equipment — Company

	Land and buildings £000	Fixtures & fittings £000	Total £000
Cost			
Balance at 1 April 2005	3,357	946	4,303
Additions	—	126	126
Disposals	—	(325)	(325)
Balance at 31 March 2006	3,357	747	4,104
Balance at 1 April 2006	3,357	747	4,104
Additions	12	2	14
Balance at 31 March 2007	3,369	749	4,118
Depreciation and impairment			
Balance at 1 April 2005	652	777	1,429
Depreciation charge for the year	40	73	113
Disposals	—	(325)	(325)
Balance at 31 March 2006	692	525	1,217
Balance at 1 April 2006	692	525	1,217
Depreciation charge for the year	41	84	125
Balance at 31 March 2007	733	609	1,342
Net book value			
At 1 April 2005	2,705	169	2,874
At 31 March 2006 and 1 April 2006	2,665	222	2,887
At 31 March 2007	**2,636**	**140**	**2,776**

Included in the net book value of land and buildings are £2,635,000 (2006: £2,664,000) of freehold land and buildings.

£3,351,000 (2006: £3,351,000) of land and buildings have been recognised at a deemed cost that is equal to their fair value at transition date as allowable under IFRS/transition rules.

12 Intangible assets — Group

	Goodwill £000	Other £000	Total £000
Cost			
Balance at 1 April 2005	14,853	62	14,915
Acquisitions through business combinations (see note 3)	11,509	2,090	13,599
Effect of movements in foreign exchange	933	—	933
Balance at 31 March 2006	27,295	2,152	29,447
Balance at 1 April 2006	27,295	2,152	29,447
Additions to existing subsidiaries	29	—	29
Reduction in deferred and contingent consideration	(567)	—	(567)
Effect of movements in foreign exchange	(541)	—	(541)
Balance at 31 March 2007	26,216	2,152	28,368
Amortisation and impairment			
Balance at 1 April 2005	3,796	21	3,817
Amortisation for the year	—	121	121
Impairment charge	786	—	786
Effect of movements in foreign exchange	132	—	132
Balance at 31 March 2006	4,714	142	4,856
Balance at 1 April 2006	4,714	142	4,856
Amortisation for the year	—	274	274
Effect of movements in foreign exchange	(78)	—	(78)
Balance at 31 March 2007	4,636	416	5,052
Net book value			
At 1 April 2005	11,057	41	11,098
At 31 March 2006 and 1 April 2006	22,581	2,010	24,591
At 31 March 2007	**21,580**	**1,736**	**23,316**

£1,720,000 (2006: £1,981,000) of other intangible assets is made up of customer relationships acquired as part of the acquisition of Serco-Ryan Ltd. See note 3.

An independent external company valued the customer relationships acquired based on the excess earnings approach. The value of the customer relationship being the sum of the present value of projected cash flows, in excess of requisite assets, over the life of the relationships with customers.

12 Intangible assets — Group (continued)

Several assumptions were made in determining the valuation, including but not limited to a 12% customer attrition rate, an 18% present value discount rate and a tax rate of 30%.

The reduction in contingent consideration of £562,000 relates to TR Keba Ltd as discussed in note 3. The reduction in deferred consideration of £5,000 relates to Serco-Ryan Ltd as discussed in note 3.

The following units have significant carrying amounts of goodwill:

	2007 £000	2006 £000
Special Fasteners Engineering Co. Ltd	**7,600**	8,063
TR Fastenings AB	**1,663**	1,663
Lancaster Fastener Company Ltd	**1,245**	1,245
Serco-Ryan Ltd (within TR Fastenings Ltd)	**10,283**	10,288
TR Keba Ltd	**688**	1,221
T R Miller Holding B.V.	**101**	101
	21,580	22,581

The decrease in SFE goodwill is as a result of foreign exchange movement.

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

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and the budget for the next twelve months.
- Cash flows for a further four year period were extrapolated using a constant growth rate.
- Cash flows for the further five year period assume a 0% growth rate.

The values assigned to the key assumptions represent management assessment of future trends in the fastenings market and are based on both external and internal sources of historical data.

The above estimates are particularly sensitive in the following areas:

- An increase in the discount rate used.
- A decrease in future planned revenues.

At 31 March 2006 a specific goodwill balance in respect of TR Fastenings Inc. was identified as being impaired and a charge of £786,000 was incurred based on management's view that its future projected cash flows would not justify the previous carrying values, based on a value in use calculation.

13 Intangible assets — Company

	Other £000
Cost	
Balance at 1 April 2005	62
Balance at 31 March 2006 and 1 April 2006	62
Balance at 31 March 2007	**62**
Amortisation and impairment	
Balance at 1 April 2005	21
Amortisation for the year	12
Balance at 31 March 2006	33
Balance at 1 April 2006	33
Amortisation for the year	13
Balance at 31 March 2007	**46**
Net book value	
At 1 April 2005	41
At 31 March and 1 April 2006	29
At 31 March 2007	**16**

14 Equity investments

Company — investments in subsidiaries

	£000
Cost	
Balance at 1 April 2005	14,352
Additions	17,454
Balance at 31 March 2006	31,806
Balance at 1 April 2006	31,806
Transfer between other Group companies	139
Additions	1,520
Reduction in deferred and contingent consideration	(567)
Balance at 31 March 2007	32,898
Provision	
Balance at 1 April 2005	2,127
Increase in provision	1,851
Balance at 31 March 2006	3,978
Balance at 1 April 2006	3,978
Balance at 31 March 2007	3,978
Net book value	
At 1 April 2005	12,225
At 31 March 2006 and 1 April 2006	27,828
At 31 March 2007	**28,920**

At 31 March 2007 the Company committed to invest a further £1,400,000 of cash in Trifast Overseas Holdings Limited.

An additional £111,000 was invested in TR Keba Ltd to support its future operations.

As at 31 March 2007 a Polish legal entity (TR Fastenings (Poland) Sp. Z o.o.) was set up to support the increasing Polish business transacted within the Group at a cost of £9,000.

At 31 March 2006 the investment value in respect of our American subsidiary, TR Fastenings Inc., was identified as being impaired and a charge of £1,851,000 was incurred based on management's view of the irrecoverability of its previous carrying value.

14 Equity investments (continued)

Investment in associate

During the year the Group acquired a 25% investment in Techfast Holdings Bhd, a company listed on the Kuala Lumpur Stock Exchange, for £2,736,000. The Group's share of post-acquisition total recognised profit in the above associate for the year ended 31 March 2007 was £100,000 (2006: £Nil).

The fair value of the Company and Group's investment in Techfast is £2,690,265 (2006: £Nil), measured using Techfast's closing share price at 31 March 2007.

Summary aggregated financial information for Techfast as at 31 December 2006 (Techfast's year end reporting date) not adjusted for the percentage ownership held:

	2007 £000	2006 £000
Assets		
— non-current	3,147	—
— current	4,265	—
Liabilities		
— non-current	(553)	—
— current	(1,893)	—
Revenues	4,778	—
Expenses	(3,892)	—
Profit/(loss)	886	—

Details of principal subsidiary and associate undertakings, country of registration and principal activity are included on page 95.

15 Deferred tax assets and liabilities — Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000
Property, plant and equipment	(302)	(315)	515	526	213	211
Intangible assets	—	—	516	594	516	594
Stocks	(242)	(290)	—	—	(242)	(290)
Provisions/IFRS 2	(358)	(298)	54	36	(304)	(262)
Tax value of loss c/fwd	(24)	—	—	—	(24)	—
Tax (assets)/liabilities	(926)	(903)	1,085	1,156	159	253
Tax set-off	576	330	(576)	(330)	—	—
Net tax (assets)/liabilities	(350)	(573)	509	826	159	253

A potential £247,000 (2006: £141,000) deferred tax asset relating to tax losses at TR Fastenings Inc. was not recognised on the grounds that recovery is uncertain.

In addition, a potential £297,000 (2006: £nil) deferred tax asset relating to tax losses at TR France SARL was not recognised on the grounds that recovery is uncertain.

Movement in deferred tax during the year

	1 April 2006 £000	Recognised in income £000	Recognised in Translation reserve £000	31 March 2007 £000
Property, plant and equipment	211	10	(8)	213
Intangible assets	594	(78)	—	516
Stocks	(290)	46	2	(242)
Provisions/IFRS 2	(262)	(40)	(2)	(304)
Tax value of loss c/fwd	—	(24)	—	(24)
	253	(86)	(8)	159

15 Deferred tax assets and liabilities — Group (continued)

Movement in deferred tax during the prior year

	1 April 2005 £000	Recognised in income £000	Recognised on acquisitions £000	Recognised in Translation reserve £000	31 March 2006 £000
Property, plant and equipment	383	(19)	(170)	17	211
Intangible assets	—	(33)	627	—	594
Stocks	(219)	(67)	—	(4)	(290)
Provisions/IFRS 2	(187)	109	(177)	(7)	(262)
	(23)	(10)	280	6	253

The announced change in the UK corporation tax rate to 28% will reduce the net deferred tax asset by £18,000 once substantially enacted.

16 Deferred tax assets and liabilities — Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000
Property, plant and equipment	—	—	352	342	352	342
Provisions/IFRS 2	(163)	(28)	—	—	(163)	(28)
Tax (assets)/liabilities	(163)	(28)	352	342	189	314
Tax set-off	163	28	(163)	(28)	—	—
Net tax liabilities	—	—	189	314	189	314

Movement in deferred tax during the year

	1 April 2006 £000	Recognised in income £000	31 March 2007 £000
Property, plant and equipment	342	10	352
Provisions/IFRS 2	(28)	(135)	(163)
	314	(125)	189

16 Deferred tax assets and liabilities — Company (continued)
Movement in deferred tax during the prior year

	1 April 2005 £000	Recognised in income £000	31 March 2006 £000
Property, plant and equipment	296	46	342
Provisions/IRFS 2	(9)	(19)	(28)
	287	27	314

The announced change in the UK corporation tax rate to 28% will reduce the net deferred tax liability by £13,000 once substantially enacted.

17 Stocks

	Group	
	2007 £000	2006 £000
Raw materials and consumables	**1,297**	860
Work in progress	**637**	663
Finished goods and goods for resale	**23,677**	23,600
	25,611	25,123

18 Trade and other receivables

	Group		Company	
	2007 £000	2006 £000	**2007 £000**	2006 £000
Trade receivables	**26,836**	29,007	**—**	3
Other trade receivables and prepayments	**1,273**	1,063	**7**	15
Amounts owed by subsidiary undertakings	**—**	—	**4,081**	3,789
	28,109	30,070	**4,088**	3,807

19 Cash and cash equivalents/bank overdrafts

	Group		Company	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Cash and cash equivalents per balance sheet	**6,757**	6,524	**5,256**	5,208
Bank overdrafts per balance sheet	**(287)**	(272)	**(3,187)**	(1,513)
Cash and cash equivalents per cash flow statements	**6,470**	6,252	**2,069**	3,695

Overdrafts are secured by an unlimited multilateral guarantee between the UK trading companies.

20 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see note 26.

			Current		Non-Current	
			2007	2006	**2007**	2006
Initial Loan Value	Rate	Maturity	**£000**	£000	**£000**	£000
Company						
Acquisition S$2.15m	Libor + 0.95%	2007	**36**	76	**—**	38
Acquisition S$3.45m	Libor + 0.95%	2008	**176**	199	**88**	299
Acquisition £1.95m	Libor + 0.90%	2008	**195**	195	**98**	293
Acquisition SEK30m	Libor + 0.95%	2009	**217**	222	**272**	499
Acquisition £11.2m	Libor + 0.91%	2012	**1,072**	1,072	**12,589**	9,860
			1,696	1,764	**13,047**	10,989
Other Group						
Acquisition $21.78m	Libor + 0.80%	2011	**1,032**	1,167	**3,347**	4,951
Funding $0.25m	Sibor + 2%	2007	**61**	69	**—**	—
Funding $0.10m	Fixed 8%	2009	**6**	8	**—**	10
			1,099	1,244	**3,347**	4,961
Total Group			**2,795**	3,008	**16,394**	15,950

All the bank loans, with the exception of the $0.25 million (funded in Singapore) and $0.10 million (funded in America) loans, included in the table above are secured by an unlimited multilateral guarantee between the UK trading companies.

21 Trade and other payables

	Group		Company	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Trade payables	**18,543**	19,108	**100**	73
Amounts payable to subsidiary undertakings	**—**	—	**1,679**	399
Non-trade payables and accrued expenses	**4,533**	3,422	**744**	362
Interest payable	**236**	152	**223**	149
Other taxes and social security	**869**	1,722	**3**	50
	24,181	24,404	**2,749**	1,033

22 Employee Benefits

Pension Plans

Defined contribution plans

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

The total expense relating to these plans in the current year was £1,133,000 (2006: £1,134,000) and represents contributions payable by the Group to the funds.

At the end of the financial year, there were outstanding pensions contributions of £62,000 (2006: £77,000) which are included in creditors.

Share-based Payments

The Group Share Options, Share Matching and Long-Term Incentive Plans provide for a grant price equal to the average quoted market price of the Group shares on the date of grant. The vesting period is generally three years. The options expire if they remain unexercised after the exercise period has lapsed. Furthermore, options are forfeited if the employee leaves the Group before the options vest, unless for retirement, redundancy or health reasons. The options are equity settled.

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

	2007		2006	
		Weighted Average Exercise Price		Weighted Average Exercise Price
	Options	**£**	Options	£
Outstanding at beginning of year	**3,973,776**	**0.98**	5,114,671	0.99
Granted during the year	**611,840**	**0.50**	295,456	0.70
Forfeited/lapsed during the year	**(549,228)**	**0.93**	(692,887)	1.55
Exercised during the year	**(327,561)**	**0.58**	(743,464)	0.50
Outstanding at the end of the year	**3,708,827**	**0.95**	3,973,776	0.98
Exercisable at the end of the year	**1,473,000**	**1.43**	1,426,500	1.53

22 Employee Benefits (continued)

The weighted average share price at the date of exercise for share options exercised during the year was £0.82. The options outstanding at 31 March 2007 had a weighted average remaining contractual life of 4.3 years (2006: 5.3 years) and exercise prices ranging from £0.50 to £2.69 (2006: £0.50 to £2.69).

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

Options granted before September 2004 (with the exception of SAYE) can only be exercised if the Company's growth based on annualised earnings per share in the period or any 3 consecutive financial years after the grant exceeds RPI plus an average of 2% per annum. Options granted in September 2004 can only be exercisable where the Company's earnings per share growth is at least RPI plus 4% over the three year period from date of grant.

The only vesting conditions on all other options are detailed below:

Date of grant	Type of instrument	Valuation model	No. outstanding on 31 March 2007	Share price on date of grant (£)	Exercise price (£)	Expected volatility %	Vesting period (yrs)	Expected life (yrs)	Risk-free rate %	Expected annual dividend %	Fair value (£)
02/07/2003	Share Options	Binomial	480,500	0.640	0.650	48.21	3.00	3.00	3.50	2.50	0.20
27/09/2004	Share Options	Binomial	940,000	0.760	0.732	37.45	3.00	3.00	4.72	2.50	0.22
01/10/2003	5 year SAYE	Binomial	68,473	0.755	0.600	50.45	5.00	5.00	4.30	2.50	0.37
01/10/2003	7 year SAYE	Binomial	1,126	0.755	0.600	50.45	7.00	7.00	4.43	2.50	0.40
01/10/2004	3 year SAYE	Binomial	72,430	0.760	0.700	37.15	3.00	3.00	4.69	2.50	0.22
01/10/2004	5 year SAYE	Binomial	24,549	0.760	0.700	35.15	5.00	5.00	4.79	2.50	0.28
01/10/2004	7 year SAYE	Binomial	30,130	0.760	0.700	37.15	7.00	7.00	4.84	2.50	0.31
01/10/2005	3 year SAYE	Binomial	105,565	0.710	0.700	28.81	3.00	3.00	4.27	2.50	0.15
01/10/2005	5 year SAYE	Binomial	36,822	0.710	0.700	28.81	5.00	5.00	4.29	2.50	0.18
01/10/2005	7 year SAYE	Binomial	13,277	0.710	0.700	28.81	7.00	7.00	4.33	2.50	0.21
15/03/2005	Share Options	Binomial	9,000	0.825	0.825	29.24	3.00	3.00	4.85	2.50	0.13
21/09/2005	LTIP	Monte Carlo	980,000	0.700	0.000	20.58	3.00	3.00	4.19	3.00	0.45
31/07/2006	LTIP	Monte Carlo	1,650,000	0.543	0.000	34.24	3.00	3.00	4.80	3.54	0.33
01/10/2006	3 year SAYE	Binomial	352,308	0.600	0.500	39.85	3.00	3.00	4.82	3.00	0.20
01/10/2006	5 year SAYE	Binomial	259,532	0.600	0.500	39.85	5.00	5.00	4.70	3.00	0.22

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

The Group recognised total expenses of £0.21 million and £0.12 million related to equity-settled share-based payment transactions in 2007 and 2006 respectively.

The Company recognised total expenses of £0.13 million and £0.08 million related to equity-settled share-based payment transactions in 2007 and 2006 respectively.

22 Employee Benefits (continued)

As at 31 March 2007 outstanding options to subscribe for ordinary shares of 5p were as follows:

Grant date / employees entitled	Number of instruments	Contractual life of options
20/07/98 / Executive	240,000	July 2001–July 2008
11/09/98 / Executive	90,000	Aug 2001–Aug 2008
17/12/99 / Executive	244,000	Dec 2002–Dec 2009
24/07/00 / Executive	183,500	July 2003–July 2010
01/10/00 / SAYE	1,633	Oct 2007
07/08/01 / Executive	155,000	Aug 2004–Aug 2011
01/10/01 / SAYE	15,106	Oct 2008
31/07/02 / Executive	80,000	July 2005–July 2012
01/10/02 / SAYE	305,876	Oct 2007, 2009
02/07/03 / Executive	480,500	July 2006–July 2013
01/10/03 / SAYE	69,599	Oct 2008, 2010
27/09/04 / Executive	940,000	Sept 2007–Sept 2014
21/10/04 / SAYE	127,109	Oct 2007, 2009, 2011
15/03/05 / Executive	9,000	Mar 2008–Mar 2015
01/10/05 / SAYE	155,664	Oct 2008, 2010, 2012
01/10/06 / SAYE	611,840	Oct 2009, 2011, 2013
	3,708,827	

In accordance with IFRS 1, transitional provisions, share option arrangements granted before 7 November 2002 have not been included in the IFRS 2 charge calculated.

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

23 Provisions

	Restructuring costs £000	Dilapidations £000	Other £000	Total £000
Group				
Balance at 1 April 2006	651	806	—	1,457
Provisions made during the year	953	16	525	1,494
Provisions utilised during the year	(231)	—	—	(231)
Balance at 31 March 2007	**1,373**	**822**	**525**	**2,720**

The restructuring provision relates to the costs in respect of the closure of the UK manufacturing and distribution operations, as well as the closure of TR France SARL.

Other costs include £360,000 which relates to the resignation of Jim Barker and £165,000 for pending customer litigation claims.

Dilapidations relate to properties and will be utilised during the term of the leases.

23 Provisions (continued)

	Restructuring costs £000	Dilapidations £000	Other £000	Total £000
Group				
Non-current (greater than 1 year)	274	822	—	1,096
Current (less than 1 year)	1,099	—	525	1,624
Balance at 31 March 2007	**1,373**	**822**	**525**	**2,720**

£390,000 shown under "Other" and £85,000 shown under "Restructuring Costs" relates to the Company and are current provisions.

24 Capital and reserves

Reconciliation of movement in capital and reserves — Group

	Share capital £000	Share premium £000	Translation reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2005	3,595	4,598	(1,068)	465	30,353	37,943
Total recognised income and expense	—	—	1,474	—	1,438	2,912
Issue of shares	624	7,650	—	—	—	8,274
Share issue expenses	—	(375)	—	—	—	(375)
Equity-settled share-based payment transactions	—	—	—	—	121	121
Dividends	—	—	—	—	(1,630)	(1,630)
Balance at 31 March 2006	4,219	11,873	406	465	30,282	47,245
Balance at 1 April 2006	4,219	11,873	406	465	30,282	47,245
Total recognised income and expense	—	—	(1,497)	—	3,973	2,476
Issue of shares	17	173	—	—	—	190
Equity-settled share-based payment transactions	—	—	—	—	213	213
Dividends	—	—	—	—	(1,899)	(1,899)
Balance at 31 March 2007	**4,236**	**12,046**	**(1,091)**	**465**	**32,569**	**48,225**

The revaluation reserve relates to properties revalued prior to date of transition to IFRS.

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

24 Capital and reserves (continued)

Reconciliation of movement in capital and reserves — Company

	Share capital £000	Share premium £000	Merger reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2005	3,595	4,598	2,393	393	3,367	14,346
Total recognised income and expense	—	—	—	—	893	893
Issue of shares	624	7,650	—	—	—	8,274
Share issue expenses	—	(375)	—	—	—	(375)
Equity-settled share-based payment transactions	—	—	—	—	76	76
Dividends	—	—	—	—	(1,630)	(1,630)
Balance at 31 March 2006	4,219	11,873	2,393	393	2,706	21,584
Balance at 1 April 2006	4,219	11,873	2,393	393	2,706	21,584
Total recognised income and expense	—	—	—	—	2,449	2,449
Issue of shares	17	173	—	—	—	190
Equity-settled share-based payment transactions	—	—	—	—	125	125
Dividends	—	—	—	—	(1,899)	(1,899)
Balance at 31 March 2007	**4,236**	**12,046**	**2,393**	**393**	**3,381**	**22,449**

The merger reserve has arisen under Section 131 Companies Act 1985 and is a non-distributable reserve.

The revaluation reserve relates to properties revalued prior to date of transition to IFRS.

24 Capital and reserves (continued)

Share capital

In thousands of shares	Ordinary shares 2007 '000	Ordinary shares 2006 '000
On issue at 1 April	**84,380**	71,892
Issued for cash	**328**	12,488
On issue at 31 March — fully paid	**84,708**	84,380

	2007 £000	2006 £000
Authorised		
Ordinary shares of 5p each	**5,000**	5,000
Allotted, called up and fully paid		
Ordinary shares of 5p each	**4,236**	4,219

During the year 327,561 ordinary shares of 5p were issued upon the exercising of Employee Share Options. 28,366 SAYE options were granted on 1 October 2002, at an exercise price of £0.50 per share and 59,195 SAYE options were granted on 1 October 2003 at an exercise price of £0.60. 190,000 Executive options were granted on 31 July 2002, at an exercise price of £0.50 per share and 50,000 Executive options were granted on 2 July 2003 at an exercise price of £0.65 per share.

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

Dividends

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

	2007 £000	2006 £000
Final paid 2006 — 1.48p (2005: 1.41p) per qualifying ordinary share	**1,249**	1,014
Interim paid 2007 — 0.77p (2006: 0.73p) per qualifying ordinary share	**650**	616
	1,899	1,630

After the balance sheet date a final dividend of 1.66p per qualifying ordinary share (2006: 1.48p) was proposed by the Directors. These dividends have not been provided for.

	2007 £000	2006 £000
Final 2007 — 1.66p (2006: 1.48p) per qualifying ordinary share	**1,406**	1,249

25 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2007 was based on the profit attributable to ordinary shareholders of £3,973,000 (2006: £1,438,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2007 of 84,459,931 (2006: 77,516,115), calculated as follows:

Weighted average number of ordinary shares

	2007	2006
Issued ordinary shares at 1 April	**84,380,474**	71,891,969
Effect of shares issued	**79,457**	5,624,146
Weighted average number of ordinary shares at 31 March	**84,459,931**	77,516,115

Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2007 was based on profit attributable to ordinary shareholders of £3,973,000 (2006: £1,438,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2007 of 84,584,980 (2006: 77,639,682), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2007	2006
Weighted average number of ordinary shares at 31 March	**84,459,931**	77,516,115
Effect of share options on issue	**125,049**	123,567
Weighted average number of ordinary shares (diluted) at 31 March	**84,584,980**	77,639,682

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

	2007			2006		
	Earnings £000	Basic EPS	Diluted EPS	Earnings £000	Basic EPS	Diluted EPS
Profit for the financial year	**3,973**	**4.70p**	**4.70p**	1,438	1.86p	1.85p
Adjustments:						
Goodwill impairment	—	—	—	786	1.01p	1.01p
Restructuring costs	**2,894**	**3.43p**	**3.42p**	2,108	2.72p	2.72p
Tax charge on adjusted items	**(698)**	**(0.83p)**	**(0.83p)**	(632)	(0.82p)	(0.82p)
	6,169	**7.30p**	**7.29p**	3,700	4.77p	4.76p

The "Adjusted diluted" earnings per share is detailed in the above table. In the Directors' opinion, this best reflects the underlying performance of the Group and assists in the comparison with the results of earlier years.

26 Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business, and the Group continues to monitor and reduce any exposure accordingly.

Credit risk

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

Credit evaluations are performed on all customers requiring credit over a predetermined amount. Bad debt insurance is taken out on all key accounts where the cost is appropriate given the risk covered. All overdue debts are monitored regularly.

At the balance sheet date there were no significant concentrations of credit risk.

Interest rate risk

The Group monitors closely all loans outstanding, which currently incur interest at floating rates. If appropriate, hedging instruments will be taken out to mitigate any exposure to increased interest rates. However, at the moment the Group is comfortable with the interest rate level and exposure.

Effective interest rates

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature.

	2007						2006					
	Effective interest rate %	Total £000	0 to <1 year £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000	Effective Interest rate %	Total £000	0 to <1 year £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Company												
Cash and cash equivalents	5.05	5,256	5,256	—	—	—	4.25	5,208	5,208	—	—	—
Secured bank loans	6.12	(14,744)	(1,696)	(1,475)	(10,769)	(804)	5.34	(12,753)	(1,764)	(1,530)	(7,584)	(1,875)
Bank overdrafts	6.25	(3,187)	(3,187)	—	—	—	5.40	(1,513)	(1,513)	—	—	—
Total Company		(12,675)	(373)	(1,475)	(10,769)	(804)		(9,058)	1,931	(1,530)	(7,584)	(1,875)
Group												
Cash and cash equivalents	5.05	6,757	6,757	—	—	—	4.25	6,524	6,524	—	—	—
Secured bank loans	6.13	(19,189)	(2,795)	(2,507)	(13,083)	(804)	5.42	(18,958)	(3,008)	(2,707)	(11,086)	(2,157)
Bank overdrafts	6.25	(287)	(287)	—	—	—	5.40	(272)	(272)	—	—	—
Total Group		(12,719)	3,675	(2,507)	(13,083)	(804)		(12,706)	3,244	(2,707)	(11,086)	(2,157)

All assets and liabilities bear interest at a floating rate and are therefore due to re-price within one year.

26 Financial instruments (continued)

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and cash borrowings that are denominated in a currency other than sterling. The Group faces additional currency risks arising on the retranslation on non-monetary assets and liabilities held by foreign subsidiaries.

Operational foreign exchange exposure

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

Monetary assets/liabilities

The Group continues to monitor exchange rates and buy or sell currencies in order to minimise open exposure to foreign exchange risk. The Group does not speculate on rates.

Hedge of net investments in foreign entities

Included in interest-bearing loans at 31 March were the following amounts, which had been designated as hedges of net investments in the Group's subsidiaries in Europe and Asia and were used to reduce the exposure to foreign exchange risk.

	Amount Recognised in Equity	
	2007	2006
Borrowings in Local Currency	**£000**	£000
SEK 9,750,000	**(10)**	(18)
S$321,000	**(4)**	14
	(14)	4

Gains or losses on the retranslation of these borrowings were transferred to equity to offset any gains or losses on translation of the net investment in the subsidiaries.

Sensitivity analysis

At 31 March 2007 it is estimated that a general increase of one percentage point in interest rates would have decreased the Group's profit before tax for the financial year by approximately £128,000 (2006: £92,000).

26 Financial instruments (continued)

Fair values

The fair values of all the Group's financial instruments shown in the balance sheet are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Financial assets:				
Cash and cash equivalents	**6,757**	6,524	**5,256**	5,208
Trade and other receivables	**26,836**	29,007	**4,081**	3,792
	33,593	35,531	**9,337**	9,000
Financial liabilities:				
Trade and other payables	**(23,312)**	(22,682)	**(2,746)**	(983)
Interest-bearing loans:				
Bank overdrafts	**(287)**	(272)	**(3,187)**	(1,513)
Floating rate borrowings	**(19,189)**	(18,958)	**(14,743)**	(12,753)
Deferred and contingent consideration	**—**	(2,562)	**—**	(2,562)
	(42,788)	(44,474)	**(20,676)**	(17,811)

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

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table:

Interest-bearing loans and borrowings
Fair value is calculated based on discounted expected future principal and interest cash flows.

Trade and other receivables/payables
For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Less than one year	**2,312**	2,038	**16**	24
Between two and five years	**4,194**	5,037	**7**	—
More than five years	**1,915**	2,534	**—**	—
	8,421	9,609	**23**	24

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

£177,784 (2006: £206,424) of the leased properties have been sublet by the Group. These leases and subleases expire between June and September 2008. The Group has recognised a provision of £120,061 (2006: £194,140) in respect of onerous leases which is included within the restructuring provision. See note 23.

Group

During the year £2,520,000 was recognised as an expense (2006: £2,873,000) in the income statement in respect of operating leases.

Company

During the year £24,000 was recognised as an expense in the income statement in respect of operating leases (2006: £59,000).

28 Contingencies

Group and Company

i) The Company has cross guarantees on overdrafts with five subsidiaries. The amount outstanding at the end of the year was £15,751,000 (2006: £7,313,000).

ii) Guarantee for the liabilities of £280,000 of the Irish subsidiary undertaking. In accordance with the provisions of Section 17 of the Republic of Ireland Companies (Amendment) Act 1986, Trifast plc has given irrevocable guarantees in respect of the financial year 1 April 2006 to 31 March 2007, in respect of the liabilities, as are referred to in Section 5c of that Act, for the subsidiary company, TR Southern Fasteners Limited.

29 Related parties (Group and Company)

Compensation of key management personnel of the Group

Full details of the compensation of key management personnel are given in the Directors' Remuneration Report.

In addition to details of the compensation of key management personnel given in the Directors' Remuneration Report, the IFRS 2 expense incurred in relation to share-based payments was £124,903 (2006: £76,000).

Related Party Transactions

Details of principal subsidiary undertakings, country of registration and principal activities are included on page 95.

Company Related Party Transactions — Income/Expenditure

	Income				Expenditure
	Rent £000	Management Fees £000	Loan Interest £000	Total £000	Management Fees £000
TR Fastenings Ltd	191	312	—	503	—
TR Southern Fasteners Ltd	—	17	—	17	—
TR Norge AS	—	17	—	17	—
TR Fastenings AB	—	20	—	20	—
TR Miller BV	—	17	22	39	—
Lancaster Fastener Co Ltd	—	17	—	17	—
TR Hungary Kft	—	16	10	26	—
TR France SARL	—	11	13	24	—
TR Asia Investments Pte Ltd	—	142	—	142	—
TR Fastenings Inc.	—	73	163	236	—
Trifast Systems Ltd	—	44	—	44	24
Turkey	—	—	16	16	—
	191	686	224	1,101	24

29 Related parties (Group and Company) (continued)
Company Related Party Transactions — Receivable/Payable

	Balances Receivable			Balances Payable
	Loans £000	Trade Receivables £000	Total £000	Trade Payables £000
TR Fastenings Ltd	—	14	14	39
TR Southern Fasteners Ltd	—	—	—	3
TR Norge AS	—	—	—	3
TR Fastenings AB	—	—	—	3
TR Miller BV	426	14	440	—
Lancaster Fastener Co Ltd	—	29	29	—
TR Hungary Kft	100	8	108	—
TR France SARL	367	67	434	—
TR Asia Investments Pte Ltd	—	20	20	—
TR Fastenings Inc.	331	484	815	—
TR Keba	695	22	717	—
Dormant Subsidiaries	401	—	401	267
Trifast Overseas Holdings Ltd	981	—	981	1,400
Trifast Holdings BV	161	—	161	—
Trifast Systems Ltd	—	9	9	—
	3,462	667	4,129	1,715

30 Subsequent events

The impact of the announced change in the UK corporation tax to 28% on the net deferred tax liability has been discussed in note 15.

Outside of this, there are no material adjusting and non-adjusting events subsequent to the balance sheet date.

31 Accounting estimates and judgements

The preparation of financial statements in conformity with Adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported annual amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The Group believes the principal accounts estimates, assumptions and uncertainties employed in the preparation of these financial statements are:

- Recoverable amount of goodwill (note 12)
  The recoverable amount is the greater of net selling price and value in use, where value in use is determined by discounting the future cash flows generated from the continuing use of the unit.

- Review of intangible assets (note 12)
  The intangible assets are predominantly made up of customer relationships acquired as part of the acquisition of Serco-Ryan Ltd. The value of the customer relationship is the sum of the present value of projected cash flows, in excess of requisite assets over the life of the relationships with customers.

- Share-based payments (note 22)
  The fair value of share options and LTIPs granted are measured based on the binominal lattice and Monte Carlo models respectively. The expected life used in these models have been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

- Provisions (note 23)
  A provision is recognised in the balance sheet where the Group has a present legal or constructive obligation as a result of a part event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Management have based their judgements on the latest available information, reflecting the expected outcome.

TRIFAST PLC — PRINCIPAL TRADING SUBSIDIARY AND ASSOCIATE UNDERTAKINGS

Name	Country of incorporation or registration	Issued and fully paid share capital	Principal activity	Percentage of ordinary shares held Group	Company
Europe					
Trifast Overseas Holdings Ltd	United Kingdom	£109	Holding Company	100%	100%
TR Fastenings Ltd	United Kingdom	£10,200	Manufacture and distribution of fastenings	100%	—
TR Southern Fasteners Ltd	Republic of Ireland	€254	Distribution of fastenings	100%	—
TR Norge AS	Norway	NOK300,000	Distribution of fastenings	100%	—
TR Miller Holding B.V.	Holland	€45,378	Distribution of fastenings	100%	—
Lancaster Fastener Company Ltd	United Kingdom	£40,000	Distribution of fastenings	100%	—
TR Fastenings AB	Sweden	SEK1,500,000	Distribution of fastenings	100%	—
TR Hungary Kft	Hungary	HUF 3,000,000	Distribution of fastenings	100%	—
TR France SARL	France	€7,630	Distribution of fastenings	100%	—
TR Keba Ltd	Turkey	YTL5,000	Distribution of fastenings	100%	100%
TR Fastenings Poland Sp. Z o.o	Poland	PCN 50,000	Distribution of fastenings	100%	100%
Asia					
TR Asia Investment Holdings Pte Ltd	Singapore	S$4	Holding Company	100%	—
TR Formac Pte Ltd	Singapore	S$315,000	Manufacture and distribution of fastenings	100%	—
TR Formac (Malaysia) SDN Bhd	Malaysia	M$480,000	Manufacture and distribution of fastenings	100%	—
TR Formac (Shanghai) Pte Ltd	China	$200,000	Distribution of fastenings	100%	—
Special Fasteners Engineering Co Ltd	Taiwan	NT$100,000,000	Manufacture and distribution of fastenings	100%	—
TR Formac (Suzhou) Co. Ltd	China	$1,000,000	Manufacture and distribution of fastenings	100%	—
Techfast Holdings Bhd*	Malaysia	M$19,000,000	Manufacture and distribution of fastenings	25%	25%
Americas					
TR Fastenings Inc.	USA	$1,168,063	Distribution of fastenings	100%	100%
Other					
Trifast Systems Ltd	United Kingdom	£100	Supply of computer software and hardware	100%	100%

* Associate undertaking

A full list of the Group companies will be included in the Company's annual return.

The only changes in ownership in the year relate to the 25% acquisition of Techfast Holdings Bhd and the set-up of the Polish subsidiary.

SUMMARISED GROUP PROFIT AND LOSS ACCOUNTS

(2 Years under UK GAAP)

	Under UK GAAP Year ended 31 March 2003 £000	Under UK GAAP Year ended 31 March 2004 £000
Turnover	103,631	102,353
Cost of sales	(78,018)	(76,976)
Exceptional cost of sales	—	(590)
Gross profit	25,613	24,787
Net operating expenses (before goodwill amortisation and exceptional expenses)	(21,210)	(20,351)
Goodwill amortisation and impairment	(742)	(709)
Exceptional operating expenses	(871)	(297)
Operating profit	2,790	3,430
Termination of operations	(113)	—
Profit on disposal of fixed assets	—	376
Net interest payable	(452)	(374)
(Loss)/profit on ordinary activities before taxation	2,225	3,432
Taxation	(817)	(1,806)
(Loss)/profit on ordinary activities after taxation	1,408	1,626
Dividends	(1,365)	(1,438)
Retained (loss)/profit for the year	43	188
Dividends per ordinary share	1.90p	2.00p
(Loss)/earnings per ordinary share		
Basic	1.96p	2.26p
Diluted	1.96p	2.24p
Adjusted diluted	3.94p	4.06p

The key adjustments to bring the UK GAAP figures into line with applicable IFRS are share-based payments expense, goodwill amortisation, dividends and deferred tax on the revaluation of non-depreciable assets.

SUMMARISED CONSOLIDATED INCOME STATEMENT
(3 Years under IFRS)

	Under IFRS Year ended 31 March 2005 £000	Under IFRS Year ended 31 March 2006 £000	**Under IFRS Year ended 31 March 2007 £000**
Revenue	103,823	117,282	**131,946**
Cost of sales	(76,816)	(88,150)	**(97,224)**
Gross profit	27,007	29,132	**34,722**
Other operating income	606	238	**220**
Distribution expenses	(3,423)	(3,774)	**(2,868)**
Administrative expenses before the following items:	(17,647)	(19,218)	**(22,336)**
Goodwill impairment	—	(786)	**—**
IFRS 2 charge	(108)	(121)	**(213)**
Intangible amortisation	(13)	(121)	**(274)**
Restructuring costs	—	(2,108)	**(2,894)**
Total administration costs	(17,768)	(22,354)	**(25,717)**
Operating profit before financing costs	6,422	3,242	**6,357**
Financial income	44	54	**144**
Financial expenses	(331)	(743)	**(1,175)**
Net financing costs	(287)	(689)	**(1,031)**
Share of profit of associate	—	—	**100**
Profit before tax	6,135	2,553	**5,426**
Taxation	(1,751)	(1,115)	**(1,453)**
Profit for the year (attributable to equity shareholders of the Parent Company)	4,384	1,438	**3,973**
Dividends per ordinary share	2.10p	2.21p	**2.43p**
Earnings per share			
Basic	6.10p	1.86p	**4.70p**
Diluted	6.04p	1.85p	**4.70p**
Adjusted diluted	5.67p	4.76p	**7.29p**

COMPANY DETAILS

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Incorporated in the United Kingdom

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Andrew Cripps

Remuneration Committee
Andrew Cripps (Chairman)
Anthony Allen
Eric Hutchinson

Nominations Committee
Anthony Allen (Chairman)
Steve Auld
Andrew Cripps
Eric Hutchinson

ADVISERS

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This report was designed by Trifast's in-house Marketing Team.

We would like to thank all the staff who have assisted in the preparation of this Report.

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