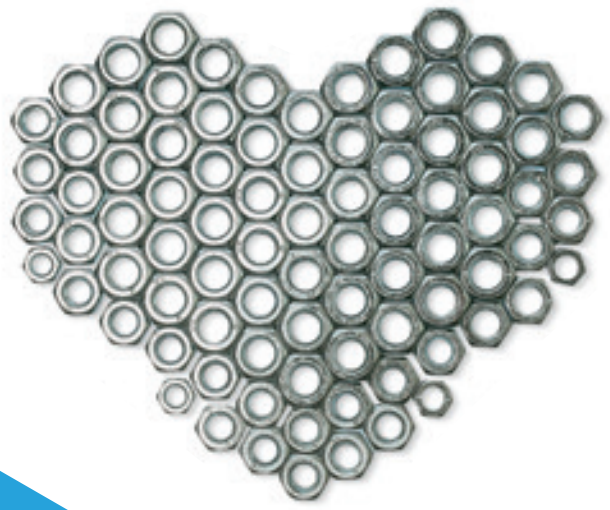
Trifast plc

Our fastenings enable innovation today to build a better tomorrow

Annual Report
for the year ended
31 March 2021

Welcome to the Trifast Annual Report



Our purpose

To provide 'Trusted Reliability' at every turn to our customers in global industry, empowering them to deliver sustainable products and solutions that add value to society

Our fastenings enable innovation today to build a better tomorrow

Our culture

Our culture drives our performance

Find out more about our culture on pages 22 and 23

Our strategy

- Investment for growth
- Acquisitions
- Innovation
- Sustainability

Find out more about our strategy on pages 26 to 35

Our mission

To promote an environment that is safe and fair, which motivates, develops, and maximises the contribution and potential of all employees

To be acknowledged commercially as the market leader in industrial fastenings in terms of service, quality, design, engineering support, ESG (environmental, social and governance), together with brand reputation

To continue to grow profitability, improve stakeholder returns through organic and acquisitive growth, and by driving continual efficiencies throughout the organisation

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FY2021 highlights

Revenue

£188.2m

FY2020: £200.2m

Underlying profit before tax[1,2]

£11.0m

FY2020: £14.7m

Underlying diluted earnings per share[1,2]

6.24p

FY2020: 8.64p

Cash conversion[1,2]

147.9%

FY2020: 105.1%

GAAP measures
Diluted earnings per share

4.31p

FY2020: (0.19)p

Profit before tax

£7.8m

FY2020: £3.0m

Culture survey

9/10

average score when employees were asked about their commitment to the success of the business

Employee COVID-19 response satisfaction survey

96%

of respondents to a Group-wide employee survey were satisfied with how the Group handled the COVID-19 pandemic

1. Before separately disclosed items which are shown in the financial statements
2. Presented after the reclassification of IFRS 2 Share-based Payments into underlying results

Investment case

It is an exciting time for the Trifast business. All of our end markets are in a period of growth, and our pipeline of opportunities has never been stronger

Market leader

TR is a key global brand in a fragmented market with no one player holding >5% of global spend, supporting organic and acquisition growth opportunities

c.£60bn
Market size

Find out more on pages 16 to 19

Diversified

Low customer concentration and a balanced sector portfolio provide protection in a cyclical market

<7.5%
sales to any single customer

Find out more on pages 18 and 19

Global footprint

Reliable distribution and supply solutions around the world that flex to fit our global customers' needs

32
global locations

Find out more on pages 4 and 5

Engineering-led route to market

Our experienced design and application engineers, supported by our high-quality manufacturing locations, provide fastener solutions to customer application problems

>75%

of our revenues are customer-specific, branded or licensed products

Find out more on pages 20 to 21 and 32 to 33

Strong balance sheet

A strong balance sheet, flexible banking facilities and a successful equity raise provide the capability to invest for growth

£62.6m

of facility headroom, plus £40m accordion

Find out more on page 45

Shareholder returns

The Board confirms its intention to maintain a regular semi-annual dividend to shareholders within the range of 3x to 4x cover

1.60p

Final dividend for FY2021 (3.9x annualised cover)

Find out more on page 41

Our business at a glance

Trifast is a leading international specialist in the design, engineering, manufacture and distribution of high quality industrial fastenings and Category 'C' components principally to major global assembly industries

What we do

Design

3
Technical & innovation centres

Produce

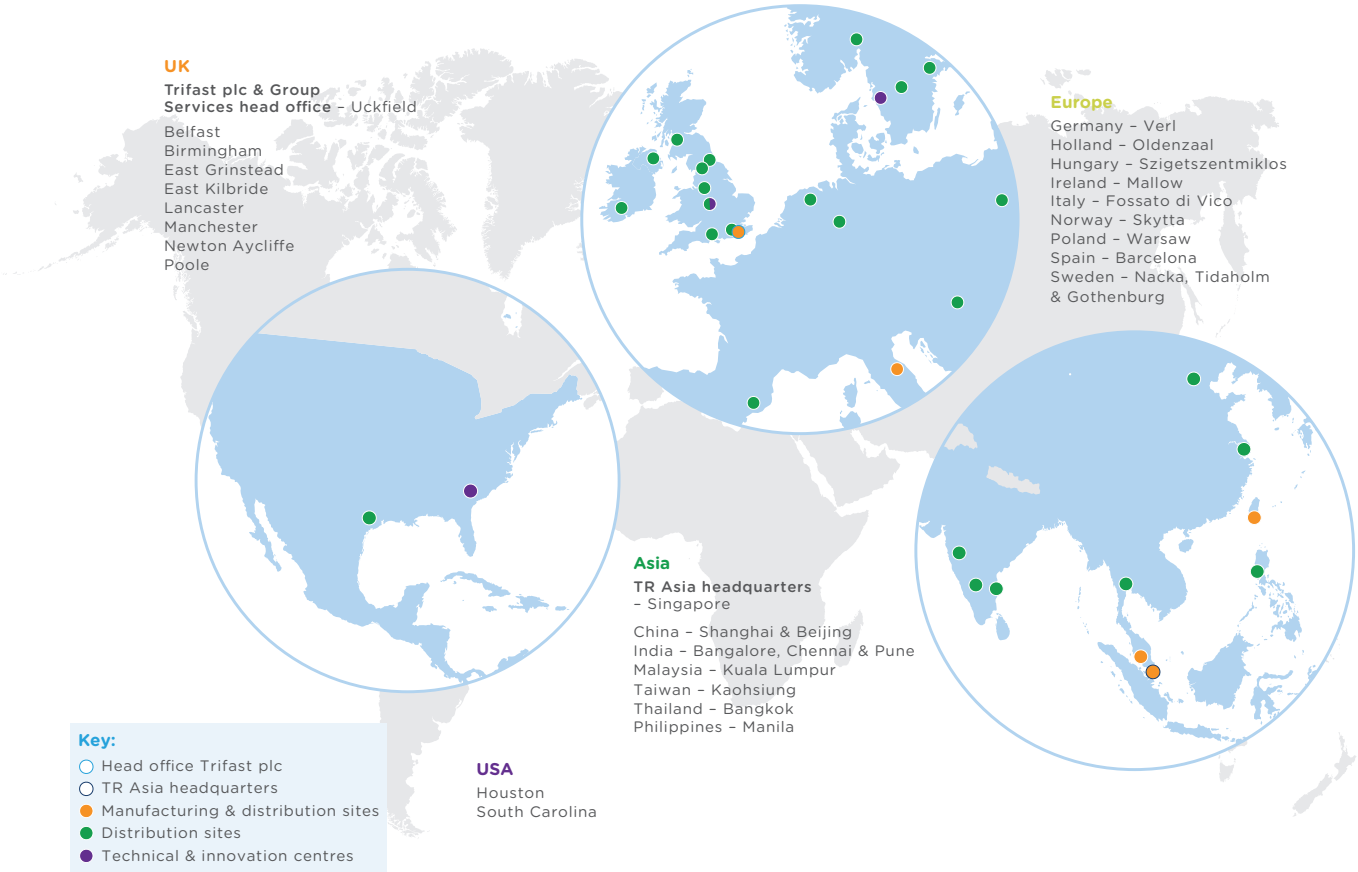
7
Manufacturing sites

Deliver

32
Global locations

As a full-service provider to multinational OEMs and Tier 1 companies spanning multiple sectors, TR delivers comprehensive support to its customers across their requirements, from concept design through to technical engineering consultancy, manufacturing, supply management and global logistics.

Where we operate



Revenue by region[1]

USA
£9.7m

UK
£68.9m

Europe
£73.5m

Asia
£49.3m

Glenda Roberts
USA Director

Dave Fisk
UK & Ireland MD

Andy Nuttall
Europe MD

Endy Chin
Asia MD
(appointed 1 April 2021)

Additional facts

c.1,300 colleagues

c.8bn parts produced p.a.

c.5,000 customers

c.75 countries supplied

1. Regional revenues include intercompany

Year in review

As well as the key events shown opposite, we would like to welcome our new Trifast team members

New Board appointments

Claire Balmforth
April 2020

Clive Watson
July 2020

New senior recruits

Dan Jack
June 2020

John Dick
June 2020

Paul Ranson
August 2020

We congratulate Endy Chin as he takes up his new role as Asia MD following the retirement of Charlie Foo who, after 49 years in the industry, retired on 31 March 2021

Endy Chin

Charlie Foo

April 2020
OEB inaugural meeting

June 2020
Successful equity raise of £16m

Best sales for November, December, February and March on record

September 2020
Group returns
to year-on-year
monthly revenue
growth

February 2021
ESG Committee
formed

October 2020
Project Atlas first
site goes live in
Mallow, Ireland

Chair's statement

> The foundations are largely in place and Trifast stands on the cusp of an extended period of strong growth

Jonathan Shearman
Chair

Dear shareholder

Introduction

Reflecting on my first year as Chair, and as a part of the team that has the privilege of bringing leadership to Trifast, I am proud of what we have achieved over the past 12 months. There would now appear to be 'light at the end of the tunnel' yet it is only appropriate for me to start by taking this opportunity to once again express my appreciation to our workforce and their families, including those new to Trifast in the past 12 months, for showing much resolve and resilience during what was an extraordinary year.

Whilst grateful, we also mourn with the many who had loved ones taken from them.

Alongside our workforce, I have to note the efforts of our CEO, Mark, and his executive team – my sincere gratitude goes to each of them for their tireless work ethic and bringing direction every day. Finally, my thanks go to the NED team who have made an impact by bringing great wisdom, focus and going the extra mile.

Highlights

- We are thankful for the continued support of our employees and wider stakeholders during such a trying period
- Resilient performance with revenues of £188.1m down 6% year-on-year
- Underlying operating profit margin of 6.4% (FY2020: 7.9%), assisted by effective cost saving actions
- Underlying diluted EPS reduced to 6.24p at AER (FY2020: 8.64p)
- Very strong cash conversion at 147.9% of UEBITDA reinforces the Group's financial position
- Balance sheet further strengthened by £16m equity raise (gross) in June 2020, providing capacity to support investments for growth including working capital
- Strong pipeline and high activity levels build well-placed confidence for the future
- Freight, raw material and lead time pressures impact on margins in the shorter term
- Project Atlas:
  - Total budget increased to c.£17.5m (from c.£15.0m) to prioritise speed of roll-out
  - Roll-out re-commences into Spain, next site Holland
- M&A opportunities increase

Highlights

It's always tricky to know what to highlight and I would encourage the reader to take in as much of this report as possible – never have I known Trifast be more collaborative, cohesive and systematic in its approach than we are today. This is reflected throughout the pages that follow.

In my letter last year, I referenced the 'opportunities aplenty' that were springing up from difficult circumstances. One year on, I believe we have leant into those opportunities, embracing much challenge, change and simplification – some visible, some behind the scenes.

I am delighted with the evolution, empowerment, and effectiveness of our new management structure. One which is embracing the combination of strategy alongside culture at its core. We have started this year far more agile, with better working practices and our approach as one team more firmly established. Mark will add more flavour to this overleaf.

With regard to our other stakeholders, I believe we have, and are emerging with, a reputation for 'Trusted Reliability'. We are thankful for the continued backing of our shareholders, most notably expressed through their support of the June 2020 equity raise and more generally to the remaining stakeholders during what has also been a trying period for them.

Find out more about how we've refreshed our values on pages 22 to 23 and 96

Outlook

The foundations are largely in place and Trifast stands on the cusp of an extended period of strong growth – both through continued organic growth and with an increasing focus on value-enhancing acquisitions. We aspire to be a much bigger company and are approaching matters with that in mind. In this pivotal year we will, as outlined in the CEO and financial reviews, have to navigate a number of headwinds, even so, I can say, that this is the most dynamic time for Trifast in more than a decade.

Yours sincerely

Jonathan Shearman
Chair

Chief Executive Officer's review

Wow, what a year; one in which we have witnessed so many changes to our lives, our businesses, and the way we interact with each other. I am incredibly proud of how all my colleagues around the world have adapted and worked together, whether that's from home or at one of our 32 locations. That strong sense of collaboration, resilience, and flexibility enabled us to deliver the 'Trusted and Reliable' service we are recognised for around the world both to existing and new customers

Mark Belton
Chief Executive Officer

Overview

Many industries have been less fortunate than ours, and although understandably our financial results may not have delivered as in previous years, we can safely say that we are in a much better position now than we could ever have thought possible at the start of April last year.

During lockdowns we all had to adapt to new ways of working very quickly and I was proud of the speed and determination of our workforce to make sure we were COVID-19 compliant. By the end of April 2020, all our operations were open and functioning in line with government guidelines and best practices around the world.

As you will read in the financial review (see pages 39 to 47), despite the year being disrupted in HY1, we returned to sustained growth over HY2 across all our regions and key markets. Further, with demand ramping up in Q3 and accelerating into Q4, we finished the year stronger than expected, delivering an underlying PBT of £11.0m.

Throughout FY2021 we remained highly cash generative and ended the year with a strong balance sheet, an adjusted net cash position of £13.3m; £0.5m post IFRS 16 Leases (FY2020: net debt of £15.2m) and with significant facility headroom of £62.6m. All of this will help to support the organic investments and the non-organic side of our growth journey, where we are already seeing both the number and quality of opportunities increasing.

Find out more online. Watch our video at:
trifast.com/investors/about-us

Building a better tomorrow

Our team

Our team of c.1,300 skilled people has worked incredibly hard, and my words will not do justice as to how difficult it has been, both physically and mentally at times, for everyone. Looking after our workforce is paramount and key to the ongoing success of our business. Through regular, internal digital and written communications and 'open door' practices we are doing everything we can to safeguard the wellbeing of each one of them. In addition, through regular surveys, we have recognised that more recently training and development has not been where we would want it to be and, therefore, this will be an area we are investing in during FY2022.

I personally would like to thank all our workforce on behalf of myself, the Board and all stakeholders for their continued hard work and dedication.

Strategy update

Whilst there was clearly an impact from the COVID-19 pandemic and Brexit was a distraction, it did not deflect us from delivering on our strategic objectives. Our core strategy remains supporting our OEM multinationals globally by providing the highest levels of customer service, to innovate, empower and sustain our customers' growth for the longer-term.

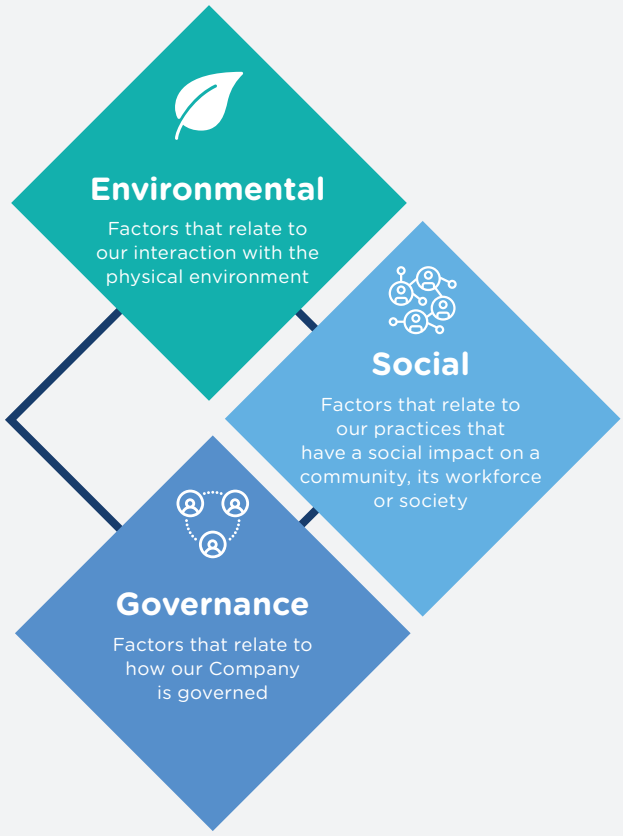
As we indicated in our April 2021 trading update, following a year of heightened change and technological development in our end markets, we have revisited our sector analysis for the year being reported, and into the future. This reclassification will better reflect how we serve these markets and target the opportunities within them. More can be read on pages 18 and 19.

The new presentational split has several advantages:

- By providing better customer focus, led by dedicated, experienced Subject Matter Experts (SMEs) who are aligned to an equivalent supply chain sector SME for support
- By rebalancing certain sectors where market life cycles are subtly different
- By combining certain subsectors, we gain common synergies, and add value across product design and engineering expertise
- By enabling us to take advantage of new emerging disruptive technologies, early-stage developments, and engineering projects, e.g. electric vehicles (EVs), batteries and 5G infrastructure

Sustainability

During FY2021, we launched a programme to develop a new sustainability strategy. Bringing together our existing practices on environmental management, social responsibility and corporate governance, our new strategy will set a clear vision on sustainability, with targets and action plans to deliver it



Find out more about sustainability on pages 49 to 75

> Taking a more strategic approach to sustainability offers an invaluable opportunity for Trifast. I have taken on the mantle to develop a new, best-practice sustainability strategy that's aligned with our growth aspirations

Mark Belton
Chief Executive Officer

Chief Executive Officer's review continued

Strategy update continued

Our strategic objectives

Investment for organic growth

We entered the pandemic with a focused, experienced and highly skilled workforce and, alongside many other businesses, we welcomed the support offered by governments globally to retain jobs through the period of extreme disruption. By the end of the financial year our workforce had returned to pre-COVID-19 levels, although there have been some changes in the component parts to streamline operations where possible.

As highlighted at our interims, we have continued to invest in the business to support the ongoing, organic growth opportunities. The Operational Executive Board (a cross-functional and regional team), see pages 88 and 89, was formed at the start of the year under review and is made up of both internally promoted employees as well as new external recruits from within the industry. This team, as well as other new, key supporting roles in the business, have been instrumental in developing the Group's sustainable growth and efficiency opportunities, pulling together and communicating as 'one voice' and driving the already strong culture and core values through the business. See our culture on pages 22 and 23.

In addition, following high organic growth in the locations of Spain, Thailand and the USA, we have extended investment at each of these sites. Further, we have approved the expansion of our facilities in Hungary and within our UK operation PTS to facilitate anticipated future growth.

Although we were well prepared for Brexit, inevitably, as with many businesses, there continues to be delays in getting goods across the border. As a result, we will be utilising our operation based in Germany, TR Kuhlmann, as a base to hold stock, which will enable us to support and service our European-based distributors much more quickly. This will continue to provide a more seamless approach for them, whilst maintaining the strong customer relationships that have been developed over many years.

With respect to Project Atlas, following the successful pilot in October 2020, we are now going live with our distribution businesses; Spain in June 2021 and Holland due to complete training in July 2021.

However, as mentioned in April's trading update, the ongoing COVID-19 travel restrictions are inevitably continuing to impact this project. This has been frustrating, as before this we were on target.

Our global talent management system is now operating in 16 of our locations, helping us to reinforce our care and support of our people and ensuring that we provide the tools to support personal development goals, ambition and personal development for everyone around the Trifast Group.

We recognise the importance of the Atlas project as it is a key part of our ongoing evolution; therefore, we have completed a review to reach a sensible compromise that prioritises speed of delivery over total expected costs. See the Project Atlas case study on pages 28 and 29.

Acquisitions

Although industry consolidation is constant, our market remains hugely fragmented, with no one player owning more than an estimated 5%. Acquisitions remain a key part of our growth journey and the current economic environment is creating greater momentum and opportunities. Our dedicated in-house resource is working hard to search for businesses that meet our strict acquisition criteria (see page 30). The combination of the renewed banking facilities secured in April 2019 and the equity Placing undertaken in June 2020 has provided the flexibility and confidence to allow us to continue to pursue our strategic aims.

Innovation

I often get asked, "Surely one fastener is the same as any other?" This is not a question you would want to ask one of our engineers, as "not all screws are created equally". More often than not, the fastener is the last thing on the customer's mind when they design a new application, but then it will be the first thing on their mind, if a large battery, for example, vibrates loose from the car due to its fastenings. Our specialist engineers work with the end customer to solve complex problems to find innovative fastening solutions. See the innovation case study on pages 32 and 33.

Sustainability

Our current corporate social responsibility (CSR) policy has, over the last ten years, provided stakeholders with a relatively good overall understanding of how we operate, and what is important to us as a business. Our most recent analysis scoring by MSCI with a rating of AA and EcoVadis silver award reflects that we are positively recognised for what we disclose.

Understandably, stakeholders today want to learn more about the impact we have on the environment and socioeconomically. These findings can have a bearing on how a company is viewed as an investment case.

As CEO I see this as an invaluable opportunity and have taken on the mantle to develop a new sustainability strategy and incorporate our future sustainability policies and reporting framework into the business. These will detail how the Board and OEB approach, plan and measure, embed and report on the material environmental, social and governance (ESG) drivers to the business.

Integrating sustainability into our business is about identifying and managing emerging risks effectively and seeking out opportunities. We look for ways to drive efficiency and create value within our own operations and across our value chain to deliver a noticeable positive impact for our customers, employees, the environment and communities in which we operate.

Fasteners play a large part in the drive towards a more circular economy, allowing applications to be opened up for repair rather than disposed of if there is a fault.

Likewise, as customers drive their own products to become more environmentally friendly, we are there to support them enabling 'innovation today to build a better tomorrow'.

Later this year, we will be delivering a more detailed sustainability report which will provide stakeholders with a medium-term roadmap to include information on our policies, procedures and projects which illustrate our corporate purpose and values.

As we drive the benefits from our strategic initiatives, we look forward from FY2022 to margin improvement and realisation of our exciting medium-term aspiration

From next year, more ESG metrics will be incorporated into our key performance indicators; in the meantime, you can read more about how we will be approaching this initiative on pages 52 and 53 of this Annual Report.

Looking forward

I am delighted and very encouraged by where we currently find ourselves – the business has exceeded pre-COVID-19 revenue levels of trading in HY2, demand is continuing to grow, and customer orders are being brought forward. We have already secured several additional global contracts from new and existing customers across each region, and our pipeline of new business has never been so exciting, including several new high-growth markets as mentioned above.

However, we are mindful of the ongoing logistical challenges and pricing pressures that have continued to impact the global industrial supply chain environment. These have included the well-publicised semi-conductor shortages affecting automotive customers, container freight issues, as well as a global shortage of steel, causing pricing and significant lead time pressures. We are working closely with affected customers and suppliers to appropriately manage this; however, we do expect to see some impact on buy/sell margins and a potential build back of inventory levels at least in the shorter term.

There will of course be challenges ahead and impacts in the short term on margins, including as we continue to invest for growth. However, we feel confident that we have the appetite, skills, and structure to meet any challenges head on and to react quickly to change as well as seizing opportunities. As we drive the benefits from our strategic initiatives, we look forward from FY2022 to margin improvement and realisation of our exciting medium-term aspiration.

Finally, with vaccines being rolled out and hope that for us all life will return to a near normal soon, on behalf of us all at Trifast, we wish you well. Thank you to all our stakeholders for trusting in us and we look forward to keeping you abreast of our plans throughout the coming year.

Yours sincerely

Mark Belton
Chief Executive Officer

Trifast – the aspiration

There has never been a more exciting and dynamic time for the Trifast Group

Those who have been following our recent journey, know that the last five years have been a period of investment. Over that time, we have been working hard to establish the strong foundations that we need to achieve our growth aspirations, via additional resource and technical expertise, an improved operational structure with the formation of the Operational Executive Board, enhanced manufacturing capabilities, expanded distribution geographies and, of course, digitisation.

All this progress has been made with one clear ambition in mind: to support Trifast in its aspiration to become a much bigger, more profitable company than the one we are today

What does medium-term success look like for Trifast?

Organic revenue growth to exceed global GDP, reflecting ongoing market share gains in our key sectors and geographies

An accelerated M&A journey, with multiple transactions specifically and carefully focused to support and overlay our organic ambitions

Targeted ongoing investment into our fastest-growing geographies and markets, as well as our manufacturing and digital capabilities

Efficient balance sheet structure that focuses on ensuring optimal working capital and cash management to maximise returns on invested capital

Project Atlas implemented across all key geographies and businesses around the Group

Margin improvement as the current high levels of transport and raw material pricing pressures abate. Further supplemented by operational gearing gains and the successful achievement of the Atlas benefits case

Trifast culture remains at the heart of our business, no matter how big we get, we are committed to remaining a truly people-focused organisation that supports all those who work with us, the customers and suppliers that we contract with, and one that takes an active role in the communities and the wider environment in which we operate

Continued focus on capital allocation includes dividends as part of TSR

Supporting emerging and sustainable technologies, such as electric vehicles and charging infrastructure, renewable energy, UVC and 5G

New and emerging technologies

In the rapidly changing world of technology, exploring new opportunities and markets is the key to our future growth

During the course of this year we have had a chance to pause, review and re-evaluate the sectors that we service and the new ones that are emerging. This included a deep dive into the products we currently supply, and how we could increase the product range and therefore the customer offering to existing customers. During the pandemic we engaged with new customers who had an immediate need in the medical sector, and for ventilators in particular. This tested our teams in terms of agility and design support. This was a new territory for many companies, and the sourcing of products involved us meeting very short lead times. We rose to the challenge and this gained us entry into a number of new customers which has further evolved into the development of the health & home sector.

The increased interest in health has contributed to the burgeoning desire for cleaner air and an improved environment. As a result, we are supplying significantly increased volumes of parts to some of the largest global brands producing air purifiers, coolers, fans, and air conditioning units. This heightened desire to clear potentially harmful particles from the air extends to both light and heavy vehicles. EVs are an important part of meeting the global goals on climate change in pursuit of the Paris Agreement's targets. We have experienced OEMs and Tier 1s swiftly changing their strategy in favour of electrification and the battery production to support it. The race has accelerated to see which brand can produce the vehicle with the longest mileage on one charge. We have been involved from the inception with numerous existing and new start-up companies. The fastener products required are different in the battery technology developments and we have been quick to offer solutions and support.

The focus on recyclability and the 'circular economy' requirements has been a challenge which we have also embraced. Our technical teams have produced white papers on the subject and have interacted with universities and other industry bodies to be seen as subject matter experts on fasteners and the required electrostatic finishes.

The TR website attracts more than 85,000 sessions a month[1]. We offer a range of information to the engineering community through our technical database, including product and hole size data, downloadable dynamically generated product drawings and CAD files. We can track the companies who use the website, but not the person, and the list encompasses a 'who's who' in industry. One new EV producer has visited over 8,000 unique pages[2] on our website and has included our drawings in their build, and even used our part numbering system – which is very gratifying. We have added more than 1,000 new parts to the website in the last year, with new products being added that are pertinent to these newer industries. The enhancement of the website is a major project that is underway.

In conclusion, the opportunities presenting themselves are exciting and we have every intention of capitalising on this.

Electric vehicles[3]
5-year growth
29% CAGR

Medical devices[4]
5-year growth
6.4% CAGR

CAD model downloads[5]
2020: 140k
2019: 120k
+17%

Page views[6]
2020: 6.3m
2019: 3.8m
+66%

1. Source: Google Analytics (FY2020)
2. Source: Lead Forensics
3. Source: Deloitte
4. Source: Statista
5. Source: 3D Content Central
6. Source: Google Analytics

Market opportunity

Market worth
c.£60bn

Market share
<1%

During a year of change and technological development, we reviewed our sector strategy, adapting it so as to take advantage of new opportunities in a highly fragmented market

Light vehicle

Passenger vehicles, SUVs, niche builds, leisure and off-road – 2 & 4 wheeler

Legislation and public demand are driving the acceleration of zero emission vehicles, resulting in rapid changes to design, increasing speed of deployment and entry points in the market to new entrants.

With the rapid acceleration of electric vehicles and the battery technology, we see opportunities being generated globally as companies work towards the target of zero emission vehicles by 2030.

The scale of change brings with it newer technical challenges, such as heat and cable management, conductivity, and electrostatic finishes. Often these demands are fast paced and required globally on modular platforms.

Response

Our engineering and technical support is deployed early in the design cycle, often in person, and always with the recognition that we are subject matter experts.

Speed to market and an introduction of innovative solutions create value throughout the supply chain, underlining the USP that TR provides.

Heavy vehicle

Vehicles and products associated with the bulk movement of people, goods and services

The increased demand for last mile deliveries of online shopping clashes with environmental legislation development and accelerating timelines. As a result, their focus is on EV vehicles which has spawned new start-up companies, usually with tech backgrounds, who have a different mindset to conventional manufacturers. This is particularly for environmental consideration in inner city deliveries.

Truck and van designs are undergoing radical changes and steep learning curves as emissions are eradicated and noise levels reduced. To ensure an economically efficient response, companies are utilising modular programmes globally.

Automation of warehousing, picking and packing goods for immediate shipment all drive investment in newer equipment and technology including 5G inter-communication and AI.

Response

TR engineering-led support combines with our own manufacturing base, providing quick responses and proven solutions.

Health & Home

Medical, health and domestic appliance industries

Lifestyle changes of the last year have driven a lasting change to work and home environments, generating new demands to meet a hybrid-lifestyle.

This societal transformation meets with a rapid deployment of new technology to improve the quality of life, from fresh coffee on demand to clean air and personal grooming.

In addition, the relationship between the health of a nation and GDP has proven to be linear, with governments investing in medical infrastructures along with promoting health as a lifestyle.

All of the above brings demands for pace to market, new ways to fasten new materials with lightweight fixings and very high volumes.

Response

TR manufacturing resource combines with our engineering, sales teams and supply chain partners to provide rapid prototyping and real-time solutions.

Revenue by sector

£51.7m
2020: £59.6m

£7.2m
2020: £9.2m

£46.7m
2020: £44.3m

New horizons

Blending our global manufacturing capability with strong distribution and logistic support creates a winning combination. This meets the changing needs of developed global multinationals across four continents, and those of new start-up 'disruptive innovators'; companies, products, or services that seem to rise out of left field and completely change their respective industries. The focus on clean air and the environment has generated real opportunities. We are actively involved in the medical equipment field, and in the fast-paced development of electric vehicles and battery technology. We have had major successes already and we are very focused on the future of new emerging technologies.

Energy, Tech & Infrastructure

Power distribution, power generation, tech equipment and 5G infrastructure systems

Enhanced inter-connectivity, improved computer processing power, together with exponential growth in data generation lead to shorter life cycles, rapid product launches and the increased use of robotics in myriad industries.

Combined with mobile working and expanding urbanisation in developing regions, the infrastructure required to support these changes is significant.

Local presence to support a global strategy or product design as well as a nimble supply chain all become more relevant as this market sector scales ever upwards.

Response

Having a TR Global Account Director uphold the strategic intentions of a customer while executing agreed initiatives on different continents is testament to our teamwork and global footprint.

We combine this joined-up approach with an early involvement in the design cycle, providing solutions to localise supply chains and minimise total costs of acquisition.

£29.7m

2020: £32.1m

General industrial

Generalised industries not specific to any one end market, from sheet metal sub-contractors to machinery builders and plastic moulding companies

A broad section of industry often benefiting from localised investments with a myriad of applications. Everything from playground equipment to machine builds, from actuators to general machinery.

Their requirements are fastener rich with deep ranges required, often needing rapid turnaround of pricing and availability.

Regional needs vary but traditional industrialised geographies require products unique to this sector.

Response

In response to these needs, often TR Branded Products are the backbone of the supply chain and product design.

These industries challenge us with the demand for new product lines which in turn benefit other customers while expanding our supply capabilities.

£22.8m

2020: £22.9m

Distributors

Distributor customers in key geographies providing an outlet for TR Branded Products and associated fasteners

Distribution businesses are busier than ever as the timeline shortens from decision-making to delivery demands. This unpredictable demand requires deep stocking and high service levels.

Distributors who specialise to a sub-set of fasteners understand market pricing and their lack of generalism allows focus for growth.

More than ever, branded producers of engineered fastener products are utilising distributors and technology to reach parts of the world once considered unreachable.

Response

TR's commitment and customer-centric service to our distribution network is unwavering.

We invest in customer training material, marketing support, video web content and product range expansion opportunities. Often TR manufacturing forms part of the product offering.

£30.1m

2020: £32.1m

Business model

Our distinctive mix of engineering expertise, high-quality manufacturing, and adaptable, reliable global logistics supports delivery of our purpose

What we do

We provide a streamlined, full service customer experience, 24/7

Our in-depth understanding of customer needs through our dedicated account management teams allows us to better serve them, leveraging our global scale on a local basis

We continuously strive to develop relationships with new global OEMs (original equipment manufacturers), identifying opportunities for future routes to supply

1 Design

Assemblies cannot function without fastenings. Our custom-engineered components support the freedom and versatility of design necessary to allow our customers to create world-class products

In addition, we can provide invaluable input when engaged early in the design phase. Our engineers' design expertise helps solve customer application problems within an assembly, providing cost efficiencies as well as enhancing performance

2 Produce

Manufacture
Our seven global manufacturing plants across Asia, Europe and the UK provide reliable, timely and high-quality products to our key OEMs/Tier 1s. In-house components tend to require more complex manufacturing processes, meaning our extensive engineering know-how drives the greatest value-add for our customers

Source
Two-thirds of the Group's revenue is sourced from our established global network of world-class external suppliers. This means we are not restricted by geography or in-house facilities. By being a 'one-stop' solution for all customers' components we are able to streamline and tailor the procurement process to meet our customers' needs

3 Deliver

Our established, secure, and proven logistic networks across the world offer seamless, reliable, and cost-effective supply regardless of customer location – being where our customers need us to be is central to our 'Trusted Reliability'

Underpinned by our values and culture Find out more on pages 22 and 23

Supported by our stakeholder relationships Find out more on pages 24 and 25

- Our people
- Investors
- Customers
- Suppliers
- Communities
- Regulators/governments

What makes us unique – a combination of...

Find out more on pages 02 and 03

- Technical & design expertise
- Advanced manufacturing abilities
- Global logistics
- Network of trusted suppliers
- Strong investment record
- Strong financials
- Generating returns
- 75% of all parts sold are to specific customer or Trifast specifications

Creating value

Find out more on pages 62 to 65

For our people

Support

investing in and engaging with our people

For our shareholders

TSR +278%

our ten-year TSR since 2011 outperforms our peer groups

For our customers

45+ years

of 'Trusted Reliability'

experience, expertise and global scale

For our suppliers

Trusted payments

credit terms not extended throughout uncertain times

How we allocate capital

Find out more on page 48

Our culture

Resilience through healthy culture

By working together we have been able to focus on sustainable growth. Our strong values and culture have enabled us to deliver resilient performance in extremely challenging macroeconomic conditions

Our values

Trusted
The organisation and its employees need to trust each other – colleagues need to trust each other – the organisation needs to instil trust in its stakeholders

Reliable
We do what we say we will do when we say we will do it – both inside and outside of our organisation

Inclusive
We work together as a team and respect each other

Fair
We are thoughtful of every individual and consistent in how we interact

Ethical
We are mindful of our impact on others and the environment and demonstrate integrity in all our actions

Excellent
We add value and quality to everything we do for our customers and other stakeholders

Culture pillars

- Being inclusive but pragmatic and empowering
- A 'Can Do' attitude, working in an agile manner to deliver practical results
- Engaging with employees regularly and meaningfully
- Providing development opportunities
- Listening
- Working together as a professional global team
- Communicating openly, positively and regularly
- Investing in the future – people/product/property
- Saying thank you, being thoughtful and kind to each other
- Celebrating success

The Trifast culture continues to drive our performance and has been invaluable in dealing with the recent pandemic and the issues associated with it

With teams pulling together and supporting each other through such difficult times, we have been able to maintain the commitment and motivation of our people.

The Group is lucky to be able to operate in so many different cultures across the world. The culture starts at the very top of the Group and permeates through every location.

Our overarching culture has helped us to develop our unique brand. Wherever you go in the world to visit a Trifast location, you can be sure of a positive, helpful and friendly welcome.

How we measure our culture

Goal

To manage risk and support the Group in achieving its vision, mission, and goals and work in partnership with Directors, managers and their teams to create a stable and safe work environment with equal opportunity for learning and personal growth

Ethics

% roles offered internally

95%

Equal pay claims

Nil

No. of grievances raised

1

Environmental incidents

Nil

People

Headcount

c.1,300

Employee turnover (UK, Europe, USA)

3.7%

Length of service average

11.5 years

Gender diversity

All employees

69% male

31% female

Executive and senior managers

73% male

27% female

Transparency

Whistleblowing incidents

Nil

Employee engagement index

7.4/10

happiness score

Our stakeholders

The Board recognises the significance of considering the Company's responsibilities and duties for the long term, with the aim of always protecting reputation and upholding the highest standards of conduct

The Group can only continue to grow and prosper over the long term if we all respect and understand the views and needs of our internal and external stakeholders

Find out more on pages 60 to 67

Our people

The Board recognises that the Group's greatest asset is its employees. The Directors communicate regularly with TR teams throughout the business via a variety of media

We continue to invest in our training provision for our employees to ensure that we have the best skill sets that are relevant to each of our job roles

Additionally, Trifast is committed to providing a safe and fair environment. We enforce this commitment through our health and safety management systems

Find out more on pages 52 and 54 to 59

Investors

Our investors enable the Company to grow. We maintain strong relationships with shareholders, ensuring they understand our progress and strategic performance and that we strive to understand how they view our business

The Board considers that an ongoing dialogue with all shareholders is important. We operate a structured programme throughout the year where management are available to all shareholders

Find out more on page 63

Customers

Trifast prides itself on its long-standing partnerships with all its customers

Our reputation in the industry for quality is second to none at a time when customers are beginning to focus more and more on this. We are known for our commitment and ability to go the extra mile for our customers, solving issues before they arise and stepping in where competitors have fallen short

Find out more on page 64

Suppliers

A combination of in-house manufacturing and established world-class suppliers enable us to be a truly 'one-stop' solution. Our suppliers and our global manufacturing sites provide us with the goods and services we rely on to deliver to our customers. They range from substantial multinational companies to small-scale local businesses providing bespoke services when they are needed

Find out more on pages 65 and 74

Communities

We recognise that our business activities have an impact on the communities in which we operate, and we remain committed to interacting responsibly with those communities. It is our responsibility to respect and value others and maintain high ethical standards in everything we do. We are committed to the care and stewardship of the communities and environments our businesses are involved in as a Group and across our 32 locations

Find out more on pages 66 and 68 and 69

Regulators/governments

We are committed to complying with all applicable legislation and make all necessary declarations and submissions, including market announcements and compliance disclosures for issues such as diversity, packaging, hazardous and restricted materials, and carbon emissions

We maintain good relationships with regulators; in response to COVID-19 we accommodated global site visits by the Health & Safety Executive and local authority equivalents

We engage with policymakers and have maintained close contact with the Department of Trade and Industry (DTI) in relation to Brexit

Find out more on pages 67 and 84 to 123

Our strategic objectives

A key part of our growth comes from our established and trusted trading relationships with over 100 multinational OEMs/Tier 1s

Investment for organic growth

We continue to see focused investment as a core part of our ongoing growth strategy. Project Atlas forms a big part of this and, in addition, targeted investments including into our higher-growth distribution businesses are also planned to facilitate ongoing market share gains in these key geographies

Key focus areas

- Investing to deliver profitable growth
- Project Atlas – digitisation to support our customers, people and drive operational efficiencies
- Strong balance sheet
- Efficient and effective cost structure
- Stakeholder returns

Link to KPIs

Find out more on pages 36 to 38

Acquisitions

In a fragmented market, acquisitions continue to form a vital part of our growth strategy. We are seeing a marked increase in both the number and quality of opportunities that are being evaluated

Key focus areas

- Experienced, dedicated internal resource to drive opportunities
- Effective external relationships
- Established geographic focus areas and criteria setting in place
- Access to significant debt financing

Link to KPIs

Find out more on pages 36 to 38

Find out more on pages 28 and 29

Find out more on pages 30 and 31

We provide 'Trusted Reliability' and the highest levels of customer service, to innovate, empower and sustain our customers' growth for the longer term

Innovation

As a value-add supplier of specialist parts, we provide both guaranteed quality and supply, and the engineering expertise to solve complex problems and provide innovative solutions

Key focus areas

- Design and application engineering expertise
- Flexible and innovative logistics
- Aligned with purpose, bringing 'Trusted Reliability' to deliver solutions
- Collaboration with customers to innovate
- Focus on new and emerging growth markets: 5G, EV, medical

Link to KPIs

Find out more on pages 36 to 38

Find out more on pages 32 and 33

Sustainability

We recognise that our people are our greatest asset and we have a responsibility to care for them and the communities and wider environment that our businesses operate in. We are committed to continuous improvement initiatives that create sustainable and evolving solutions to these responsibilities

Key focus areas

- Investing in our people
- Setting our sustainability roadmap
- Enabling products to support a better tomorrow, such as electric vehicles, medical, reusable products

Link to KPIs

Find out more on pages 36 to 38

Find out more on pages 34 and 35

Our strategy in action
Investment for organic growth

Project Atlas

Project Atlas is a significant multi-year investment into the integration and development of the Group's IT business platform and its underlying processes, policies and procedures

A transformational investment to build an integrated global business

Rob Gibbons
Project Director

The medium-term benefit case supporting this investment has always been very compelling, with an annualised ROI of >25% expected at the point of full realisation. In the short term we have already reaped rewards, as we have been better able to function in a COVID-19 restricted world over the last year, than would otherwise have been possible

Creating the Trifast of tomorrow

Following a successful on-site pilot in Ireland in October 2020, and a COVID-19 deferred go live at our TR España site in June 2021, our wider implementation timetable is now underway.

In the short term the ongoing roll out will create significant capacity as more businesses come online. This will allow us to drive continuous improvement and operational efficiencies. Increased integration will afford different parts of our business to be better able to support and collaborate with each other.

Improved access to real-time, Group-wide management information will also drive quicker and better strategic decision-making and a more proactive approach to opportunities and challenges.

Our global talent management system is now operating in 16 locations, helping us to better support ambition and personal development for our people around the world.

What a difference a global pandemic can make

The challenges

The ongoing COVID-19 travel restrictions are inevitably continuing to impact the Project, whilst rapid returns in trading volumes are creating logistical and lead time challenges (compounded in the UK with Brexit), and putting additional operational pressure on our underlying businesses.

We are mindful that any timetable delays will push out the benefit case realisation, as well as incurring ongoing Project costs for a longer period; we have therefore revisited both the timetable and budget together, so we can reach a sensible compromise between speed of delivery versus total expected costs.

The solutions

The primary focus has been to prioritise roll out to all relevant distribution entities by the end of FY2023, thereby allowing full benefit realisation to still commence in the second half of FY2024. This will be followed by roll out to our manufacturing entities.

Our key mitigation strategies include remote and concurrent roll outs, an acceleration of the main UK implementation, and investment in additional pre-transition resource to support roll out during such challenging operational times.

The financial impact

As a result, we are currently expecting the total cost of Project Atlas to be in the region of £17.5m (original budget: £15.0m). Whilst additional costs are disappointing, the Board strongly believe protecting the timeline and future-proofing against further COVID-19 disruptions is the right thing to do in response to these exceptional circumstances.

This is especially true given the strength of the benefit case, as even against these higher costs, we still expect the Project to have a >25% ROI at the point of full realisation.

ATLAS

Our strategy in action
Acquisitions

A USA ambition

Acquisitions continue to be a significant part of our investment strategy and a key way to build geographic and sector balance

With the support of our external advisers, we have seen a strong improvement in the number and quality of targets in our pipeline, both for the USA and beyond

Paul Ranson
Head of Corporate Development

Where we are today

For us, the USA region has been a big success story organically, with revenue CAGR of over 20% since FY2016 (excluding FY2021 due to COVID-19).

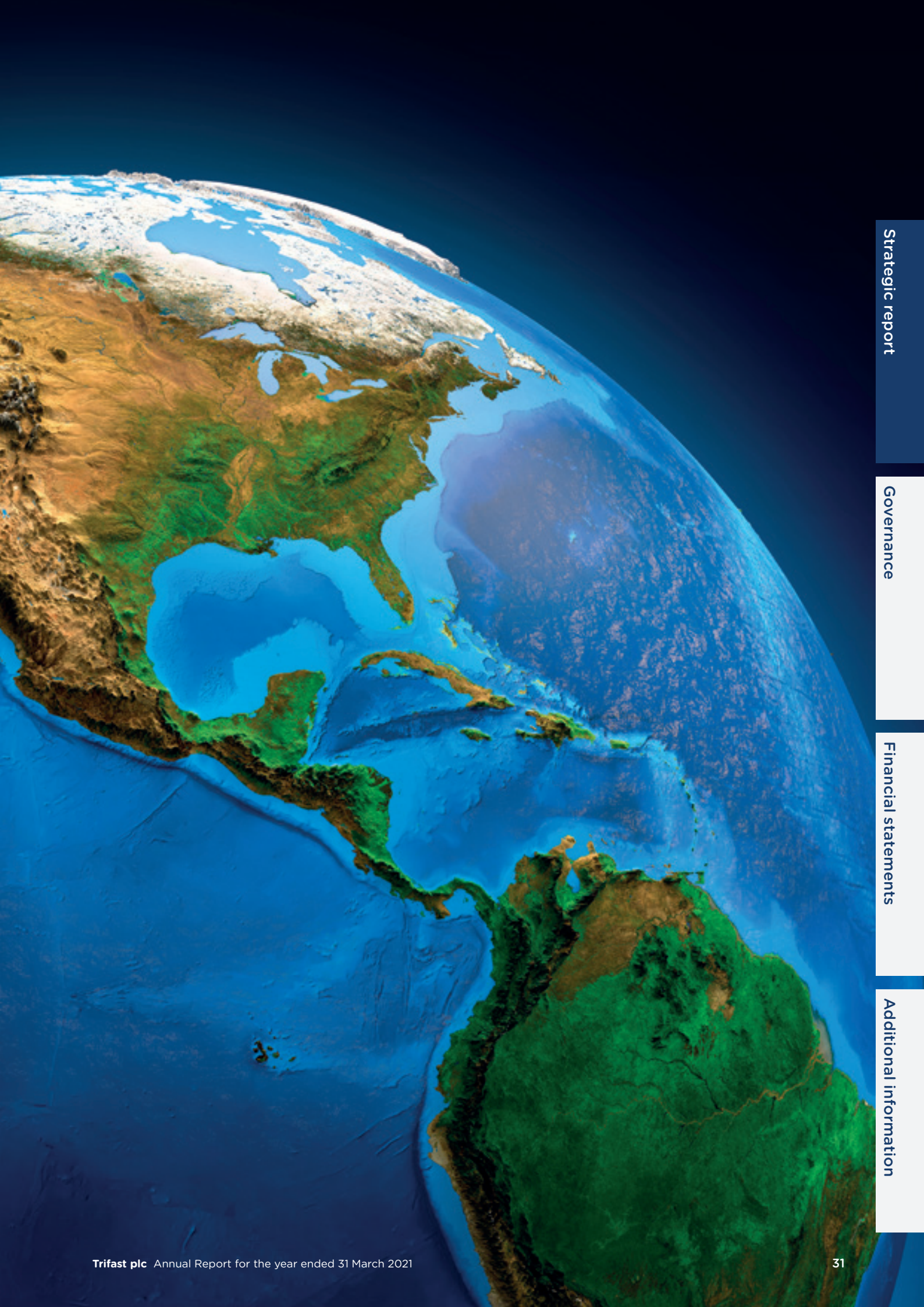
However, our presence remains relatively small at only c.5% of Group revenues; a position that needs to be resolved, to allow us to be a truly global operation able to fully support our multinational customers across the globe.

Building our USA presence via M&A

Two things happened in FY2021 that significantly accelerated momentum for this key part of our global growth strategy.

Firstly, we recruited a full-time mergers and acquisitions (M&A) lead into the business for the first time in our history. Secondly, following a comprehensive review of the USA market, we identified and brought on board new external M&A advisers, with direct and extensive experience in the USA industrial fastenings space.

Our regional appetite and criteria were subjected to detailed review, leading to a focused search of the market. This work is now reaping rewards, with a greater number and quality of opportunities going forward to investment evaluation. It is also assisting us to secure an enhanced network of industry contacts and onshore suppliers to further support the organic business and build tomorrow's M&A pipeline.



Our strategy in action
Innovation

Collaboration

Engineering is at the heart of TR, underpinned by technical skills and expertise to be aligned with other teams, leveraging business development in an ever-changing market

Through internal collaboration we deliver 'global but local' support to our potential and existing customers with new developments and innovation

Sven Brehler
Director of Engineering

The successful transference of shared knowledge in a global business is vital to achieve results

Within our sales teams it is normal practice to co-operate with other TR locations when developing a major multinational account. With one new multinational OEM, won in FY2020, we were encouraged by their leadership team to consolidate the sourcing and supply activities to leverage the benefits that could be gained. In the last three years we have worked together with the customer and TR locations and we now supply sites in the UK, North America, China, Holland and Malaysia, with more to follow. This has been a multi-discipline collaboration involving our sales, engineering, sourcing and quality teams to achieve that goal.

We are experiencing the increasing need for us to provide early engineering support to a number of other customers' respective engineers and designers. This is most noticeable in newly emerging technologies within the electric vehicle (EV) builds and the battery (BEV) developments. This has taken us into new components of higher value, working closely with their designers who required our input early on in the product development.

As we build relationships with the engineering community within customers, it is not unusual for our application engineers in Sweden, for example, to be developing a product with their teams in the USA and Europe. One recent example has necessitated many hours of engagement with an approved TR vendor in Germany, working in conjunction with us to develop a complex two-piece assembly destined for Mexico for a new EV build. This required agility, focusing on providing solutions and prototypes, with all the necessary 3D CAD modelling to support the design function, testing of product on two continents, and executing the brief to meet exacting timelines. This has created further opportunities as we are now being seen as not just a fastener supplier. This investment in time and expertise through early involvement has ensured our position as part of their long-term supply chain.

ENGINEERING
PERSPECTIVE
SKETCH
COLOR
ENGINEERING
DESIGNER
SUCCESS
BUSINESS
GRAPHIC
CONCEPT
ART
MEDIA
CREATIVE
LABEL
PROJECT
LOKA

Our strategy in action
Sustainability

Solar energy in Malaysia

The new solar array will produce more than 50% of the total energy demand for our Malaysian manufacturing site

Alongside energy efficiency, investing in clean solar power will help us reduce our carbon footprint

Jenni Davies
Group Health, Safety & Environmental Manager

As part of our commitment to reduce our carbon footprint, we have been exploring how we can use more renewable energy in our operations

Our focus in FY2021 was on our manufacturing operations in Malaysia. TR PSEP (Power Steel and Electro-Plating Work Sdn) is a major supplier to the automotive industry, producing precision components for light commercial vehicles and passenger cars.

Alongside energy efficiency initiatives, using renewable energy in our operations will reduce our carbon footprint and support the automotive sector's journey in achieving net zero carbon.

In FY2021 we completed a feasibility study to install a 650 kWp solar PV system on the roof of the factory and the warehouse. The system will generate more than 800 MWh of clean energy each year. This is more than 50% of the site's total energy use and the equivalent of powering around 220 homes in the UK.

Work began on the project in February 2021, and is expected to complete by the end of the calendar year.

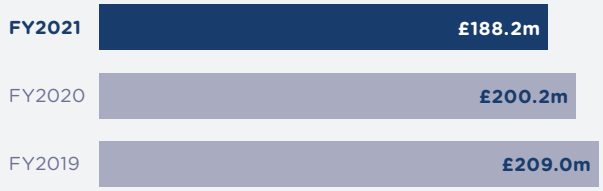
Swapping to zero carbon electricity will reduce the site's carbon footprint by around 600kg per year.

Key performance indicators

The Board, OEB, and operational management teams regularly monitor and develop a range of financial and non-financial key performance indicators (KPIs) to allow them to measure performance against expected targets, which can be analysed under various categories.

Financial KPIs

Group total revenue



Why we measure it
Our clear strategy for long-term growth makes turnover an important barometer of the Group's success

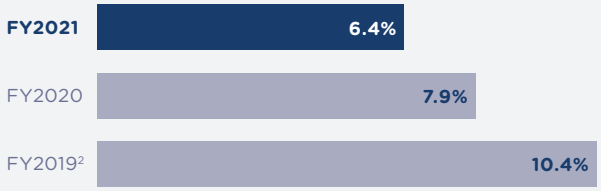
Our progress in FY2021
As a result of the global pandemic, turnover decreased by £12.0m in FY2021

Up to FY2020, turnover had grown significantly from 2016, increasing by 24.1% to £200.2m (FY2016: £161.4m), equating to 5.5% p.a.

Link to strategy

Progress

Underlying operating margin[1]



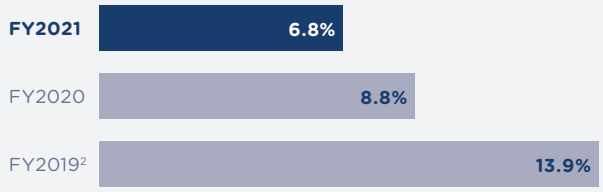
Why we measure it
Growth is about more than just the top line. Controlling our cost base is a key part of our investment plans

Our progress in FY2021
Despite the significantly reduced trading in FY2021, our tight control on costs has allowed our underlying operating margin to remain positive at 6.4%, 150bps down from FY2020

Link to strategy

Progress

Underlying return on capital employed (ROCE)[1]



Why we measure it
ROCE measures the return that we are able to provide to our equity investors. Maintaining this continues to be a key focus of the Group

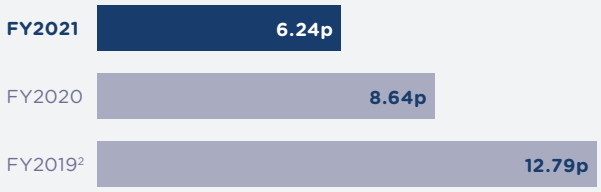
Our progress in FY2021
Reflecting reduced profits, our ROCE has decreased in FY2021 by 200bps to 6.8% (FY2020: 8.8%)

Looking ahead, we intend to use cash flow return on investment to assess potential investment projects (see capital allocation on page 48) and plan to add this measure to our KPIs in FY2022

Link to strategy

Progress

Underlying diluted earnings per share (EPS)[1]



Why we measure it
EPS is a key target for the Group. Our strategy for growth is focused on increasing this ratio year-on-year

Our progress in FY2021
This has decreased in FY2021 to 6.24p due to the challenging market conditions

Looking ahead, this is expected to recover as trading levels improve and our investments to support profitable growth continue to progress

Link to strategy

Progress

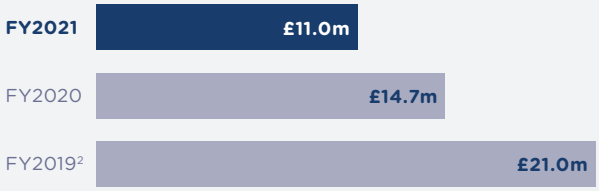
Key to strategy

- Investment for organic growth
- Acquisitions
- Innovation
- Sustainability

Key to traffic light

- Significantly below target
- Below target
- On target

Group underlying profit before tax[1]



Why we measure it

Growing underlying profit before tax over the longer term is a key measure of the underlying performance of the business

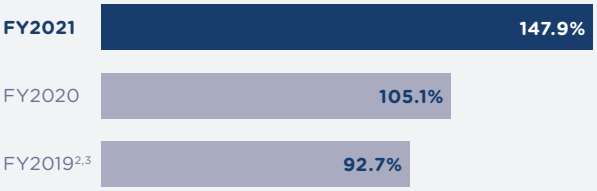
Our progress in FY2021

This has decreased in FY2021 due to the challenging market conditions. Looking ahead, this is expected to recover as trading levels improve and our investments to support profitable growth continue to progress

Link to strategy

Progress

Underlying cash conversion as a % of underlying EBITDA[1]



Why we measure it

Our quality of earnings is reflected in our ability to consistently turn underlying EBITDA into underlying cash

Our progress in FY2021

The Group has been strongly cash generative in FY2021 with an adjusted conversion rate of 147.9% against a target of 70-85%

Link to strategy

Progress

1. Before separately disclosed items (see note 2 in the financial statements). The relevance of these measures and calculations are also discussed in note 2, note 26 and the glossary in the financial statements. For reconciliations to equivalent GAAP measures, please see note 33 in the financial statements and the five-year history
2. FY2019 is presented before IFRS 16 Leases, which was applicable from 1 April 2019
3. The figure restated was the adjusted cash conversion in FY2019 after removing specific investments in stock at 84.1% (cash conversion before this adjustment 64.9%)

Key performance indicators continued

Key to strategy

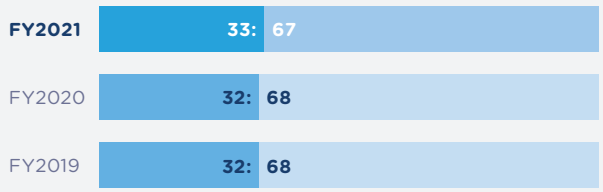
- Investment for organic growth
- Acquisitions
- Innovation
- Sustainability

Key to traffic light

- Significantly below target
- Below target
- On target

Non-financial KPIs

Manufacturing to distribution ratio



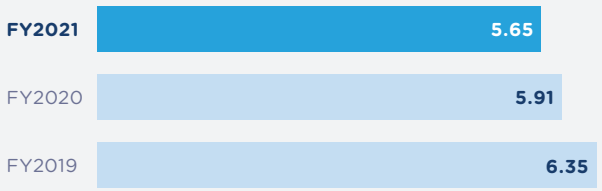
Why we measure it
By maintaining and expanding our manufacturing capabilities and capacities around the world, we will be able to retain more profit in the Group and improve our profit margins as revenues increase faster than the underlying semi-fixed cost bases we have in our manufacturing sites

Our progress in FY2021
Despite the challenging market conditions, we have maintained this ratio

Link to strategy

Progress

Carbon footprint



Why we measure it
To ensure that business decisions made are steering us towards a more sustainable future, we monitor our GHG emissions against our full-time equivalent employees (FTEs). This allows us to track progress fairly and globally

Our progress in FY2021
We have made good improvements during FY2021. It is our intention that our sustainability roadmap will assist in continuous improvement of this KPI

Link to strategy

Progress

Broaden skills of management

Why we measure it
Training programmes continue to be developed that allow our employees across the globe to learn together and share best practice. These programmes include operational, functional and leadership elements and are designed for our employees to enhance existing, and acquire new, skills

Our progress in FY2021
Due to COVID-19 restrictions during FY2021 we were unable to carry out as much training as we would have liked. However, we are working on our new training and development strategy and we will see progress in this area during FY2022

Link to strategy

Progress

Employee engagement index

7.4/10

Why we measure it
It is important that we are aware of how our employees are feeling on a number of topics, so we can take any necessary actions to ensure we continue to appropriately support our people

Our progress in FY2021
In FY2021 we introduced a series of Group-wide surveys.' These provide an overall 'happiness' score. In November 2020 when we first ran the survey our overall happiness score was 7.4/10

Link to strategy

Progress

Financial review

In such a fragmented market, the combination of our customer and supplier relationships, our engineering know-how, our ongoing strategic investment journey and our balance sheet strength put us in a great position to make the most of the organic and M&A opportunities in front of us

Clare Foster
Chief Financial Officer

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

FY2021 results are presented after the change in classification of IFRS 2 Share-based Payments from a separately disclosed item into underlying results. The FY2020 results have been restated for comparability. A reconciliation to previously reported numbers is provided at the end of the financial review and in note 33 (IFRS 2 charges, including related NI costs on exercise – FY2021: £1.2m; FY2020: £2.3m).

Our Group performance[1]

	FY2021 CER	FY2021 AER	FY2020	Movement at CER	Movement at AER
Revenue	**£188.1m**	**£188.2m**	£200.2m	(6.0)%	(6.0)%
Gross profit (GP)	**£50.1m**	**£49.9m**	£55.1m	(9.2)%	(9.4)%
GP%	**26.6%**	**26.5%**	27.5%	(90)bps	(100)bps
Underlying operating profit (UOP)	**£12.1m**	**£12.0m**	£15.8m	(23.4)%	(23.9)%
UOP%	**6.4%**	**6.4%**	7.9%	(150)bps	(150)bps
Operating profit (OP)	**£8.9m**	**£8.8m**	£4.1m	117.4%	114.8%
OP%	**4.7%**	**4.7%**	2.0%	270bps	270bps
Underlying EBITDA	**£17.7m**	**£17.6m**	£21.2m	(16.5)%	(17.0)%
Underlying EBITDA%	**9.4%**	**9.4%**	10.6%	(120)bps	(120)bps
Underlying profit before tax	**£11.1m**	**£11.0m**	£14.7m	(24.6)%	(25.2)%
Profit before tax	**£7.9m**	**£7.8m**	£3.0m	159.4%	155.9%
Underlying diluted EPS[1]	**6.32p**	**6.24p**	8.64p	(26.9)%	(27.8)%
Cash conversion as % of UEBITDA		**147.9%**	105.1%		4,280bps
Diluted EPS		**4.31p**	(0.19)p		N/A
Underlying ROCE[1,2]		**6.8%**	8.8%		(200)bps
Adjusted net cash/(debt)[3]		**£13.3m**	£(15.2)m		£28.5m

1. Presented after the reclassification of IFRS 2 Share-based Payments, including related social security costs on exercise, into underlying results. For EPS the impact has been a reduction of 0.73p from 6.97p (FY2020: 1.90p from 10.54p). For ROCE, a reduction of 90bps from 9.6% (FY2020: 150bps from 12.0%)
2. The calculation for ROCE has also been changed in FY2021 (and restated above for FY2020) to reflect an add back of gross, rather than net debt, see glossary on page 189 for further details. The impact of this change is a 190bps reduction from 8.7% in FY2021 (FY2020: 170bps reduction from 10.5%)
3. Stated before IFRS 16 Leases

Financial review continued

Our Group performance continued

There can be no doubt that FY2021 has been a hugely challenging year for the Group.

COVID-19 had a significant impact on trading in the first quarter, with revenues in April approximately 50% lower year-on-year. However, by September the Group overall returned to year-on-year growth, a trend that we continued to see on a monthly basis throughout the second half of the year. So much so, that we recorded our highest sales for November, December, February and March on record.

Our health & home and distributor sectors were quickest to recover, with FY2021 growth already coming back into these markets at the end of Q2. By Q4, we were seeing a more universal return to growth across all of our key sectors and geographies.

Overall, this means that the Group has been able to deliver a resilient performance in FY2021, despite such turbulent market conditions, and we were able to contain the revenue decrease to 6.0% at £188.1m (2020: £200.2m).

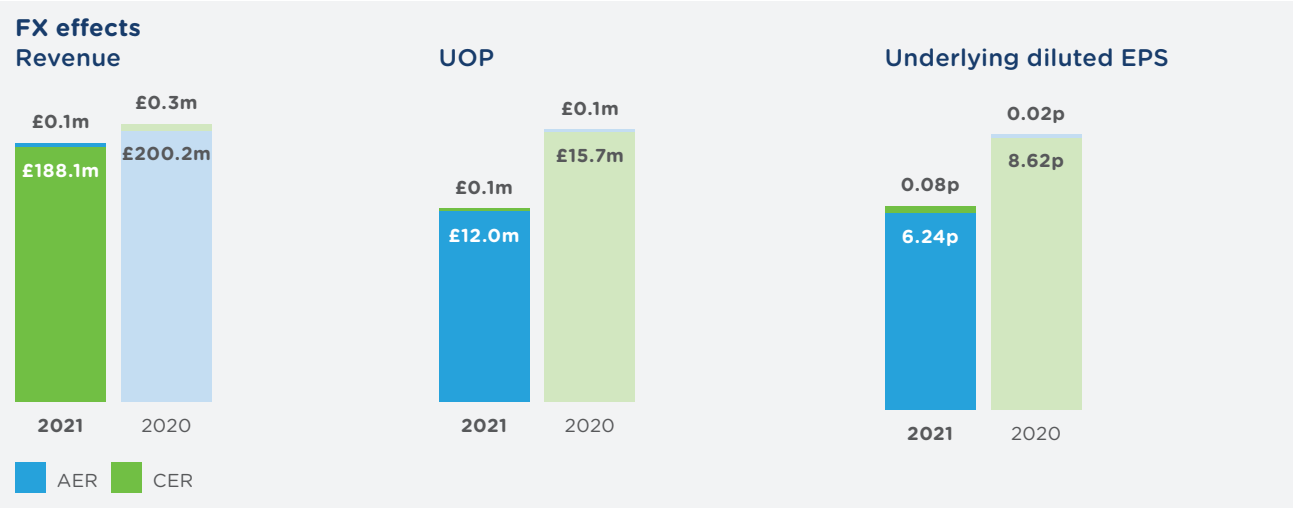
Gross margins have decreased by 90bps to 26.6% (AER 100bps to 26.5%; FY2020: 27.5%) as fixed and semi-fixed costs are less easily absorbed by the reduction in sales, and the recent sharp increases in freight costs have further impacted on gross margins, most specifically in Q4. We have undertaken a number of measured cost-saving actions, and have made use of government support schemes where appropriate (£2.1m). As a result of these actions and their timeliness, we achieved underlying operating profit margins of 6.4% (FY2020: 7.9%).

Our underlying PBT is down 24.6% to £11.1m at CER, £12.3m before IFRS 2 reclassification (AER: down 25.2%, to £11.0m, £12.2m before IFRS 2 reclassification, FY2020: £14.7m, £17.1m before IFRS 2 reclassification), representing a marked improvement on HY1 where reported underlying PBT reduced by 60.8%, to £4.1m (HY2020: £10.6m). Underlying diluted earnings per share (EPS) at CER is down 26.9% to 6.32p and at AER, down 27.8% to 6.24p (FY2020: 8.64p). 0.66p of this reduction reflects the impact of the £16.0m equity raise.

Our PBT at AER is £7.8m, up 155.9% on prior year (FY2020: £3.0m). This increase is due to no impairments recognised in the year (FY2020: £7.8m), partially offset by the lower trading levels from the impact of COVID-19. As a result of this, diluted earnings per share increased to 4.31p (FY2020: loss of 0.19p).

Our cash generation has been exceptionally strong over the year, with an underlying conversion rate of 147.9% (FY2020: 105.1%). We remain in a net cash position of £0.5m following on from the successful equity raise in June 2020. We continue to have good access to banking facilities, with unutilised facilities of £62.6m, providing us with the security and flexibility to continue to invest in our future growth.

CER continues to be the best way of understanding the positive progress of our underlying business. To aid understanding, the impact of this on our key metrics is illustrated on the graph below.



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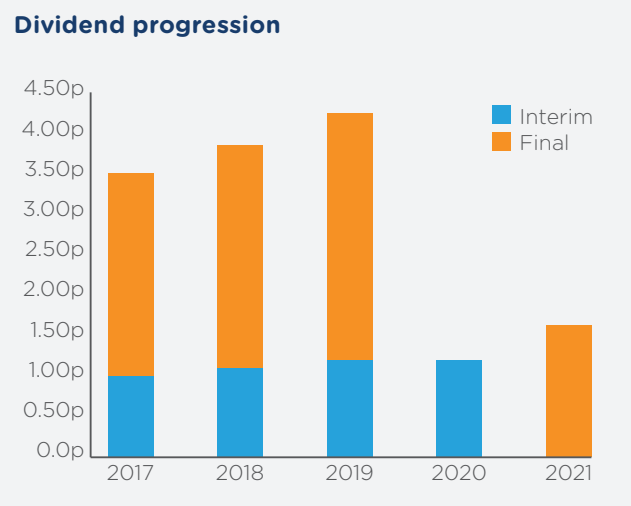
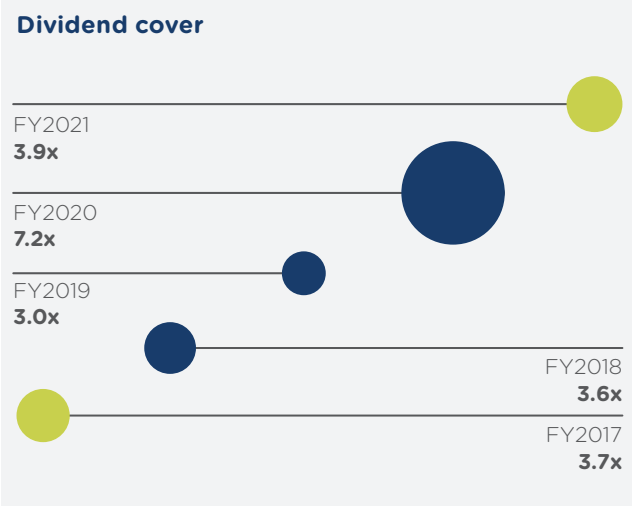




Dividend policy

In order to allow us to appropriately manage our financial position and flexibility in the face of the extreme disruption and uncertainty present at the time, we did not propose an interim dividend for FY2021 (FY2020: interim 1.20p). However, reflective of the strong recovery demonstrated by the Group through the second half of the year, the Board is pleased to report that we are proposing, subject to shareholder approval, a final dividend of 1.60p (FY2020: nil).

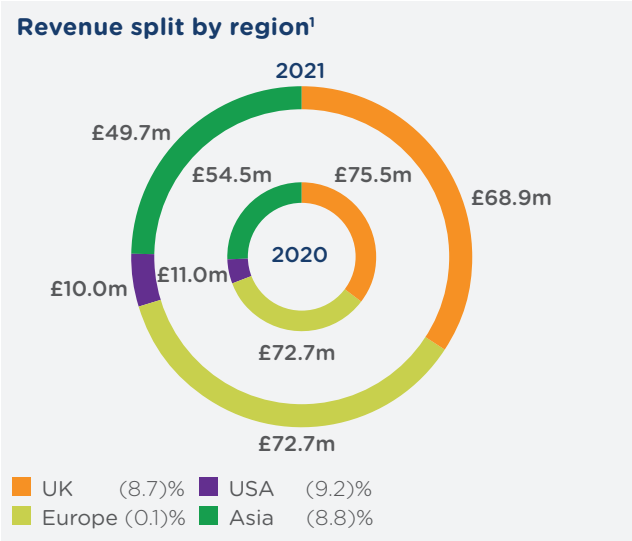
This represents a dividend cover of 3.9x (FY2020: cover of 7.2x). The final dividend will be paid on 15 October 2021 to shareholders on the register at the close of business on 17 September 2021. The ordinary shares will become ex-dividend on 16 September 2021.

As explained in our capital allocation policy (see page 48), the Board recognises the role of dividends in forming part of our total shareholder return (TSR). As such, it is committed to a progressive policy with a target pay-out of between 3x to 4x adjusted earnings. For the medium term, the Board believes a pay-out ratio at the top end of this range is appropriate to allow ongoing organic growth, strategic investments and M&A to support the Group's medium-term aspirations.

Revenue

Due to the challenging market conditions, most specifically in Q1 due to the impact of COVID-19, we have seen revenue declines across most of our regions (ranging from 8.7% to 9.2%). This is except in Europe where trading levels remained in line with FY2020. The year has been a game of two halves, with overall Group revenues reducing by 21.0% in the first half of the year, and then recovery driving an overall 9.8% year-on-year increase in HY2.

Our European region has shown the quickest bounce back, with FY2021 revenues of £72.7m remaining in line with the prior year at CER (FY2020: £72.7m) and 1.1% ahead at AER, £73.5m. The biggest drivers for this are firstly in Hungary, where we have seen double-digit growth in our energy, tech & infrastructure business. In Italy we have seen a rapid return to growth, as the health & home sector saw recovery in demand start as early as Q2. While our fast-growing site in Spain, despite challenging market conditions and some semi-conductor led reductions in the light vehicle sector, has continued to increase year-on-year trading by >50% due to market share wins. Our more established light vehicle focused sites, including Sweden and Holland, have seen a slower return to growth, but we are pleased to report that both recorded double-digit increases in the second half of the year. Weakened general industrial sector demand hampered trading levels at our German site until the latter part of the year, although even here, monthly year-on-year growth returned in Q4.



1. Regional revenues include intercompany

Financial review continued

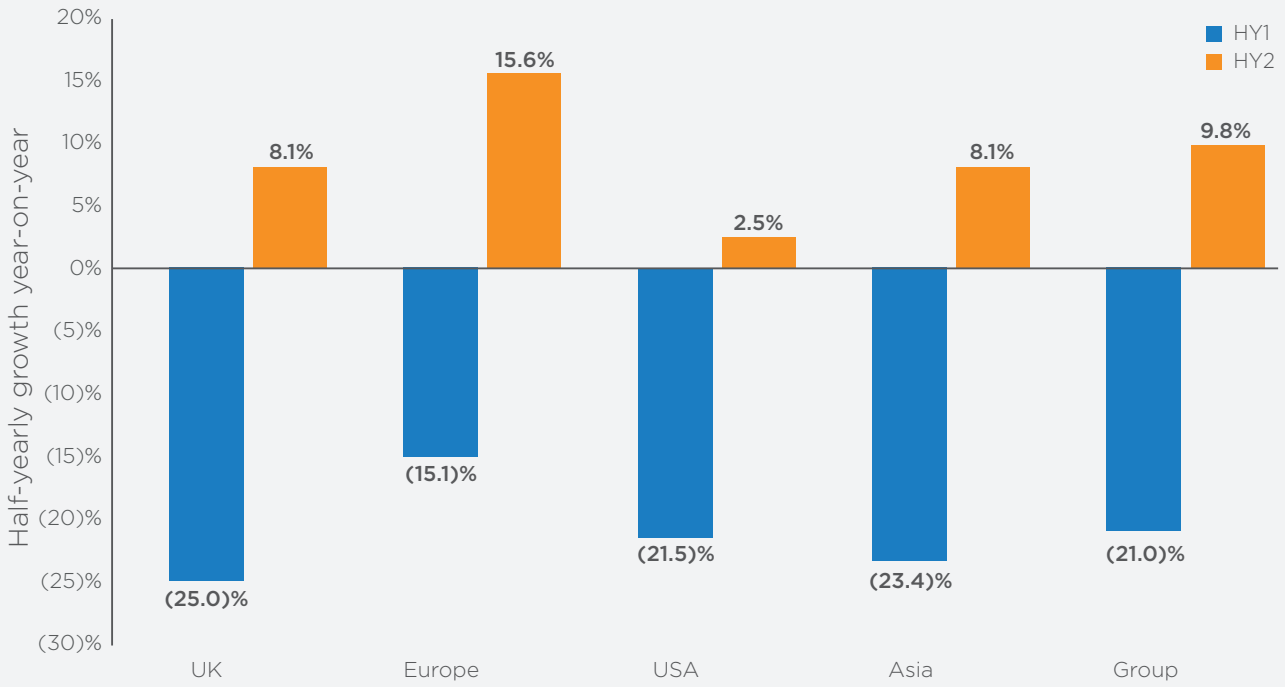
Revenue continued

In Asia, we have seen a more mixed picture, with overall revenues down 8.8% to £49.7m at CER (AER: 9.6% to £49.3m, FY2020: £54.5m). Double-digit growth returned to our Singapore operations in HY2, buoyed by a quicker recovery in the health & home sector, especially at one of our key global OEMs. This was further assisted by a softer Q4 comparative in the prior year due to local lockdowns in Malaysia. Our Shanghai operations have maintained growth throughout FY2021, reflecting the rapid re-opening of the local economy even in Q1 of the year. In Taiwan, our indirect sales into light vehicles (via distributor customers) have been more significantly impacted by volume reductions in the key European market, and more latterly, by local labour and raw material shortages. Light vehicle manufacturing volumes at our key domestic OEMs in Malaysia have been slower to show a consistent recovery, hampering growth at our Malaysian site, but offset in part by double-digit market share gains in Thailand in HY2, where we continue to make a success of this fast-growing location.

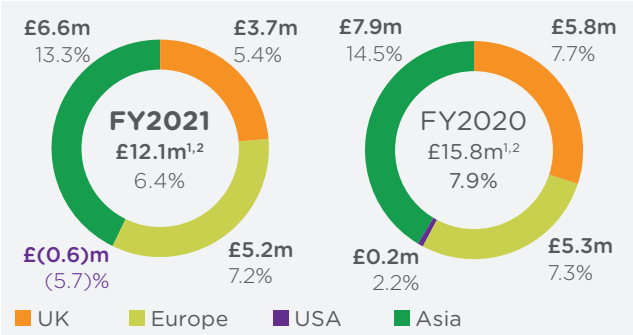
Overall, our UK business has declined by 8.7% to £68.9m (FY2020: £75.5m), reflecting a challenging start to the year. Although we saw growth across the board in HY2, particularly in our Distributor sector, where high order levels have continued into Q4 beyond the pre-Brexit stock piling we reported in December 2020. Our two UK pure Distributor sites have both shown strong double-digit growth in HY2, whilst our main UK trading subsidiary, TR Fastenings Ltd, has also returned to growth as demand starts to recover across all end markets. We are pleased to report that our latest acquisition, PTS, continued to grow in both HY1 and HY2 despite the macro conditions. This perfectly illustrates their high level of expertise and ability to make market share wins, in the less crowded stainless steel market.

In our smallest region, the USA, we have seen an overall reduction in revenues of 9.2% to £10.0m at CER (AER: 11.8% to £9.7m, FY2020: £11.0m). We did return to growth in HY2, as markets started to recover. However, this was slower than in our other regions as a number of key light vehicle Tier 1 customers deferred start of production dates and reduced volumes due to shortages in semi-conductor supplies.

External revenue (CER)



Underlying operating profit



1. After deducting central costs
2. Restated to include IFRS 2 charge, including related NI costs on exercise. The impact has been a reduction of £1.2m from £13.3m (FY2020: £2.3m from £18.1m)

Underlying operating margins have reduced by 150bps, to 6.4% (FY2020: 7.9%) to generate an operating profit of £12.1m at CER (AER: reduced 150bps to £12.0m, FY2020: £15.8m).

In Europe, where trading levels have remained high, the underlying operating margin has stayed consistent at 7.2% (FY2020: 7.3%). Gross margins in the region did reduce slightly, largely due to freight cost increases in Q4, partially offset by favourable movements in the average €:$ exchange rate. The remainder has been offset at underlying operating profit level by effective cost-saving actions including: pay rise deferrals, bonus reductions, recruitment freezes, reduced travel and discretionary spend and the use of job retention schemes.

In Asia, underlying operating margins have held up exceptionally well, with a reduction of only 120bps to 13.3% (FY2020: 14.5%). Reducing sales against a semi-fixed cost base has had a negative impact, however we have been able to more than offset this through cost savings (as detailed for Europe above).

Notwithstanding this, a balance sheet translation loss of £0.9m (FY2020: gain of £0.2m), due to a weaker US$ in the period, has led to the overall reduction noted.

In the UK, underlying operating margins have decreased by 230bps to 5.4% (FY2020: 7.7%). Reduced sales over a semi-fixed cost base have driven the majority of the reduction. The impact of this has been mitigated in part by cost savings at both the cost of sales and overhead level (as detailed for Europe above), including by benefiting from the use of the government furlough scheme predominantly in the first half of the year.

In our smallest region, the USA, UOP margins have significantly reduced by 790bps to an operating loss of 5.7% (FY2020: profit of 2.2%). This reflects the reduction in sales against a semi-fixed cost base, further compounded by significant relative increases in freight costs in Q4 and higher stock provisioning levels. Some careful cost savings have been made, but this has been more difficult in a region where we are investing for a return to high organic growth in the short to medium term (FY2015 to FY2020 CAGR: c.20%).

Operating profit

Operating margins have increased to 4.7% (FY2020: 2.0%). No impairments were recognised in the year (FY2020: £7.8m) which has caused the increase, partially offset by the reduced trading levels explained above.

Europe has the biggest increase in operating margins to 5.6% (FY2020: (3.8)%) as £7.0m of the impairment was recognised in this region last year.

In Asia, operating margins have remained broadly in line at 13.2% (FY2020: 13.0%). The increase is through no impairment being recognised in the year (FY2020: £0.8m), further impacted by the factors explained in the underlying operating profit section above.

UK and USA operating margin reductions to 4.5% and (5.9)% respectively (FY2020: 6.8% and 1.8% respectively) are due to the trading level reductions explained above.

GAAP measures: operating profit by region (AER)[1]

	FY2021		FY2020	
	Profit/(loss) (£m)	**Margin**	Profit/(loss) (£m)	Margin
UK	**3.1**	**4.5%**	5.1	6.8%
Europe	**4.1**	**5.6%**	(2.8)	(3.8)%
Asia	**6.5**	**13.2%**	7.1	13.0%
USA	**(0.6)**	**(5.9)%**	0.2	1.8%
Central costs	**(4.3)**	**N/A**	(5.5)	N/A
Total	**8.8**	**4.7%**	4.1	2.0%

1. After allocating separately disclosed items

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Financial review continued

Net financing costs (at AER)

Interest costs have remained level at £1.0m (FY2020: £1.0m) despite the reduction in gross bank debt as net marginal interest rates, net of commitment fees, remain low and the Group's main banking facilities are unchanged.

Taxation (at AER)

The underlying effective tax rate (ETR) has reduced 300bps to 23.9% (FY2020: 26.9%). The main reason for this decrease is due to a deferred tax charge on share options in the prior year.

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

The main reason for the difference between our FY2021 ETR of 25.6% and the FY2020 ETR of 107.8% is due to the impairment charges reported in FY2020.

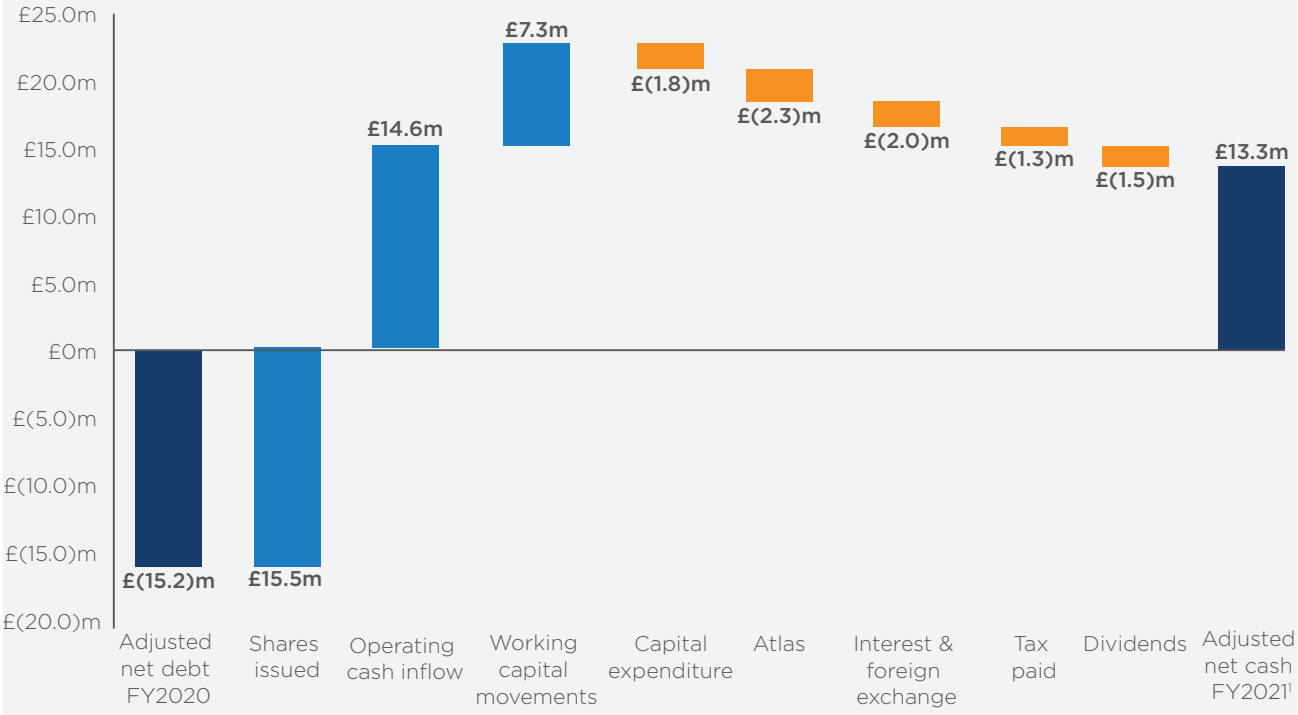
Net cash (AER)

As at 31 March 2021 the Group was in an adjusted net cash position of £13.3m, £0.5m including right-of-use lease liabilities (FY2020: adjusted net debt of £15.2m). Some £15.4m of this increase relates to the net proceeds from the equity raise in June 2020.

Cash generation has been exceptionally strong with an increased conversion rate of underlying EBITDA to underlying cash of 147.9% (FY2020: 105.1%). Stock levels have reduced in part due to Q4 logistical challenges and creditors have increased to support higher forecast trading levels.

Excluding additional investments into Project Atlas of £2.3m, we have also incurred capital expenditure of £1.8m, largely on routine plant and machinery maintenance across our manufacturing sites.

Adjusted net cash bridge[1]



1. Adjusted net cash is stated excluding the impact of IFRS 16 Leases. Including right-of-use lease liabilities, net cash decreases by £12.8m to £0.5m (FY2020: net debt increases by £15.1m to £30.3m) and operating cash inflow before changes in working capital increases by £3.7m (FY2020: £3.5m)

Banking facilities

The Group successfully renegotiated its banking facilities in April 2019 and has access to an £80m revolving credit facility over a four-year term, with an option to extend for up to one year, and an additional £40m accordion facility to support acquisitions.

The Group's banking facilities include covenants to maintain an adjusted leverage ratio of below 3.0x and an interest cover ratio above 4.0x on a rolling 12-month basis. At 31 March 2021, the Group was in a net cash position and had an adjusted interest cover of 23x.

Looking ahead, the Board has set a preferred adjusted net debt to underlying EBITDA ratio range of 1.0x to 1.5x. This would only be breached via an acquisition, or more uncertain macroeconomic circumstances, and where a short-term reversal can be reasonably expected.

Equity raise

On 19 June 2020, the Company announced its intention to conduct a non-pre-emptive Placing of new ordinary shares of 5p each in the Company to raise gross proceeds of up to £15m and a broker option to raise gross proceeds of up to £1m.

The Placing was undertaken to ensure that the Group can continue to support its long-term strategic investments (see pages 28 to 31) as well as being able to maximise its growth in the short term as markets recover, including:

- Confidence to maintain FY2021 investment in Project Atlas and other growth enablers
- Confidence to deploy up to £10m of incremental working capital investment to support sales
- To ensure the Group will emerge from the crisis with a stronger balance sheet, capable of providing a platform to support further organic and acquisition growth

As a result, a total of 12,448,132 new ordinary shares of 5p each in the share capital of the Company were placed at a price of 120.5p per Placing share, raising gross proceeds of approximately £15m.

On 23 June, the broker option was exercised in full, placing a total of 830,000 new ordinary shares of 5p each in the share capital of the Company, raising gross proceeds of approximately £1m.

The combination of the banking facilities and the equity raise provide us with the flexibility and confidence to follow our strategic aims, and an appropriate security of tenure and funding to support us in a less certain macroeconomic environment.

Return on capital employed (at AER)

As at 31 March 2021, the Group's shareholders' equity had increased to £131.8m (FY2020: £115.7m). This £16.1m movement is made up of a retained profit of £4.3m, £15.6m of share capital issued in the equity raise, other share movements of £1.1m (including the net utilisation of own shares held to honour equity reward schemes) and a foreign exchange loss of £4.9m.

Over this increased asset base, our underlying ROCE, as represented to include IFRS 2 in our underlying EBIT, has reduced to 6.8% (FY2020: 8.8%).

The next couple of years for Trifast remain a very exciting and challenging time for the business as we build the momentum for our medium-term aspirations

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Financial review continued

Cost control and restructuring programmes

As previously reported, over the course of FY2021 the business took a series of mitigating actions to manage our cost base and preserve cash, resulting in realised cash savings of c.£10.0m, including:

- Full use of all available government-backed job retention and wage subsidy schemes to protect jobs – total received £2.1m (HY1: £1.9m; HY2: £0.2m), see note 1w)
- 20% fee and salary reduction for the Board during Q1, with no annual bonus and no salary/fee rises in FY2021
- Deferral of recruitment/pay rises and reduction in executive bonus levels
- Project Atlas re-aligned in the face of extensive travel restrictions
- No final dividend proposed for FY2020
- Discretionary cost savings

Whilst the above helped to reinforce the Group's financial position in a period of great uncertainty, the majority of these savings were only short term, especially now that demand and growth have returned so strongly to our key markets.

Over the course of the second half of the year, we also performed a more detailed review of our underlying cost base. As the Group is in a period of investment-driven growth, this was not expected to result in any substantial cost savings. However, the business has seen some small reductions in our global headcount, as well as property rightsizing at two of our locations because of the work undertaken. Total restructuring costs related to this were £0.4m, see note 2.

Plans are also under development which could bring further efficiencies into our warehouse and manufacturing processes over the course of FY2022, although realisation of these is expected to be dependent on how long it takes for the current high level of operational and logistical challenges to settle.

Disposal of TR Formac (Malaysia) SDN Bhd

Following a strategic review of the Group's businesses around the world, the Board made the decision to dispose of our smallest manufacturing site in Penang, Malaysia. In contrast to the rest of our production facilities, this business was focused on more standard product manufacture and therefore was no longer considered a good fit with the Group's strategic direction.

On 4 November 2020, the sale to the local Managing Director was completed for proceeds of £0.2m (FY2020 revenues: £0.9m). The loss on sale (including the recycling of the relevant foreign exchange reserve) was £0.3m (see note 38).

Project Atlas

Full details of our progress and plans for Project Atlas are provided on pages 28 and 29.

The financial impact of the work undertaken to date on this project is as follows. We have incurred direct costs of £2.3m in FY2021 (cumulatively £12.3m), largely relating to project team, consultancy and training costs. We have excluded £1.1m of these costs from our underlying results (see note 2), to reflect the unusual scale and one-off nature of this project. In line with accounting standards, we have also recognised the remaining £1.2m (cumulatively £5.6m) as fixed assets on the balance sheet at 31 March 2021. These will start to be amortised as the new IT system begins to be rolled out across our global sites in FY2022.

The table below details the impact that the presentational change of IFRS 2 Share-based Payments (including related NI costs on exercise) into underlying results has had on our key metrics.

Underlying measures[1]	FY2020 (as previously reported)	IFRS 2 impact	FY2020 (post IFRS 2)	**FY2021 (as reported, post IFRS 2)**	**FY2021 (pre-IFRS 2)**
CER					
Underlying EBITDA	£23.5m	£(2.3)m	£21.2m	**£17.7m**	**£18.9m**
Underlying EBITDA%	11.7%	(120)bps	10.5%	**9.4%**	**10.1%**
Underlying operating profit (UOP)	£18.0m	£(2.3)m	£15.7m	**£12.1m**	**£13.3m**
UOP%	9.0%	(120)bps	7.8%	**6.4%**	**7.1%**
Underlying profit before tax	£17.0m	£(2.3)m	£14.7m	**£11.1m**	**£12.3m**
AER					
Underlying diluted EPS	10.54p	(1.90)p	8.64p	**6.24p**	**6.97p**
Return on capital employed (ROCE)[2]	12.0%	(150)bps	10.5%	**8.7%**	**9.6%**
Underlying cash conversion as a % of underlying EBITDA	95.9%	920bps	105.1%	**147.9%**	**139.0%**

1. GAAP measures are not impacted as IFRS 2 charges, including related NI costs on exercise, are already included in these figures
2. The calculation for ROCE has also been changed in FY2021 (and restated above for FY2020) to reflect an add back of gross, rather than net debt, see glossary on page 189 for further details. The impact of this change is a 190bps reduction from 8.7% in FY2021 (FY2020: 170bps reduction from 10.5%)

The short-term outlook, paving the way to our medium-term aspirations

As the world recovers from and learns to live with COVID-19, there will be many opportunities and challenges. We are already seeing the positive impact of this, with a pipeline and activity levels that have never been stronger. Our global customers, existing and potential, are now operating in a world of increased consumer demand. New technologies are finding their way into many of our core sectors – from electric vehicles and charging technology, UV lighting and lamps to the roll-out of 5G and smart infrastructure. The products that Trifast sell, and the engineering, manufacturing, and logistical capabilities that we provide to our customers are putting us at the forefront of this evolution.

However, there can be no doubt of the shorter-term 'recovery pains' that all this opportunity is bringing. Raw material shortages and price increases are raising our input costs and impacting on margins in the shorter term until inflationary pressures can be passed on. Component shortages are impacting some customers, especially in the light vehicle sector. Labour shortages, most keenly felt in Asia as migrant workers are no longer able to travel freely, are increasing lead times and costs at our own and our third-party manufacturers. The increased risk of temporary lockdowns continues to exist in certain jurisdictions. Whilst the widely reported substantial increases in freight cost and high levels of transport disruption are again impacting margins and creating a significant amount of additional work.

Right now, and for the foreseeable future, operationally we are working ever closer with our suppliers and logistics providers so as to not let a customer down.

At the same time, investment in and the ongoing evolution of our business continues, to allow us to achieve our exciting medium-term aspirations (see pages 14 and 15). Our cost base in FY2022 will need to normalise after the temporary savings that we were able to make in FY2021, and further investment will be needed into our fast-growing entities and also more generally to continue to build and develop our foundations for the future. Both FY2022 and FY2023 will be key roll-out years for Project Atlas, which will bring its own challenges, as some resource is inevitably refocused away from the day-to-day business, and at a time when the operational workload couldn't be higher (see pages 28 and 29).

There can be no doubt that operational and commercial macro-level challenges, and our ongoing strategic investments, will put pressure on short-term margin recovery. However, with these investments, the Board remains confident in its strategic journey and profitable growth aspirations. There has never been a more exciting and dynamic time for the Trifast Group. Our future is bright, and we are looking ahead with well-placed optimism.

Clare Foster
Chief Financial Officer

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Capital allocation

Capital allocation considerations

Framework

It is the Board's desire to maximise long-term returns. As such, the generation and disciplined deployment of free cash is a core aspect of Trifast's strategy.

The following framework and priorities have been established and these are refreshed as part of our annual budgeting process.

To allow a consistent approach across projects of varying kinds and also between years, the Board has defined cash flow return on investment as its future measure of choice and will look to allocate capital to projects which improve the prevailing return (assumed to already be in excess of the cost of capital).

Working capital

Growing revenue organically is an integral part of our strategy and indeed an area predisposed to higher returns. We stated at the time of the Placing (June 2020) that it was essential we have working capital to deploy, working on the basis that every additional pound of growth and new contract win requires 33p of working capital.

For the foreseeable future, we believe there is scope for continued increases in market share, such that we deliver average revenue growth in excess of global GDP. Our ability to facilitate this avenue of growth takes priority.

Working capital efficiency remains an ongoing focus, including an approach to other stakeholders which is fair.

Investment-driven growth

Sustainable long-term organic growth will always require investment. In addition to the working capital requirements outlined above, there continues to be opportunities to push further into capacity, capability and product range expansion, allowing us to protect and build our competitive advantage.

Over and above maintenance capital expenditure, the Board therefore pays particular attention to areas of spend that can become future generators of above-average returns. Building out our supply chain, increased digital capabilities and product launches would be typical of this sort of capital allocation.

Acquisitions and leverage/gearing

Alongside investment within our existing operations, non-organic growth also forms a critical part of Trifast's strategy. As such, the Board has a well-defined and disciplined approach to acquisitions where our primary financial objective will be to target returns (as an absolute minimum) in excess of our WACC, over a reasonable time frame.

The Board has determined that in the current macroeconomic and shareholder environment, it is appropriate to adopt a prudent but flexible capital structure and will seek to operate with gearing of between 1 and 1.5x adjusted net debt (before IFRS 16): Underlying EBITDA. Certain circumstances, such as an acquisition or a more uncertain macroeconomic environment, may support a temporary extension of this level.

Returns to shareholders

The Board recognises the role of dividends in forming part of our total shareholder return (TSR). As such, it is committed to a progressive dividend policy with a target pay-out ratio of between 3x and 4x adjusted earnings. For the medium term, the Board believes a pay-out ratio at the top end of this range is appropriate. This approach will ensure the Group is also able to prioritise investments which will support the Group's strategic development and underpin capital appreciation.

Special dividends and share buy-backs, having been considered, do not currently form part of our capital allocation framework.

Reward

Equity ownership is a key aspect of our approach to Group-wide remuneration, aligning employees' interests with those of shareholders; schemes exist to facilitate this. Given the desire to minimise earnings dilution from any such awards, the Board has deemed it appropriate to make ongoing use of the already established Employee Benefit Trust (EBT).

Sustainability

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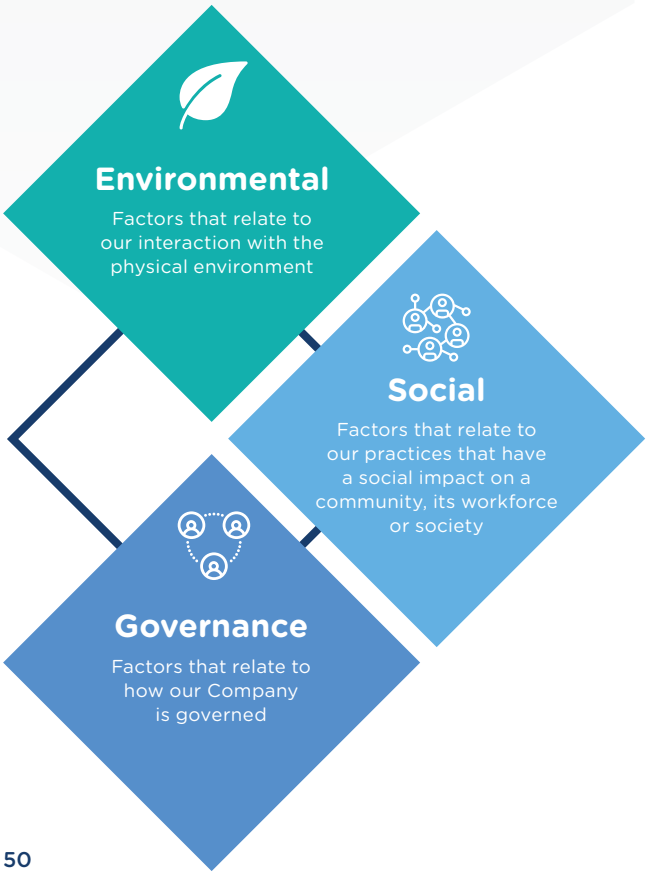
Sustainability

I'm pleased to share an expanded sustainability report with you this year. It reflects the growth of our environmental and social programmes within our operations and supply chain, as well as the impact of our partnership with customers to reduce environmental impact and deliver new technologies, such as electric vehicles

Mark Belton
Chief Executive Officer



CEO introduction

One of the things that sets Trifast apart is our culture. We are a people-focused organisation and I take considerable pride in the way we support each other and take an active role in the communities that we work in, especially this year during the COVID-19 pandemic. We also have a long-standing commitment to the environment, both in our work with customers and reducing the impacts of our products and operations.

Our work on good environmental and social practices and our robust corporate governance approach have been an important part of the way we operate, and ESG issues are embedded into our decision-making, alongside commercial and practical considerations.

For us, sustainability is a core part of our purpose: empowering our customers to deliver sustainable products and solutions that add value to society. Over the last few years, we have made good progress in this area.

Through our work with EV manufacturers, we have been instrumental in designing lightweight fastenings that support the transition to cleaner modes of transport.

We have improved environmental management within our own operations by reducing our energy use and carbon footprint. We have also improved recycling rates across the business and reduced the waste we produce by using low waste manufacturing processes like cold forging. Project Atlas will give us the capability to further enhance these savings.

Key sustainability stats

16.42%

reduction of waste streams to landfill achieved in the last three years

CO_2

10.94%

reduction in our greenhouse gas emissions over the last three years

We have also invested heavily in our people, implementing an HR transformation programme over the last two years which will improve performance management and develop specific training needs. In addition, using new staff engagement tools we have been able to listen closely to our teams and have been able to focus our attention on improvement opportunities quickly, such as the follow-up reviews on training and development from our culture survey.

These programmes will help us add value to the business and, alongside our robust corporate governance approach, allow us to focus on growing the business, not firefighting.

I recognise however that, whilst we have a good foundation, it is important for us to improve in this area. We see exciting commercial opportunities from emerging technologies such as electric vehicles and charging infrastructure, renewable energy, UVC lamps and 5G, but also there are growing risks from issues like climate change and inequality.

As a result, we have appointed external advisers, Brite Green, to help us establish a sustainability strategy over the next year. I'm excited about what this will mean for our business and look forward to sharing our new strategy.

Ratings and achievements

MSCI ESG RATINGS AA

CCC B BB BBB A AA AAA

SILVER 2017 ecovadis Sustainability Rating

Sustainability governance structure

As CEO, I am ultimately responsible for sustainability at Trifast and oversee how we manage our environmental, social and governance (ESG) issues. ESG issues are part of the OEB and Board agendas and we operate an ESG Committee comprising senior managers and subject matter experts from across the business.

ESG Committee Chair	Mark Belton
Environment, Health and Safety (Environmental issues)	Jenni Davies
Human Resources (Social issues)	Helen Toole
Company Secretarial (Governance issues)	Lyndsey Case

Brite Green will support the Committee and build on our good work to date on environmental and social issues to establish an integrated sustainability strategy.

Policies

Our sustainability practices are governed by our comprehensive Corporate Code of Conduct which sets out our vision, mission and core values, alongside the policies that ensure ethical business practices. The Code of Conduct is supported by a suite of corporate policies and guidance:

- Business Ethics and Responsible Behaviour Policy
- Anti-Bribery Statement and Policy
- Modern Slavery Statement
- Environmental Policy
- Health and Safety Policy
- Product Quality Procedures
- Equal Opportunities Policy
- Equal Pay Policy
- Dignity at Work Policy
- Whistleblowing Policy

The Code of Conduct helps our employees, customers, suppliers, and distributors around the world understand our requirements to observe all relevant laws and regulations.

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Sustainability continued
Framework for ESG

We have embedded high standards of environmental management, social practices and corporate governance in our business and supply chain, and work closely with our customers to deliver sustainable products and solutions that add value to society

Our work this year has been focused on three key pillars:

People

We are a people-led business and are focused on being a responsible employer. We have excellent health, safety and wellbeing management practices and provide employees with good opportunities for training and professional development

We engage with our employees and take action on their feedback. Our team give back to our communities through charitable events and sponsorship

Key issues

- Ensuring employees are valued and engaged
- A safe and healthy working environment
- Training and professional development
- Fair pay, benefits and treatment
- Diversity and inclusion
- Recognition and reward for service
- Ethical business practices
- Community investment

Environment

We actively manage environmental issues through our ISO 14001 certified environmental management system

Our approach seeks to reduce the direct impacts from our own operations as well as across the life cycle of our products

We work closely with our customers to deliver innovation that reduces environmental impact and accelerates electric vehicles and renewable energy

Key issues

- Energy
- Carbon emissions
- Climate change
- Pollution prevention
- Water
- Waste
- Managing controlled and restricted materials
- Product design for the circular economy
- Support customers to develop new sustainable technologies

Roadmap for ESG

February 2021	March 2021	June 2021	September 2021
ESG Committee formed (CEO Chair)	Appoint ESG adviser	Expand ESG disclosures in Annual Report	Establish new sustainability strategy, with clear vision, targets and objectives

Sustainable supply chain

We actively manage and audit our key suppliers to ensure high standards in environmental management, social practices and corporate governance. This gives us confidence around compliance with legislation and our quality and sustainability agreement, and builds close working relationships that support good practice and innovation

Key issues

- Quality
- Corporate governance
- Ethical business practices
- Health, safety and wellbeing
- Human and labour rights
- Energy
- Carbon emissions
- Waste
- Water

November 2021

Publish first stand-alone sustainability report

Sustainability continued
People

At Trifast, we pride ourselves on being a people business: being a great employer is one of our main priorities

People
Key themes:

- Global HR strategy
- Training and development
- Health, safety and wellbeing
- Equality and diversity
- Human and labour rights
- Bribery and corruption
- Whistleblowing
- Parental leave and employee benefits
- Support at career endings
- Employee engagement
- Stakeholder engagement
- Community

A Group-wide employee survey showed that 96% of respondents were satisfied with how the Group has handled the COVID-19 pandemic

Helen Toole
Global HR Director

Introduction
At Trifast, we pride ourselves on being a people business: being a great employer is one of our main priorities. Our mission is to promote an environment that is safe and fair, which motivates, develops and maximises the contribution and potential of all employees.

It is vital for us to attract and retain the best people and develop their skills and knowledge to support our growth as a business. We seek to attract the best talent globally, regardless of their background, and are taking action to address the barriers that prevent talented people getting into science and engineering careers, as discussed further in STEM careers on the next page.

We are committed to looking after our people. We have excellent health, safety and employee wellbeing practices in place, offer employees competitive benefits, and engage with our workforce on an ongoing basis.

Our approach
Global HR transformation strategy
The HR strategy continues to be rolled out with new global KPIs, employee engagement and culture and values at its core.

A full cultural survey was carried out in November 2020 and in April 2021. Reports were developed for each location and relevant actions undertaken to pursue the insights that were identified.

A full programme of surveys has been developed for the coming months. We know that effective employee engagement will help us to focus our actions in the right places as well as assist in the retention of our employees.

The HR Business Partner network set up in 2019 continues to be invaluable. Throughout the year the network has come together every two weeks. This regular communication has allowed us to support each other throughout the pandemic and learn from each other's experiences. The network will continue to be used extensively to implement new policies, procedures and ensure that we are spreading best practice across the Group.

Part of the strategy included the roll-out of the new HR system (D365 Human Resources). This system is now live in 16 of our locations with the roll-out to the remaining locations due to be completed by the end of 2021. This system includes a new performance review process incorporating our core values, competency framework and corporate objectives.

Succession planning

A process has been formulated allowing us to identify senior and business-critical roles and ensure that we have plans in place to mitigate any risks. We have been able to identify whether these roles have an immediate internal successor, whether an individual within the business would be able to take the role with further development, or whether an external recruitment process would need to take place. The development needs identified are being used to build out our training strategy.

Training and development

One outcome of the succession planning process has allowed us to use that information to progress the training and development strategy. Due to COVID-19 there was less training in FY2021 than would have been liked, but in the coming year we will concentrate on skills and leadership development. This will ensure that our employees are best equipped to fulfil their roles to the best of their abilities. A training survey was carried out in March 2021, the results of which will also inform the training strategy.

To further improve our training provisions, we have appointed an online training platform provider. The system allows us to roll out training on health, safety, and environmental awareness, as well as business ethics, modern slavery and anti-bribery to name but a few. The system also allows the training courses to be delivered in different languages, meaning that it can be rolled out across the Group. Our IT department continues to manage the cyber security training for the whole Group.

A lesson learned throughout the pandemic was that face-to-face training in some situations was no longer a suitable option. Although we do not intend to remove hands-on training, moving some essential training into an online platform ensures we can be as flexible as needed in the future.

STEM careers

We are committed to playing our part in widening engagement in STEM subjects through our partnerships with schools and universities.

One of our employees, Keith Gibb, Head of Web Development, has become a STEM ambassador and gave a presentation to a number of teachers from schools in Sussex. This has been supported by East Sussex County Council, which has started rolling out a recording of the presentation to gain interest from other counties.

Sustainability continued
People

Our approach continued
Early career support, student opportunities and apprenticeships

We remain committed to providing opportunities for young people to understand how a global organisation operates. We have previously had university students on placement in our offices. Sadly, due to the global pandemic, we were unable to offer this in FY2021 but we hope to be able to reinstate the same opportunities to other students as soon as we are able.

Both Helen Toole, Global HR Director, and Luke Murphy, Group HR Manager, continue as Enterprise Advisers, providing a connection between schools and the local business community.

We are proud that we continue to provide apprenticeships throughout our locations in the UK, Holland and Germany. Last year's successful apprentices in Germany are now employed by TR Kuhlmann on permanent contracts.

Where appropriate, we forge relationships with local universities to recruit graduates with relevant training and qualifications.

Health, safety and wellbeing

The wellbeing of employees is paramount. This includes not only their physical health but also their mental health. We operate an effective health and safety management system across all our operations, with a focus on risk management and prevention. We manage health and safety issues alongside environmental issues within an integrated environment, health and safety (EHS) system.

Health and safety

Our CEO has overall responsibility for health and safety and is supported by the new EHS business partners. This Business Partner network has been set up to allow best practice to be shared across the Group.

Our key areas of risk are:

- Musculoskeletal injury related to both moving and handling, and sedentary roles within our workforce
- Inherent risks associated with working with heavy duty machinery

Through our Health and Safety Policy, Trifast commits to:

- Provide safe and healthy working conditions which aim for the prevention of work-related injury or ill health
- Eliminate hazards, so far as is reasonably practicable, and reduce occupational health and safety risks
- Conduct its activities in full knowledge of, and compliance with, the requirements of applicable legislation, approved Codes of Practice and other requirements agreed by top management

We are working towards gaining formal recognition of our health and safety management approach by achieving certification to ISO 45001. To aid us in the implementation of ISO 45001, the EHS system will assist us in the effective management of incidents, risk assessments, non-conformity management and strengthening our auditing methods.

Mental health

A number of managers have been trained in mental health awareness and we have introduced our first mental health first aiders.

As part of the review of our benefit provision we have sourced an Employee Assistance Programme (EAP) providing mental health support for those who may be struggling with stress, anxiety or depression.

We have been acutely aware that some employees have struggled with being away from the workplace during the COVID-19 pandemic. A SharePoint site has been set up as part of our response and includes a number of hints, tips and guidance to assist employees in coping with these uncertain times.

Over the coming months, we will be reviewing our benefit provision globally to ensure that we have the most appropriate support for all of our employees.

Diversity and inclusion

As a global business, Trifast is committed to treating everyone fairly and we recognise the strengths that a diverse workforce can bring. As an organisation we make every effort to eliminate discrimination, create equal opportunities and develop good working relationships between our teams.

Throughout the employment relationship, from recruitment to retirement, we do not discriminate against any characteristic. Our Corporate Code of Conduct includes the Trifast values and links to the relevant Group-wide policies.

Diversity across our business

Trifast's team represents a mix of cultures spanning 32 locations in 18 countries. A key part of our success relies on understanding and valuing those different cultures and perspectives and our vision to bring the Group closer together is working well.

The engineering sector faces a considerable challenge on diversity, especially in relation to attracting women into technical roles. According to the Women's Engineering Society, only around 12% of engineers in the UK are women and only a quarter of girls aged 16-18 would consider a career in engineering, compared to more than half of boys.

Through our work on STEM initiatives with schools and programmes to support young people to get experience in engineering, we are making concerted efforts to address these challenges.

As part of our sustainability strategy review in FY2022, we will review our performance and practices on diversity and inclusion and aim to identify opportunities to make further improvements.

Gender pay gap

The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 brought into effect a requirement for large UK employers, such as our largest UK trading subsidiary TR Fastenings Ltd, to report publicly each year on the differences in the aggregate pay and bonuses for men and women. The Regulations mandate how organisations in England, Scotland, and Wales with 250 or more employees must calculate a standard set of key metrics on their gender pay and gender bonus gaps and the format and medium in which they must report them.

Our gender pay reporting continues to provide reassuring data that supports our reward and recruitment strategies. The full gender pay gap statement for the reporting period is included below.

In brief

The table below shows our overall median and mean gender pay and bonus gap based on hourly rates of pay and bonuses paid, as at the snapshot date – 5 April 2020.

Pay and bonuses

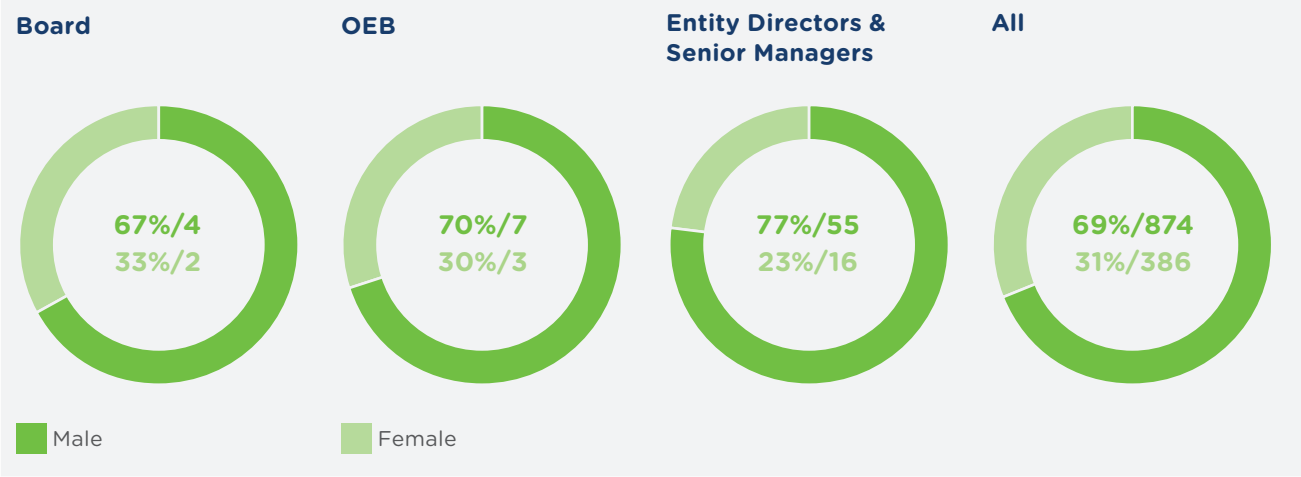
(female compared to male)

	Median	Mean
Hourly pay	+3.9%	-3.9%
Bonus pay	0.0%	-10.5%

The table above shows that based on a median average, our female employees are paid 3.9% more than our male employees. The mean average displays our male employees as being 3.9% higher paid than our female employees. This result represents a change in the mean average from 4.7% in FY2019 and a change in the median average from 7% in FY2019.

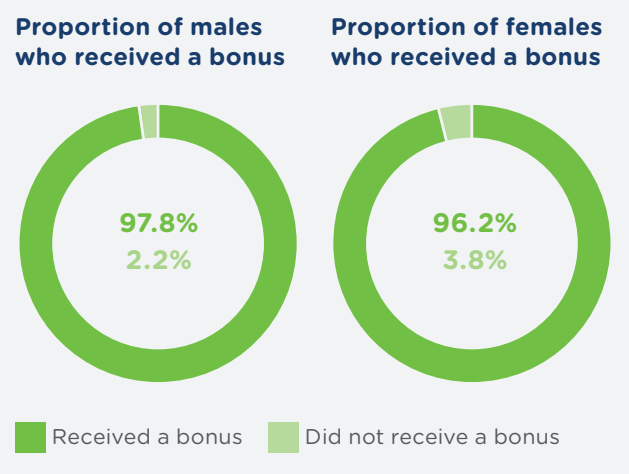
These results compare very favourably when compared with the national average of male employees being paid 15.5% more than female employees.

Gender diversity



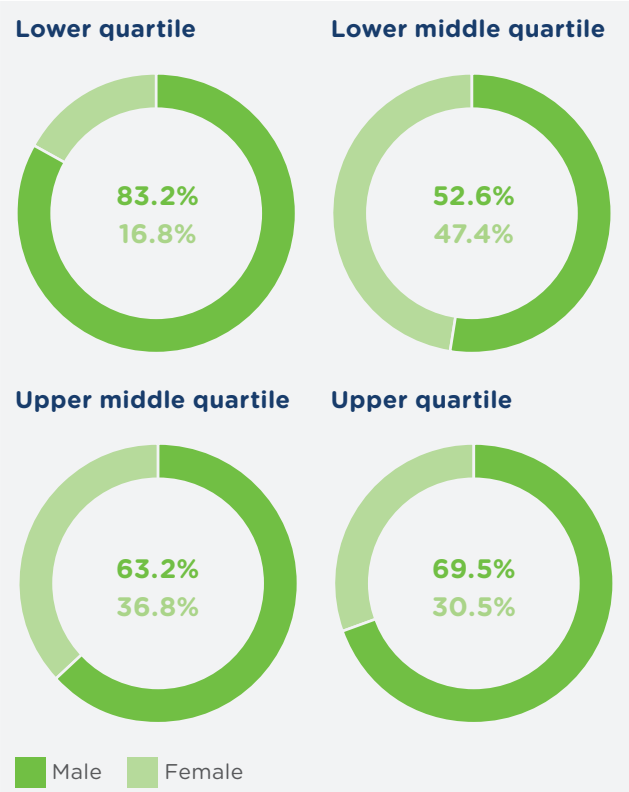
Sustainability continued
People

Diversity and inclusion continued
Gender pay gap continued
In brief continued
Proportion of colleagues awarded a bonus in FY2020



These charts illustrate that the numbers of men and women paid a bonus are in line. As a Company we continue to reward all of our employees. The only reason the statistics do not show 100% is due to eligibility criteria based on start and finish dates.

Quartiles
The following charts illustrate the construction of each quartile.



This is our fourth year of reporting and we are pleased to continue to provide positive news. All of our decisions about recruitment, promotion, training and development are made within our framework of equality. Going forward we will continue to ensure that all our employees reflect our Company values.

TR Fastenings, in line with all of the entities within the Trifast Group, demonstrate our absolute commitment to all aspects of diversity and inclusion in the workplace.

Diversity in our Board
Two women serve on our Board of six (33% female representation).

Find out more about Board diversity in the Nomination Committee report on pages 95 to 97

Human and labour rights
Trifast recognises human rights as set out in the Universal Declaration of Human Rights and enshrined in EU and UK law through the European Convention on Human Rights and the Human Rights Act 1998. Our workplace practices are governed by our Corporate Code of Conduct, our HR policies, and our Business Ethics and Responsible Behaviour Policy, which commits Trifast to the highest standards in human and labour rights, employee conduct and compliance with all applicable legislation. It also sets out our commitment to ensuring employees have the freedom to associate or collectively bargain without fear of discrimination against the exercise of such freedoms.

We comply with the requirements of the UK Modern Slavery Act 2015 and the California Transparency in Supply Chains Act 2010.

Our suppliers are expected to meet the same standard on labour and human rights with no forced or inappropriate child labour, safe working conditions, reasonable working hours, freedom of association, and wages that comply with minimum wage legislation in the appropriate jurisdiction. We require slavery and human trafficking to be eradicated from our direct supply chain for the products we sell. Trifast's full statement on modern slavery and human trafficking can be found on the Company's website at www.trifast.com.

We monitor suppliers by performing regular assessments to assure ourselves of each supplier's commitment in this area. Given our supply chain includes a wide range of manufacturing activities across a number of emerging economies, the business ethics of suppliers are assessed as part of the procurement process and through site audits.

Training on modern slavery is provided to all members of staff who work in our supply chain function.

Bribery and corruption

We have a zero-tolerance approach to all forms of bribery and corruption. Trifast plc is bound by the laws of the UK, including the Bribery Act 2010, in respect of its conduct both at home and abroad. In addition, we will uphold all laws relevant to countering bribery and corruption in all jurisdictions in which we operate, including the US Foreign Corrupt Practices Act.

Anti-bribery training will be included in our new online training provision and we will determine the employees who will be required to receive it.

Whistleblowing

All employees are aware of the global Whistleblowing Hotline that is available to them in their own language. The hotline is hosted by a third-party company and is available for employees to anonymously report any activity or behaviour that they do not feel is appropriate. Every effort is made to protect the confidentiality of those who raise concerns and employees may come forward without fear for their position. No reports have been submitted to the hotline within the last 12 months.

Adherence to the policies within the Code are audited as part of the Group HR audit process.

Employee benefits

Trifast offers a comprehensive suite of benefits to employees across all regions.

A full review of employee benefits is due to be carried out across all locations in FY2022.

Employee engagement

We have a strong approach to employee engagement. We have started to work with a third-party provider to conduct culture surveys twice a year, and complete specific thematic surveys based on their findings. The culture surveys identified that learning and development was an area that employees would like to expand and, as such, we have since run a follow-up survey to gain a more detailed understanding of the issue.

We also run a continual survey that allows staff to provide comments and feedback to the management team at any time of the day or night. Employee comments are reviewed daily and, where needed, action is taken to make improvements.

In FY2020 we introduced the position of 'Designated NED'. As one aspect of this, Jonathan Shearman, Chair, has a dedicated email address that anyone within the organisation can use to contact him to discuss anything work related. This initiative is part of our ever-increasing employee engagement activity.

Sustainability continued
Stakeholder engagement

The Board acknowledges that there is a legal requirement for the Company to report on how the Board and its Committees have considered the requirements of Section 172 of the Companies Act 2006 in their decision-making

Section 172 statement

Businesses do not operate in isolation. Without a good understanding of who their key stakeholders are and how they impact upon and are impacted by the organisation, a business will fail to deliver sustainable value to shareholders and other stakeholders.

The Board considers its key stakeholders to be its employees, investors, customers, suppliers, the communities in which we operate, as well as regulators and governments. We actively engage with our key stakeholders to understand their views and build effective relationships, and our engagement approach for each stakeholder group is set out on the following pages.

In addition to having regard to stakeholder considerations, the Board acknowledges its responsibility to consider long-term impacts and the Company's impact both upon and from wider society and the environment.

The Board delegates day-to-day management, risk and decision making to its Operational Executive Board, but it maintains oversight of the Company's performance, and reserves to itself specific matters for approval, including the strategic direction of the Group, acquisitions and disposals, and entering into material contracts and purchase of fixed assets above set limits.

The Board monitors performance against strategy, and that decision-making is appropriate, by receiving regular updates, both in Board and Committee meetings and through monthly Board reports from the CEO, CFO and other OEB members, all of which enable it to make well-informed decisions for the long-term success of the Company and its various stakeholders.

To aid effective decision-making, the Directors and the Senior Management team take into account the Group's policies, including the Group Code of Conduct and supporting corporate policies set out on page 75.

Section 172(1) Companies Act 2006 'Duty to promote the success of the company'

1) A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:
   a) the likely consequences of any decision in the long term,
   b) the interests of the company's employees,
   c) the need to foster the company's business relationships with suppliers, customers and others,
   d) the impact of the company's operations on the community and the environment,
   e) the desirability of the company maintaining a reputation for high standards of business conduct, and
   f) the need to act fairly as between members of the company.

Supported by the Company Secretary and General Counsel, the Board, management, and anyone tasked with preparation of Board materials give consideration to stakeholders in all matters requiring decision-making, including strategic decisions

Principal decisions

We define principal decisions as both those that are material to the Group, but also those that are significant to any of our key stakeholder groups.

In making the following principal decisions, the Board considered the outcome from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company:

Capital allocation to deliver strategy

During the year the Board joined the OEB and other senior managers to discuss and approve a medium-term strategic roadmap. As set out on page 26, the Group's core strategy includes both delivering organic and acquisition growth. A key consideration for the long-term success of the business was the appropriate allocation of capital to deliver the strategy.

Further to the approval of the annual budgets, the Board discussed and updated the Group's acquisition criteria to ensure they are still relevant and approve next steps when key stage gates have been achieved.

The Board also agreed and oversaw a £16m Placing to preserve the Company's strategic investment capability, and approved investment to move two of our fast-growing sites to new, larger premises to facilitate future growth. Employees were engaged during the process and the impact on them was considered by the Board. With the new premises only being a short distance from the existing sites it was felt that any negative impact would be low, and the better facilities would be welcomed.

COVID-19 response

The COVID-19 pandemic has had a dramatic impact over the course of the year and has been a dominant consideration for the Board. The safety and wellbeing of the workforce and the continuation of the Group's operations and supply chain were the main concerns.

The Board enacted the business continuity plan, and introduced new working practices to limit the risk to our team. This entailed the transition to home working and the implementation of COVID-19 secure workplace practices for all sites, including staff PPE and amended working practices. Further details can be found on page 10.

COVID-19 brought with it uncertainty and anxiety for many of our staff, and the Board responded by increasing employee engagement through videos and regular updates from Directors, an information hub on the Company intranet, and the use of noticeboards and employee surveys. A greater focus was also placed on employee mental health. Full details can be found on page 56.

As part of the equity raise, the Board performed stress testing to ensure the sustainability of the Company through various scenarios. These included various cash-saving initiatives such as deferment of capital expenses, the use of various global furlough schemes, as well as a 20% reduction in remuneration for the Board during Q1.

Enhanced focus was placed on cash flow management within the business, which had the potential to impact on our supply chain partners. The Directors sought to ensure that payments continued in line with agreed terms and, where appropriate, worked closely with strategic suppliers to support ongoing provision of products and services in the short term and preserve their financial viability in the long term.

The senior management team engaged constantly with customers and suppliers during the period to ensure continuity of supply and responsiveness to the constant changing market dynamics.

The Board also gave wider consideration to how we were able to support our communities during this time. We worked closely with the NHS surgery near our HQ to provide additional car parking for the COVID-19 vaccination centre, and our staff supported a number of good causes that aimed to help those affected by the pandemic, including food banks and free meal delivery.

Sustainability continued
Stakeholder engagement

	People
Key metrics	• Employee voluntary turnover rate • Employee engagement survey score • Total employee pay and benefits against industry benchmark
Why it's important to engage	The Company's long-term success depends on a skilled and motivated workforce, an innovative and entrepreneurial approach, and a safe and inclusive working environment
Key topics	• Feeling valued and engaged in the business • A safe and healthy working environment • Training and professional development • Desire to have a positive impact • Fair pay, benefits and treatment • Diversity and inclusion
How we engage	We engage with our workforce to co-create a supportive working environment that fosters professional development and employee wellbeing, and that also aligns our staff with our strategic goals and culture, driving innovation and productivity The Board has decided that one aspect of our approach to engage with our staff is through a designated Non-Executive Director for staff engagement, our Chair Jonathan Shearman. He is supported by Claire Balmforth (NED and Remuneration Chair) and Global HR Director Helen Toole We conduct employee culture surveys twice a year as part of a programme. We also operate an ongoing employee voice 24/7 survey. The Board discusses the findings and incorporated staff feedback into our refresh of Company values and culture this year We typically rotate the location of our Board meetings so that staff have a chance to meet with Board members, although sadly this has not been possible in the last year due to COVID-19. We hold regular events including staff inductions, quarterly videos from the CEO and Chair, leadership briefings and regular communications. We also communicate with staff through our intranet and staff newsletters and provide regular, structured performance reviews for staff. Where staff are members of unions, engagement is conducted at the site level
Engagement in FY2021	Keeping our team safe during the global COVID-19 pandemic has been one of our top priorities this year, and our approach is detailed on page 61. Despite the challenges, we have continued to engage with our staff At the start of the pandemic, we shared weekly updates focused on COVID-19 with all our employees. As uncertainty has reduced, communications related to COVID-19 are sent out as and when needed Executive management produced regular videos, which were shared on the Group's intranet (SharePoint) site. In addition, regular business and COVID-19 related updates were shared through this site, as well as using posters and noticeboards at the locations. We conducted a staff culture survey in November 2020 and a second one in April 2021. We have also undertaken a training and development survey based on the findings of the first culture survey. Non-Executive Directors joined the OEB and other key senior employees for the strategic review in October and there were multiple touch points between Senior Management, the OEB and the Board, along with regular invitees to Board meetings. Further details of workforce engagement are set out on pages 59 and 94 A key finding from our staff surveys in FY2021 was that staff would welcome more professional development opportunities, and we have implemented a more detailed review to identify specific areas for improvement The Board and Nomination Committee have continued to receive updates on talent and succession plans; further details can be found on pages 54 and 55

	Investors	
Key metrics	• Earnings per share • Cash conversion	• Total shareholder return • ESG ratings
Why it's important to engage	Continued access to capital is important to the long-term success of our business. We ensure that we provide fair, balanced and understandable information to investors and analysts to ensure they have a clear understanding of our strategy, performance, culture and ambition. In addition, understanding the views of our shareholders helps us underpin the direction we take	
Key topics	• Strong share price performance • Year-on year results improvements and medium-term aspirations	• No prosecutions or negative press • Sustainable business model for the future

How we engage	We operate a structured programme through the year to engage with equity investors and analysts. We seek to obtain support for our strategic objectives and our approach to executing them
	The key mechanisms of engagement include:
	• Annual General Meetings
	• Investor presentations and roadshows
		• One-on-one meetings with relevant information being distributed to all investors through:
		  • Regulatory news releases
		  • Corporate website
		  • Annual reports
		• Investors ESG questionnaires
		• Private clients via the Investor Meet Company platform
		Feedback from formal investor engagement is reported to the Board and used to inform the approach for future events and consultations

Engagement in FY2021	In order to engage with investors effectively with COVID-19 related restrictions in place, the executive management modified our engagement approach **Equity Placing** In June 2020, the Company raised gross proceeds of c.£15m through a Placing to preserve the Company's strategic investment capability and to maximise growth. In addition, a further Broker Option was exercised in full, raising c.£1m of gross proceeds. The result was that a total c.£16m gross proceeds raised **Annual results** Due to COVID-19, our March 2020 annual results were pushed back to 28 July 2020. Our CEO and CFO presented the annual results on a virtual third-party-hosted platform. This enabled analysts, shareholders, banks and other stakeholders to raise any questions. Subsequent individual investor meetings were held in the following weeks by our CEO and CFO **Annual General Meeting** The AGM presents an opportunity for shareholders to question the Directors about our activities and prospects. Usually, the Directors are available to meet informally with shareholders immediately before and after the meeting. However, the 2020 AGM had to be held fully virtually in September and was hosted on a third-party platform and enabled shareholders to raise any questions. All resolutions were passed **Half-year results** The interim results were announced on 24 November 2020 As with the year-end results, our CEO and CFO presented the interim results roadshow via a virtual third-party-hosted platform. This enabled analysts, shareholders, banks and other stakeholders to raise any questions. Subsequent individual investor meetings were held in the following weeks by our CEO and CFO **Investor feedback** All formal feedback received from investors from both the interim and preliminary roadshows was shared with the Board and discussed	

Sustainability continued
Stakeholder engagement

	Customers
Key metrics	• Orders • Pipeline value • Sales conversion rate • Business reviews and feedback • Sustainability scores – fulfilling customers' objectives
Why it's important to engage	Understanding our customers' needs and behaviours allows us to deliver relevant products and services, retain customers and attract new ones. It also identifies opportunities for growth and market differentiation. Customers have increasing sustainability expectations and obligations: engaging with them helps us to demonstrate how we deliver on these We engage with our customers to build strong, trusting relationships that generate mutual value. We are seeing increased demand to advise on our status on this subject
Key topics	• Product performance and efficiency • Innovation and collaboration in problem solving • Safety, quality and reliability • Competitiveness • Our environmental and social practices • Our availability and responsiveness • Building relationships with deeper involvement • Compliance • Being a flexible supplier • Our range of products
How we engage	Trifast prides itself on its long-standing partnerships with all its customers. We work closely with our customers to provide technical and logistics input, often developing innovative solutions that meet the needs for emerging technologies and legislation We engage with our customers through a wide range of online platforms including digital marketing, social media, and through our websites www.trifast.com/www.trfastenings.com We have developed virtual training support to help customers understand our range of products and to select the right fastener for each application. This includes a video library for specific products and industries. Since the launch of our product training animations on the TR Fastenings website in November 2019, there have been over 23,000 page views[1] (as at 31 March 2021) We also complete customers' questionnaires on environmental and social practices and performance, including the exacting requirements of SAQ.4 (automotive), JOSCAR (aerospace and defence), and the enhanced requirements of EcoVadis and CDP supply chain questionnaires The Board has delegated responsibility for managing customer relationships to the OEB and receives updates on key issues throughout the year
Engagement in FY2021	• Virtual presentations • Virtual sales and logistics presentations • Virtual quarterly business reviews (QBRs) with major accounts • Completion of online sustainability questionnaires within portals • Maintaining customers' key data requirements including financials • Technical reviews and engineering workshops • Timeline discussions on new business introduction

1. Source: Google Analytics

	Suppliers
Key metrics	• Robust vendor selection process • Meeting payment terms • Supplier scorecards • Quality and sustainability agreement acceptance
Why it's important to engage	We engage with our suppliers to build strong relationships that ensure good quality, security of supply and speed to market. We rely on the high standards of our suppliers to ensure compliance, drive innovation, and deliver improvements in our overall sustainability performance
Key topics	• Fair treatment and on-time payments • Quality and sustainability management • Total cost of acquisition • Compliance with local legal requirements, including modern slavery • Building long-term relationships • Responsible procurement, trust and ethics • Shared technological advances and innovation
How we engage	The Board has established a Supplier Code of Conduct which covers quality, sustainability and compliance criteria. We expect all approved suppliers to sign up to this Code We conduct supplier conferences and engage on specific issues, including compliance, quality and efficiency. This includes the Modern Slavery Act, and GDPR We conduct audits and regular performance reviews of our key suppliers utilising our SQE (Supplier Quality Engineers) globally
Engagement in FY2021	Constant contact and reviews with suppliers Managing the supply situation as COVID-19 moved around the world, our status as an 'essential supplier' was critical to TR's business continuity, enabling our locations to stay open We conducted supplier audits both physically and remotely taking into account local COVID-19 regulations Top 200 supplier questionnaire (70% of Group spend) During the year, we have continued to engage with suppliers on new legislation, especially in relation to REACH and SCIP (Substances of Concern In articles as such or in complex objects (Products))

Sustainability continued
Stakeholder engagement

	Community
Key metrics	• Charitable donations • Number of activities
Why it's important to engage	Trifast has the capacity to create significant positive benefits within the communities we operate in but recognises our operations can also have a negative impact. We are committed to engaging with our communities to ensure we interact responsibly and maximise potential benefits
Key topics	• Fair treatment • Good environmental management, especially minimising noise and nuisance • Support for community organisations and initiatives • Jobs and economic benefits
How we engage	We have good relationships with our neighbours and conduct regular reviews at each site to ensure we avoid causing nuisance from noise, dust, light, and waste control issues Community communication and complaints are managed by our ISO 14001 environmental management system Our supply chain includes a large number of small and specialist suppliers. We are keen to support small businesses in our industry and the local economies in which we operate, and so we engage with smaller suppliers where needed to build skills and knowledge, especially in relation to compliance, efficiency and quality We encourage staff to undertake fundraising to support local good causes
Engagement in FY2021	We maintained good communications with our neighbours, including by responding quickly to reports of fly-tipped waste at our site at Bellbrook Park In response to COVID-19, we made the car park at our headquarters building available to the NHS to support our local vaccination centre. We have also continued charitable donations and activities across the Group. More details can be found on pages 68 and 69

	Regulators/governments
Key metrics	• Compliance performance
Why it's important to engage	Policies and regulatory changes, including changes to the global political landscape and laws and regulations affecting terms of trade, may provide opportunities and pose risk to our operations
Key topics	• Brexit • Ongoing regulatory compliance • Third-party audit scores
How we engage	We primarily engage with regulators through public disclosures (including the Annual Report and AGM) and specific submissions (such as those relating to packaging and controlled materials within our products) Where necessary, we actively engage with government departments, such as the Department of Trade and Industry in relation to Brexit
Engagement in FY2021	During the course of the year we continued to make all necessary compliance declarations and submissions. This includes market announcements as well as compliance disclosures related to packaging materials, greenhouse gas emissions, and controlled materials within our products (including SCIP, RoHS and REACH) In relation to COVID-19, site visits were conducted by the Health and Safety Executive (HSE) in the UK and local authority equivalents in our global operations We have also maintained close contact with the Department of Trade and Industry (DTI) in relation to Brexit

Sustainability continued
Community

Staff at TR's West Midlands location donate to multiple charities

Each year, TR's West Midlands location donate to a local charity instead of sending Christmas cards to one another. In December 2020 the team decided to split the donations between two chosen charities, the Black Country Foodbank and The Salvation Army

TR's Don Lamb helps deliver free meals to those in need

Don, Strategic Account Manager at TR Fastenings, and his son James helped out in May 2020 delivering Indian food from a restaurant in Newcastle called My Delhi, who donated free meals to those who needed them during the pandemic

TR continues partnership with local college as Enterprise Advisers

Helen Toole, Global HR Director, and Luke Murphy, Group HR Manager, based at TR's headquarters in Uckfield, have partnered with the local college and will work with them to provide support as Enterprise Advisers

Local community coming together in support of COVID-19 vaccination roll-out

TR Fastenings would like to share a heartfelt thank you to all the staff at The Meads Medical Centre, in Bell Farm Road, Uckfield, as well as the other local GP surgeries involved in the project, for their incredible work and dedication in managing a safe and speedy roll-out of the crucial COVID-19 immunisation programme. TR Uckfield is proud to be part of this close-knit community and offered overflow car parking at their head office on vaccination days

TR continues to support 'Formula Student' team in Sweden

TR Fastenings has renewed its support of KTH Formula Student, a non-profit racing team from Kungliga Tekniska Högskolan in Stockholm, for the fourth consecutive year. The team is currently building an autonomous, electric race car to compete in Hockenheim (Germany) in the summer of 2021

TR continues sponsorship of Buxted Football Club

TR is proud to continue its sponsorship of Buxted Football Club, who were established over 100 years ago in 1918. Since the launch of the team they have gone from strength to strength, and have in the past had four senior teams running in various divisions across the Mid Sussex Football League

TR PSEP supports Environment Campaign Collection in Malaysia

Between 15 and 31 December 2020, TR PSEP in Malaysia collected a range of recyclable materials including glass and plastic bottles, tins and cans, used books, paper and cardboard to be donated to the campaign. All material is given to XPM Welfare Society Malaysia, which sells the items to raise money for people in need

TR Fastenings continues its support of Hungarian racing team

TR Hungary has been providing technical and product support to Hungarian racing team, Arrabona Racing, for a number of years. The team started in 2014, supporting and encouraging students to produce, design and manufacture single-seater race cars and compete against each other in several events

TR continues sponsorship of Sussex Triathlete Jamie Bedwell in 2020

Jamie continues his quest to reach the Paris Olympics in 2024. The past year has been quiet in terms of racing and has certainly brought many challenges to training accessibility and schedules, but Jamie remains committed to a performance programme

TR Fastenings, proud sponsor of Newick Cricket Club

TR is delighted to continue its support of Newick Cricket Club in East Sussex, a friendly and ambitious Sussex village club with a thriving junior section. New juniors (school Yr 3 / U8 and upwards) and adult players (of all standards) are welcome and can participate fully in training sessions and matches

Continued support for local team, Uckfield Grasshoppers JFC

TR is proud to continue its sponsorship of Uckfield Grasshoppers JFC. The club was set up in 1981 by a group of local parents, since when it has grown into a club with over 250 registered members and teams from Under 6s to the Under 16s – including several girls in the younger 'mini-soccer' age groups

TR's Sven Brehler joins the Cost and Manufacturing judging team at 'Formula Student' 2021

Each year hundreds of volunteers from across a wide variety of industries come together to make Formula Student the successful event it is. Many volunteers are Formula Student alumni who bring a wealth of knowledge and experience to the event, returning year-on-year to work alongside their industry peers to deliver world class competition. Sven, Engineering Project Manager at TR Fastenings, will be on the judging team in July 2021, looking at the methods used for the manufacture of the vehicle, including the cost eBom reports submitted by the students before the event, detailing the manufacturing processes, material selected and associated costs of their complete vehicle

TR Fastenings Inc. donate toys and food at Christmas

The TR team in the USA had a toy and food drive for the winter holidays 2020, and employees participated by donating to each drive. The donations supported both the local Houston, Texas chapter of the Toys For Tots charity and the Houston Food Bank. Established in 1947, Toys For Tots collects new toys to be distributed to the less fortunate at Christmas. The charity has distributed an incredible 604 million toys to date, supporting 272 million children. The Houston Food Bank distributes food and other essentials to those in need through a network of 1,500 community partners

TR's Keith Gibb becomes STEM Ambassador and supports local schools with CGI knowledge

Keith, Head of Web Development at TR, was introduced to STEM in 2019 and felt there were real career opportunities in industry for 3D modelling/CGI. Almost all of TR's product graphics and videos are now produced using CGI and the STEM South East England hub agreed this is a key area for students to learn more about. Keith gave a presentation in early 2020 to teachers from various schools in Sussex and as a result has now recorded a version to be rolled out to teachers and students with support from East Sussex County Council

Sustainability continued
Environment

Trifast is committed to good environmental management across our operations and supply chain, and in the way we design products

Environment
Key themes:

- Approach to environmental management
- Energy
- Carbon emissions
- Climate change
- Emissions and discharges
- Water
- Waste
- Materials and circular economy
- Helping create a sustainable future

See our sustainability strategy in action case study for more information on how solar panels generate 50% of our Malaysia site's total energy usage

Approach to environmental management
Trifast is committed to good environmental management across our operations and supply chain, and in the way we design products.

We have a comprehensive environmental policy and operate a global environmental management system certified to ISO 14001. Environmental issues are managed alongside health and safety by our EHS team.

We are pleased to report that there have been no environmental incidents during FY2021.

ESOS
The Company is required to comply with the Energy Savings Opportunities Scheme (ESOS); we have had assessments completed by competent third parties on our business premises, to meet our ESOS requirements. We are now assessing the recommendations from those reports to best align them with our upcoming sustainability roadmap.

Carbon emissions
Trifast is committed to acting to combat climate change, and reporting on its approach and performance. Our total carbon emissions have decreased over the last three years by 8.28% per FTE.

Our main area of energy use is within our manufacturing facilities, followed by fuel use for distribution.

	FY2021	FY2020
Total Scope 1 emissions	**1,823**	1,891
Purchased fuels	**1,297**	1,221
Company vehicle use	**526**	670
Total Scope 2 emissions	**5,740**	5,774
Purchased electricity	**5,740**	5,774
Total GHG emissions	**7,563**	7,665

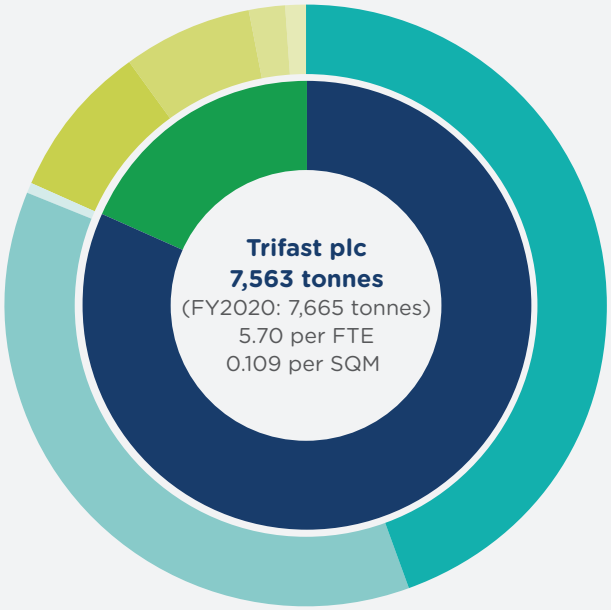
Note:

Our emissions data includes all material emissions of the six Kyoto gases from direct sources and from purchased electricity, heat and steam and cooling where applicable. No direct source material emissions have been omitted.

Figures are reported in tonnes of CO_2e (carbon dioxide equivalent). Reports are calculated in the following ways:

- Tonnes of CO_2e
- Tonnes of CO_2e per FTE (full-time equivalent)
- Tonnes of CO_2e per SQM (square metres of floor space occupied by the Company)

The FY2021 calculations have been made utilising the IEA '2018 CO_2 emissions from fuel combustion' and '2018 emissions factors' data sets. The FY2020 figures have been reworked to also utilise these figures for comparative purposes.



Total manufacturing
6,183 tonnes
(FY2020: 6,131 tonnes)
11.10 per FTE
0.171 per SQM
15,800,538 KwH
(FY2020: 15,240,111 KwH)

Asia manufacturing
3,375 tonnes
(FY2020: 3,683 tonnes)
8.42 per FTE
0.139 per SQM
5,819,782 KwH
(FY2020: 6,297,490 KwH)

Europe manufacturing
2,770 tonnes
(FY2020: 2,422 tonnes)
19.93 per FTE
0.281 per SQM
9,566,911 KwH
(FY2020: 8,584,350 KwH)

UK manufacturing
38 tonnes
(FY2020: 26 tonnes)
2.26 per FTE
0.019 per SQM
413,846 KwH
(FY2020: 358,270 KwH)

Total distribution[1]
1,380 tonnes
(FY2020: 1,534 tonnes)
1.79 per FTE
0.042 per SQM
3,614,244 KwH
(FY2020: 3,671,291 KwH)

UK distribution
642 tonnes
(FY2020: 731 tonnes)
1.33 per FTE
0.035 per SQM
2,280,619 KwH
(FY2020: 2,318,040 KwH)

Asia distribution
517 tonnes
(FY2020: 532 tonnes)
3.59 per FTE
0.060 per SQM
756,821 KwH
(FY2020: 786,392 KwH)

Europe distribution
157 tonnes
(FY2020: 205 tonnes)
1.26 per FTE
0.019 per SQM
465,499 KwH
(FY2020: 430,936 KwH)

USA distribution
64 tonnes
(FY2020: 66 tonnes)
2.06 per FTE
0.033 per SQM
128,362 KwH
(FY2020: 130,179 KwH)

1. FY2020 figures were restated as one of the smaller sites was omitted in error

	Tonnes CO_2e per FTE			% Change FY2019 to FY2021	% Change FY2020 to FY2021
	FY2021	FY2020	FY2019		
Trifast plc	**5.70**	**5.91**	**6.4**	**(10.94)**	**(3.55)**
Total distribution	**1.79**	2.13	1.99	(10.05)	(15.96)
Asia distribution	**3.59**	3.69	2.22	61.71	(2.71)
USA distribution	**2.06**	2.27	3.10	(33.55)	(9.25)
Europe distribution	**1.26**	1.72	1.76	(28.41)	(26.74)
UK distribution	**1.33**	1.66	1.85	(28.11)	(19.88)
Total manufacturing	**11.10**	10.63	11.70	(5.13)	4.42
Asia manufacturing	**8.42**	9.18	9.87	(14.69)	(8.28)
Europe manufacturing	**19.93**	18.63	20.79	(4.14)	6.98
UK manufacturing	**2.26**	0.57	1.87	20.86	296.49

We currently do not report on any greenhouse gas emission sources that fall within scope 3. As part of our sustainability strategy review in FY2022, we will establish an appropriate scope and methodology for monitoring our scope 3 emissions and aim to report on these in future.

We have seen increased requests from customers on our carbon emissions and management approach over this year. We responded to the supplier CDP questionnaire in 2020, and intend to complete the investor climate change questionnaire next year.

To support enhanced energy and carbon emissions data collection, we will implement the Carbon Trust's Footprint Manager software in FY2022.

Sustainability continued
Environment

Climate change
Over the course of FY2022, we will seek to expand our climate change governance and risk management approach to align with the guidance from the Task Force on Climate-related Financial Disclosures (TCFD).

Emissions and discharges
There are some minor emissions to water related to the manufacturing processes on our sites, and we do store and use materials that could have an impact on the environment if they were to be accidentally released. We have good controls in place to ensure we comply with all obligations in relation to water quality and pollution prevention. This includes appropriate training, risk assessment and management processes, monitoring, and emergency response procedures.

Water
We do not currently monitor our water use on site and recognise that this is an area for improvement. In FY2022, we will commence collecting data on water usage and will report on usage in future.

Waste
Waste is managed at the site level and we have made good progress to increase recycling rates over the three-year period since FY2018.

Waste stream	% recycled FY2021	% recycled FY2018	Movement FY2018 to FY2021
Batteries	80.00	—	+80.00
Cardboard	96.20	92.30	+3.90
Confidential	100.00	70.00	+30.00
Substances	14.00	12.50	+1.50
Electrical	—	—	—
End of life	—	—	—
Foil	90.00	—	+90.00
General	—	—	—
Light bulbs	54.00	50.00	+4.00
Metals	71.00	66.67	+4.33
Oil	34.00	33.30	+0.70
Organic	—	—	—
Plastic	86.00	77.80	+8.20
Toners	—	—	—
Wood	95.00	88.90	+6.10

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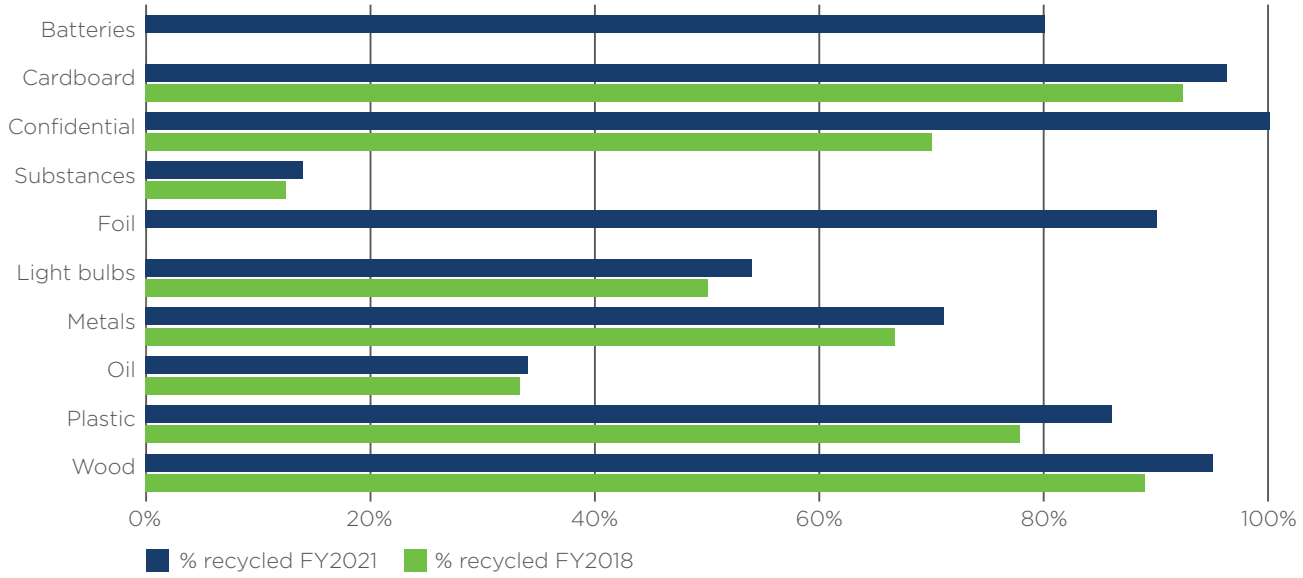


In an effort to reduce waste generation, we supply fastenings to many of our customers in reusable plastic totes. The majority of our supplies, however, still arrive on our sites in plastic and cardboard packaging, and this is an area we hope to make improvements on in future.

Materials and circular economy

Controlled materials

Due to the nature of the materials we use in some of our products and how they are used by our customers, Trifast is subject to a range of legislation related to controlled or hazardous materials. Trifast has a dedicated material compliance team to ensure we manage our obligations effectively and can provide our customers with the necessary documentation.

Fasteners enable a more circular economy as they allow products to be opened up and repaired rather than thrown away. In developing our new sustainability strategy, we will explore the impacts, risks and opportunities related to material use and the circular economy across our entire value chain.

Material compliance

A particular area of focus this year has been ensuring we meet the requirements on the Substances of Concern In articles as such or in complex objects (Products) (SCIP), established under the Waste Framework Directive. We are required to provide product information to the European Chemicals Agency (EChA) from 5 January 2021

A large project was undertaken to conduct due diligence within our supply chain, to ensure that we held correct material data for our product ranges. All ranges which contain substances requiring registration were registered with the European Chemicals Agency, through the SCIP database, before the January 2021 deadline. We maintain a library of SCIP dossiers which are available to our customers

Supporting innovation for our customers: Heavy vehicle battery development

New development of large electric batteries for heavier vehicles has been an interesting project to work on this year. These batteries weigh as much as half a tonne and require more robust fasteners, often in stainless steel

We are involved in a number of development projects for well-known brands where our ability to provide prototypes and speedy delivery has enabled us to be designed in, and full production will commence during the course of FY2022

Sustainability continued
Sustainable supply chain

Sustainable supply chain
Key themes:

- Our supply chain
- Sustainable procurement and sourcing
- Supplier assessment and audit

Our supply chain
Our goal is to help develop our key suppliers and improve the current programme and processes; 80% of spend is with 78 of our key suppliers.

The objective of our sustainable supply chain approach is to ensure our products and suppliers comply with high standards of environmental management, social practices, corporate governance and business ethics set out in legislation and our supplier quality and sustainability agreement. We also aim to build close working relationships with suppliers to reduce the overall environmental impact of our products, share good practice and drive innovation.

Sustainable supply chain approach
Our sustainable supply chain approach comprises three key themes. Our supplier quality and sustainability agreement sets out our expectations for suppliers. We review the practices and policies of prospective key suppliers before we work with them and conduct performance reviews and audits on an ongoing basis to monitor compliance and foster a strong relationship that drives improvement and innovation.

Standards	Pre-contract review	Ongoing management
1. Quality and sustainability agreement	**2. Supplier assessment and approval**	**3. Supplier reviews and audits**
Set clear expectations on how suppliers should manage quality, environmental, social and corporate governance issues	Review potential key suppliers' ESG practices to ensure they meet our standards	Conduct performance reviews and site audits to ensure suppliers continue to meet our expected standards and to build strong, collaborative relationships

1. Supplier quality and sustainability agreement
In 2008 we created an internal standard for suppliers called the 'quality and sustainability agreement'. We require all our Approved Vendor List (AVL) suppliers to implement this agreement and provide us with declarations of compliance as part of the assessment process.

2. Supplier assessment and approval
Our supplier quality team carry out initial desktop reviews and on-site audits on any potential new AVL supplier. These assessments include quality and sustainability practices. Only suppliers who can demonstrate they meet our requirements will be approved. Once approved, AVL suppliers are re-audited every two years.

3. Supplier reviews and audits
We conduct regular proactive audits of suppliers to an annual audit schedule and initiate supplier improvement development plans. In FY2021, we completed 45 site audits and 59 follow-up and desktop audits. This represents 68 key suppliers and covers 52% of key supplier spend.

Non-financial reporting compliance statement

We aim to comply with the non-financial reporting requirements contained in Sections 414CA and 414CB of the Companies Act 2006. The table below, and the information it refers to, is intended to help stakeholders understand our position on key non-financial matters. This builds on existing reporting that we already do under the Guidance on the Strategic Report (UK Financial Reporting Council).

Non-financial reporting matter	Policy/code	Reference
Environmental issues	• Environmental Policy	Sustainability pages 70 to 73
Employees	• Code of Business Conduct • Business Ethics Policy • Whistleblowing Policy • Health and Safety Policy • GDPR privacy notice	Sustainability pages 54 to 59
Human rights	• Modern Slavery Policy • Supplier Code of Conduct	Sustainability pages 58 and 59
Social matters	• Supporting charities	Sustainability pages 68 and 69
Anti-corruption and anti-bribery	• Anti-bribery Policy • Whistleblowing Policy	Sustainability page 59
Policy embedding, due diligence and outcomes		Pages 76 to 83
Description of principal risks and impact of business activities		Pages 76 to 83
Description of business model		Pages 20 and 21
Non-financial key performance indicators		Page 38

Risk management

Trifast's risk management framework is designed to effectively identify and mitigate risk, improving the likelihood of achieving our strategic objectives and protecting our assets and the interests of our stakeholders

Risk management
How the business manages risk to achieve our strategic objectives
The Group is committed to conducting business in compliance with all applicable laws and regulations and in a manner consistent with its values and Global Code of Ethics.

Risk appetite
Trifast recognises that the management of risk requires a level of commerciality to enable the business to meet its joint strategic objectives of protecting stakeholder interests whilst creating stakeholder value. The Board therefore takes responsibility for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The appetite the Board is willing to take is discussed further in the Audit & Risk Committee Report.

Risk management framework

Trifast plc Board

- Ensures that risk is managed across the business
- Defines the Group's appetite for risk
- Assesses the Group's principal risks and opportunities

Operational Executive Board (OEB)

- Inputs into the Board's process for setting risk appetite
- Implements strategy in line with the Group's risk appetite
- Leads operational management's approach to risk

Audit & Risk Committee

- Monitors and reviews the effectiveness of the Group's risk management framework
- Reviews, updates and submits the Group's principal risks and uncertainties to the Board
- Monitors and reviews the Group's ongoing compliance with relevant laws and regulations

Operational Management

- Creates an environment where risk management is embraced and the responsibility for risk management is accepted by all employees
- Implements and maintains risk management processes, including the maintenance and monitoring of the risk register

Employees

Active in:

- Identifying and documenting operational risks
- Carrying out risk assessments
- Managing risk through operational governance
- Mitigating risk through operational processes

Activities in the year

Annual risk review process

On an annual basis, the Board, Operational Executive Board and Operational Management teams are involved in a risk assessment of the Group's strategic plans. This process focuses primarily on those risks associated with the execution of the Group's strategy and the results are reported to the Audit & Risk Committee and the Board for consideration and approval

Compliance with laws and regulations

Each year the Group reviews its key policies to ensure ongoing compliance with all relevant laws and regulations, including anti-bribery, whistleblowing and share dealing. The results of this review are reported to the Audit & Risk Committee for consideration and approval and reported to the Board where appropriate

Internal audit

Relevant subject matter experts carry out internal audits for each quality accreditation standard (ISO 9001, IATF 16949, ISO 14001, ISO 27001, EN 9120) and results of these audits are reported through top management review

Group Finance carry out health checks for both operational and financial controls. Results of the health checks are reported to the Audit & Risk Committee for consideration and reported to the Board and OEB where appropriate

Cross-functional reviews

A series of functional reviews are carried out on a rotational basis across all business units, including quality, supply, IT/cyber security and HR. All such reviews are conducted by senior Group functional personnel and the outcome of these reviews are reported to the Board, OEB and Audit & Risk Committee for consideration as appropriate

Risk management continued

Principal risks

Risk	Current mitigation	Risk update	Trend
COVID-19 and the macroeconomic environment Although all signs are pointing towards a recovery in the global economy and a return to growth, higher levels of uncertainty and volatility still remain within some geographies (specifically Asia where numbers are increasing) and some sectors (automotive, due to specific supply challenges) If this were to lead to a more protracted downturn in manufacturing volumes, then trading and profitability across our affected businesses could reduce Traditionally, distribution/ manufacturing sectors bear the effect of inventory reduction, but also the benefit of restocking in volatile economic periods earlier than other industries **Link to strategy**	By operating globally and across a number of sectors, the Group is better able to manage the risk of regional or industry contractions. As customers move, or expand, we have the capability and flexibility to move with them, whilst our first-class customer service works to protect us from rapid supplier changeover We hold <1% of the overall market, meaning trading growth via market share can remain credible even in a falling market We maintain an evolving list of cash and profit conservation initiatives that we can (and have over the course of COVID-19) draw on to safeguard the short and long-term future of the business	As a result of COVID-19 the global economy has been in a period of significant contraction and challenge since the beginning of the calendar year 2020 Regions and sectors are coming out of this situation at different speeds, but we are now seeing evidence of recovery and a return to growth across all sectors and regions Although this is a significantly improved position from the end of FY2020, the ongoing transition phase will undoubtedly mean that conditions remain more challenging and changeable in the short to medium term	V
Personnel and resource Without both adequate resource and appropriate investment in our people and succession planning across all levels of the business from the Board down, we may not be able to deliver our future strategic plans and long-term success COVID-19 has brought additional challenges to the way that we manage and protect our staff as working practices change **Link to strategy**	Our succession planning and gap analysis processes identify key employees and roles within the business and are designed to broaden and transfer our specialist knowledge and skills base. We invest in our people via ongoing training and our Group-wide performance development programme to ensure there is adequate opportunity to allow our people to 'move up' within TR. Our planned investments in Project Atlas (see pages 28 and 29) will further enhance this. Rewards are reviewed annually to ensure they remain at levels that are competitive within the marketplace We have worked hard during the COVID-19 pandemic to ensure that we prioritise the health and wellbeing of all of our people around the world, introducing flexible working practices and supporting remote working to support our people and our business	The Group enjoys extremely high retention levels with over 50% of staff having been in the Group for more than ten years and the average length of service being 11.5 years. All key succession risks are appropriately managed The rapid and extensive actions we have taken in response to COVID-19 have helped to mitigate the heightened risk levels. Now, as the situation begins to normalise around the world, we are working with our staff to ensure that we are able to manage and meet our people's 'return to work' expectations and support the requirements of the business and our customers See page 62 of sustainability for more information	V

Key to strategy

- Investment for organic growth
- Acquisitions
- Innovation
- Sustainability

Risk	Current mitigation	Risk update	Trend
Quality and manufacturing We recognise that the quality of our manufactured and externally sourced products is of critical importance. Any major failure will affect customer confidence and may lead to immediate financial penalties **Link to strategy**	Our established global quality team maintains our Group-wide quality compliance protocols. Quality inspection processes across our manufacturing and distribution sites and vendor base are robust, allowing us to offer zero-defect supplies to customers where required and appropriate insurance is maintained and reviewed annually	The Group has not experienced any substantial quality issues. Quality is moving higher up the agenda across all sectors of our client base and we are continuing to invest to meet this	>
Foreign exchange volatility A significant portion of the Group's revenue and profit is generated outside of the UK. Due to translation risk, the Group results could be adversely impacted by an increase in the value of Sterling relative to foreign currencies. In addition, a transactional risk exists as the Group sources certain products from the Far East for sale across Europe **Link to strategy**	Transactional hedging is achieved via the commercial matching of transactions wherever possible. Non-functional currency balance sheet items are minimised and net investment hedging is used for any significant acquisition finance We regularly review our foreign exchange mitigation strategies with our advisers to ensure that these remain fit for purpose in these challenging times	Foreign exchange volatility has been significantly higher in recent years across a basket of the Group's key currencies Our results have been presented at CER and AER to assist our stakeholders' understanding of the underlying business. Further information in respect of the Group's policies on financial risk management objectives, including policies to manage foreign exchange, is given in note 27	>
Loss of a key customer and debtor exposure Good relationships with our customers is key to the business. Any lack of holistic support or an inconsistent approach to the trading and management of key global customers across the Group increases our exposure to customer loss Increased trading levels and uncertain market conditions can lead to higher debtor balances, raising our exposure to customer failure and bad debt write downs **Link to strategy**	We maintain strong credit control procedures from new customer set up, through to regular monitoring as trade develops We are working closely with customers across all of our businesses in these uncertain times to ensure we continue to effectively manage working capital levels, including enhanced credit control procedures Our global multinational OEM/Tier1 and revised sector focus means we are able to build strong head office and local relationships with our key multinational customers, improving our supplier power and helping us to retain and grow key trading relationships for the longer term	Despite the current uncertain market conditions we have only received a relatively small number of credit term/payment plan requests from specific customers, none of which have led to significant recovery issues to date The Group has not in recent years experienced any substantial credit issues, and attrition of our key multinational OEMs/Tier1s remains very low	>

Risk management continued

Principal risks continued

Risk	Current mitigation	Risk update	Trend
Interruption of supply The Group sources products both internally and externally for customers around the world. If we were unable to supply a customer in line with their ongoing manufacturing requirements, the risk both to our reputation and in terms of potential stoppage penalties could be substantial Our customers' manufacturing volumes are also dependent on the uninterrupted supply of other component parts, e.g. semi-conductors, meaning that trading levels can be impacted by factors outside of our direct control **Link to strategy**	We have been working closely with our suppliers and freight carriers during these unprecedented times to ensure that we can successfully keep all supply routes open for our customers We aim to hold appropriate buffer stock levels to service our customers' needs at all times, which gives us better protection and flexibility when lead times lengthen Our pan-global presence means we are able to operate along multiple transport routes, shielding us from localised issues. For all key products we maintain multiple sources to ensure adequacy of supply	The recovery of COVID-19 has brought significant challenges to supply chain management. Competing demands on raw materials, components and logistics are substantially increasing lead times and pricing, creating operational disruption and additional workload across all of our global businesses, most especially in the UK where this has been exacerbated by the impact of Brexit (see page 81) Despite this, our long-established and experienced distribution business, with its flexible supply base and adaptable logistics, has continued to offer timely and reliable supply to all of our customers	^
Inventories obsolescence The Group holds substantial inventory balances across the world. As the business grows, or as volumes fluctuate in a period of uncertainty, these levels can increase in the short term. Higher stock levels lead to an increased exposure to obsolete inventory **Link to strategy**	We are working closely with all our businesses, customers and suppliers to continue to manage working capital levels effectively, including enhanced demand forecasting and stock purchase re-scheduling Stock management processes are a key part of the Group's internal controls. We continue to invest in stock management processes and systems to ensure we keep optimum levels across the world. Our multi-locational set-up allows us to reduce lead times, and therefore stock holding, as far as possible	Volatile ordering levels and the push out of lead times have increased the amount of stock held on hand at 31 March 2021 to 23.5 weeks against FY2016 to FY2019 average of 22.8 weeks (FY2020: 27.1 weeks) Our supply chain and purchasing teams have been working hard to reduce this over the course of FY2021. This will continue into FY2022, although we expect progress to be impacted at least in the short term by the current high level of logistical and lead-time challenges	>
Cyber security Unauthorised access to, or a breach of, our systems, networks or premises, could immediately and materially affect our reputation, with possible implications for revenue and growth over the short to medium term. Such a breach may also cause financial loss **Link to strategy**	We have undertaken a review of our cyber security controls worldwide. Additional investment has been made where required to manage our risk. Our IT policies are managed by a dedicated in-house team and access to systems is strictly limited to appropriate personnel. Comprehensive IT risk reviews and penetration tests are routinely carried out across all our sites and we hold ISO/IEC 27001:2013 accreditation in our Group IT function Following the introduction of GDPR in 2018, we appointed a Group Chief Privacy Officer and implemented a framework of activities to ensure the Group's compliance with this legislation	To date the Group has not experienced any significant cyber security threats or data breaches, although we note on a macro level that this risk is increasing	^

Key to strategy

- Investment for organic growth
- Innovation
- Acquisitions
- Sustainability

Risk	Current mitigation	Risk update	Trend
Impact of Brexit Since 1 January 2021 we have been operating under the new trade deal with the EU This deal has allowed us to continue to service our UK-based customers, and on some level protected the likelihood of manufacturing (particularly automotive) remaining in Britain for the longer term For the majority of our UK to EU distributor business we are now seeing tariffs (largely <5%) on goods, but the bigger issue has been the border disruption leading to delivery delays If not appropriately managed, this could potentially lead to lost or reduced distributor sales **Link to strategy**	We have had a cross-functional Brexit team in place for the last three years who have been carrying out our contingency plans and are now dealing with the outcome of the deal We are working closely with all impacted EU distributor customers (c.5% of Group revenues) to manage the impact of the current border difficulties. Detailed plans are in place and underway to transfer this business to our German subsidiary in FY2022 to streamline this service in the medium term See page 12 of the Chief Executive Officer's report	The situation has become a lot more certain since 1 January 2021, although ongoing border complexities between the UK/EU and UK/NI continue to raise commercial and operational challenges	V

We consider the principal risks above to include all existing and emerging risks.

Risk management continued

Viability statement

In line with provision 31 of the Code, the Directors have assessed the prospects of the Company, taking into account the current position and principal risks, to determine whether there is a reasonable expectation that the Group will be able to meet its liabilities as they fall due over a specified period of time.

The Directors have carried out this longer-term viability assessment over a period of three years as this aligns with the Group's detailed forecasts. Three years is considered an appropriate period of time for the Group as it strikes the right balance between the need to plan for the long term whilst considering the uncertainty that arises in relation to assumptions the further you look ahead.

In assessing the prospects of the Group over the three-year period, the Directors have also considered the Group's current financial position, as well as its financial projections in the context of the Group's cash and debt facilities and associated covenants. These financial projections are based on a bottom-up budgeting exercise for FY2022 and FY2023 which has been approved by the Board and a more top-down view aligned to the Group's strategic objectives for FY2024. The Group's base projections indicate that cash and debt facilities and projected headroom are more than adequate to support the Group over the next three years.

In conducting the assessment, the Directors have considered the principal risks outlined so as to determine the impact on the financial position and performance of the Group. These risks have been identified by the Board, and are actively monitored on an ongoing basis, the most significant of which are considered in more detail below:

1. A more protracted global economic downturn (following the global pandemic) could impact negatively on our ability to continue to grow and invest as a business. However, as for the majority of customers we still only represent a relatively small proportion of their global fastening spend, even in a time of volume reduction, we would continue to expect to have the opportunity to secure growth via customer specific market share increases. As a business, we operate in a very broad and balanced range of sectors and geographies. In addition to which, we have no one customer that represents more than 7.5% of our Group revenue, and no one end automotive OEM that represents more than 5%. This means that we are not overly dependent on any one customer, market or sector for our ongoing success, which greatly increases our business sustainability even in these less certain times. We also maintain an evolving list of cash and profit conservation initiatives that, in a downturn, we can (and have over the course of COVID-19) draw on to safeguard the short and long-term future of the business
2. A serious quality issue occurring could impact both an immediate reduction in revenue, and possible penalties incurred, and longer term, considering the impact to our reputation, including the possible risk that this could lead to the loss of one or more of our key multinational OEM/Tier 1 customers. We have robust quality processes in place around the world, both in terms of our own manufacturing processes and our vendor assessment and sourcing policies. In addition, our established global quality team and issue resolution procedures ensure that any supply problems that do arise are dealt with and resolved as soon as possible for our customers, ensuring that the costs incurred by us and the end customer are minimised as far as possible. However, although this has not happened in our 45+ year history, it is possible to imagine a more significant quality issue arising with a customer which could result in substantial recall costs and penalties. In case of these circumstances, we carry an annually renewable Product Guarantee/Recall insurance policy which is underwritten with first class security in the London insurance market, although the ongoing negative impact on the business may still be significant whilst the market builds back up its trust in the Group

3. The risk of a significant cyber attack, or data security breach, could incur penalties and have a serious impact on the Group's ability to trade in the short term, with longer-term negative implications to our reputation in the marketplace and therefore our ability to meet our growth targets in the medium term. We have made substantial additional investments to our cyber security, including our back-up data storage and power systems, in recent years and have global IT policies in place that are managed by a dedicated in-house team. We continue to invest in IT security (including via Project Atlas) and are rolling out ISO 27001 around the world. However, in this world of heightened cyber risk, it is not impossible that a circumstance could arise where our trading results have been negatively impacted as a result of a cyber threat or data loss

The scenarios above are hypothetical and purposefully severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group. It is considered unlikely, but not impossible, that the crystallisation of a single risk would test the future viability of the Group. However, as with many companies, it is possible to construct scenarios where either multiple occurrences of the same risk, or single occurrences of different risks, could put pressure on the Group's ability to meet its financial covenants. In the case of these scenarios arising, various options are available to the Group in order to maintain liquidity so as to continue in operation, such as accessing new external funding early, more radical short-term cost reduction actions and reducing capital expenditure. None of these actions are assumed in our current scenario modelling.

After considering the risks identified and on the basis of the assessments completed, the Directors believe that there is a reasonable expectation that the Company will be able to continue to operate and meet its liabilities as they fall due over the next three years.

The Strategic Report was approved by the Board of Directors on 21 June and signed on its behalf by:

Jonathan Shearman
Non-Executive Chair

Trifast House, Bellbrook Park,
Uckfield, East Sussex
TN22 1QW

Company registration number: 01919797

Chair's introduction to governance

Governance plays a crucial role in framing the approach we take throughout Trifast

Jonathan Shearman
Chair

One of my key responsibilities as Chair is to ensure that the Board brings the effective leadership needed to support the creation and delivery of strong and sustainable, long-term value.

From the pages that precede this one, the reader should have garnered a view that sound and pragmatic governance plays a crucial role in framing the approach we take throughout Trifast. We believe that it brings value in and of itself and welcome the Code's invitation to 'apply the spirit of the Principles'. An overview of our approach to this can be seen in the table on the opposite page.

During the year, we sought to strengthen, align and further integrate these principles into the business, leaning into both qualitative and quantitative aspects. This is illustrated by our approach to environmental, social and governance (ESG) and within that how we consider and engage with our stakeholders. See pages 49 to 75.

In the following pages, you will find details of how our Committees comply with the provisions of the Code.

In the coming year

Whilst we are clear that our approach to governance is sound, there is more to do and in the coming year this will include defining our response to the recent BEIS report (currently in consultation) to ensure our structure includes the necessary framework of prudent and effective controls. We will also be creating a fresh KPI dashboard to allow the Board to measure performance against strategy and cultural adherence.

Section 172 disclosure

Find out more on pages 60 to 67

Jonathan Shearman
Chair

21 June 2021

Compliance with the UK Corporate Governance Code 2018

Section	Further information
Board leadership and Company purpose – (Code Principles A – E) As a Board, we agree that success is built over the long run and starts with a clear purpose and vision. Part of the work we have undertaken during the year was to embed the articulation of our corporate purpose by supporting Mark, as Chief Executive, in recasting and communicating his vision of our future Based on this foundation, we have, in conjunction with the Operational Executive Board (OEB) set a medium-term strategy that, as highlighted elsewhere, includes organic growth and growth by acquisition The Board acknowledges that culture, manifested in values and behaviours, starts with us and sits alongside strategy in equal importance. During the year, we considered the necessary cultural alignment to support and facilitate the strategic plan – this included revisiting our values to allow greater emphasis. We believe that this process will assist the Board in monitoring and ensuring that, at Trifast, 'we preach what we practice'	Read more on pages 84 to 89
Division of responsibilities – (Code Principles F – I) There is a clear division of responsibilities between the Chair, Executives, Non-Executives and OEB members. During the first year of operating under this new structure, we have taken the presenting opportunities to manifest this practically and in doing so empower the OEB I speak more broadly in the Nomination Committee report about the strength of our Board, but want to note here how delighted I am to have this team in place at such a pivotal time for Trifast. Allowing each member to bring themselves and their contribution, be it wisdom, experience, or challenge requires that we have honest, open and constructive debates. Board agendas are set, and papers created accordingly, mindful of the necessary tensions of business, be they around capacity (time and resources), approach to risk, or consideration of short-term and long-term performance and trends	Read more on pages 90 to 94
Composition, succession and evaluation – (Code Principles J – L) The Board has a wide range of knowledge, skills and experience. The appointment process is carefully considered and annual evaluations monitor the performance and effectiveness of the Board and its Committees	Read more on pages 95 to 97
Audit, risk and internal control – (Code Principles M – O) The Board has established ongoing processes that ensure risks are appropriately identified, evaluated and managed in order for the Group to achieve its long-term objectives. Operating policies and controls are also in place to ensure the integrity of the financial statements	Read more on pages 98 to 101
Remuneration – (Code Principles P – R) Our remuneration policy supports the delivery of the Group's strategy and it is the Board's duty to ensure that remuneration is proportionate to the performance achieved and the returns received by shareholders	Read more on pages 102 to 119

Introducing the Board

C

Jonathan Shearman
Independent Non-Executive Chair

Length of service
12 years; appointed to the Board in 2009 and as Chair on 1 April 2020

Formerly Non-Executive Director and Chair of the Remuneration Committee

Key areas of expertise
Experienced professional in M&A, strategic planning, and forecasting. After a successful career in investment fund management, stockbroking, investment banking, and charitable foundations, Jonathan has brought his skills to the Board in an energetic, strategic and pragmatic manner, proving his ability to provide direction in a TR context. He understands and fits within the culture of Trifast at Board and operational level, as well as within the global business teams

Mark Belton
Chief Executive Officer

Length of service
22 years; appointed to the Board in 2010 and CEO on 1 October 2015

Appointed to the OEB on 1 April 2020

Key areas of expertise
Over his career with Trifast, Mark has forged a wealth of knowledge and great understanding of the industry, the TR model, key sectors, and our customer portfolio. Prior to becoming CEO, as Group Finance Director, Mark also played a pivotal role in the successful acquisitions of PSEP in Malaysia, VIC in Italy and Kuhlmann in Germany. Other skills include all aspects of strategic and financial planning, and investor relations

Clare Foster
Chief Financial Officer

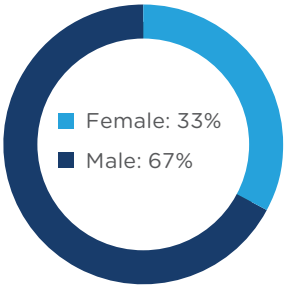
Length of service
6 years; appointed to the Board on 1 October 2015

Appointed to the OEB on 1 April 2020

Key areas of expertise
Clare was first introduced to Trifast in 1999 (as part of KPMG), since which time she has developed an in-depth understanding of the business, its values and the key drivers for success

During her career, Clare has gained experience in financial and treasury management strategy, accounting governance, tax compliance and statutory reporting. Her strategic thinking and consultancy skills support Project Atlas and the wider business in terms of strategic planning, organic investment decisions and the Group's acquisition activities

Gender diversity
As at year end



Board tenure
As at year end

Committee memberships

- Nomination Committee
- Remuneration Committee
- Audit & Risk Committee
- C Committee Chair

The combination of skills and experience of the Executive and Non-Executive team provides a solid foundation to continue to deliver our strategy

Clive Watson
Senior Independent Non-Executive Director

Length of service
1 year; appointed to the Board on 30 July 2020

Key areas of expertise
Chartered accountant with extensive financial experience gained over his career in the industry both in the UK and internationally. Retired in 2019 as Group Finance Director at Spectris plc, a position held since 2006, and from his NED role at Spirax-Sarco which he held for ten years

Other directorships
Senior Independent Non-Executive Director at Breedon Group plc, Non-Executive Director at discoverIE Group plc (Audit and Risk Chair) and Kier Group plc (Audit and Risk Chair)

Scott Mac Meekin
Independent Non-Executive Director

Length of service
8 years; appointed to the Board on 25 April 2013

Key areas of expertise
30+ year career in both commercial and corporate structures across all major continents and cultures in finance, M&A, global logistics, technology, distribution and manufacturing

Other directorships
CEO at Circular Computing

Member of Harvard Alumni Association & National University Singapore Alumni Association

Claire Balmforth
Independent Non-Executive Director

Length of service
1 year; appointed to the Board on 1 April 2020

Key areas of expertise
Extensive operational experience and also significant knowledge of leadership, customer-focused cultures and human resources including employee engagement, having worked in FTSE 250 companies within the retail, B2B and financial services sectors

Other directorships
Safestore Holdings plc (RemCo Chair), British Heart Foundation (member of the RemCo and Retail Committees), FRP Advisory Group plc (RemCo Chair)

Compliance
The Board recognises the importance of its composition and remains committed to good corporate governance whilst supporting diversity in its broadest sense. We believe that a wide range of knowledge, skills and experience are among the essential drivers of Board effectiveness

Trifast entered the new financial year with a newly structured Board which brings balance, wise counsel and deep understanding of the business at both Board and operational levels

Lyndsey Case
Company Secretary

Length of service
21 years; appointed as Company Secretary on 1 April 2016

Key areas of expertise
Lyndsey joined the Group's TR Fastenings UK finance team in 2000 before moving to the Group Finance team in 2006. She is an FCCA and experienced in financial accounting, reporting and compliance

Operational Executive Board

A global business requires a strategy that is led by a strong Operational Executive Board (OEB). Since 1 April 2020, for the first time in TR's history, a fully cross-functional and regionally representative OEB has been in operation

This team will devise the strategic direction and goals for our global business and by working together will take responsibility for driving these to a successful conclusion for the Trifast Group.

Key terms of reference are to:

- Drive and deliver the Group's profitable growth strategy both organically and by acquisitive means
- Motivate and develop the workforce
- Ensure the safety and wellbeing of the workforce
- Commercially, identify and minimise risk within the business
- Realise the Atlas benefits case, in conjunction with the Project Atlas team
- Enhance communication and collaboration within the Group

The OEB is made up from some of our most experienced and capable senior people from around the world.

Mark Belton
Chief Executive Officer

Clare Foster
Chief Financial Officer

Mark Belton (as Chair) and Clare Foster sit on the OEB. To read their biographies see page 86.

Charlie Y.L. Foo
Asia MD

Charlie retired on 31 March 2021 after a long and successful 49-year career within the manufacturing of fasteners industry; nine years with TR and 40 years with PSEP prior to Trifast acquiring the business in December 2011

The Board would like to thank him for his service and wish him and his family a long and happy retirement

> The OEB is global, cross-functional and designed to drive our integrated business forward – a real engine for sustainable growth

Helen Toole
Global HR Director

Length of service
11 years

Key areas of expertise
Helen has 30 years' experience in HR and has worked in the public, private and voluntary sectors as well as running her own HR consultancy business

Helen has a great deal of experience in the development and execution of HR strategy, dispute resolution, training, development and legal compliance

Colin Coddington
Global IT Director

Length of service
25 years

Key areas of expertise
35 years' experience as an IT professional. Over the last 25 years Colin has developed an in-depth understanding of the business, its values and key drivers for success. Colin takes pride in leading a strong IT function that has excelled during these challenging times with the fast-changing technology landscape that is remote working

Dan Jack
Global Sales & Commercial Director

Length of service
1 year; appointed to the OEB on 8 June 2020

Key areas of expertise
Over his 25-year career within the local and global industry, Dan has gained extensive experience in commercial supply chain management, engineering, sales & marketing, and business development. Having worked within the UK, Europe and Asia in senior management roles he has also developed skills and knowledge in strategic and financial planning, M&A and project management

Stevie Meiklem
Atlas Lead

Length of service
29 years

Key areas of expertise
Stevie has over 20 years' strong procurement and supply knowledge, as well as having a good commercial background. Stevie has been UK Operations Director and Managing Director of Hungary for the last ten years and became sponsor of our Atlas Project due to his understanding of our end-to-end business processes

Glenda Roberts
USA Director

Length of service
31 years

Key areas of expertise
Glenda has a dual role as Director of TR Fastenings Inc. and Global Projects and Marketing Director. Glenda previously served on the Trifast plc Board between 2010 and 2020

Highly skilled in global sales and marketing, global logistics and supply chain sourcing, Glenda has also more recently developed the GAD/SAM concept and the global enquiry portal

Dave Fisk
UK & Ireland MD

Length of service
28 years

Key areas of expertise
Dave is experienced in strategic planning, leadership development, purchasing and supply chain, continuous improvement, and digital transformation. He has previously implemented several growth initiatives and led parallel restructuring programmes post-merger and recession

Andrew Nuttall
Europe MD

Length of service
2 years

Key areas of expertise
With 35 years' experience in the fastenings industry, Andrew has held senior roles in both manufacturing and distribution. Joining TR in 2019, he has a wealth of experience in manufacturing, key account management, logistics and end-to-end supply chain

Endy Chin
Asia MD

Length of service
26 years

Key areas of expertise
A Bachelor of Mechanical Engineering and educated in New Zealand, Endy started his fastener career in aerospace, before joining TR Formac Singapore manufacturing 26 years ago. Becoming General Manager in 2007, Endy has since been instrumental in the set up of our sites in India and Thailand. More recently, Endy was the Asia COO before being promoted to Asia MD on 1 April 2021

Endy has a deep knowledge of fastener production and managing large global accounts

Corporate governance report

The Board is accountable to the shareholders and wider stakeholders for standards of governance across the Group's businesses. Certain strategic decisions and authorities are reserved as matters for the Board

Board

How the Board is structured and works

The collective members of the Board plan and make decisions for Trifast, setting the strategic direction, making sure that all risks are managed effectively. To focus on decision-making areas that require an independent opinion, separate Board Committees also exist, which comprise the Non-Executive Chair and Non-Executive Directors

Operational Executive Board (OEB)

Functioning with Executive representation from Trifast's CEO and CFO, the OEB brings together a strong senior leadership team at an operational level below the Board

Find out more on pages 88 and 89

Nomination Committee

Members

Jonathan Shearman (Chair)

Scott Mac Meekin

Claire Balmforth

Clive Watson

Role

Regularly evaluates the composition of the Board and the Committees so that each is made up of the right people with the right skills, knowledge, experience, and independence. The Committee looks closely at succession planning for Executive and Non-Executive Directors and Senior Management

Find out more on pages 95 to 97

Audit & Risk Committee

Members

Clive Watson (Chair)

Scott Mac Meekin

Claire Balmforth

Role

Provides effective governance around Trifast's financial reporting and ensures the integrity of its financial statements. Reviews accounting policies, monitors internal financial controls, looks at financial risk management and monitors the performance of the external auditor

Find out more on pages 98 to 101

Remuneration Committee

Members

Claire Balmforth (Chair)

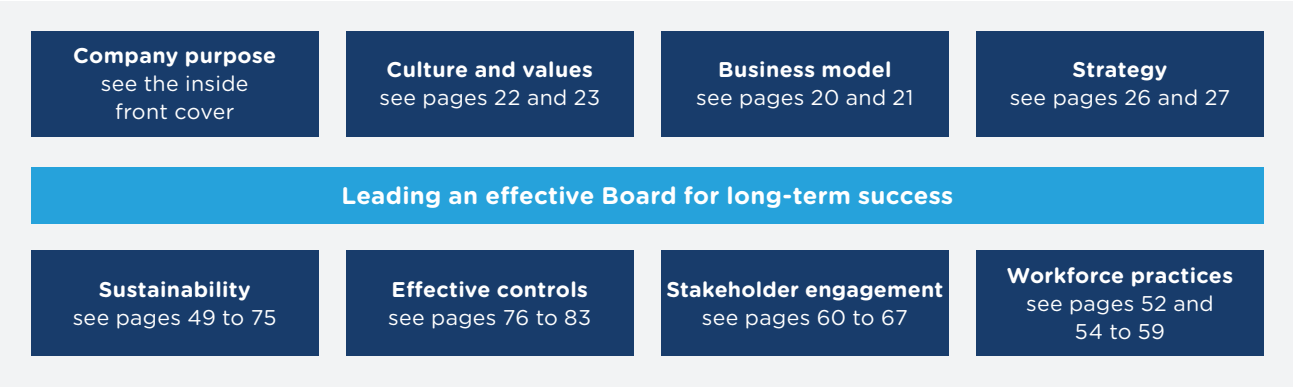
Scott Mac Meekin

Clive Watson

Role

The Non-Executive members of the Remuneration Committee ensure that a policy exists for the remuneration of the Executive Directors that is fair, attracts key executives and rewards progress against Trifast's business strategy

Find out more on pages 102 to 119



The key areas reserved for the Board are:

- Establishing and appraising the overall strategic direction and management responsibility
- Approval of the Group's reports and financial statements
- Reviewing and recommending overall capital allocation including dividend policy
- Approval of new bank facilities, or significant changes to existing facilities
- Assessment and approval of the principal risks for the business and how they are being managed
- Approval of the viability statement
- Maintaining sound internal control and risk management systems
- Approval of major corporate transactions including acquisitions
- Succession planning and appointments at senior level
- Review of the Group's overall corporate governance and evaluating the performance of the Board and its Committees annually
- Approval of the delegation of authority between Executives and the terms of reference of all Committees of the Board

The Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency, or liquidity. The principal risks, including COVID-19, have been disclosed on pages 78 to 81.

Corporate governance

It is the Board's view that, for the year ended 31 March 2021, with the exception of provision 38 which states that the pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce, the Company has been fully compliant with all of the relevant principles and provisions set out in the Code issued by the Financial Reporting Council in July 2018.

The Board has delegated specific responsibilities to the Audit & Risk, Nomination and Remuneration Committees. Further explanation of how the principles and supporting principles have been applied is set out below (including Nomination Committee, Audit & Risk Committee and Directors' remuneration reports and in the viability statement on pages 82 and 83).

Further information concerning the Company's approach to pension contribution rates for Executive Directors can be found on page 105, within the Directors' remuneration report. The Company's auditor, BDO, are required to review whether this statement reflects the Company's compliance with those provisions of the Code specified for their review by the Financial Conduct Authority's Listing Rules and to report if it does not reflect such compliance. No such report has been made.

Details of substantial shareholdings of the Company can be found on page 121.

Details of terms of reference are available to view on the investor website at www.trifast.com/investors/governance.

For more information on how the Board has considered the requirements of Section 172, see pages 60 and 61 in the strategic report

Corporate governance report
continued

The Board

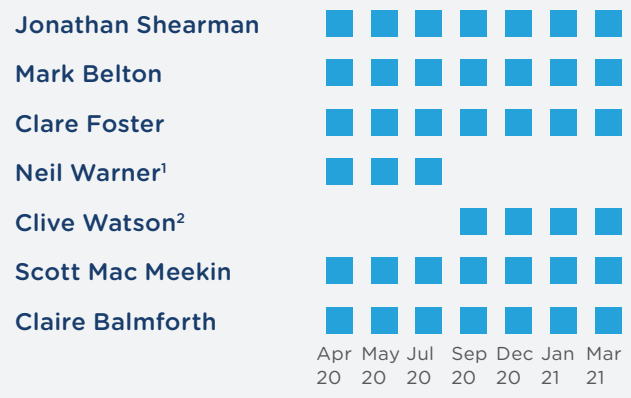
During FY2021, the Board consisted of two Executive Directors, three Independent Non-Executive Directors and a Non-Executive Chair. Taking into account the provisions of the Code, the Board has determined that, during the year under review, each of the Non-Executive Directors remained independent of 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.

On 1 April 2020, the Company announced the appointment of Claire Balmforth as an Independent NED and Chair of the Remuneration Committee. Claire brings extensive operational experience having worked in FTSE 250 companies within the retail, B2B and financial services sectors. She also brings significant knowledge of leadership, customer-focused cultures, and human resources.

Later in the year (30 July 2020), we announced the appointment of Clive Watson as an Independent NED, Chair of the Audit & Risk Committee and Senior Independent Director. Having qualified as a chartered accountant, Clive moved into industry, working for several international companies in the UK and overseas, gaining extensive experience in a variety of senior finance roles. In 2019 Clive retired as Group Finance Director of Spectris plc; he was also formerly the Senior Independent Non-Executive Director and Audit Chair of Spirax-Sarco Engineering plc.

It has been the Board's absolute pleasure to welcome both Claire and Clive to the team. They have settled in quickly and the positive impact of their experience and expertise is already being felt in numerous ways.

Board attendance



1. Neil Warner retired 31 July 2020
2. Clive Watson appointed 30 July 2020

The appointment, replacement and powers of the Directors are governed by the Company's Articles of Association, the Corporate Governance Code, the Companies Act, prevailing legislation and resolutions passed at the Annual General Meeting (AGM) or other general meetings of the Company.

All Independent Non-Executive Directors have the authority to meet with shareholders without first seeking approval from the Chief Executive or the Chair. On request, the members of the Audit & Risk, Remuneration and Nomination Committees are available to speak with all shareholders.

Upon appointment, the Directors are required to seek election at the first AGM following appointment.

In accordance with the Code, all Directors are subject to annual re-election and, being eligible, Jonathan Shearman, Mark Belton, Clare Foster, Clive Watson, Scott Mac Meekin and Claire Balmforth offer themselves for re-election as Directors at the forthcoming Annual General Meeting.

To read more about the Board, see pages 86 and 87.

The Chair (Jonathan Shearman) and Senior Independent Non-Executive Director (Clive Watson) confirm that, following formal performance evaluation, the individuals seeking re-election continue to be effective in contributing to the long-term success of the Group and demonstrate commitment to the role.

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

Trifast considers that the composition of its Board and Committees are fully compliant with the Code.

The contracts of appointment of Non-Executive Directors are available for inspection on request to the Company Secretary.

The Independent Non-Executive Directors have full access to the external auditor 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 at least five times a year formally, with additional meetings to cover specific topics including budgets and risk, and is supplied as early as practical with an agenda and appropriate papers. Directors are appointed by the Board on recommendation from the Nomination 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 to ensure the long-term success of the Company.

Internal audit

As detailed in the Audit & Risk Committee report on pages 98 to 101, the Board, via the Audit & Risk Committee, formally considers the requirement for internal audit on an annual basis as part of its terms of reference. A formalised internal review process known as a 'health-check' has been in operation for some years, and underwent a re-evaluation as part of the initial stages of Project Atlas.

Business process reviews carried out at each entity were used to develop a scoping and frequency schedule with different cycle times for each entity based on size and risk profile. Whilst the Board recognises that this process does not constitute a fully independent internal audit, it believes that due to the size of the Group, and the improvements that have been implemented, this provides appropriate comfort as to the operational and financial controls in place.

As detailed in the Audit & Risk Committee report on pages 100 and 101, the Group will be performing an in-depth review of its risk management and internal controls framework (including internal audit) over the course of FY2022. This is in response to the government's white paper 'Restoring trust in audit and corporate governance'.

Going concern

After making enquiries, the Directors have reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future. Further information is given in the basis of preparation, note 1 and the viability statement on pages 82 and 83. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Shareholder relations

The Group has an investor website, www.trifast.com. This is regularly updated to ensure that shareholders and other providers of capital and interested third parties are fully aware of the Group's activities. The Group's Registrar, Computershare, is linked to the Trifast website and offers services for shareholders.

The Group also works with City specialists to ensure all levels of shareholders receive Trifast information.

During the year being reported upon we engaged with:

Peel Hunt LLP – Stockbroker to the Company, Institutional Fund Managers

TooleyStreet Communications – Investor and media relations

Shareholders can contact them at any time by writing to Trifast plc, Trifast House, Bellbrook Park, Uckfield, East Sussex TN22 1QW or via email to corporate.enquiries@trifast.com.

Board activities

Stakeholder relations

The Board considers that an ongoing dialogue with all shareholders is important.

The AGM has historically offered all shareholders the opportunity to hear from the Board about the Group's progress, as well as dealing with the legal matters of the meeting.

Unfortunately, due to the COVID-19 global pandemic, the majority of meetings during the year were restricted to online sessions. This included the AGM which was held in September 2020 as a fully virtual meeting, open to all shareholders.

With COVID-19 continuing to have some impact and disruption on our lives, and the uncertainty that lies ahead, it is our intention to hold a hybrid meeting for the 2021 AGM; this follows shareholder approval at the 2020 AGM to amend our Articles allowing hybrid meetings to take place. Further details, including proxy voting guidelines, will be contained within the Notice of Meeting.

Corporate governance report
continued

Board activities continued

Programme of events

We have operated a structured programme throughout the year, albeit virtually. Over the coming 12 months, we intend to run a mix of meetings in person, on location or virtually, with some location visits involving other senior staff in a support role.

Over the last financial year, we held various presentations with conference dial-in facilities (covering equity research analysts, investors (both existing and potential) and media). The outline of events were:

June 2020	Equity Placing roadshow and investor engagement
July 2020	Full-year virtual results roadshow and investor engagement
September 2020	Virtual AGM
November 2020	Half-year virtual results roadshow and investor engagement
April 2021	Investor engagement (pre-close period)
June 2021	Full-year virtual results roadshow and investor engagement
July 2021	Hybrid AGM
Plans for FY2022	To be determined, in relevant compliance with COVID-19 guidelines

As part of the virtual results roadshow with investors, on 24 June 2021, the Company will host a live presentation to discuss FY2021 performance and opportunities ahead via the Investor Meet Company platform. This is available to view on demand.

Board meetings and operational visits

Since the start of the pandemic, with social guidelines and travel restrictions in place, Board meetings have been held virtually via Microsoft Teams. Usually, in addition to holding Board meetings at Head Office in Uckfield, East Sussex, the Board aims to visit at least two sites each year, giving the Directors the chance to see facilities and give ongoing support to the business, and provide local management the opportunity to brief the Board on local progress and needs. We look forward to soon returning to this format.

The Board places great importance on the interaction with its colleagues at operational locations. This initiative ensures that the Board is available to talk and understand the needs of each business unit and its staff at all levels as they are key to the TR network's development and future.

The time is taken to discuss plans at a corporate and local level as well as the prospects and the impact these have on individual business units and their customers. It also provides a platform to gain knowledge and understanding of what is new in the market and where TR may have new opportunities and challenges.

Employee engagement

The Board recognises that the Group's greatest asset is its employees. The Directors communicate regularly with TR teams throughout the global business via the intranet portal and a variety of other conferencing and virtual platforms. In line with provision 5 of the Code's requirement for Board engagement at all levels, Jonathan Shearman, Chair, is the designated Non-Executive Director for engagement with the workforce. Claire Balmforth, Chair of the Remuneration Committee, works alongside the Global HR Director, Helen Toole, in supporting Jonathan in this role.

By order of the Board

Lyndsey Case
Company Secretary

21 June 2021

Nomination Committee report

Appointing the right people to the Board and OEB with the appropriate balance of skills, knowledge, experience and culture is fundamental to the ongoing success of the Company

Jonathan Shearman
Chair of the Nomination Committee

Role

To ensure their continued effectiveness, the Committee reviews the composition of the Board, its Committees and the OEB in order that they retain and reflect the appropriate balance of skills, knowledge, experience and independence.

As part of our review process we also evaluate succession, training and development plans for the Executive Directors, the Non-Executive Directors (NEDs) and the Group's OEB members.

The Nomination Committee's terms of reference are available on the website or on request from the Company Secretary.

Introduction

In writing this report, I am mindful of the many aspects of the wider Annual Report that it joins to and aligns with – the expanded sustainability section (pages 49 to 75) and introduction to governance (pages 84 and 85) being but two. As such, I would encourage stakeholders to read and consider this report in light of the remainder of the Annual Report.

Nomination Committee attendance

	May 20	Mar 21
Jonathan Shearman	■	■
Neil Warner[1]	■	
Clive Watson[2]		■
Scott Mac Meekin	■	■
Claire Balmforth	■	■

1. Neil Warner retired 31 July 2020
2. Clive Watson appointed 30 July 2020

Nomination Committee report
continued

Overview
To complement the work already being undertaken by the Board, the Committee focused on the following matters during its meetings this year.

1. Culture and values
The Committee was keen to ensure that there was sufficient focus on the role of culture, sitting alongside strategy in driving performance. Discussions therefore included, under the guidance of Mark as our CEO, a reconsideration of the Group's core values. This resulted in a slimming down of the number of Trifast's values, within which is a more formal acknowledgement of the need for us to be 'inclusive'. We expect one outcome of this process to be greater clarity and ease of communication and monitoring.

2. Diversity and inclusion (D&I)
We have written elsewhere (see pages 57 and 58) about our Group-wide approach to D&I, this obviously emanates from the Board and impacts the approach of the Nomination Committee.

The FRC's guidance on board effectiveness recognises a breadth of diversity that goes beyond just gender and race, and includes personal attributes including intellect, judgement, courage, honesty and tact; and the ability to listen and forge relationships and develop trust.

This ensures that a board is not closely comprised of like-minded individuals. The Committee agrees that diversity is vital when reviewing the composition of our Boards and possible new appointees.

In the Committee's report last year we wrote that at Trifast we "promote diversity of gender, social and ethnic background, cognitive and personal strengths". Having re-examined this statement, we believe it still to be the case and reflective of the approach we have taken and intend to take.

Appointing the right people to the Board and OEB with the appropriate balance of skills, knowledge, experience and culture is fundamental to the ongoing success of the Company. Using this approach, the Committee will continue to recommend the appointment of the best people with the right skills and potential. We will also make sure that all employees have an equal chance of being not only included but also developing their careers. Read more about our Board on pages 86 and 87.

Furthermore, the Committee will continue to regularly monitor and review our position in this area and during the coming year has already determined to consider the suggestions put forward in a number of the more recent papers, including the Parker and McGregor-Smith reviews alongside the BEIS Select Committee's report.

3. Succession planning – training and development
To ensure we have sufficient development of internal talent, the Committee spent a substantial amount of its time considering, alongside our Global HR Director, Helen Toole, the current structure and pipeline. This allowed us to identify where further focus needs to be brought in the coming 12 months, and beyond. See pages 54 to 56.

Coming year considerations
Alongside the standing agenda items, the Committee intends spending time in FY2022 considering:

- Survey results (using the Group-wide infrastructure) gauging the staff response for how we measure up against values (see page 22)
- Further development of our training and development programme (see page 55)
- Refreshing the Board skills matrix and approach to evaluations
- NED independence and reappointment – it is noted that Scott Mac Meekin will have served nine years as of April 2022

Board composition
In last year's Annual Report we highlighted the purpose and formation of the OEB and included details on our approach to succession planning and Board appointment process. All of the changes that were highlighted then have now come into effect. Aside from those, there have been no additional changes.

Stakeholders can revisit any of these changes for themselves in greater detail should they wish to by referencing the Annual Report FY2020, available on our website www.trifast.com.

The Committee has reviewed this work during the year and confirmed its effectiveness.

For the financial year ended 31 March 2021, and in line with the FTSE 250 average and the UK government's target, the gender balance for the Board was 33% female/67% male.

Committee structure and membership

During FY2021, the Committee was considered to comply with the Corporate Governance Code. To complement and support the Committee, other Board members and the Group HR Director are invited to the Nomination Committee meetings as and when required.

From 1 April 2020 the Nomination Committee was made up of:

- Jonathan Shearman, Chair (Chair of Committee)
- Neil Warner, SID[1]
- Clive Watson, SID[1]
- Claire Balmforth, NED
- Scott Mac Meekin, NED

1. Following Neil's retirement on 31 July 2020, Clive Watson (NED) took his place on this Committee and as SID

Board evaluations

The Board undertakes annual evaluations of its own performance, that of its Committees, the Chair, individual Directors, and external audit. As part of this evaluation, the Board considers the balance of skills, experience, the independence and knowledge of the Board, its diversity, including gender, and how effectively the Board works together as a unit.

Board evaluation process

The use of external evaluation remained under review during the year. The Committee does not yet consider such an approach to be appropriate, but expects this to form part of future plans. As such, the process of the evaluation was as follows:

Surveys

The appropriate surveys are distributed electronically to the Board:

- Individual Director
- Chair
- External audit
- Audit & Risk Committee
- Remuneration Committee
- Nomination Committee
- Board

Review

Initial review of the responses is carried out by the Company Secretary to prepare for the Chair, and Committee Chairs where relevant, a consolidated report for each discipline and any other points raised.

Board effectiveness

During the year, we reviewed and adjusted the evaluation process to allow us to capture, more succinctly, aspects where the Board felt our approach was at least 'adequate', this then allowed us to capture a small number of areas where we felt there was room for further improvement.

The results were discussed during the March Board meeting and a plan for the coming 12 months agreed.

The evaluations for FY2021 indicated that the Board and Committees operated effectively overall.

Jonathan Shearman
Chair of the Nomination Committee

21 June 2021

The challenge of 'onboarding' during a pandemic

Recruiting and inducting personnel during the last year has proved to be an unusual experience. For obvious reasons these processes had to be virtual and this has necessitated a rethink on how these can be conducted effectively. As a result of succession planning, two very experienced Directors joined the Group in June, both with deep knowledge of our industry and having held very senior roles previously. Dan Jack joined the OEB in the role of Global Sales & Commercial Director, and John Dick joined him in a newly created role as his Global Supply Chain Director

In normal circumstances there would have been face-to-face meetings with key personnel in the main disciplines, introductions to their direct reports, one-to-ones following the initial meetings, and site visits arranged. Instead, an intense bespoke induction plan was initiated that covered their first month and beyond

This plan was conducted via Microsoft Teams; each key person heading up a TR site or function was individually introduced, and they gave a presentation on their area of expertise, followed by a Q&A session. The presentations and accompanying notes were distributed as future reference documents

Over that four weeks Dan and John were introduced to more than 100 people, and their understanding of the Group, its structure and who the key 'go-to people' were in the organisation enabled them to hit the ground running

Dan summed this up by saying "I thoroughly enjoyed my induction to Trifast. It was well planned and delivered, and I found all presenters enthusiastic; they expedited my integration into the business"

Audit & Risk Committee report

During the year the Committee continued to focus on the impact of COVID-19 and our response to it

Clive Watson
Chair of the Audit & Risk Committee

Role and responsibilities

The role of the Committee is to assist the Board in fulfilling its responsibilities by reviewing and monitoring:

- The integrity and compliance of the financial information provided to shareholders, including the strategic report, financial results, announcements, viability statement and financial statements
- The appropriateness of accounting policies and the supporting key judgements and estimates
- Whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy
- The Group's system of internal controls and risk management, including the identification of principal risks and their mitigation and the requirement for a formal internal audit function
- The effectiveness of the external audit process and external auditors, making recommendations to the Board about the appointment, reappointment or removal, and approving the remuneration, the terms of engagement, performance, expertise, independence and objectivity, along with the effectiveness of its scope
- The processes for compliance with laws, regulations and ethical codes of practice including procedures for detecting, monitoring and managing the risk of fraud and the adequacy and security for its employees in relation to whistleblowing

Audit & Risk Committee attendance

	Jun 20	Nov 20	Jan 21
Clive Watson[1]		■	■
Scott Mac Meekin	■	■	■
Claire Balmforth[2]	■	■	■
Neil Warner[3]	■		

1. Clive Watson was appointed to the Board and Chair of the Audit & Risk Committee effective 30 July 2020
2. On 1 April 2020, Jonathan Shearman stepped down from the Committee and, on the same date, Claire Balmforth was appointed
3. Neil Warner attended one meeting prior to his retirement on 31 July 2020

During the year, the Audit Committee agreed that it should take on additional responsibility for the Group's risk management processes, which is why it is now referred to as the Audit & Risk Committee.

Committee membership and attendance

The Committee consists of the three Independent Non-Executive Directors. The external auditor, the Non-Executive Chair, the Chief Executive, the Chief Financial Officer, the Group Financial Controller and the Company Secretary are also invited to attend meetings. The Committee met virtually three times during FY2021 and on one of these occasions, as a safeguard, the Committee members also had discussions with the external auditor without the Executive Directors or management being present.

All Committee meetings are held to coincide with key dates within the financial reporting and audit cycle. As Chair of the Audit & Risk Committee, I also meet with management on an ad-hoc basis. I would like to thank the Committee members, the executive management team, and our external auditors for the open discussions that have taken place at our meetings and the importance they all attach to its work.

Committee competence and governance

The Committee operates within its terms of reference, which are reviewed on an annual basis. The terms of reference set out the membership and experience requirements of the Committee and are available on the Company's website or on request from the Company Secretary.

The Board and Committee have also focused on the governance requirements regarding the Annual Report. We consider that, taken as a whole, the FY2021 Annual Report is fair, balanced and understandable, with appropriate references being made throughout the various sections, which we hope you will find helpful in understanding the information and disclosures contained within them.

The Board is satisfied that the members of the Audit & Risk Committee have both recent and relevant breadth of knowledge, experience, and financial dynamics to effectively fulfil their responsibilities as well as competence relevant to the sector in which the Group operates. The Directors' summary biographies can be found on pages 86 and 87 of this report.

Key matters considered and activities during the year

The Committee received reports from the external auditors for the financial year and reviewed the major findings of their work.

It also considered the results of the internal review process ('health checks') carried out as part of the cycle (more details of this process are given in the section 'internal audit' below). In addition, we have focused on the integrity, completeness and clarity of financial reporting, the areas where judgements and estimates are required in the financial statements and the quality and effectiveness of audit processes to complement the other risk management activities.

The Committee reports to the Board on how it has discharged its responsibilities on a regular basis.

The Committee's prime areas of focus were:

- The integrity, completeness and consistency of financial reporting and disclosures
- The areas where significant judgements and estimates are required in the financial statements (during the year end, at and post the balance sheet date)
- The materiality level to apply to the audit
- Whether the going concern basis of accounting should continue to apply in the preparation of the annual financial statements
- The appropriateness of the bases of disclosure in the Company's viability statement
- The appropriateness of transactions separately identified and disclosed to highlight the underlying performance for the periods presented in the financial statements
- The appropriateness of transactions presented in Alternative Performance Measures (APMs) to compare relevant results for the periods presented in the financial statements
- The key assumptions, judgements and estimates as detailed in note 31 to the financial statements

Audit & Risk Committee report continued

Principal risks, going concern and viability statement

Our viability statement, set out on pages 82 and 83, details how we have assessed the prospects of the Group over a three-year period and why we consider that period is appropriate. After considering the risks identified and on the basis of the assessments completed, the Board and the Committee believe that there is a reasonable expectation that the Company will be able to continue to operate and meet its liabilities as they fall due over the next three years.

The assessment of going concern involves a number of subjective estimates including forecast revenues, changes in working capital, future levels of bad debts, and the rate of inflation, which have all been impacted by the COVID-19 pandemic. The Committee has been actively involved in the regular review and approval of these forecasts and, because of that work, is satisfied that the going concern basis of preparation remains appropriate for the Group and the Company.

More information concerning the viability and going concern statements can be found on pages 82 and 83 and 93 respectively.

The Committee concluded that there was a continuing need to focus on the two principal risks arising from the financial statements which would require further consideration during the year:

Recoverability of customer-specific inventory

The Group has bespoke customer-specific products for which there is a risk over recoverability if any contractual obligations to acquire outstanding stock are waived for commercial reasons or the customer experiences financial distress. Given the size of the customer-specific inventory balance, and the complexity involved in estimating customers' changes in future demand, there is a risk that the valuation of the inventory provision is inappropriate. The Committee is satisfied that sufficient focus is given to this whole area and that provisions made for customer specific inventory are adequate.

Goodwill impairment

Goodwill in the Group balance sheet is significant and subject to an annual impairment review. The recoverability of goodwill is dependent on estimating both cash flows and appropriate discount rates to apply in a value in use calculation. Given the size of the goodwill balance, and the complexity of estimating both cash flows (particularly owing to the impact of COVID-19) and discount rates, the Committee considers goodwill impairment to be an area of material estimation. Hence there is a risk that the valuation of goodwill is inappropriate. The Committee has reviewed the projected cash flows and discount rates used in the valuation model and the disclosures provided in note 14 of the financial statements.

Internal audit

A formalised internal review process where all business units are the subject of a 'health check' on a rotational basis, has been in operation for some years. As part of the initial stages of Project Atlas, a scoping and frequency schedule with different cycle times for each entity based on size and risk profile was introduced in FY2020 to replace the previous rotational timetable. In FY2022, this process will continue to be developed in line with the roll-out and post-implementation stage of Project Atlas.

The reviews, covering both operational and financial controls, are carried out by senior Group finance and other personnel from Head Office who are separated from the day-to-day activities within the entity which is the subject of the review. All health checks are presented by the Chief Financial Officer to the Audit & Risk Committee and remedial actions agreed. The need to establish a distinct internal audit function remained under review during the year. Whilst the Board recognises that 'health checks' do not constitute an independent internal audit function, it believes that due to the size of the Group, and the improvements that have been and continue to be implemented, this provides appropriate comfort as to the operational and financial controls in place at this point in time. The need to establish a more formal internal audit function will be reassessed in depth in FY2022.

Risk management and internal control

The Board is ultimately responsible for the system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve strategic business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Corporate Governance Code, along with the FRC's Guidance on risk management, internal control, and financial and business reporting, requires that the Board monitors the Company's risk management and internal control systems and, at least annually, carries out a review of their effectiveness which should cover all material controls including financial, operational and compliance controls.

Having done so, the Committee is of the view that there is an appropriate ongoing process for identifying, evaluating, and managing significant risks.

Operating policies and controls are in place and have been in place throughout the year under review and cover a wide range of issues including financial reporting, capital expenditure, information technology, business continuity and management of employees. Detailed policies ensure the accuracy and reliability of financial reporting and the preparation of financial statements including the consolidation process.

The key elements of the Group's ongoing processes are:

- A review 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
- That Group policies for financial reporting, accounting, financial risk management, information security, capital expenditure appraisal and corporate governance are documented and well understood
- That detailed annual budgets and rolling forecasts are reported for all operating units and reviewed and approved by the Board
- That performance is monitored closely against budget and material variances reported to the Board
- That the Committee is to deal with any significant control issues raised by the auditor
- That a formal schedule of matters specifically reserved for decisions by the Board is maintained
- That capital expenditure is controlled by the budgetary process with authorisation levels in place

There were no significant control deficiencies identified during the year.

An in-depth review of the risk management and internal control framework will be completed in FY2022.

External auditor

The Annual Report and Financial Statements have been audited by BDO, who were appointed as auditor in November 2019. This appointment is subject to ongoing monitoring and will run for a maximum of ten years before being put out to tender. One of the primary responsibilities of the Committee is to assess the effectiveness of the external auditor and to make recommendations to the Board in relation to the appointment, reappointment, or removal of the external auditor. The Committee reviewed the effectiveness and performance of BDO with feedback from Committee members, senior executive management, and finance personnel, covering overall quality, independence and objectivity, business understanding, technical knowledge, responsiveness, and cost effectiveness. The Committee and the Board have concluded that BDO provides an effective audit and have recommended their reappointment at the 2021 AGM.

The external audit is a continuous process. At the start of the audit cycle, BDO present their audit strategy identifying its assessment of the key risks for the purposes of the audit and the scope of their work. For FY2021 these risks continued to be: the recoverability of customer-specific inventory, goodwill impairments, going concern, revenue recognition and management override. More detail is set out in BDO's report on pages 124 to 131.

Non-audit services provided by BDO

To ensure the independence and objectivity of the external auditor, the Committee has a policy which provides clear definitions of services that the external auditor can and cannot provide. Tax compliance and advisory services are currently provided by another professional services firm PricewaterhouseCoopers LLP (PwC). The policy also establishes a formal authorisation process, including either the tendering for non-audit services or pre-approval by the Committee for allowable non-audit work. The fees in relation to non-audit services are found in note 5 of the Annual Report.

Fair, balanced and understandable

One of the key governance requirements of the Committee is for the Annual Report, taken as a whole, to be fair, balanced and understandable. The Group has established a formal process for ensuring that this is the case with clearly defined and delineated areas of responsibility for the various sections in the Annual Report recognising the distinctive roles of the preparers and the reviewers. The Directors acknowledge their responsibility for preparing the FY2021 Annual Report and confirm that they consider this document, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's business model, strategy and performance.

Committee focus for FY2022

In light of the government's white paper, 'Restoring trust in audit and corporate governance' and the continued roll-out of Project Atlas, the Group will be performing an in-depth review of its risk management and internal control framework (including internal audit) over the course of FY2022.

The Committee looks forward to reporting on the outcome of this review in due course.

Clive Watson
Chair of the Audit & Risk Committee

21 June 2021

Directors' remuneration report

The Company's achievements would not have been possible without the resilience and flexibility shown by our employees during these unprecedented times

To all colleagues – thank you for your hard work and commitment to the business, and support given to each other and customers, which is making Trifast the robust business it is today

Claire Balmforth
Chair of the Remuneration Committee

Remuneration Committee meeting attendance FY2021

	Jul 20	Nov 20	Mar 21
Claire Balmforth	■	■	■
Neil Warner[1]	■		
Clive Watson[2]		■	■
Scott Mac Meekin	■	■	■

1. Neil Warner retired 31 July 2020
2. Clive Watson appointed 30 July 2020

Introduction

As the new Chair of the Remuneration Committee, I am delighted to present my first Directors' remuneration report for the year ended 31 March 2021. I would like to thank my predecessor as Remuneration Committee Chair, Jonathan Shearman, for leading a Committee with a strong set of policies and practices upon which our remuneration decisions are able to be made. After having stepped down as the Remuneration Committee Chair, Jonathan continues to have oversight of Company-wide remuneration as the Chair of the Board and has kept his role as the NED designated to lead engagement with the workforce, including discussions on pay.

At our 2020 AGM, the Committee was pleased to see that our new Directors' Remuneration Policy was approved with an 89.3% vote in favour, and that the Directors' remuneration report was passed with 96.9% support from shareholders. Based on feedback from our consultation with the Company's largest shareholders and their representative bodies, the Committee understands the reasons why a minority of investors did not support the policy, which mainly related to the increase in incentive opportunity (please see the statement of AGM voting on page 119 for further detail). However, we were comfortable implementing the increased incentives on the basis they are driven off conservative base salary levels and that the increase is entirely awarded in shares, ensuring alignment with the shareholder experience. The Committee would like to thank all shareholders for their constructive feedback provided during the consultation and their support at the 2020 AGM.

This report has been prepared by the Committee in accordance with the relevant legal and accounting regulations and has been approved by the Board. The report continues to build on our enhanced reporting and disclosure from last year.

Role and activities of the Committee

The Committee welcomed Clive Watson as a member on 30 July 2020 following his appointment to the Board, and as successor of Neil Warner who retired on 31 July 2020.

The role of the Committee is unchanged, which is to provide our Executive Directors with remuneration that motivates and aligns them with delivery of our strategy and creates shareholder value in a sustainable manner. In addition, it is our duty to ensure that the remuneration received by the Executive Directors is proportionate to the performance achieved and the returns received by shareholders.

Since our last report, the main activities of the Committee were as follows:

- Monitor the Company's response to COVID-19 and the impact on its remuneration arrangements
- Implementation of the new Directors' Remuneration Policy
- Determination of the final remuneration outcomes for the year to 31 March 2021
- Calibrating the appropriate incentive targets for the FY2021 LTIP and the FY2022 annual bonus and LTIP awards
- Consideration of our gender pay reporting summary
- Oversight of the remuneration aspects of the Operational Executive Board (OEB) and wider workforce pay and policies
- Review and amendment of the Remuneration Committee's terms of reference

Company performance in the context of COVID-19

There is no doubt that the year under review continued to be a difficult one for many industrial companies, including Trifast, due to the impact of COVID-19. In FY2021, the Group's priority was to look after our people and thereafter customers, suppliers and other communities. To meet our current and future challenges the Board has focused our exceptional and proven management team on the delivery of strong organic and overall performance, including maximising the ROI from Project Atlas.

After experiencing difficult market conditions in the first half of the year, we were delighted to see signs of recovery from September 2020 onwards. The Group has also achieved a number of strategic and operational milestones during the year, including:

- Successful go-live of the first pilot site under Project Atlas, with the Company standing ready to implement at the next two distribution sites, starting with Spain in June 2021
- Early impact of the OEB made in driving the Group strategy, focusing on a review and development of the Group's organic growth strategy at both a sector and regional level

Despite the resilience the Group has shown, particularly in the second half of the year, and the significant effort from Executive Directors, the OEB and all our employees, underlying diluted earnings per share fell to 6.24p for FY2021 from 8.64p in FY2020 after reclassifying IFRS 2 Share-based Payments and related costs into underlying results (FY2020: 10.54p before reclassification).

The Group also had to take the difficult decision to furlough some of our employees via government job retention schemes, including in the UK. In addition, the Company raised £16m of gross capital through a Placing to ensure that we can continue to invest in long-term growth as well as maximising growth in the short term as markets recover.

The Committee and the Board were mindful of the experience of our shareholders and employees during COVID-19 and, as a result, the entire Board took a 20% salary/fee reduction in Q1 of FY2021. In addition, the Executive Directors requested that they would not be considered for any bonus payment in respect of FY2021. In relation to the wider workforce, and in recognition of their support during the pandemic, we were able to provide a goodwill bonus at Christmas 2020 and a similar approach to the bonus will apply in the summer of 2021.

Directors' remuneration report continued

FY2021 remuneration outcomes

Annual bonus

Recognising the difficult year ahead for the Group and the sector, as set out above, the Executive Directors requested that they would not be considered for a bonus award, which was approved by the Committee. Hence, no bonus was payable for the Executive Directors in respect of FY2021.

Long-Term Incentive Plan (LTIP)

Vesting

The three-year performance period of LTIP awards granted to the Executive Directors during FY2019 ended on 31 March 2021. Performance was below the threshold level against the EPS (70% weighting) and relative TSR (30% weighting) targets, resulting in nil vesting. Full details of Trifast's performance against the LTIP targets is provided on pages 115 and 116.

Grant

The Committee made the first grant of LTIP awards under the new Directors' Remuneration Policy on 25 November 2020. In line with the new policy, the awards had a face value of 175% of base salary, a three-year vesting period and are subject to a two-year post-vesting holding period. The performance conditions attached to the awards were underlying diluted EPS (70% weighting) and relative TSR (30% weighting). The Committee will have overriding discretion to change the formulaic outcome (both downwards and upwards) if it is out of line with the underlying performance of the Company and this will include an assessment of whether any windfall gains have been made. The Committee is comfortable that the targets are challenging given the current economic conditions. Full details of the performance targets can be found in the annual report on remuneration on page 116.

Overall

The Committee acknowledged that the FY2019 LTIP outcome was aligned with Company performance as well as shareholders' experience. Therefore, the Executive Directors' remuneration for FY2021 consisted of base salary, pension and benefits only. Despite there being no incentive pay-out for FY2021, the Committee acknowledged that the management team demonstrated resilience and performed strongly on progressing the Group's strategic goals.

Wider workforce considerations

The progress of the Company over several years could not have been possible without developing our people. This includes training and ensuring they are incentivised to contribute to the best of their ability. We recognise that it is also critical for our employees to feel valued as well as to be paid fairly.

The current focus in relation to engagement has centred around communicating regularly with our employees throughout the pandemic and also conducting regular staff surveys. Our surveys focus on our culture and the wellbeing of employees.

We also published our fourth gender pay gap report in May 2021 (relating to the report for April 2020). We were encouraged to see that our median gender pay gap of +3.9% (i.e. our female employees are paid 3.9% more than our male employees) and the median bonus gap of zero demonstrates that Trifast is an equal opportunities organisation. We are proud that we have bonus schemes covering all employees. Our gender pay gap report can be found on our corporate website at www.trfastenings.com and extracts have been provided on pages 57 and 58.

We continue to be committed to creating an inclusive working environment and to rewarding all our employees in a fair manner and believe they should be able to share in the success of the Company. To facilitate this, we operate a popular Save As You Earn (SAYE) share plan which is open to all UK employees. We are delighted that so many of our UK employees are currently enrolled.

Wider share ownership also aligns with our remuneration principles by rewarding our employees for the successful execution of strategy. Our long-term equity scheme was expanded for Directors and Senior Managers in FY2020 and now has c.100 participants and I am pleased to report that we made a further grant of awards in November 2020 which is subject to the same EPS performance condition as the Executive Directors' LTIP awards.

Implementation of remuneration policy for FY2022

Overall approach

The Committee is sensitive to the challenges faced by our stakeholders at present but also recognises the importance of retaining and incentivising our strong management team. Therefore, the Committee believes that Executive Director pay should be competitive against the market, reflecting the transformation of the business (with the associated benefits of Project Atlas) and the complexities of running an international company.

As set out in last year's remuneration report, paying a competitive package will be achieved through a staged move of all elements of remuneration to the median of those of the FTSE Small Cap index. Rebalancing the package to median for all elements will require a significant increase in base salary with a corresponding reduction in incentive levels that will only be implemented when the Committee is comfortable that the Company has made significant strategic progress with a focus on Project Atlas.

On the basis that the Board is comfortable that significant progress in Project Atlas has been made over the past 12 months, our original intention was for the Committee to begin this staged process at the start of FY2022. However, after careful consideration, the Committee, with the support of the Executive Directors, decided that FY2022 would not be an appropriate time to make such a change as a result of the challenging environment resulting from the pandemic. Therefore, the Committee determined to delay the process by a further 12 months, but fully intends to rebalance the packages of the Executive Directors through a one-step adjustment at the start of FY2023.

Salary

Executive Directors will receive a 2.3% increase in base salary for FY2022 in line with that awarded to the UK workforce.

Pension

The pension contribution for FY2022 for Executive Directors will be 20% of salary, in line with the policy. This will be operated until 31 March 2023 and will then be reduced to 10% of base salary in line with the OEB contribution level. The Committee will keep this under review to ensure that the pension contribution for Executive Directors reflects investor best practice.

Incentive awards

As described above, the Committee will not be starting to implement the staged rebalancing of the Executive Directors' package in FY2022, and therefore will grant the policy maximum annual bonus and LTIP awards to retain and motivate the management team for FY2022 and beyond. Performance targets set by the Committee will be challenging but with an appropriate probability of pay-out.

Annual bonus

The FY2022 annual bonus for Executive Directors will have a maximum opportunity of 150% of salary. The performance measures for the annual bonus consist of 70% underlying organic operating profit, 20% cash conversion rate and 10% strategic/operational targets. Any bonus payable above 100% of salary will be deferred into shares for three years.

LTIP

The FY2022 LTIP for Executive Directors will have the same structure and performance conditions as the awards granted in FY2021. Please see page 116 for further details of the performance targets.

Looking ahead

Although these are extraordinary times requiring a more flexible approach to many aspects of business, including remuneration, in many senses, little has changed for Trifast. Our strategy remains to grow organically and by acquisition. Alongside this, with the current Executive Directors and OEB, we have the right people in place.

The Committee is comfortable that the operation of the remuneration policy in FY2021 and its implementation for FY2022 are in line with the best interests of the Group and will incentivise and retain those team members who are critical to executing our business strategy and driving the long-term creation of value for shareholders. We look forward to your support for the advisory vote on the annual report on remuneration at the forthcoming AGM.

Finally, I want to recognise that the Company's achievements would not have been possible without the resilience and flexibility shown by our employees during these unprecedented times. Our employees have been working extremely hard to support our customers throughout the pandemic. To all colleagues – thank you for your hard work and commitment to the business, and support given to colleagues and customers, which is making Trifast the robust business it is today.

Claire Balmforth
Chair of the Remuneration Committee

21 June 2021

Directors' remuneration report continued

Annual report on remuneration

This section of the remuneration report contains details as to how the Company's remuneration policy was implemented during FY2021. The Committee is satisfied that the Policy operated as intended in FY2021 and its implementation did not deviate from the approved Policy. In the first part of this report we have also set out information with regard to our wider workforce and pay fairness.

Pay at Trifast

To attract and retain high-calibre individuals, we aspire to become an employer of choice within our sector, maintaining a competitive reward package that balances fairness to our colleagues as well as responsible use of shareholders' funds. Our pay principles are as follows:

- Support the recruitment and retention of high-quality colleagues
- Enable us to recognise and reward colleagues appropriately for their contribution
- Help to ensure that decisions on pay are managed in a fair, just and transparent way
- Create a direct alignment between our Company culture and our reward strategy

Through the application of these principles, the Company has continued to attract industry specialists with global experience at senior levels.

How the Committee is informed on wider workforce pay

To build the Remuneration Committee's understanding of reward arrangements applicable to the wider workforce, the Committee is provided with data on the remuneration structure for management level tiers below the Executive Directors and pay outcomes for these roles. The Committee is also developing a process whereby it will be provided with feedback from the Company's various engagements tools, such that it has access to further context in making decisions on future pay outcomes. This information will be combined with the insights gained by Jonathan Shearman, who is the designated Non-Executive Director for liaising with the wider workforce. The Committee uses this information to ensure consistency and fairness of approach throughout the Company in relation to remuneration.

Summary of the approved Directors' Remuneration Policy

The key elements from the new Directors' Remuneration Policy approved at the 22 September 2020 AGM, and how it will be implemented for FY2022, are summarised below. The Committee does not intend to deviate from the approved Policy in FY2022.

The full Policy can be found on the Trifast website at www.trifast.com/investors/governance/remuneration-policy/.

Element	Policy summary	Implementation for FY2022
Base salary	Base salary is reviewed annually by the Committee and determined on 1 April each year. The Committee will target median salaries within FTSE Small Cap index companies. Salary increases for Executive Directors will not normally exceed the average increase which applies across the wider Trifast UK employee population. Larger increases may be awarded in certain circumstances, including where Project Atlas implementation has progressed, and key milestones have been achieved The Committee also considers the impact of any base salary increase on the total remuneration package	A 2.3% increase to base salaries in FY2022 was awarded to Executive Directors (UK workforce increase: 2.3%). FY2022 salaries are as follows: • Mark Belton (CEO): £317,000 • Clare Foster (CFO): £243,000
Pension and benefits	Existing Executive Directors receive a pension contribution of 20% of salary until 31 March 2023 when it will fall to 10% of salary New joiners will receive 10% of salary Executive Directors may request a pension allowance to be paid in cash, after deducting employer's National Insurance costs, in place of defined contribution arrangements The Company will provide market-competitive benefits to Executive Directors and reimburse any necessary and reasonable business expenses	Pension contribution of 20% of salary for Executive Directors An increased car allowance of £1,500 per month was approved by the Committee during FY2020 and was implemented from 1 April 2021

Element	Policy summary	Implementation for FY2022
Annual bonus	Maximum opportunity of 150% of salary. Any bonus in excess of 100% of salary will be paid in shares deferred for three years Performance measures and their weightings include: • 70% underlying organic operating profit target • 20% cash conversion rate targets • 10% basket of up to two strategic/operational targets. However, this element will not pay-out if threshold operating profit performance has not been achieved Pay-out for threshold performance at 25% of maximum, and pay-out for on-target performance at 50% of maximum The Committee has overriding discretion to change the formulaic outcome (both downwards and upwards) if it is out of line with underlying performance of the Company	The Committee determined to award an FY2022 bonus to Executive Directors with a maximum opportunity of 150% of salary. Performance measures and pay-out schedule will apply as per the approved Policy Targets are deemed commercially sensitive and will be disclosed in the FY2022 Annual Report
Long-Term Incentive Plan (LTIP)	Maximum opportunity of 175% of salary Three-year vesting period plus two-year holding period Malus and clawback provisions apply Performance measures and their weightings include: • 70% EPS • 30% relative TSR vs. FTSE Small Cap Index (excluding investment trusts) 25% of the award vests for threshold performance and 100% for maximum performance Overriding discretion in line with annual bonus	The FY2022 LTIP award to each Executive Director will be equal to 175% of base salary. Performance measures will apply as per the approved Policy The EPS target at threshold performance is 16% p.a. and 37% p.a. at the maximum performance. The vesting schedule is a graduated curve with a greater level of stretch towards the upper end of the vesting range to reflect aspirational performance. Full details will be provided in the FY2022 DRR The relative TSR target at threshold level is performance equal to the FTSE Small Cap index (excluding investment trusts) and 8% p.a. above the index for full vesting with straight-line vesting in between
Minimum shareholding requirement	Shareholding requirement of 250% of salary over five years from Policy adoption while in employment and requirement to continue to hold shares equivalent to the minimum of actual shareholding on cessation of employment and in-employment shareholding requirement for a period of two years following termination of employment Shares beneficially owned at the date of adoption of the Policy and any inflight LTIP awards will be exempt from the post-employment requirement, but all share-based awards granted under the current Policy are captured	The shareholding requirement in FY2022 will be 250% of salary Post-employment shareholding requirement will also apply
Non-Executive Director fees	It is anticipated that increases to Chair and NED fee levels will typically be in line with market levels of fee inflation and the increase awarded to the wider workforce. Larger increases above this may be awarded in certain circumstances, for example a material change in the time commitment or responsibilities of the Non-Executive Director The Company targets FTSE Small Cap median fees	Fees are as follows: • Chair: £127.5k • SID: £6k • NED: £43k • Committee chair fee: £8k • Committee membership fee: £5/£8k

Directors' remuneration report continued

Linking our remuneration policy with our business strategy

Our remuneration policy has been designed to align with the Group strategy. Below we have set out how each performance measure within our incentive structure links back to our core strategic pillars.

Our strategic pillars

- Investment for organic growth
- Acquisitions
- Innovation
- Sustainability

Our key performance indicators

	Investment for organic growth	Acquisitions	Innovation	Sustainability
Group total revenue	■	■	■	
Underlying operating margin	■	■	■	
Group underlying profit before tax	■	■	■	
Underlying cash conversion as a % of underlying EBITDA	■	■		
Underlying return on capital employed	■	■		
Underlying diluted earnings per share	■	■	■	
Manufacturing to distribution ratio	■	■	■	■
Carbon footprint	■	■	■	■
Broaden skills of management	■	■	■	■
Employee engagement index	■	■	■	■

Annual bonus

Measure	Link to strategy	
Operating profit	• Focus on organic growth • Focus on sustainable investment	■ ■ ■
Cash conversion	• Focus on operational efficiencies • Focus on cash flow management	■ ■
Strategic/ operational	• Focus on organic growth • Focus on innovation • Focus on operational efficiencies • Focus on people/talent	■ ■ ■ ■

LTIP

Measure	Link to strategy	
EPS growth	• Key measure of growth • Focus on sustainable investment • Focus on acquisitions	■ ■ ■
Relative TSR	• Linked to shareholder value • Focus on outperformance	■ ■ ■ ■
Shareholding guidelines	• Linked to shareholder value	■ ■ ■ ■

How the Company addressed factors in Provision 40 of the 2018 UK Corporate Governance Code

The Code requires the Committee to determine the policy and practices for Executive Directors in line with several factors set out in Provision 40. The following table sets out how our Policy aligns with Provision 40 of the Code, the objective of which is to ensure the remuneration operated by the Company is aligned to all stakeholder interests including those of shareholders.

Remuneration factors	How the Committee has addressed this in the remuneration policy
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	The Company's performance-based remuneration is based on supporting the implementation of the Company's strategy as measured through its core KPIs. There is transparency over the performance metrics in place for both annual bonus and the LTIP and there is a clear link between long-term value creation and the provision of reward to Executive Directors and Senior Management
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand	The market standard annual bonus and LTIP structures are well understood by shareholders and participants alike
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	Identified risks have been mitigated as follows: • Deferring bonus into shares and a two-year holding period on the LTIP helps ensure that the performance earning awards was sustainable and thereby discouraging short-term behaviours • Aligning any reward to the agreed strategy of the Company • Reducing the awards or cancelling them if the behaviours giving rise to the awards are inappropriate, through malus and clawback • Reducing annual bonus or LTIP awards or cancelling them, if it appears that the criteria on which the award was based does not reflect the underlying performance of the Company
Predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy	The Remuneration Committee has good line of sight and control over the potential performance outcomes, and the actual and perceived value of the incentives The Policy sets out the potential remuneration available in several performance scenarios
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance	One of the key strengths of the current approach of the Company to remuneration is the direct link between the returns strategy and the value received by Executives The schematic on page 108 sets out in detail the link between Company strategy and a broadened range of performance measures in the incentive arrangements
Alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy	The LTIP rewards long-term sustainable performance. This focus on long-term sustainable value is a key tenet of the Company's strategy

Directors' remuneration report continued

Alignment between wider workforce pay and Directors' Remuneration Policy

Trifast aims to provide a remuneration package for all employees which is market competitive and operates a similar structure as for Executive Directors.

The Company's remuneration philosophy for all management from the Executive Directors downwards is that all employees should have a meaningful element of performance-based pay. For Executive Directors, the LTIP and part of the annual bonus is provided in shares to ensure a focus on long-term sustainable value creation and to align their experience with that of shareholders. The Company's LTIP extends to selected Senior Management within the Company, with the number of employees eligible to participate being c.100 from across 14 countries. For all employees, Trifast operates a performance-based discretionary bonus scheme. The Company also has a Save As You Earn scheme (SAYE) for all UK employees in order to increase levels of share-ownership throughout the Company and allow employees to share in its success.

The table below illustrates the cascade of our reward structure from Executive Directors to the wider employee population. As shown below, Senior Management participate in the LTIP and annual bonus schemes.

	Fixed remuneration	Annual bonus	LTIP	UK employee share scheme (SAYE)
Executive Directors	Y	Y	Y	Y
OEB	Y	Y	Y	Y
Senior Management	Y	Y	Y	Y
Wider workforce	Y	Y	N	Y

The Committee is satisfied that the approach to remuneration across the Company is consistent with the Company's principles of remuneration. In the Committee's opinion, the approach to executive remuneration aligns with the wider Company pay policy and there are no anomalies specific to the Executive Directors.

CEO pay ratio

The table below sets out the ratios of the CEO single total figure of remuneration to the equivalent pay for the lower quartile, median and upper quartile of UK employees.

		Pay ratio		
Year	Method	25th percentile	50th percentile	75th percentile
FY2021	**Option A**	**17:1**	**14:1**	**9:1**
FY2020	Option A	18:1	14:1	10:1

The CEO remuneration figure is as shown in the single total figure for Executive Directors' remuneration table on page 114. The remuneration figures for the employee at each quartile were determined as at 31 March 2021. Each employee's pay and benefits were calculated using each element of employee remuneration, consistent with the CEO, on a full-time equivalent basis. No adjustments (other than to achieve full-time equivalent rates through simple proration) were made and no components of pay, except SAYE awards in FY2020 have been omitted.

Bonus payments included in total pay and benefits are those paid in the year to 31 March 2021 rather than those earned in the same period. Where an employee was furloughed, the actual payments received by that individual are included in their total pay and benefits.

The salary and total pay and benefits for the employee at each of the 25th, 50th and 75th percentiles is as shown in the table below:

Pay data	Base salary £000	Total pay and benefits £000
CEO	296	366
Employee at 25th percentile	19	21
Employee at 50th percentile	21	27
Employee at 75th percentile	37	41

We have chosen methodology option A for the calculation, to identify the three UK employees at each of the quartiles. In line with the regulations, all employees across our four UK subsidiaries were used in the calculation. This method was chosen given its robustness in determining these three UK employees. The Committee is comfortable that the median ratio is consistent with the Company's pay and progression policies.

These ratios will be used as part of the Committee's remuneration decision-making process with regard to broader employee pay policies as well as remuneration policies for the Executive Directors. In addition, the Committee will consider the CEO pay ratio based on average pay in the upper, lower and middle quartiles to gain a more rounded understanding of pay at Trifast. For FY2021, the total pay and benefits and CEO pay ratio for these individuals was as follows:

Pay data	Total pay and benefits £000	CEO pay ratio
Average in lower quartile	17	22:1
Median	27	14:1
Average in upper quartile	80	5:1

The ratios reflect the difference in remuneration arrangements as responsibility increases for more senior roles within the Company. There may therefore be significant volatility in this ratio, caused by the following:

- Our CEO pay is made up of a higher proportion of incentive pay than that of our employees, in line with the expectations of our shareholders, which introduces a higher degree of variability in his pay each year versus that of our employees
- A significant proportion of our CEO's pay is provided in shares, and their value reflects the movement in share price over the three years prior to vesting. This can add significant volatility to the CEO's pay and this is reflected in the ratio

The ratio is driven by the different structure of the pay of our CEO versus that of our employees, as well as the make-up of our workforce. This ratio will therefore vary between businesses even in the same sector. What is important from our perspective is that this ratio is influenced only by the differences in structure within our business, and not by divergence in fixed pay between the CEO and wider workforce.

The FY2021 CEO pay ratios at the 25th, 50th and 75th percentiles are very similar to the equivalent FY2020 ratios. This is primarily a result of the modest variable pay awards to employees and nil incentive payouts to Executive Directors in both years leading to similar levels of total pay and benefits in FY2020 and FY2021.

Gender pay gap reporting

Trifast is committed to the principle of equal opportunities and equal treatment for all colleagues, regardless of sex, race, religion or belief, age, marriage or civil partnership, pregnancy/maternity, sexual orientation, gender reassignment or disability. The Company has concluded that the single most important factor is to identify, recruit and develop people based on skills and merit. We have a clear policy of paying employees equally for the same or equivalent work, regardless of their sex (or any other characteristic set out above).

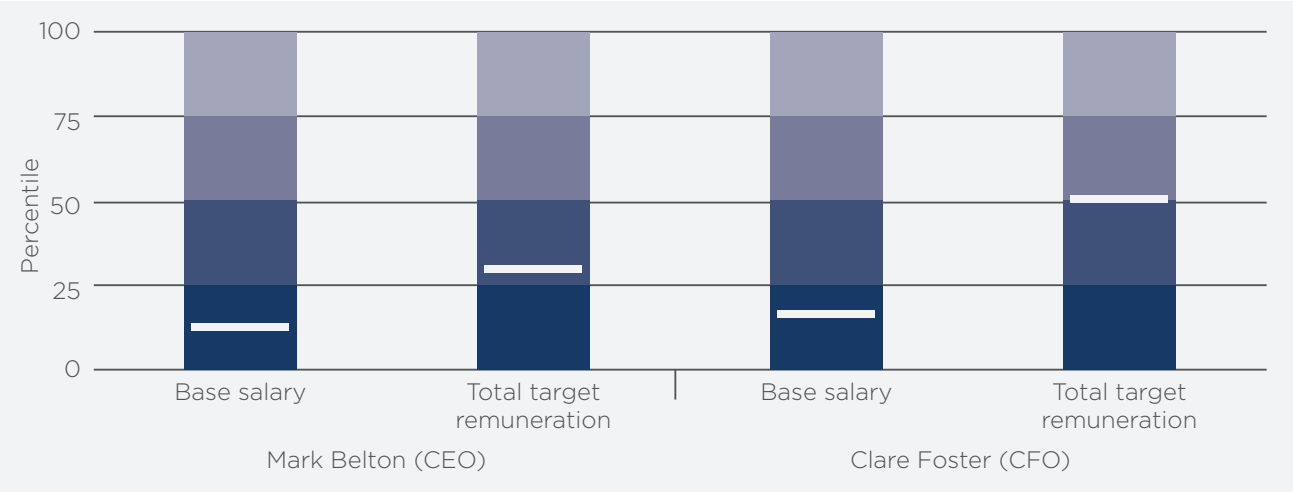
Trifast is therefore confident that our gender pay gap does not stem from paying men and women differently for the same or equivalent work but is instead the result of the roles in which men and women work within the organisation and the salaries that these roles attract.

Our mean gender pay, calculated for TR Fastenings UK, was 3.9% in favour of men. We are pleased that this remains significantly below the UK average of 15.5%. Please see pages 57 and 58 for our gender pay report.

Directors' remuneration report continued

External benchmarking

The chart below shows the relative positioning of Trifast's CEO and CFO in relation to the percentiles of the FTSE Small Cap Index.



Remuneration justification

The Committee is comfortable that the internal and external pay relativity reference points set out above provide justification that the remuneration arrangements for Executive Directors are appropriate, whilst noting the Committee's intention to rebalance the package from the start of FY2023 as set out in the Committee chair's statement.

How executive remuneration is communicated with stakeholders – employees and shareholders

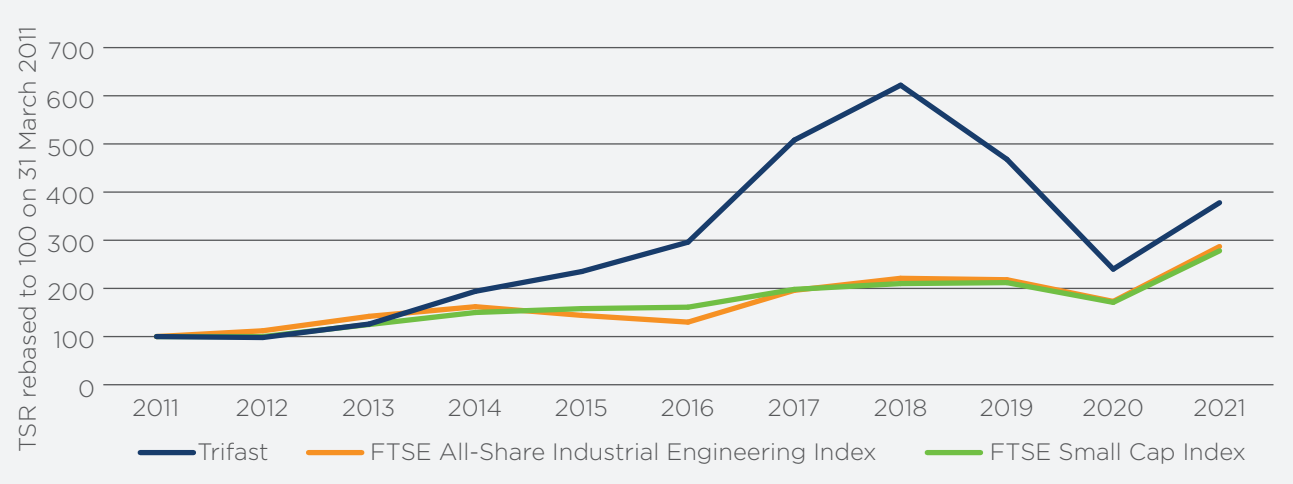
It is the Committee's experience that stakeholders find the remuneration information they believe to be relevant to them via the Annual Report (available in hard copy and on the website). Shareholders can liaise with the Committee Chair throughout the year, including at the time of the AGM.

The Committee also engaged with its largest shareholders and the investor representative bodies in relation to the new remuneration policy and is grateful for their input into the process.

CEO and all-employee pay

Total shareholder return

The graph below sets out the total shareholder return performance of the Company compared to the FTSE Small Cap Index and FTSE All-Share Industrial Engineering Index over a ten-year period from 31 March 2011. The Remuneration Committee believes it is appropriate to monitor the Company's performance against these indices as the Company is a constituent of both.



Performance and pay

The table below shows the single figure of remuneration and levels of bonus and equity pay-outs for the Group CEO during the past ten years:

Year	Total single figure of remuneration £000	Annual cash bonus pay-out against maximum	Equity award pay-out against maximum
2021	**366**	**n/a**	**0%**
2020	383	0%	0%
2019	367	0%	n/a
2018	629	70%	n/a
2017	811	100%	100%[2]
2016	641[1]	50%	100%[2]
2015	766	100%	100%[2]
2014	643	80%	100%[2]
2013	1,263	30%	100%[3]
2012	327	35%	n/a[3]

1. Includes a full year of CEO remuneration; including remuneration paid to JC Barker for 1 April 2015 to 30 September 2015 and remuneration for MR Belton from 1 October 2015 to 31 March 2016
2. This is the vesting of the deferred equity awards under a previous policy
3. This was a year considered as part of the performance period for the 2009 option scheme

Percentage change in Directors' remuneration compared to employees

The table below compares the percentage increase in each Director's pay with that of the average of all employees in Trifast plc on a full-time equivalent basis between FY2020 and FY2021.

	Salary/ fees[4]	Taxable benefits	Annual bonus
Mark Belton (CEO)	(4.6)%	0%	n/a
Clare Foster (CFO)	(4.6)%	0%	n/a
Jonathan Shearman (NED and Chair)[1]	216.0%	n/a	n/a
Clive Watson (Senior Independent NED)[2]	n/a	n/a	n/a
Scott Mac Meekin (NED)	(4.6)%	n/a	n/a
Claire Balmforth (NED)[3]	n/a	n/a	n/a
Average employee[5]	11.27%	19.28%	(82.32)%

1. Jonathan Shearman was appointed as Chair of the Board on 1 April 2020. Therefore, the increase in fees set out above reflects the change from his previous role as NED and Remuneration Committee Chair. It should be noted that on appointment as Chair of the Board his fee of £125,000 was the same as his predecessor's FY2020 fee
2. Appointed to the Board 30 July 2020
3. Appointed to the Board 1 April 2020
4. Salary/fees for Directors who have remained in the same role for FY2020 and FY2021 show a 4.6% decrease as a result of the 20% reduction in pay taken by the Board in Q1 of FY2021
5. In line with the regulations, the average employee percentage changes only include employees of Trifast plc, excluding Directors, (18 employees as at 31 March 2021). The increase in salaries and taxable benefits is as a result of a number of senior recruits during FY2021

Neil Warner has not been included on the basis he retired from the Company on 31 July 2020.

Directors' remuneration report continued

Relative importance of spend on pay

The following table shows the relative spend on pay during the past two financial years when compared to other disbursements from profit:

	Year to 31 March 2021	Year to 31 March 2020	Change
Dividend distributions	**£2.18m**	£1.46m	49.3%
Group spend on pay (including Directors)	**£31.91m**	£31.33m	1.9%
Other pay	**£6.60m**	£7.79m	(15.3)%
Total remuneration[1,2]	**£38.51m**	£39.12m	(1.6)%

1. The costs above are shown gross of income from government support schemes, totalling £2.1m (FY2020: £nil)
2. Total remuneration excludes IFRS 2 Share-based Payments of £1.1m (FY2020: £2.0m). Including this, total remuneration would be £39.6m (FY2020: £41.1m), see note 6

The following section, until page 117 is auditable

Executive Director remuneration for the year ended 31 March 2021
Executive Director single figure of remuneration

					Annual bonus[4]					
	Salary[1] £000	Taxable benefits[2] £000	Pensions[3] £000	Total fixed £000	Cash £000	Deferred equity (face value) £000	LTIP[5] £000	Other[6] £000	Total variable £000	Total £000
Mark Belton	296	15	52	363	—	—	—	3	—	366
Prior year	310	15	55	380	—	—	—	3	—	383
Clare Foster	227	16	40	283	—	—	—	4	—	287
Prior year	238	16	42	296	—	—	—	4	—	300
Totals	523	31	92	646	—	—	—	7	—	653
Prior year totals[7]	548	31	97	676	—	—	—	7	—	683

1. The FY2021 salary for Mark Belton and Clare Foster takes into account the salary reduction in Q1 FY2021
2. Taxable benefits consisted of the cost of providing a company car (or car allowance), private medical insurance and critical illness cover
3. Mark Belton and Clare Foster were members of the Company's non-contributory pension plan in FY2021 and FY2020. This is an HMRC-approved defined contribution scheme. The rate of Company contribution to this scheme is 20% of base salary. From 1 April 2016, the Executives were both provided the option to take pension payments in the form of a cash allowance, after a deduction for Employer's National Insurance. Both Executive Directors choose to take a proportion of their pension as a cash allowance
4. See additional details in relation to the annual bonus element of remuneration below
5. The performance period of the LTIP award granted on 23 July 2018 ended on 31 March 2021 and therefore its value (nil) is included in the LTIP column. See additional details on the performance outcomes of the 2018 LTIP and the LTIP award granted in the year below on page 115
6. SAYE has been valued, based on discount applied to option price as at the date of grant
7. Excludes GC Roberts' remuneration in FY2020

Additional details for variable pay element of remuneration
(i) Annual bonus for year ended 31 March 2021

Recognising the difficult year ahead for the Group and the sector, prior to the start of the year the Executive Directors requested that they would not be considered for a FY2021 bonus award, and this was approved by the Committee. Therefore, there was no bonus payable for the year ended 31 March 2021.

(ii) LTIP performance period ending in the year ended 31 March 2021

The 2018 LTIP awards equivalent to 150% of salary were granted to the Executive Directors on 23 July 2018. The awards will vest on 23 July 2021; however, the three-year performance period for these awards ended on 31 March 2021. These awards were granted subject to the achievement of certain EPS growth (70% weighting) and relative TSR targets (30% weighting) and we set out the outcomes in the table below:

EPS growth (70% weighting)				TSR growth[1] vs FTSE Small Cap excl. IT Index (30% weighting)				
Trifast underlying diluted EPS growth[2]	EPS growth required for 25% vesting	EPS growth required for 100% vesting	Vesting	Trifast TSR growth	Index growth required for 25% vesting	Index growth + 8% p.a required for 100% vesting	Vesting	Overall vesting
-20.3% p.a.	5% p.a.	15% p.a.	0%	(41.5)%	13.8%	37.8%	0%	0%

1. TSR growth for Trifast and the FTSE Small Cap Index (excluding investment trusts) was measured using a three-month average prior to the start and the end of the three-year performance period
2. Calculated using FY2021 underlying diluted EPS before IFRS 2 Share-based Payments and related costs reclassification (6.97p) to be consistent with underlying measures at grant date

The following table presents the number of 2018 LTIP awards that will vest on 23 July 2021 based on the assessment of the performance conditions and the resulting value of awards using the average Q4 FY2021 share price for each Executive Director:

	Number of 2018 LTIP awards granted	Number of 2018 LTIP awards vesting on 23 July 2021	Value of vested awards	Value of vested awards attributable to share price growth
Mark Belton	200,000	nil	nil	nil
Clare Foster	153,333	nil	nil	nil

The Committee acknowledged that the 2018 LTIP outcome was aligned with Company performance as well as shareholders' experience. However, the Committee was disappointed that, despite the management team demonstrating resilience and performing strongly on progressing the Group's strategic goals during the performance period, there was a nil vesting.

The Committee is comfortable that the current Policy operated as intended.

(iii) LTIP awards granted in the year ended 31 March 2021

The table below sets out the details of the LTIP awards granted on 25 November 2020 where vesting will be determined according to the achievement of appropriate performance measures.

	Type of award	Award as % of base salary	Face value of award	Face value of award at threshold vesting	No. of shares[1]	Vesting period
Mark Belton	Nil-cost option	175%	£542,500	£135,625	380,701	3 years from grant
Clare Foster			£415,625	£103,906	291,666	

1. Calculated using a share price of £1.425 being the closing share price on 24 November 2020 (the last business day prior to the grant date of 25 November 2020)

As disclosed in the FY2020 Directors' remuneration report, the Committee felt it was unlikely that it would be able to robustly set three-year EPS targets for the 2020 LTIP awards as at their grant date, given the significant uncertainty in the wider economic environment. On this basis, the Committee agreed to determine the EPS targets applicable to the awards within six months from the date of grant, in line with the Investment Association's concession.

The Committee conducted a review of the EPS targets taking account of the internal business plan, the outlook for the sector and general macroeconomic conditions. Following careful consideration, in February 2021, the Committee approved the target range set out below with EPS stated as an absolute figure which needs to be achieved in the financial year ending 31 March 2023. The targets were published on 12 February 2021 via an RNS statement.

The Committee is cognisant that the threshold level of EPS in FY2023 is broadly flat compared to the Company's FY2020 results. The Committee noted that given the projected outcome for FY2021, threshold performance represented significant growth over the following two financial years. Finally, the Committee was comfortable that threshold performance was in excess of analysts' consensus forecast for FY2023.

Directors' remuneration report continued

Additional details for variable pay element of remuneration continued

(iii) LTIP awards granted in the year ended 31 March 2021 continued

The relative TSR performance measure is unchanged from that previously disclosed in the FY2020 Directors' remuneration report and will be measured over a three-year performance period ending 31 March 2023.

The awards will hence vest subject to achieving the following targets:

Measure	Performance period	Performance target	Vesting (% of award)[1]
Underlying diluted EPS (70% weighting)[2]	3 financial years from 1 April 2020	Less than 10.55p in FY2023	nil
		10.55p in FY2023 (threshold)	25%
		13.28p in FY2023 (maximum)	100%
Relative TSR[3] vs FTSE Small Cap Index (excluding investment trusts) (30% weighting)	3 financial years from 1 April 2020	Below index return	nil
		Equal to index return (threshold)	25%
		8% p.a. in excess of index return (maximum)	100%

1. Vesting between the threshold and maximum based on a sliding scale
2. Underlying diluted EPS will be calculated before IFRS 2 Share-based Payment charges and related costs, in line with the published FY2020 base year underlying diluted EPS from which these targets were calibrated
3. TSR growth for Trifast and the FTSE Small Cap Index (excluding investment trusts) will be measured using a three-month average prior to the start and the end of the three-year performance period

The Committee will have overriding discretion to change the formulaic outcome (both downwards and upwards) if it is out of line with the underlying performance of the Company and this will include an assessment of whether any windfall gains have been made.

Payments to past Directors

There were no payments to past Directors in FY2021.

Payment for loss of office

There was no payment made for loss of office in FY2021.

Non-Executive Director single figure of remuneration

	Base fee £000	Chairing of Audit or Rem Committee £000	Committee membership £000	Senior Independent Director £000	Total £000
Jonathan Shearman[1]	119	—	—	—	119
Prior year	42	8	5	—	55
Neil Warner[2]	10	3	2	2	17
Prior year	42	8	5	5	60
Clive Watson[3]	28	6	3	3	40
Prior year	n/a	n/a	n/a	n/a	n/a
SW Mac Meekin	40	—	8	—	48
Prior year	42	—	8	—	50
Claire Balmforth[4]	40	8	5	—	53
Prior year	n/a	n/a	n/a	n/a	n/a
Totals	237	17	18	5	277
Prior year totals	126	16	18	5	165

The FY2021 fees take into account the fee reduction in Q1 FY2021

1. Appointed as Chair 1 April 2020
2. Retired 31 July 2020
3. Appointed 30 July 2020
4. Appointed 1 April 2020

Statement of Directors' shareholdings

	Shareholding requirement[1]	Current beneficial holding[2]	Deferred shares without performance measures	Vested but unexercised options
Executive Directors				
Mark Belton	516,667	376,822	—	502,769
Clare Foster	395,833	88,886	—	35,219
Non-Executive Directors				
Jonathan Shearman	n/a	23,571	n/a	n/a
Clive Watson	n/a	27,500	n/a	n/a
Scott Mac Meekin	n/a	n/a	n/a	n/a
Claire Balmforth	n/a	n/a	n/a	n/a

	LTIP awards subject to performance conditions[3]	SAYE options	Total of all interests at 31 March 2021	Current shares which count toward shareholding requirements[4]	Shareholding requirement met?[1]
Executive Directors					
Mark Belton	804,258	21,052	1,704,901	664,342	Yes
Clare Foster	616,273	35,087	775,445	142,609	No
Non-Executive Directors					
Jonathan Shearman	n/a	n/a	23,571	n/a	n/a
Clive Watson	n/a	n/a	27,500	n/a	n/a
Scott Mac Meekin	n/a	n/a	n/a	n/a	n/a
Claire Balmforth	n/a	n/a	n/a	n/a	n/a

1. Under the existing Policy, there is a 250% of salary shareholding requirement for all Executive Directors. This is to be built up over five years from 22 September 2020, the date the current remuneration policy was approved by shareholders. The number of shares shown is based on the 31 March 2021 share price of £1.50
2. Includes options exercised in the year. Mark Belton exercised no nil-cost options during the year. Clare Foster exercised a nil-cost option over 60,000 shares which had a total value of £79,692 as at the date of exercise
3. The LTIP awards subject to performance conditions column includes the 2018 LTIPs which will lapse on 23 July 2021 because of not achieving the attaching performance conditions
4. Total of current beneficial holding, SAYE options, deferred equity award options subject to continued employment only on a net-of-tax basis and vested but unexercised options on a net-of-tax basis

Between 31 March 2021 and 21 June 2021 there were no movements in the Directors shareholdings from those disclosed in the table above.

Directors' remuneration report continued

Service contracts for Executive Directors

The service agreements of the Executive Directors are not fixed term and are terminable by either the Company or the Director on the following bases:

	Notice period	Date of signing
Mark Belton	12 months	11 September 2020
Clare Foster	12 months	11 September 2020

The Directors' contracts are kept and can be viewed at the Company's registered office.

Non-Executive Directors' letters of appointment

The Non-Executive Directors do not have service contracts but are appointed under letters of appointment. Claire Balmforth and Clive Watson were appointed for an initial three-year term in 2020 and all Non-Executive Directors are subject to annual re-election at the Company's AGM.

The table below sets out the date that each Non-Executive Director was first appointed and the notice period by which their appointment may be terminated early by either party. For new appointments, the notice period is three months and in line with existing Non-Executives' arrangements, set out in the 2014 Director's Remuneration Policy, this will be extended to 12 months on a change of control. The Directors' letters of appointment are kept and can be viewed at the Company's registered office.

Non-Executive Director	Notice period	Date of signing
Jonathan Shearman[1]	3 months	2 July 2020
Scott Mac Meekin[1]	3 months	2 July 2020
Claire Balmforth[2]	3 months	26 March 2020
Clive Watson[2]	3 months	20 April 2020

1. Jonathan Shearman was appointed as a Non-Executive Director on 17 June 2009 and as Chair on 1 April 2020. Scott Mac Meekin was appointed as a Non-Executive Director on 25 April 2013
2. Although signing appointment letters prior to the appointment, Claire Balmforth was appointed as Non-Executive Director on 1 April 2020 and Clive Watson on 30 July 2020

Functioning of Remuneration Committee

The role of the Committee is to ensure that the remuneration arrangements for Executive Directors provide them with the motivation to deliver our strategy and create shareholder value in a sustainable manner. In addition, it is our task to ensure that the remuneration received by the Executive Directors is proportionate to the performance achieved and the returns received by you as shareholders.

The Committee is composed entirely of Non-Executive Directors. Members have no day-to-day involvement in the running of the business. Claire Balmforth succeeded Jonathan Shearman as Remuneration Committee Chair on 1 April 2020 and, following Neil Warner's retirement on 31 July 2020, Clive Watson joined the Committee after being appointed to the Board on 30 July 2020. 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 the inside back cover of this publication.

Alongside numerous conference calls and meetings with advisers, the Committee had three formal meetings during the year. All Committee meetings were fully attended by members in appointment at the time of the meeting.

On most occasions, the CEO and CFO were invited to attend to ensure the Committee was in possession of all the relevant facts. The key activities the Committee undertook during the year were: monitoring the Company's response to COVID-19 and the impact on its remuneration arrangements, implementing the new Directors' Remuneration Policy, determining the final remuneration outcomes for the year to 31 March 2021, consideration of the appropriate incentive targets for the year to 31 March 2022, consideration of the Company's gender pay reporting, and oversight of the remuneration aspects of the Operational Executive Board (OEB) and wider workforce pay and policies. During the year the Committee received independent advice from PwC in relation to the Remuneration policy review and general matters. PwC was appointed by the Committee.

The fees paid by the Company to PwC for services to the Committee during the financial year were £47,050 (excluding VAT). The Group also retains PwC with regard to taxation services and consulting services in the ordinary course of business of Trifast. The Committee believes that this does not create a conflict of interest and the advice they receive is independent and objective. PwC is a signatory to the Remuneration Consultants' Code of Conduct which requires its advice to be objective and impartial. PwC does not have any other connections with the Company or its Directors.

The Committee consults with the Company Secretary and HR Director regarding remuneration and corporate governance issues. With regard to the OEB and Senior Management in the Company (excluding Board Directors), the Committee also takes advice from the Executive Board.

Statement of AGM voting

The Group is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. At our 2020 AGM, the Committee was pleased to see that our new Directors' Remuneration Policy was approved with an 89.3% vote in favour, and that the Directors' remuneration report was passed with 96.9% support from shareholders. Based on feedback from our consultation with the Company's largest shareholders and their representative bodies, the key reasons for a minority of investors not supporting the Policy were the increased incentive opportunity and the intention to move all remuneration elements to the FTSE Small Cap median. The Committee was comfortable implementing the increased incentive opportunity on the basis that it is driven off conservative base salary levels and that the increase is entirely awarded in shares, ensuring alignment with the shareholder experience. The Committee would like to thank all shareholders for their constructive feedback provided during the consultation and their support at the 2020 AGM.

The table below shows the actual voting on the 2020 remuneration report and 2020 remuneration policy at the AGM held on 22 September 2020:

	Votes for	%	Votes against	%	Votes Withheld
2020 remuneration report	103,565,733	96.9	3,309,529	3.1	31,293
2020 remuneration policy	95,468,167	89.3	11,410,502	10.7	27,885

This report was approved by the Board of Directors and signed on its behalf by:

Claire Balmforth
Chair of Remuneration Committee

21 June 2021

Directors' report

The Directors present their Annual Report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2021

Results and proposed dividends

Total Group revenue from continuing operations was £188.2m (FY2020: £200.2m) and the profit for the year before taxation was £7.8m (FY2020: £3.0m). Underlying profit before tax for the Group was £11.0m (FY2020: £14.7m after reclassification of IFRS 2 Share-based Payments and related costs; £17.1m before reclassification); see note 2 for breakdown.

As part of our Capital Allocation policy and reflective of the strong recovery demonstrated by the Group through the second half of the year, the Directors recommend a final dividend of 1.60p (FY2020: nil) per ordinary share to be paid on 15 October 2021 to shareholders registered at the close of business on 17 September 2021. In order to appropriately manage our financial position and flexibility, no interim dividend was paid (FY2020: 1.20p) giving a total for the year of 1.60p (FY2020: 1.20p). The FY2021 recommended final dividend has not been included within creditors as it was not approved before the year end.

The strategic report provides a detailed analysis of the results in the year and an indication of future developments.

Annual General Meeting

The Annual General Meeting will be held as a hybrid meeting at 12 noon on Wednesday 28 July 2021 at the East Sussex National Hotel, Uckfield, TN22 5ES.

We encourage shareholders to join the virtual platform

With COVID-19 continuing to have some impact and disruption on our lives, we must put the safety and wellbeing of our shareholders at the forefront. We would therefore encourage shareholders to join the virtual platform for the 2021 AGM, details of which can be found in the Notice of Meeting and at http://www.trifast.com/investors/shareholder-meetings/.

Although shareholders will be able to vote via poll on resolutions at the AGM, we would recommend shareholders vote in advance of the AGM via the form of proxy which is attached to the Notice of Meeting.

Should shareholders wish to put questions to the Board, these can be submitted via the investor website or by emailing the Company Secretary at companysecretariat@trifast.com in advance of the AGM. Any questions raised will be published on the website after the AGM, together with the results of voting.

Directors and Directors' interests

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

Chair

JPD Shearman
Non-Executive Director
Chair of Nomination Committee

Executive Directors

MR Belton
Chief Executive Officer

CL Foster
Chief Financial Officer

Independent Directors (Non-Executive)

NW Warner (retired 31 July 2020)
Senior Independent Director
Chair of Audit & Risk Committee

C Watson (appointed 30 July 2020)
Senior Independent Director
Chair of Audit & Risk Committee

C Balmforth
Chair of Remuneration Committee

SW Mac Meekin

The Directors' remuneration and their interests in share capital are shown in the remuneration report on page 117. All Directors are subject to annual re-election; details can be found in the corporate governance report on pages 90 to 94. Biographical details can be found on pages 86 and 87.

For more information on the likely future developments in the business and GHG emissions, please see pages 14 and 15, 26 and 27 and 70 to 73

Substantial shareholdings

Details of the share structure of the Company are disclosed in note 25.

The Company was aware of the following material interests, representing 3% or more of the issued share capital of the Company.

As at 31 March 2021	No. of shares held	% of shareholding
Castlefield Investments	18,315,000	13.46
Schroder Investment Management Ltd	12,491,510	9.18
AXA Framlington Investment Managers	12,305,308	9.05
Chelverton Asset Management	9,660,000	7.10
Hargreave Hale Ltd	8,154,938	5.99
Liontrust Investment Management LLP	7,980,870	5.87
Michael Timms (co-founder)	7,000,000	5.15
Threadneedle Asset Management Ltd	5,257,880	3.87
BlackRock Investment Management (UK)	4,357,161	3.20
Joh. Berenberg Gossler & Co KG	4,075,468	3.00

As at 1 June 2021	No. of shares held	% of shareholding
Castlefield Investments	19,746,700	14.52
Schroder Investment Management Ltd	12,491,510	9.18
AXA Framlington Investment Managers	12,443,480	9.15
Chelverton Asset Management	9,660,000	7.10
Hargreave Hale Ltd	8,404,938	6.18
Michael Timms (co-founder)	7,000,000	5.15
Threadneedle Asset Management Ltd	5,218,546	3.84
Liontrust Investment Management LLP	4,960,387	3.65
BlackRock Investment Management (UK)	4,657,067	3.42
Joh. Berenberg Gossler & Co KG	4,075,468	3.00

Employee Benefit Trust (EBT)

The number of Trifast 5p ordinary shares held by the Trifast EBT (as funded by the Group) at 31 March 2021 was 329,087 (FY2020: 1,028,191) which represented 0.2% of the fully paid up share capital of the Company as at 31 March 2021 (FY2020: 0.8%). During the year, 743,384 shares were transferred out to meet employee share obligations (FY2020: 1,289,187) and 44,280 shares were acquired (FY2020: 1,000,000). These shares are shown in the own shares held reserve within equity on the balance sheet.

Financial instruments

Information in respect of the Group's policies on financial risk management objectives, including policies to manage credit risk, liquidity risk and foreign currency risk, along with the capital structure of the Group, are given in note 27 to the financial statements.

Directors' report continued

Corporate governance

The corporate governance statement on pages 90 to 94 should be read as forming part of the Directors' report.

Takeover directive

Where not provided elsewhere in the Directors' report, the following provides the additional information required to be disclosed because of the implementation of the Takeover Directive.

There are no restrictions on the transfer of ordinary shares in the capital of the Company other than certain restrictions which may from time to time be imposed by law (for example, insider trading law). In accordance with the Listing Rules of the Financial Conduct Authority, certain employees are required to seek the approval of the Company to deal in its shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

No person has any special rights of control over the Company's share capital and all its shares are fully paid.

The rules governing the appointment and replacement of Directors are set out in the corporate governance section of the Directors' report on pages 90 to 94. The Company's Articles of Association may only be amended by a special resolution at a General Meeting of shareholders.

The Company is party to several banking agreements that, upon a change of control of the Company, could be terminable by the bank concerned.

Outside of the extension of certain Directors' rolling contract periods and notice periods, there are no agreements between the Company and its Directors or employees which provide for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

The Company is not aware of any contractual or other agreements which are essential to its business which ought to be disclosed in the Directors' report.

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. Our ESG statement can be found on our website www.trifast.com and further details are provided in the strategic report.

Regular consultation and meetings, formal, virtual 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.

See pages 52 to 59.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

By order of the Board

Lyndsey Case
Company Secretary

21 June 2021

Trifast House
Bellbrook Park
Uckfield
East Sussex
TN22 1QW

Company registration number:
01919797

Statement of Directors' responsibilities

in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report 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 are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. 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, relevant and reliable
- State whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006
- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations or have no realistic alternative but to do so

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and 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 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have 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 law and regulations, the Directors are also responsible for preparing a strategic report, Directors' report, Directors' remuneration report and corporate governance statement that complies with that 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.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The strategic report/Directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

On behalf of the Board

Mark Belton
Chief Executive Officer

Clare Foster
Chief Financial Officer

21 June 2021

Independent auditor's report

to the members of Trifast plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Trifast plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Company statement of changes in equity, Statements of financial position, Statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs) (UK) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the board on 28 November 2019 to audit the financial statements for the year ended 31 March 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ended 31 March 2020 and 31 March 2021. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Services that were provided by BDO LLP in addition to the audit were restricted to the interim review and agreed upon procedures relating to government Covid-19 assistance programmes.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We reviewed the Directors' assessment of going concern and challenged the key assumptions used in the forecasts by benchmarking the underlying subsidiaries' Covid-19 recovery and growth against pre-Covid-19 performance and key market outlooks;
- We reviewed and tested forecast compliance with quarterly interest cover and adjusted leverage covenants in place;
- We calculated to what extend the key inputs would need to deteriorate in order to break the Group's liquidity and then considered the likelihood of this occurring;
- We compared the Directors' forecast against post year end management accounts to assess the accuracy of management's forecasts to date; and
- We reviewed the adequacy of the disclosure on going concern in the Group financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage[1]	82% (2020: 94%) of Adjusted[2] Group profit before tax 100% (2020: 100%) of Group revenue 99% (2020: 100%) of Group total assets		
Key audit matters		**2021**	2020
	Recoverability of customer-specific inventory	✓	✓
	Goodwill impairment	✓	✓
	Covid-19 (Going concern)	×	✓
	Covid-19 is no longer considered to be a key audit matter given the reduction in forecast uncertainty as compared to the prior year.		
Materiality	**Group financial statements as a whole** £0.5m (2020: £0.7m) based on 5% (2020: 5%) of adjusted profit before tax.		

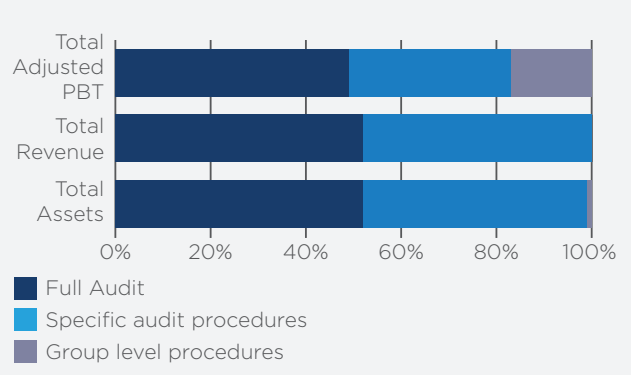
1. These are areas which have been subject to a full or specific scope audit
2. Adjusted to exclude separately disclosed items excluding acquired intangible amortisation totalling £1.8m

Independent auditor's report continued
to the members of Trifast plc

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Of the group's 24 reporting components, 4 were identified as significant and material with full scope audit procedures being performed for group purposes and 16 were identified as not-significant but material where specific balances and risks were identified as being in scope for audit purposes. We conducted reviews of financial information (including enquiry) at a further 4 not-significant or immaterial components.



Members of the group audit team completed all audits except for 2 full scope and 11 specific scope audits which were audited by local overseas BDO network member firms. The group audit team performed audit procedures on the group consolidation process.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

The group audit team controlled and directed the work of the component audit teams. This included providing detailed audit instructions and setting of component materiality. As a result of travel restrictions due to COVID-19 there were no planned visits completed in person but instead alternative interactions were completed on a remote basis instead. The group audit team held video calls in order to attend component planning and completion calls together with open dialogue maintained throughout the audit. We also performed reviews of the component audit teams working papers.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
Recoverability of customer-specific inventory Refer to the Accounting Policies of the Group on pages 138 to 144 for further detail on the policies impacting inventory provision valuation together with Note 31 detailing the estimation uncertainty over provisions for customer specific inventory and Note 19 for the financial disclosure of inventory. The group has bespoke customer-specific products for which there is a risk over recoverability if any contractual obligations to acquire outstanding stock are waived for commercial reasons or the customer experiences financial distress. Given the size of the customer-specific inventory balance, and the complexity involved in estimating customers' changes in future demand there is a risk that the valuation of the inventory provision is inappropriate. We therefore determined this to be a key audit matter.	We have: • Tested the application of the provision methodology through sample testing the classification of inventory between customer specific or standard inventory, the ageing and the arithmetical accuracy of application of the provision; • Challenged management's customer specific inventory provision estimate by evaluating its historic accuracy in comparison to the prior period provision, scrappage and its subsequent utilisation; • We challenged management's provision methodology by benchmarking against a modelled estimate of the underlying percentage of inventory ultimately not utilised using observed historic patterns for a sample of entities; • On a sample basis, we reviewed agreements to confirm contractual terms of customer underwriting agreements to identify those balances with higher risk of obsolescence; • On a sample basis, tested the recoverability of accounts receivable balances including those related to the sale of customer-specific inventory for indicators of financial distress. **Key observations:** We did not identify any indicators to suggest that the estimates made in determining the customer specific inventory provision were inappropriate.
Goodwill impairment Refer to the Accounting Policies of the Group on pages 138 to 144 for further detail on the policies impacting goodwill valuation together with Note 31 detailing the estimation uncertainty over goodwill impairment and Note 14 for the financial disclosure of goodwill. Goodwill is a significant balance in the Group balance sheet and is subject to an annual impairment review. The recoverability of goodwill is dependent on estimating both cashflows and appropriate discount rates to apply in the value in use calculation. Given the size of the goodwill balance, and the complexity of estimating both cashflows (particularly owing to the ongoing impact of COVID-19) and discount rates we consider goodwill impairment to be an area of material estimation. Hence there is a risk that the valuation of goodwill is inappropriate. Due to the judgements involved we consider this to be a key audit matter.	We have: • Assessed management's impairment model for compliance with applicable accounting standards and tested its computational accuracy; • Considered the historical accuracy of management's forecasting as a starting point for sensitising management's current year forecast; • Checked the coherence of the forecast cashflows with those modelled as part of the group going concern exercise; • With the use of our internal valuation experts we tested the discount rate assumptions to assess their reasonableness through corroboration to external sources; • Performed sensitivity analysis over the key assumptions and ensuring the group considered the same reasonably possible adverse effects that could arise as a result of a decrease in sales due to the impact of COVID-19 as with those applied in their going concern exercise. **Key observations:** We did not identify any indicators to suggest that the estimates made by the Directors in the calculation of the goodwill impairment assessment were inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021	**2020**	**2021**	**2020**
Materiality	£500k	£670k	£100k	£197k
Basis for determining materiality	5% of adjusted[1] profit before tax	5% of adjusted[2] profit before tax	20% of Group materiality	29% of Group materiality
Rationale for the benchmark applied	We considered adjusted profit to be a key performance measure for users of the financial statements.		Capped 20% (2020: 29%) of Group materiality given the assessment of the components aggregation risk.	
Performance materiality	£325k	£402k	£65k	£118k
Basis for determining performance materiality	65% (2020: 60%) of Group materiality taking into account various factors including: first year audit (2020), the expected total value of known and likely misstatements, brought forward misstatements, management's attitude towards adjustments, the number of material estimates, and how homogeneous processes are within the group.		65% (2020: 60%) of Parent company materiality taking into account various factors including: first year audit (2020), the expected total value of known and likely misstatements, brought forward misstatements, management's attitude towards adjustments, the number of material estimates, and how homogeneous processes are within the Parent company.	

1. Adjusted to exclude non-underlying expensed Project Atlas, restructuring, Malaysian disposal, and equity raise costs totalling £1.8m
2. Adjusted to exclude non-underlying expensed Project Atlas, business acquisition costs and goodwill impairment totalling £11.7m

Component materiality

We set materiality for each component of the Group based on a percentage of between 20% and 95% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £100k to £475k. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £50k (2020: £50k), with those between £10k-£50k (2020: £13k-£50k) being reported in aggregate. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 82 and 83; and • The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on pages 82 and 83.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 101; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 91; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 100; and • The section describing the work of the audit committee set out on page 98

Independent auditor's report continued
to the members of Trifast plc

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates. We considered the significant laws and regulations to be the applicable accounting standards, Companies Act 2006, the UK Listing Rules and certain requirements from the UK and overseas tax legislation.
- We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risks to be management override of controls and revenue recognition.
- Our tests included, but were not limited to, agreement of the financial statement disclosures to underlying supporting documentation, review of correspondence with regulators and legal advisors, enquiries of management and those charged with governance, review of board minutes and review of internal audit reports.
- We also addressed the risk of management override of internal controls, including testing of journals exhibiting unusual pairings, value or descriptions and evaluating whether there was evidence of bias in estimates (i.e. inventory provisions, forecast cashflows used in impairment and going concern assessments) or judgements by the Directors that represented a risk of material misstatement due to fraud. To address the risk of fraud due to revenue recognition through our journals testing we agreed material manual journal entries to revenue to supporting documentation. Other testing of fraud due to revenue recognition included the testing of cut-off and group adjustments.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. We also instructed and reviewed the work performed by the component audit teams in this regard.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Anna Draper (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

Gatwick, UK

21 June 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement

for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Continuing operations			
Revenue	3, 36	**188,161**	200,221
Cost of sales		**(138,247)**	(145,114)
Gross profit		**49,914**	55,107
Other operating income	4	**595**	424
Distribution expenses		**(3,773)**	(4,627)
Administrative expenses before separately disclosed items[1]		**(34,754)**	(35,152)
Acquired intangible amortisation	2, 14	**(1,428)**	(1,409)
Project Atlas	2	**(1,082)**	(2,505)
Restructuring costs	2	**(377)**	—
Loss on disposal of TR Formac (Malaysia) SDN Bhd	2, 38	**(280)**	—
Equity raise costs	2, 37	**(59)**	—
Impairments in goodwill	2, 14	**—**	(7,761)
Total administrative expenses		**(37,980)**	(46,827)
Operating profit	5, 6, 7	**8,756**	4,077
Financial income	8	**37**	82
Financial expenses	8	**(1,009)**	(1,117)
Net financing costs		**(972)**	(1,035)
Profit before taxation	3	**7,784**	3,042
Taxation	9	**(1,994)**	(3,280)
Profit/(loss) for the year (attributable to equity shareholders of the Parent Company)		**5,790**	(238)
Earnings/(loss) per share			
Basic	26	**4.33p**	(0.19)p
Diluted	26	**4.31p**	(0.19)p

1. Presented after the reclassification into underlying results of IFRS 2 Share-based Payments, including related social security costs on exercise, see note 2

The notes on pages 138 to 186 form part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 31 March 2021

	2021 £000	2020 £000
Profit/(loss) for the year	**5,790**	(238)
Other comprehensive (loss)/income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(4,916)**	1,342
Gain/(loss) on a hedge of a net investment taken to equity	**34**	(924)
Other comprehensive (loss)/income recognised directly in equity	**(4,882)**	418
Total comprehensive income recognised for the year (attributable to the equity shareholders of the Parent Company)	**908**	180

Consolidated statement of changes in equity

for the year ended 31 March 2021

	Share capital £000	Share premium £000	Merger reserve £000	Own shares held £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2020	**6,132**	**22,340**	**—**	**(1,934)**	**14,406**	**74,716**	**115,660**
Total comprehensive income for the year:							
Profit for the year	**—**	**—**	**—**	**—**	**—**	**5,790**	**5,790**
Other comprehensive loss for the year	**—**	**—**	**—**	**—**	**(4,882)**	**—**	**(4,882)**
Total comprehensive income recognised for the year	**—**	**—**	**—**	**—**	**(4,882)**	**5,790**	**908**
Issue of share capital (note 25)	**670**	**121**	**14,807**	**—**	**—**	**—**	**15,598**
Presentation transfer to merger reserve[1]	**—**	**—**	**1,521**	**—**	**—**	**(1,521)**	**—**
Share-based payment transactions (net of tax) (note 23)	**—**	**—**	**—**	**—**	**—**	**1,154**	**1,154**
Movement in own shares held (note 25)	**—**	**—**	**—**	**1,339**	**—**	**(1,398)**	**(59)**
Dividends (note 25)	**—**	**—**	**—**	**—**	**—**	**(1,457)**	**(1,457)**
Total transactions with owners	**670**	**121**	**16,328**	**1,339**	**—**	**(3,222)**	**15,236**
Balance at 31 March 2021	**6,802**	**22,461**	**16,328**	**(595)**	**9,524**	**77,284**	**131,804**

1. Previously, the merger reserve was reported in retained earnings at a consolidated level. Due to the additional merger reserve created from the equity raise (see note 37) in the current period, management now consider it appropriate to separately disclose the merger reserve. Therefore, we have transferred the £1.5m previously reported in retained earnings to the merger reserve

Consolidated statement of changes in equity

for the year ended 31 March 2020

	Share capital £000	Share premium £000	Own shares held £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2019	6,095	21,914	(3,019)	13,988	82,115	121,093
Effect of change in accounting policy (IFRS 16)	—	—	—	—	(1,069)	(1,069)
Balance at 31 March 2019 (restated)	6,095	21,914	(3,019)	13,988	81,046	120,024
Total comprehensive income for the year:						
Loss for the year	—	—	—	—	(238)	(238)
Other comprehensive income for the year	—	—	—	418	—	418
Total comprehensive income recognised for the year	—	—	—	418	(238)	180
Issue of share capital (note 25)	37	426	—	—	(16)	447
Share-based payment transactions (net of tax) (note 23)	—	—	—	—	1,836	1,836
Movement in own shares held (note 25)	—	—	1,085	—	(2,778)	(1,693)
Dividends (note 25)	—	—	—	—	(5,134)	(5,134)
Total transactions with owners	37	426	1,085	—	(6,092)	(4,544)
Balance at 31 March 2020	6,132	22,340	(1,934)	14,406	74,716	115,660

Company statement of changes in equity

for the year ended 31 March 2021

	Share capital £000	Share premium £000	Own shares held £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2020	**6,132**	**22,340**	**(1,934)**	**1,521**	**21,766**	**49,825**
Total comprehensive income for the year:						
Profit for the year	**—**	**—**	**—**	**—**	**12,472**	**12,472**
Total comprehensive income recognised for the year	**—**	**—**	**—**	**—**	**12,472**	**12,472**
Issue of share capital (note 25)	**670**	**121**	**—**	**14,807**	**—**	**15,598**
Share-based payment transactions (net of tax) (note 23)	**—**	**—**	**—**	**—**	**1,125**	**1,125**
Movement in own shares held (note 25)	**—**	**—**	**1,339**	**—**	**(1,398)**	**(59)**
Dividends (note 25)	**—**	**—**	**—**	**—**	**(1,457)**	**(1,457)**
Total transactions with owners	**670**	**121**	**1,339**	**14,807**	**(1,730)**	**15,207**
Balance at 31 March 2021	**6,802**	**22,461**	**(595)**	**16,328**	**32,508**	**77,504**

Company statement of changes in equity

for the year ended 31 March 2020

	Share capital £000	Share premium £000	Own shares held £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2019 and restated for effect in change in accounting policy	6,095	21,914	(3,019)	1,521	23,680	50,191
Total comprehensive income for the year:						
Profit for the year	—	—	—	—	4,166	4,166
Total comprehensive income recognised for the year	—	—	—	—	4,166	4,166
Issue of share capital (note 25)	37	426	—	—	(16)	447
Share-based payment transactions (net of tax) (note 23)	—	—	—	—	1,848	1,848
Movement in own shares held (note 25)	—	—	1,085	—	(2,778)	(1,693)
Dividends (note 25)	—	—	—	—	(5,134)	(5,134)
Total transactions with owners	37	426	1,085	—	(6,080)	(4,532)
Balance at 31 March 2020	6,132	22,340	(1,934)	1,521	21,766	49,825

Statements of financial position

at 31 March 2021

	Note	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Non-current assets					
Property, plant and equipment	10, 11	**18,743**	20,427	**2,300**	2,384
Right-of-use assets	12, 13	**11,958**	13,788	**60**	24
Intangible assets	14, 15	**38,452**	39,155	**5,691**	4,088
Equity investments	16	**—**	—	**42,320**	42,006
Non-current trade and other receivables	20	**—**	—	**44,318**	—
Deferred tax assets	17, 18	**2,539**	1,926	**721**	381
Total non-current assets		**71,692**	75,296	**95,410**	48,883
Current assets					
Inventories	19	**54,765**	59,187	**—**	—
Trade and other receivables	20	**53,194**	52,928	**2,375**	48,911
Cash and cash equivalents	27	**30,265**	28,727	**2,256**	265
Total current assets		**138,224**	140,842	**4,631**	49,176
Total assets	3	**209,916**	216,138	**100,041**	98,059
Current liabilities					
Other interest-bearing loans and borrowings	21, 27	**—**	266	**—**	—
Trade and other payables	22	**41,133**	34,914	**5,506**	4,587
Right-of-use liabilities	12, 13, 21, 27	**2,726**	3,113	**19**	11
Tax payable		**2,645**	1,817	**—**	—
Total current liabilities		**46,504**	40,110	**5,525**	4,598
Non-current liabilities					
Other interest-bearing loans and borrowings	21, 27	**16,970**	43,622	**16,970**	43,622
Right-of-use liabilities	12, 13, 21, 27	**10,060**	11,996	**42**	14
Provisions	24	**1,023**	959	**—**	—
Deferred tax liabilities	17, 18	**3,555**	3,791	**—**	—
Total non-current liabilities		**31,608**	60,368	**17,012**	43,636
Total liabilities	3	**78,112**	100,478	**22,537**	48,234
Net assets		**131,804**	115,660	**77,504**	49,825
Equity					
Share capital		**6,802**	6,132	**6,802**	6,132
Share premium		**22,461**	22,340	**22,461**	22,340
Merger reserve		**16,328**	—	**16,328**	1,521
Own shares held		**(595)**	(1,934)	**(595)**	(1,934)
Reserves		**9,524**	14,406	**—**	—
Retained earnings		**77,284**	74,716	**32,508**	21,766
Total equity		**131,804**	115,660	**77,504**	49,825

The profit after tax for the Company is £12.5m (FY2020: £4.2m).

The notes on pages 138 to 186 form part of these financial statements.

These financial statements were approved by the Board of Directors on 21 June 2021 and were signed on its behalf by:

Mark Belton
Director

Clare Foster
Director

Statements of cash flows

for the year ended 31 March 2021

	Note	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Cash flows from operating activities					
Profit/(loss) for the year		**5,790**	(238)	**12,472**	4,166
Adjustments for:					
Depreciation, amortisation and impairment	10, 11, 14	**3,813**	11,541	**84**	85
Right-of-use asset depreciation	12, 13	**3,229**	3,118	**19**	19
Unrealised foreign currency (gain)/loss		**(17)**	89	**(23)**	82
Financial income	8	**(37)**	(82)	**(83)**	(115)
Financial expense (excluding right-of-use liabilities)	8	**696**	752	**708**	742
Right-of-use liabilities' financial expense	12, 13	**313**	365	**—**	—
Gain on sale of property, plant and equipment and investments		**(7)**	(3)	**—**	—
Dividends received		**—**	—	**(16,628)**	(10,072)
Equity settled share-based payment charge		**1,052**	1,981	**133**	441
Loss from sale of TR Formac (Malaysia) SDN Bhd		**280**	—	**108**	—
Taxation charge	9	**1,994**	3,280	**(268)**	41
Costs incurred on issue of share capital		**59**	—	**59**	—
Operating cash inflow/(outflow) before changes in working capital and provisions		**17,165**	20,803	**(3,419)**	(4,611)
Change in trade and other receivables		**(3,080)**	2,060	**2,239**	(2,310)
Change in inventories		**2,571**	(1,217)	**—**	—
Change in trade and other payables		**7,861**	(2,242)	**1,034**	(538)
Change in provisions		**64**	—	**—**	—
Cash generated from/(used in) operations		**24,581**	19,404	**(146)**	(7,459)
Tax paid		**(1,283)**	(3,889)	**—**	—
Net cash from/(used in) operating activities		**23,298**	15,515	**(146)**	(7,459)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**8**	7	**—**	—
Interest received		**38**	82	**82**	108
Acquisition of subsidiary, net of cash acquired		**—**	(503)	**—**	—
Acquisition of property, plant and equipment and intangibles	10, 11, 14, 15	**(3,060)**	(4,594)	**(1,603)**	(3,145)
Proceeds from sale of TR Formac (Malaysia) SDN Bhd, net of cash held		**33**	—	**—**	—
Dividends received		**—**	—	**16,628**	10,072
Net cash (used in)/from investing activities		**(2,981)**	(5,008)	**15,107**	7,035
Cash flows from financing activities					
Proceeds from the issue of share capital	25, 37	**15,540**	447	**15,540**	447
Purchase of own shares	25	**(59)**	(1,693)	**(59)**	(1,693)
Proceeds from new loan		**—**	45,026	**—**	44,225
Repayment of borrowings		**(26,656)**	(41,620)	**(26,390)**	(37,318)
(Payment)/proceeds from finance leases		**—**	(74)	**—**	—
Repayment of right-of-use liabilities	12, 13	**(3,658)**	(3,487)	**(18)**	(18)
Dividends paid	25	**(1,457)**	(5,134)	**(1,457)**	(5,134)
Interest paid		**(763)**	(752)	**(586)**	(719)
Net cash used in financing activities		**(17,053)**	(7,287)	**(12,970)**	(210)
Net change in cash and cash equivalents		**3,264**	3,220	**1,991**	(634)
Cash and cash equivalents at 1 April		**28,727**	25,199	**265**	899
Effect of exchange rate fluctuations on cash held		**(1,726)**	308	**—**	—
Cash and cash equivalents at 31 March		**30,265**	28,727	**2,256**	265

Notes to the financial statements

for the year ended 31 March 2021

1 Accounting policies

a) Significant accounting policies

Trifast plc (the 'Company') is a company incorporated in the United Kingdom. The registered office details are on page 191.

The Consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). The Company financial statements present information about the Company as a separate entity and not about its Group.

Statement of compliance

Both the Company financial statements and the Consolidated financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union except as explained below.

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

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

A number of amendments to existing standards are also effective from 1 April 2020 but they do not have a material effect on the Group financial statements.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)
- References to Conceptual Framework (Amendments to IFRS 3)

The Group is currently assessing the impact of these amendments and does not expect them to have a significant impact on the financial statements.

b) Basis of preparation

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

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

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

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

Going concern

A review of the business activity and future prospects of the Group (including the impact of COVID-19) is covered in the accompanying strategic report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are specifically described in the financial review on pages 39 to 47. Detailed information regarding the Group's current facility levels, liquidity, credit, interest and foreign exchange risk are provided in note 27.

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

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

c) Basis of consolidation

i) Subsidiaries

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

ii) Transactions eliminated on consolidation

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

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

ii) Financial statements of foreign operations

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

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

e) Hedge of net investment in foreign operations

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

f) Property, plant and equipment

i) Owned assets

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

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

ii) Depreciation

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

Freehold and long leasehold buildings	—	2% per annum on a straight-line basis or the period of the lease
Short leasehold properties	—	period of the lease
Motor vehicles	—	20–25% per annum 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) Right-of-use leases

The Group's leases primarily comprise of right-of-use assets regarding land and buildings, motor vehicles and equipment. Short-term leases (<12 months) and leases for which the underlying asset is of a low value (<£4k) are excluded.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses. The right-of-use asset is subsequently depreciated using the straight-line method from the lease commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments (excluding non-lease components) that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate.

The lease liabilities are subsequently increased by the interest cost on the lease liability and decreased by lease payments made. The liability will be remeasured if there is a change in the future lease payments or if there are changes in the estimated length of the lease.

The lease period is established as the non-cancellable period together with the opportunity to extend the lease if the lessee is reasonably certain to utilise that option, and periods covered by an opportunity to terminate the lease if the lessee is reasonably certain not to utilise that option.

1 Accounting policies continued

f) Property, plant and equipment continued

iv) Subsequent costs

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

g) Intangible assets

i) On business combinations

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

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

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

Goodwill arising on acquisitions before 1 April 1998 was written off to reserves in the year of acquisition. Under 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.

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

ii) Other intangible assets

Expenditure on Project Atlas is capitalised (currently as an asset under the course of construction) as the system is technically and commercially feasible, and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and the Group can measure reliably the expenditure attributable to the asset during its development. The expenditure capitalised is directly attributable to the design and build of the new system and includes the cost of materials and external consultants as well as an appropriate allocation of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses. Currently no amortisation charges are recognised in the financial statements as the asset is not ready for its intended use.

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

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

iii) Subsequent expenditure

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

iv) Amortisation

Amortisation is charged to the consolidated income statement in administrative expenses on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are tested systematically for impairment at each annual balance sheet date. The amortisation rates of other intangible assets per annum are as follows:

Customer relationships	—	6.7% to 12.5%
Technology	—	6.7% to 10%
Order backlog	—	100%
Marketing – related	—	8.3%
Other	—	20% to 33%

h) Non-derivative financial instruments

i) Investments in subsidiaries

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

ii) Trade and other receivables

Trade and other receivables are recognised initially at the transaction price when they originated, and subsequently at amortised cost less impairment losses (see accounting policy (j)). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

iii) Cash and cash equivalents

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

iv) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at amortised cost. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

v) Trade and other payables

Trade and other payables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or issue. Subsequently they are measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

i) Inventories

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

j) Impairment

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

Financial assets measured at amortised cost and contract assets (as defined in IFRS 15) are considered to be credit-impaired if objective evidence indicates that one or more events has had a negative effect on the estimated future cash flows of that asset.

When determining whether objective evidence indicates there is a negative effect on estimated future cash flows, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Loss allowances for expected credit losses (ECLs) are recognised when they are expected to arise as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset where appropriate.

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

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

1 Accounting policies continued

j) Impairment continued

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

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

i) Calculation of recoverable amount

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

ii) Reversals of impairment

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

k) Share capital

i) Dividends

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

ii) Classification of share capital issued by the Group

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

l) Employee benefits

i) Defined contribution plans

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

ii) Share-based payment transactions

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

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

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

iii) Termination benefits

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

m) Provisions

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

n) Revenue

Revenue from the sale of goods rendered is recognised net of VAT in the consolidated income statement when the performance obligation is satisfied and the customer obtains control. In accordance with normal practice, there is a single performance obligation, which is on dispatch of goods or at the point of customer acceptance where appropriate. The transaction price is determined by the invoice amount with adjustments made for variable consideration (i.e. rebates) where applicable.

Variable consideration relating to volume rebates has been constrained in estimating revenue in order that it is highly probable that there will not be a future reversal in the amount of revenue recognised when the amount of volume rebates has been determined.

o) Expenses

i) Short-term/low value lease payments

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

ii) Repayment of right-of-use liabilities

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

iii) Net financing costs

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

p) Taxation

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

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

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

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

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company; or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered

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.

1 Accounting policies continued

q) Operating segment reporting

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

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

r) Financial guarantee contracts

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

s) Earnings per share

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

t) Underlying measure of profits and losses

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

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

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

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

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

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

u) Separately disclosed items (see note 2)

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

v) Own shares acquired by Employee Benefit Trust

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

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

w) Government grants

Grants for revenue expenditure are netted against the cost incurred by the Group. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of comprehensive income.

The Group applied for various government support programmes introduced in response to the global pandemic. Included in the consolidated income statement is £2.1m (FY2020: £nil) of government grants obtained relating to supporting the payroll of the Group's employees. The Group has elected to reduce the related expense.

2 Underlying profit before tax and separately disclosed items

	Note	2021 £000	2020 £000
Underlying profit before tax		**11,010**	14,717
Separately disclosed items within administrative expenses			
Acquired intangible amortisation	14	**(1,428)**	(1,409)
Project Atlas		**(1,082)**	(2,505)
Restructuring costs		**(377)**	—
Loss on disposal of TR Formac (Malaysia) SDN Bhd	38	**(280)**	—
Equity raise costs	37	**(59)**	—
Impairments in goodwill	14	**—**	(7,761)
Profit before tax		**7,784**	3,042

	Note	2021 £000	2020 £000
Underlying EBITDA		**17,596**	21,188
Separately disclosed items within administrative expenses			
Project Atlas		**(1,082)**	(2,505)
Restructuring costs		**(377)**	—
Loss on disposal of TR Formac (Malaysia) SDN Bhd	38	**(280)**	—
Equity raise costs	37	**(59)**	—
Impairments in goodwill	14	**—**	(7,761)
EBITDA		**15,798**	10,922
Acquired intangible amortisation		**(1,428)**	(1,409)
Depreciation and non-acquired amortisation		**(5,614)**	(5,436)
Operating profit		**8,756**	4,077

Underlying measures have been presented after the reclassification of IFRS 2 Share-based Payments including related NI costs on exercise into underlying results. As noted in our previous financial reporting, up until FY2021 we have presented IFRS 2 Share-based Payment charges including related NI costs on exercise as separately disclosed items within administrative expenses. This was because the underlying equity award schemes that form the basis of these charges were under a period of significant development. Specifically, due to the cessation of the Board deferred equity scheme in operation until FY2017 and the introduction of annual rolling three-year Board, Operational Executive Board (OEB) and Senior Manager LTIP awards. As the development of these schemes is now broadly complete, we intend to present these costs from FY2021 within underlying results. The impact of this on the FY2021 results is £1.2m (FY2020: £2.3m).

There were £nil separately disclosed items in FY2021 (FY2020: £nil) other than the amounts detailed above.

Recurring items

Acquired intangible amortisation has remained in line with prior year. Intangible amortisation relating to acquisitions has been separately disclosed since this does not relate to the trading performance of the respective entities with a charge.

Event-driven/one-off items

Project Atlas is a multi-year investment into our IT infrastructure and underlying business processes, budgeted to cost £17.5m (previously £15.0m, see page 29). As a consequence of the work undertaken to date on this project, we have incurred direct costs of £1.1m in FY2021 (FY2020: £2.5m), largely relating to the project team. We have excluded these costs from our underlying results, to reflect the unusual scale and one-off nature of this project. We anticipate continuing to do so in order to provide shareholders with a better understanding of our underlying trading performance during this period of investment. This investment will be recorded as a combination of capital expenditure and separately disclosed items, dependent on accounting convention. The financial impact of the work undertaken to date on this project totals direct costs of £2.3m in FY2021 (cumulatively £12.3m, of which £1.2m has been recognised (cumulatively £5.6m) as assets on the balance sheet).

Restructuring costs of £0.4m (FY2020: £nil) were incurred in the year as a result of a detailed review of our underlying cost base. For more information, see the financial review on pages 39 to 47.

Notes to the financial statements continued
for the year ended 31 March 2021

2 Underlying profit before tax and separately disclosed items continued

Event-driven/one-off items continued

Following a strategic review of the Group's businesses around the world, the Board made the decision to dispose of our smallest manufacturing site in Malaysia, incurring a loss of £0.3m (FY2020: £nil), see note 38.

During the year the Company conducted an equity raise to ensure that the Group can continue to support its long-term strategic investments as well as being able to maximise its growth in the short term as markets recover. Costs of £0.1m (FY2020: £nil) have been recognised in the income statement in relation to this, see note 37.

Impairments in goodwill of £nil (FY2020: £7.8m) were incurred in the year, see note 14.

Management feel it is appropriate to remove the one-off costs and certain non-trading items discussed above to better allow the reader of the accounts to understand the underlying performance of the Group. Further reconciliations of underlying measures to GAAP measures can be found in note 33.

3 Operating segmental analysis

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

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

Geographical operating segments

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

- UK
- Europe includes Norway, Sweden, Hungary, Ireland, Holland, Italy, Germany, Spain and Poland
- USA includes USA and Mexico
- Asia includes Malaysia, China, Singapore, Taiwan, Thailand, India and Philippines

In presenting information on the basis of geographical operating segments, segment revenue and segment assets are based on the geographical location of our entities across the world and are consolidated into the four distinct geographical regions, which the Operational Executive Board uses to monitor and assess the Group. Interest is reported on a net basis rather than gross as this is how it is presented to the Chief Operating Decision Maker. All material non-current assets are located in the country the relevant Group entity is incorporated in.

March 2021	UK £000	Europe £000	USA £000	Asia £000	Common costs £000	Total £000
Revenue						
Revenue from external customers	64,116	72,151	9,596	42,298	—	188,161
Inter-segment revenue	4,776	1,359	143	6,987	—	13,265
Total revenue	68,892	73,510	9,739	49,285	—	201,426
Underlying operating result	3,744	5,221	(574)	6,522	(2,931)	11,982
Net financing costs	(129)	(105)	(64)	(48)	(626)	(972)
Underlying segment result	3,615	5,116	(638)	6,474	(3,557)	11,010
Separately disclosed items (see note 2)						(3,226)
Profit before tax						7,784
Specific disclosure items						
Depreciation and amortisation	(2,000)	(2,787)	(237)	(1,915)	(103)	(7,042)
Government support income	679	373	—	976	35	2,063
Assets and liabilities						
Non-current asset additions	818	1,161	19	1,041	1,658	4,697
Segment assets	63,441	67,309	8,002	59,300	11,864	209,916
Segment liabilities	(26,559)	(17,935)	(1,860)	(13,344)	(18,414)	(78,112)

March 2020	UK £000	Europe £000	USA £000	Asia £000	Common costs £000	Total £000
Revenue						
Revenue from external customers	71,979	71,217	10,864	46,161	—	200,221
Inter-segment revenue	3,521	1,521	177	8,363	—	13,582
Total revenue	75,500	72,738	11,041	54,524	—	213,803
Underlying operating result	5,848	5,284	245	7,917	(3,542)	15,752
Net financing costs	(161)	(102)	(114)	(33)	(625)	(1,035)
Underlying segment result	5,687	5,182	131	7,884	(4,167)	14,717
Separately disclosed items (see note 2)						(11,675)
Profit before tax						3,042
Specific disclosure items						
Depreciation and amortisation	(1,841)	(2,717)	(235)	(1,949)	(103)	(6,845)
Impairments in goodwill	—	(6,966)	—	(795)	—	(7,761)
Assets and liabilities						
Non-current asset additions	3,021	777	136	1,463	3,167	8,564
Segment assets	65,679	69,836	8,897	64,534	7,192	216,138
Segment liabilities	(24,127)	(16,150)	(1,855)	(13,582)	(44,764)	(100,478)

Underlying operating profit has been presented after the reclassification of IFRS 2 Share-based Payments and other related costs into underlying results. The impact of this on the FY2021 results is £1.2m (FY2020: £2.3m).

There were no material differences in Europe and USA between the external revenue based on location of the entities and the location of the customers. Of the UK external revenue, £13.1m (FY2020: £14.9m) was sold into the European market. Of the Asian external revenue, £3.9m (FY2020: £4.5m) was sold into the American market and £3.6m (FY2020: £4.1m) sold into the European market.

Within Europe, TR VIC has revenue of £27.9m (FY2020: £26.7m) and non-current assets of £13.0m (FY2020: £14.2m).

Within Asia, TR Formac Singapore has revenue of £20.3m (FY2020: £22.0m) and non-current assets of £4.2m (FY2020: £4.8m).

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

4 Other operating income

	2021 £000	2020 £000
Rental income received from freehold properties	**12**	12
Other income	**583**	412
	595	424

Included within other income is £0.2m (FY2020: £0.1m) of R&D tax credits.

Notes to the financial statements continued
for the year ended 31 March 2021

5 Expenses and auditor's remuneration

Included in profit for the year are the following:

	Note	2021 £000	2020 £000
Depreciation and non-acquired amortisation	10, 14	**2,385**	2,318
Right-of-use assets depreciation	12	**3,229**	3,118
Amortisation of acquired intangibles	14	**1,428**	1,409
Impairments in goodwill		**—**	7,761
Short-term/low value lease expense	12	**125**	1,058
Net foreign exchange loss/(gain)		**1,364**	(567)
Project Atlas (IT and business processes)		**1,082**	2,505
Gain on disposal of fixed assets		**(7)**	(3)

The employee benefit expense recognised in the year is disclosed in note 23.

Auditor's remuneration:

	2021 £000	2020 £000
Audit of these financial statements	**179**	146
Audit of financial statements of subsidiaries pursuant to legislation	**304**	250
Other assurance services	**58**	—
Total	**541**	396

Other assurance services mainly relate to the interim review.

6 Staff numbers and costs

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

	Group		Company	
	Number of employees		Number of employees	
	2021	2020	**2021**	2020
Office and Management	**112**	113	**24**	20
Manufacturing	**327**	338	**—**	—
Sales	**188**	194	**—**	—
Distribution	**612**	634	**—**	—
	1,239	1,279	**24**	20

The aggregate payroll costs of these people were as follows:

	Group		Company	
	2021 £000	2020 £000	**2021 £000**	2020 £000
Wages and salaries (including accrued bonus)	**32,936**	33,622	**1,570**	1,851
Share-based payments	**1,092**	2,030	**133**	441
Social security costs	**3,644**	3,497	**363**	303
Contributions to defined contribution plans (see note 23)	**1,931**	2,004	**195**	178
	39,603	41,153	**2,261**	2,773

The payroll costs above are shown gross of income from government support schemes, totalling £2.1m (FY2020: £nil), see note 1w).

7 Directors' emoluments

	2021 £000	2020 £000
Directors' emoluments	**838**	1,108
Company contributions to money purchase pension plans	**8**	30
Pension cash payments	**84**	105
	930	1,243

The emoluments of individual Directors, as well as the total gain on exercise of share options by Directors, are shown in the Remuneration report on pages 102 to 119.

The aggregate emoluments of the highest paid Director was £0.31m (FY2020: £0.32m), which included no vested LTIP or deferred equity award (FY2020: £nil), Company pension contributions of £4k (FY2020: £10k) made to a money purchase scheme on his behalf and pension cash payments of £0.05m (FY2020: £0.04m). During the year, no SAYE share options or deferred equity shares were exercised by the highest paid Director (FY2020: 16,822 SAYE share options exercised, no deferred equity shares exercised).

The annual IFRS 2 charge relating to Board deferred equity bonuses was £nil (FY2020: £0.28m). The annual IFRS 2 charge relating to Board LTIP shares was £0.04m (FY2020: £0.11m). The highest paid Director's element of this charge was £0.03m (FY2020: £0.08m).

	Number of Directors	
	2021	2020
Retirement benefits are accruing to the following number of Directors under money purchase schemes	**2**	3
The number of Directors who exercised share options was	**1**	3

See pages 102 to 119 of the Remuneration report for more details.

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

8 Financial income and expense

	2021 £000	2020 £000
Financial income		
Interest income on financial assets	**37**	82
Financial expenses		
Interest payable on bank loans, IFRS 16 right-of-use liabilities and hire purchase liabilities	**1,009**	1,117

FY2021 includes £0.3m of additional interest on the right-of-use liabilities in compliance with IFRS 16, see note 12 (FY2020: £0.4m).

Notes to the financial statements continued
for the year ended 31 March 2021

9 Taxation

Recognised in the income statement	2021 £000	2020 £000
Current UK tax expense:		
Current year	**44**	59
Adjustments for prior years	**(1)**	(50)
	43	9
Current foreign tax expense:		
Current year	**2,619**	3,181
Adjustments for prior years	**76**	(91)
	2,695	3,090
Total current tax	**2,738**	3,099
Deferred tax expense (note 17):		
Origination and reversal of temporary differences	**(754)**	179
Change in tax rates	**—**	(7)
Adjustments for prior years	**10**	9
Deferred tax (income)/expense	**(744)**	181
Tax in income statement	**1,994**	3,280

	2021 £000	2020 £000
Current tax recognised directly in equity – IFRS 2 share-based tax credit	**(30)**	(58)
Deferred tax recognised directly in equity – IFRS 2 share-based tax (credit)/charge	**(72)**	203
Total tax recognised in equity	**(102)**	145

Reconciliation of effective tax rate (ETR) and tax expense	2021 £000	ETR %	2020 £000	ETR %
Profit/(loss) for the period	**5,790**		(238)	
Tax from continuing operations	**1,994**		3,280	
Profit before tax	**7,784**		3,042	
Tax using the UK corporation tax rate of 19% (FY2020: 19%)	**1,479**	**19**	578	19
Tax suffered on dividends	**387**	**5**	416	14
Non-deductible expenses	**135**	**2**	286	9
Non-taxable receipts	**(298)**	**(4)**	(44)	(1)
IFRS 2 share option charge	**1**	**—**	501	16
Deferred tax assets not recognised	**94**	**1**	76	2
Impairment losses	**—**	**—**	1,475	49
Different tax rates on overseas earnings	**111**	**2**	131	4
Adjustments in respect of prior years	**85**	**1**	(132)	(4)
Tax rate change	**—**	**—**	(7)	—
Total tax in income statement	**1,994**	**26**	3,280	108

On 3 March 2021 the UK Government announced an intention to increase the UK corporation tax rate to 25% with effect from 1 April 2023. If enacted, this will impact the value of our UK deferred tax balances, and the tax charged on UK profits generated in FY2024 and subsequently. We have yet to determine the full impact of these proposed changes.

10 Property, plant and equipment – Group

	Land and buildings £000	Leasehold improvements £000	Plant and equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost						
Balance at 1 April 2019	17,315	1,091	32,720	7,450	733	59,309
Additions	24	10	688	655	50	1,427
Disposals	—	—	(46)	(156)	(16)	(218)
Effect of movements in foreign exchange	206	(1)	470	40	14	729
Balance at 31 March 2020	17,545	1,100	33,832	7,989	781	61,247
Balance at 1 April 2020	17,545	1,100	33,832	7,989	781	61,247
Additions	5	4	1,172	205	31	1,417
Disposals	—	—	(455)	(83)	(17)	(555)
Effect of movements in foreign exchange	(615)	(35)	(1,400)	(150)	(33)	(2,233)
Balance at 31 March 2021	**16,935**	**1,069**	**33,149**	**7,961**	**762**	**59,876**
Depreciation and impairment						
Balance at 1 April 2019	5,635	796	26,132	5,053	612	38,228
Depreciation charge for the year	283	100	1,473	436	41	2,333
Disposals	—	—	(49)	(150)	(15)	(214)
Effect of movements in foreign exchange	85	(2)	357	21	12	473
Balance at 31 March 2020	6,003	894	27,913	5,360	650	40,820
Balance at 1 April 2020	6,003	894	27,913	5,360	650	40,820
Depreciation charge for the year	282	41	1,505	489	41	2,358
Disposals	—	—	(425)	(79)	(17)	(521)
Effect of movements in foreign exchange	(197)	(25)	(1,158)	(116)	(28)	(1,524)
Balance at 31 March 2021	**6,088**	**910**	**27,835**	**5,654**	**646**	**41,133**
Net book value						
At 31 March 2019	11,680	295	6,588	2,397	121	21,081
At 31 March 2020	11,542	206	5,919	2,629	131	20,427
At 31 March 2021	**10,847**	**159**	**5,314**	**2,307**	**116**	**18,743**

Included in the net book value of land and buildings is £10.8m (FY2020: £11.6m) of freehold land and buildings. Within this figure there is £1.7m (FY2020: £1.9m) of buildings that is on long leasehold land.

11 Property, plant and equipment – Company

	Land and buildings £000	Fixtures and fittings £000	Total £000
Cost			
Balance at 1 April 2019, 31 March 2020 and 2021	**3,905**	**579**	**4,484**
Depreciation and impairment			
Balance at 1 April 2019	1,451	564	2,015
Depreciation charge for the year	82	3	85
Balance at 31 March 2020	1,533	567	2,100
Balance at 1 April 2020	1,533	567	2,100
Depreciation charge for the year	81	3	84
Balance at 31 March 2021	**1,614**	**570**	**2,184**
Net book value			
At 1 April 2019	2,454	15	2,469
At 31 March 2020	2,372	12	2,384
At 31 March 2021	**2,291**	**9**	**2,300**

Included in the net book value of land and buildings is £2.3m (FY2020: £2.4m) of freehold land and buildings.

12 IFRS 16 – Group

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets
- Leases with a duration of 12 months or less

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the lessee's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee
- The exercise price of any purchase option granted in favour of the Group if it is reasonably certain to access that option
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease
- Initial direct costs incurred
- The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, which are discounted at the same discount rate that applied on lease commencement. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- In all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease, with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount

The Group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Group will consider whether the absence of a break clause would expose the Group to excessive risk.

Typically, factors considered in deciding to negotiate a break clause include:

- The length of the lease term
- The economic stability of the environment in which the property is located
- Whether the location represents a new area of operations for the Group

At 31 March 2021 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because it was considered reasonably certain that the Group would not exercise its right to exercise any right to break the lease.

Nature of leasing activities (in the capacity as lessee)

The Group leases several properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation and in others to be reset periodically to market rental rates. For some of the Group's property leases the periodic rent is fixed over the lease term.

The Group also leases certain items of plant and equipment and vehicles which comprise only fixed payments over the lease terms.

The percentages in the table below reflect the current proportions of total lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use total assets if there was an uplift of 1% on the balance sheet date to lease payments that are variable.

	Lease contracts (number)	Fixed payments %	Variable payments %	Sensitivity £000
Property leases with periodic uplifts to market rentals or inflation	6	—	21	27
Property leases with fixed payments	42	71	—	—
Leases of equipment and vehicles	120	8	—	—
At 31 March 2021	**168**	**79**	**21**	**27**

	Lease contracts (number)	Fixed payments %	Variable payments %	Sensitivity £000
Property leases with periodic uplifts to market rentals or inflation	7	—	21	31
Property leases with fixed payments	35	72	—	—
Leases of equipment and vehicles	129	7	—	—
At 31 March 2020	171	79	21	31

12 IFRS 16 – Group continued

Right-of-use assets (Group)

	Land and buildings £000	Motor vehicles £000	Equipment £000	Total £000
At 1 April 2019	11,925	951	33	12,909
Lease extensions	2,336	22	—	2,358
New leases	920	586	75	1,581
Rent review	31	—	—	31
Depreciation	(2,590)	(504)	(24)	(3,118)
Disposals	—	(21)	—	(21)
Foreign exchange movements	44	4	—	48
At 1 April 2020	**12,666**	**1,038**	**84**	**13,788**
New leases	996	556	13	1,565
Rent review	72	—	—	72
Depreciation	(2,641)	(559)	(29)	(3,229)
Disposals	(68)	—	—	(68)
Foreign exchange movements	(165)	(5)	—	(170)
At 31 March 2021	**10,860**	**1,030**	**68**	**11,958**

Right-of-use liabilities (Group)

	Land and buildings £000	Motor vehicles £000	Equipment £000	Total £000
At 1 April 2019	13,288	966	39	14,293
Lease extensions	2,279	22	—	2,301
New leases	920	586	75	1,581
Rent review	31	—	—	31
Lease payments	(2,937)	(523)	(27)	(3,487)
Interest	342	22	1	365
Disposals	—	(21)	—	(21)
Foreign exchange movements	43	3	—	46
At 1 April 2020	**13,966**	**1,055**	**88**	**15,109**
New leases	996	556	13	1,565
Rent review	72	—	—	72
Lease payments	(3,363)	(576)	(32)	(3,971)
Interest	294	18	1	313
Disposals	(68)	—	—	(68)
Foreign exchange movements	(224)	(9)	(1)	(234)
At 31 March 2021	**11,673**	**1,044**	**69**	**12,786**

	2021 £000	2020 £000
Short-term lease expense	**71**	973
Low value lease expense	**54**	85
Aggregate undiscounted future commitments for short-term and low value leases	**124**	301

There have been no sale and leaseback transactions in the current or prior year.

	Under 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
At 31 March 2021					
Lease liabilities	**2,726**	**2,182**	**4,280**	**3,598**	**12,786**

	Under 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
At 31 March 2020					
Lease liabilities	3,113	2,380	4,477	5,139	15,109

13 IFRS 16 – Company

Right-of-use assets (Company)

	Motor vehicles £000	Total £000
At 1 April 2019	20	20
New leases	23	23
Depreciation	(19)	(19)
At 1 April 2020	**24**	**24**
New leases	55	55
Depreciation	(19)	(19)
At 31 March 2021	**60**	**60**

Right-of-use liabilities (Company)

	Motor vehicles £000	Total £000
At 1 April 2019	20	20
New leases	23	23
Lease payments	(18)	(18)
Interest	—	—
At 1 April 2020	**25**	**25**
New leases	55	55
Lease payments	(19)	(19)
Interest	—	—
At 31 March 2021	**61**	**61**

Notes to the financial statements continued
for the year ended 31 March 2021

13 IFRS 16 – Company continued
Right-of-use liabilities (Company) continued

	2021 £000	2020 £000
Short-term lease expense	—	7

There have been no sale and leaseback transactions in the current or prior year.

	Under 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
At 31 March 2021					
Lease liabilities	**19**	**19**	**23**	**—**	**61**

	Under 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
At 31 March 2020					
Lease liabilities	11	6	8	—	25

14 Intangible assets – Group

	Assets under course of construction £000	Goodwill £000	Other £000	Total £000
Cost				
Balance at 1 April 2019	943	45,760	20,065	66,768
Additions	3,145	—	22	3,167
Effect of movements in foreign exchange	—	165	346	511
Balance at 31 March 2020	4,088	45,925	20,433	70,446
Balance at 1 April 2020	4,088	45,925	20,433	70,446
Additions	1,603	—	40	1,643
Effect of movements in foreign exchange	—	(1,077)	(563)	(1,640)
Balance at 31 March 2021	**5,691**	**44,848**	**19,910**	**70,449**
Amortisation and impairment				
Balance at 1 April 2019	—	14,395	7,555	21,950
Amortisation for the year	—	—	1,447	1,447
Impairment for the year	—	7,761	—	7,761
Effect of movements in foreign exchange	—	(12)	145	133
Balance at 31 March 2020	—	22,144	9,147	31,291
Balance at 1 April 2020	—	22,144	9,147	31,291
Amortisation for the year	—	—	1,455	1,455
Effect of movements in foreign exchange	—	(417)	(332)	(749)
Balance at 31 March 2021	**—**	**21,727**	**10,270**	**31,997**
Net book value				
At 31 March 2019	943	31,365	12,510	44,818
At 31 March 2020	4,088	23,781	11,286	39,155
At 31 March 2021	**5,691**	**23,121**	**9,640**	**38,452**

The addition in assets under the course of construction in the year includes Project Atlas additions of £1.2m (FY2020: £3.1m).

Included within other intangibles are customer relationship intangible assets of £7.8m (FY2020: £9.0m), know-how of £0.8m (FY2020: £1.1m) and marketing-related intangibles of £0.8m (FY2020: £0.9m).

The amortisation charge is recognised in administrative expenses in the income statement. Of the £1.5m charge in the year, £1.4m relates to amortisation on acquired intangibles.

Other intangible assets are made up of:

- Customer relationships acquired as part of the acquisition of PSEP. The remaining amortisation period left on these assets is 2.8 years and NBV is £0.1m
- Customer relationships, technology know-how and technology patents acquired as part of the acquisition of VIC. The average remaining amortisation period on these assets is 6.8 years and NBV is £4.0m
- Customer relationships acquired as part of the acquisition of Kuhlmann. The average remaining amortisation period on these assets is 4.5 years and NBV is £1.7m
- Customer relationships and marketing-related intangibles acquired as part of the acquisition of PTS. The average remaining amortisation period on these assets is 11.3 years and NBV is £3.8m

The following cash generating units have carrying amounts of goodwill:

	2021 £000	2020 £000
Special Fasteners Engineering Co. Ltd (Taiwan)	**10,206**	10,691
TR Fastenings AB (Sweden)	**1,063**	1,063
Lancaster Fastener Company Ltd (UK)	**1,245**	1,245
Serco Ryan Ltd (within TR Fastenings Ltd) (UK)	**4,083**	4,083
TR VIC SPA (VIC) (Italy)	**2,886**	3,001
TR Kuhlmann GmbH (Germany)	**1,491**	1,551
Precision Technology Supplies Ltd (UK)	**2,043**	2,043
Other	**104**	104
	23,121	23,781

The changes in goodwill for SFE, VIC and Kuhlmann relate to foreign exchange gains or losses, as these investments are held in Singaporean Dollars and Euros respectively.

Annual impairment testing

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

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

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

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

	SFE		VIC		Serco	
	2021	2020	**2021**	2020	**2021**	2020
Long-term revenue growth rate	**2.0%**	2.0%	**1.6%**	1.6%	**2.0%**	2.0%
Discount rate – post-tax	**6.8%**	7.6%	**8.4%**	10.8%	**7.0%**	7.3%
Discount rate – pre-tax	**8.5%**	9.5%	**11.6%**	14.9%	**8.6%**	9.0%
Terminal EBIT margin	**15.3%**	16.2%	**13.4%**	13.5%	**8.2%**	8.1%

Key assumptions are not disclosed for the remaining CGUs as the goodwill is not significant in comparison to its carrying amount.

14 Intangible assets – Group continued

Long-term revenue growth rate

Long-term growth rates into perpetuity have been determined as the lower of:

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

Post-tax risk adjusted discount rate

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

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

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

To calculate the pre-tax discount rate we have taken the post-tax discount rate and divided this by one minus the applicable tax rate. We consider this an appropriate approximation of the pre-tax rate as there are no significant timing differences between the tax cash flows and tax charges. The table above discloses the discount rate on a post and pre-tax basis. This takes into account certain components such as the various discount rates reflecting different risk premiums and tax rates in the respective regions. Overall, the Board is confident that the discount rate adequately reflects the circumstances in each location and is in accordance with IAS 36.

Terminal EBIT margin

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

Impairments

No impairments were recognised in FY2021. In FY2020, impairments of £7.0m in VIC's goodwill and £0.8m in PSEP's goodwill were recognised due to the impact of COVID-19 both on short to medium-term cash flows as well as higher than usual discount rates. These were separately disclosed in the consolidated income statement.

Sensitivity to changes in assumptions

The continued economic struggles in Italy, combined with the impact of COVID-19, has caused the discount rate for VIC to be above average in recent years (FY2020: 10.8%; FY2019: 11.2%; FY2016-2018 average: c.9.3%), thus reducing headroom. Whilst the FY2021 discount rate has reduced to 8.4%, and increased headroom, if the discount rate returns to FY2019/2020 levels, or above, then it is possible that this might lead to an impairment of VIC's goodwill. Outside of this sensitivity and despite the macro challenges, management believe the outlook for VIC continues to be positive.

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

15 Intangible assets – Company

	Assets under course of construction £000	Other £000	Total £000
Cost			
Balance at 1 April 2019	943	62	1,005
Additions	3,145	—	3,145
Balance at 31 March 2020	4,088	62	4,150
Balance at 1 April 2020	4,088	62	4,150
Additions	1,603	—	1,603
Balance at 31 March 2021	**5,691**	**62**	**5,753**
Amortisation and impairment			
Balance at 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	**—**	**62**	**62**
Net book value			
At 31 March 2019	943	—	943
At 31 March 2020	4,088	—	4,088
At 31 March 2021	**5,691**	**—**	**5,691**

The addition in assets under the course of construction in the year includes Project Atlas additions of £1.2m (FY2020: £3.1m).

16 Equity investments – Company

Investments in subsidiaries

	Total £000
Cost	
Balance at 1 April 2019	42,585
Additions	566
Balance at 31 March 2020	43,151
Additions	422
Disposals	(108)
Balance at 31 March 2021	**43,465**
Provision	
Balance at 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	**1,145**
Net book value	
Balance at 1 April 2019	41,440
Balance at 31 March 2020	42,006
Balance at 31 March 2021	**42,320**

The additions in the year relate to IFRS 2 charges that will not be recharged to subsidiaries. The disposal relates to TR Formac (Malaysia) SDN Bhd, see note 38 for further details.

Details of principal subsidiary undertakings, country of registration and principal activity are included in note 32.

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

Following the acquisition of Serco Ryan Ltd in September 2005, the trade and assets of Serco Ryan were transferred to fellow subsidiary TR Fastenings Ltd at book value. This resulted in an apparent overvaluation of the Serco Ryan Ltd investment as held in the Company's books, although there was no overall loss to the Group. Schedule 1 of SI 2008/410 of the Companies Act 2006 requires that, where such overvaluation is expected to be permanent, the investment should be written down accordingly. The Directors consider that as the substance of the transaction was merely to reorganise the Group's operations, such a treatment would fail to give a true and fair view. Therefore, the diminution in value of the investment in Serco Ryan Ltd has instead been re-allocated to the Company's investment in Trifast Overseas Holdings Ltd, being the immediate parent company of TR Fastenings Limited and directly owned by the Company.

17 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	
	2021 £000	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000
Property, plant and equipment	**(28)**	(1)	**1,689**	1,815	**1,661**	1,814
IFRS 16 Leases	**(207)**	(253)	**—**	—	**(207)**	(253)
Intangible assets	**(113)**	(118)	**1,864**	2,166	**1,751**	2,048
Provision on inventories	**(726)**	(715)	**—**	—	**(726)**	(715)
Provisions/accruals	**(413)**	(480)	**402**	345	**(11)**	(135)
IFRS 2 Share-based Payments	**(596)**	(405)	**—**	—	**(596)**	(405)
Tax losses	**(856)**	(489)	**—**	—	**(856)**	(489)
Tax (assets)/liabilities	**(2,939)**	(2,461)	**3,955**	4,326	**1,016**	1,865
Tax set-off	**400**	535	**(400)**	(535)	**—**	—
Net tax (assets)/liabilities	**(2,539)**	(1,926)	**3,555**	3,791	**1,016**	1,865

A potential £2.2m (FY2020: £2.2m) deferred tax asset relating to the Company's trapped management losses was not recognised on the grounds that recovery of these losses is highly unlikely.

A potential £1.1m (FY2020: £1.4m) deferred tax liability relating to the temporary differences associated with undistributed profits in subsidiaries has not been recognised. This is on the grounds that we are able to control the timing of these reversals and it is not considered probable that these amounts will reverse in the foreseeable future.

Movement in deferred tax during the year

	1 April 2020 £000	Recognised in income £000	Recognised in equity[1] £000	**31 March 2021 £000**
Property, plant and equipment[1]	1,814	(83)	(70)	**1,661**
IFRS 16 Leases	(253)	46	—	**(207)**
Intangible assets	2,048	(256)	(41)	**1,751**
Provision on inventories	(715)	(34)	23	**(726)**
Provisions/accruals	(135)	105	19	**(11)**
IFRS 2 Share-based Payments	(405)	(135)	(56)	**(596)**
Tax losses	(489)	(387)	20	**(856)**
	1,865	(744)	(105)	**1,016**

Movement in deferred tax during the prior year

	1 April 2019 £000	Recognised in income £000	Recognised in equity[1] £000	31 March 2020 £000
Property, plant and equipment	1,707	95	12	1,814
IFRS 16 Leases	(251)	(3)	1	(253)
Intangible assets	2,176	(163)	35	2,048
Provision on inventories	(805)	87	3	(715)
Provisions/accruals	(94)	(22)	(19)	(135)
IFRS 2 Share-based Payments	(1,068)	460	203	(405)
Tax losses	(213)	(273)	(3)	(489)
	1,452	181	232	1,865

1. Amounts recognised in equity include the deferred tax on IFRS 2 Share-based Payments of £(72)k (FY2020: £203k) and the equity element of foreign exchange differences taken to reserves

18 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	
	2021 £000	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000
Property, plant and equipment	**—**	—	**125**	133	**125**	133
Provisions/accruals	**(3)**	(1)	**—**	—	**(3)**	(1)
IFRS 2 Share-based Payments	**(329)**	(309)	**—**	—	**(329)**	(309)
Tax losses	**(514)**	(204)	**—**	—	**(514)**	(204)
Tax (assets)/liabilities	**(846)**	(514)	**125**	133	**(721)**	(381)
Tax set-off	**125**	133	**(125)**	(133)	**—**	—
Net tax (assets)/liabilities	**(721)**	(381)	**—**	—	**(721)**	(381)

A potential £2.2m (FY2020: £2.2m) deferred tax asset relating to the Company's trapped management losses was not recognised on the grounds that recovery of these losses is highly unlikely.

Movement in deferred tax during the year

	1 April 2020 £000	Recognised in income £000	Recognised in equity £000	**31 March 2021 £000**
Property, plant and equipment	133	(8)	—	**125**
Provisions/accruals	(1)	(2)	—	**(3)**
IFRS 2 Share-based Payments	(309)	16	(36)	**(329)**
Tax losses	(204)	(310)	—	**(514)**
	(381)	(304)	(36)	**(721)**

Movement in deferred tax during the prior year

	1 April 2019 £000	Recognised in income £000	Recognised in equity £000	31 March 2020 £000
Property, plant and equipment	128	5	—	133
Provisions/accruals	(1)	—	—	(1)
IFRS 2 Share-based Payments	(682)	195	178	(309)
Tax losses	—	(204)	—	(204)
	(555)	(4)	178	(381)

19 Inventories – Group

	2021 £000	2020 £000
Raw materials and consumables	**4,364**	4,982
Work in progress	**2,291**	2,026
Finished goods and goods for resale	**48,110**	52,179
	54,765	59,187

In FY2021, inventories of £122.6m (FY2020: £129.2m) were recognised as an expense during the year and included in cost of sales. Inventories have been written down by £2.2m in the year (FY2020: £1.6m) in line with the Group's stock provisioning policy. Such write-downs were recognised as an expense during FY2021. No significant specific stock provisions have been reversed in the year.

No inventories are pledged as security for liabilities.

The carrying amount of inventories carried at fair value less costs to sell is £1.1m (FY2020: £1.4m).

Notes to the financial statements continued
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20 Trade and other receivables
Current

	Group		Company	
	2021 £000	2020 £000	**2021 £000**	2020 £000
Trade receivables	**48,810**	48,484	**—**	—
Non-trade receivables and prepayments	**4,384**	4,444	**233**	21
Amounts owed by subsidiary undertakings	**—**	—	**2,142**	48,890
	53,194	52,928	**2,375**	48,911

An explanation of credit risk and details of the security held over receivables is provided in note 27.

The trade receivables position for the Group at 1 April 2019 was £49.1m.

Expected credit losses for the Group were calculated by first grouping trade receivables by entity and looking at historic credit loss rates over five years. This was then overlaid with considerations for overdue debt, forward-looking information (including COVID-19) and any customer specific risks.

Expected credit losses for the Company were assessed at year end and there had not been a significant increase in credit risk, therefore they are provided at 12-month ECL. No material provision was required in FY2020 or FY2021.

Non-current

	Group		Company	
	2021 £000	2020 £000	**2021 £000**	2020 £000
Amounts owed by subsidiary undertakings	**—**	—	**44,318**	—

Amounts owed by certain subsidiaries remain repayable on demand but have been reclassified from current to non-current in FY2021 to reflect the expected timing of future cash flows as at 31 March 2021.

21 Other interest-bearing loans and borrowings
This note provides information about the Group and Company's existing interest-bearing loans and borrowings as at 31 March 2021. For more information about the security provided by the Group and Company over loans or the Group and Company's exposure to interest rate, foreign currency and liquidity risk, see note 27.

			Current		Non-current	
Initial loan value	Rate	Maturity	**2021 £000**	2020 £000	**2021 £000**	2020 £000
Group (excluding Company)						
VIC unsecured loan	EURIBOR + 1.95%	2020	**—**	266	**—**	—
Right-of-use liabilities	Various	2021-2050	**2,707**	3,102	**10,018**	11,982
Company						
Revolving Credit Facility	LIBOR/EURIBOR + 1.10%	2023	**—**	—	**17,389**	44,262
Prepaid arrangement fees			**—**	—	**(419)**	(640)
Right-of-use liabilities	Various	2021-2024	**19**	11	**42**	14
Total Group			**2,726**	3,379	**27,030**	55,618
Total Company			**19**	11	**17,012**	43,636

22 Trade and other payables

	Group		Company	
	2021 £000	2020 £000	**2021 £000**	2020 £000
Trade payables	**21,891**	20,054	**—**	—
Amounts payable to subsidiary undertakings	**—**	—	**4,558**	3,547
Non-trade payables and accrued expenses	**16,767**	12,665	**681**	855
Other taxes and social security	**2,475**	2,195	**267**	185
	41,133	34,914	**5,506**	4,587

23 Employee benefits

Pension plans

Defined contribution plans

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

The total expense relating to these plans in the current year was £1.9m (FY2020: £2.0m) and represents contributions payable by the Group to the funds.

At the end of the financial year, there were outstanding pension contributions of <£0.1m (FY2020: £0.1m), which are included in creditors.

Share based payments

The Group share options (including SAYE plans) provide for an exercise price equal to the average quoted market price of the Group shares on the date of grant. In the case of SAYE, this price is discounted in line with HMRC limits. The vesting period is generally three or five 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:

	2021		2020	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding at beginning of year	**949,653**	**1.65**	1,239,534	1.43
Granted during the year	**2,316,659**	**0.86**	373,753	1.78
Forfeited/lapsed during the year	**(580,602)**	**1.72**	(235,663)	1.81
Exercised during the year	**(121,417)**	**1.05**	(427,971)	1.04
Outstanding at the end of the year	**2,564,293**	**0.94**	949,653	1.65
Exercisable at the end of the year	**29,076**	**1.58**	42,421	1.17

The options outstanding at 31 March 2021 had a weighted average remaining contractual life of 3.0 years (FY2020: 1.9 years) and exercise prices ranging from £0.86 to £1.93 (FY2020: £1.00 to £1.93).

The weighted average share price at the date of exercise for share options exercised in 2021 was £1.41 (FY2020: £1.86).

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black–Scholes model.

The contractual life of the option is used as an input into this model.

23 Employee benefits continued

Board deferred equity bonus shares

The Board deferred equity bonus shares have been discussed in more detail in the Remuneration report (pages 102 to 119). The number of deferred equity bonus shares are as follows:

	Deferred equity bonus shares
Outstanding at beginning of year	1,282,814
Shares exercised	(612,904)
Outstanding at the end of the year	**669,910**
Exercisable at the end of the year	669,910

The above includes 36,703 shares for C Foo relating to his employment as TR Asia MD. He did not sit on the Board. It also includes 95,219 shares for G Roberts relating to when she was a Board Director. She stepped down from the Board on 31 March 2020.

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

The weighted average share price at the date of exercise for share options exercised in FY2021 was £1.40 (FY2020: £1.79).

The options outstanding at 31 March 2021 had a weighted average remaining contractual life of nil years (FY2020: nil years).

Senior manager (SM) and OEB LTIP shares

The number of SM LTIP shares is as follows:

	SM LTIP shares
Outstanding at beginning of year	1,325,239
Granted during the year	1,740,502
Lapsed during the year	(18,500)
Exercised during the year	(130,480)
Outstanding at end of year	**2,916,761**

The shares granted between 30 December 2016 and 14 November 2018, which vested on 30 December 2019, were subject to a base award and a multiplier award. The base award required a service period of three years from date of grant and was also subject to personal performance conditions being met during the performance period. The multiplier award was determined by a non-market performance condition which was achieved at 31 March 2019, meaning the maximum multiplier was applied to the shares that vested. The method of settlement for these shares is a mixture of equity and cash settled. The fair value has been calculated using the Discounted Dividend model. This was at grant date for the equity settled awards. The fair value for the cash settled awards was remeasured to the date the awards vested. The weighted average share price at the date of exercise for share options exercised in FY2021 was £1.19 (FY2020: £1.75).

The awards granted in FY2020/21 are subject to a non-market performance condition of underlying EPS growth for a three-year period starting on 1 April 2019/20 and a service condition of three years from the grant date. The method of settlement for these shares is a mixture of equity and cash settled. The fair value has been calculated using the Discounted Dividend model. This was at grant date for the equity settled awards. The fair values for the cash settled awards are remeasured at the reporting date.

The FY2020 non-market performance condition requires underlying EPS to grow by 5% per annum for a 25% payout, 15% per annum for a 100% payout, with straight-line vesting for growth in between 5% and 15% per annum. If growth is less than 5% per annum the payout is nil.

The FY2021 non-market performance condition requires underlying EPS to be 10.55p for a 25% payout, 13.28p for a 100% payout, with straight-line vesting for growth in between. If growth is less than 10.55p the payout is nil.

Board LTIP shares

The Board LTIP shares are part of the remuneration policy approved at the 2020 AGM and have been discussed in more detail in the Remuneration report (pages 102 to 119). The maximum number of Board LTIP shares are as follows:

	Board LTIP shares
Outstanding at beginning of year	**1,728,307**
Granted during the year	**672,367**
Lapsed during the year	**(685,095)**
Outstanding at end of year	**1,715,579**

The above includes 295,048 shares for G Roberts relating to when she was a Board Director. She stepped down from the Board on 31 March 2020.

These nil cost options are subject to performance (EPS growth and TSR performance) and service conditions over a three-year period. The fair value for the EPS element has been calculated using the DDM whilst the fair value for the TSR element has been calculated using the Monte-Carlo simulation. They are equity settled shares. In line with IFRS 2 the amount recognised as an expense has been adjusted to reflect the number of awards for which the service and non-market performance conditions are expected to be met.

The options outstanding at 31 March 2021 had a weighted average remaining contractual life of 1.5 years (FY2020: 1.3 years).

Date of grant	Type of instrument	Valuation model	**Number outstanding on 31 March 2021**	Share price on date of grant (£)	Exercise price (£)	Expected volatility %	Vesting period (yrs)	Expected life (yrs)	Risk-free rate %	Expected annual dividend %	Fair value (£)
01/10/2015	SAYE 5 Year	Black–Scholes	**8,571**	1.14	1.05	34.60	5.00	5.00	1.17	1.84	0.33
01/10/2016	SAYE 5 Year	Black–Scholes	**35,601**	1.72	1.07	32.80	5.00	5.00	0.66	1.63	0.71
01/10/2017	SAYE 3 Year	Black–Scholes	**16,775**	2.24	1.77	26.64	3.00	3.00	0.57	1.56	0.59
01/10/2017	SAYE 5 Year	Black–Scholes	**27,957**	2.24	1.77	31.18	5.00	5.00	0.82	1.56	0.72
01/10/2018	SAYE 3 Year	Black–Scholes	**50,810**	1.92	1.93	24.59	3.00	3.00	0.84	2.01	0.28
01/10/2018	SAYE 5 Year	Black-Scholes	**22,066**	1.92	1.93	30.01	5.00	5.00	1.03	2.01	0.42
01/10/2019	SAYE 3 Year	Black-Scholes	**77,738**	1.60	1.78	27.58	3.00	3.00	0.45	2.66	0.19
01/10/2019	SAYE 3 Year	Black-Scholes	**27,062**	1.60	1.78	28.46	5.00	5.00	0.43	2.66	0.24
15/09/2020	SAYE 3 Year	Black-Scholes	**1,544,760**	0.98	0.86	36.62	3.00	3.00	-0.10	1.22	0.27
15/09/2020	SAYE 5 Year	Black–Scholes	**752,953**	0.98	0.86	33.12	5.00	5.00	-0.06	1.22	0.29
Total SAYE share options			**2,564,293**								

Notes to the financial statements continued
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23 Employee benefits continued

Date of grant	Type of instrument	Valuation model	**Number outstanding on 31 March 2021**	Share price on date of grant (£)	Exercise price (£)	Expected volatility %	Vesting period (yrs)	Expected life (yrs)	Risk-free rate %	Expected annual dividend %	Fair value (£)
30/09/2015	Board deferred equity	DDM	**192,233**	1.16	n/a	n/a	2.56	2.56	n/a	1.81	1.11
15/07/2016	Board deferred equity	DDM	**191,512**	1.35	n/a	n/a	2.71	2.71	n/a	2.07	1.28
26/07/2017	Board deferred equity	DDM	**286,165**	2.17	n/a	n/a	2.68	2.68	n/a	1.61	2.08
30/12/2016	SM LTIP – equity	DDM	**373,452**	2.05	n/a	n/a	3.00	3.00	n/a	1.46	1.96
24/11/2017	SM LTIP – equity	DDM	**23,622**	2.45	n/a	n/a	2.10	2.10	n/a	1.47	2.37
04/04/2018	SM LTIP – equity	DDM	**9,186**	2.54	n/a	n/a	1.74	1.75	n/a	1.42	2.48
23/07/2018	Board LTIP shares – EPS	DDM	**345,333**	2.38	n/a	n/a	3.00	3.00	0.77	1.62	2.27
23/07/2018	Board LTIP shares – TSR	Monte-Carlo simulation	**148,000**	2.38	n/a	24.30	3.00	3.00	0.77	1.62	0.94
23/07/2019	Board LTIP shares – EPS	DDM	**384,915**	2.07	n/a	n/a	3.00	3.00	0.42	2.05	1.95
23/07/2019	Board LTIP shares – TSR	Monte-Carlo simulation	**164,964**	2.07	n/a	25.96	3.00	3.00	0.42	2.05	1.15
23/07/2019	SM LTIP – equity	DDM	**725,500**	2.07	n/a	n/a	3.00	3.00	n/a	2.05	1.95
23/07/2019	SM LTIP – cash	DDM	**44,500**	2.07	n/a	n/a	3.00	1.31	n/a	0.00	1.50
08/06/2020	SM LTIP – equity	DDM	**35,000**	1.30	n/a	n/a	3.00	3.00	n/a	3.28	1.17
25/11/2020	Board LTIP shares – EPS	DDM	**470,657**	1.43	n/a	n/a	3.00	3.00	-0.03	0.00	1.43
25/11/2020	Board LTIP shares – TSR	Monte-Carlo simulation	**201,710**	1.43	n/a	41.8%	3.00	3.00	-0.03	0.00	0.69
25/11/2020	SM LTIP – equity	DDM	**702,499**	1.43	n/a	n/a	3.00	3.00	n/a	0.00	1.43
25/11/2020	SM LTIP – cash	DDM	**65,000**	1.43	n/a	n/a	3.00	2.65	n/a	n/a	1.50
25/11/2020	OEB LTIP	DDM	**938,002**	1.43	n/a	n/a	3.00	3.00	n/a	0.00	1.43
Total share options (inc SAYE)			**7,866,543**								

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

The Group recognised total charges of £1.1m and £2.0m in relation to share-based payment transactions in FY2021 and FY2020 respectively. Of this, £39k (FY2020: £49k) relates to cash settled awards to which a liability is recognised on the statement of financial position in trade and other payables. The remaining amount relates to equity settled awards.

As at 31 March 2021, outstanding options to subscribe for ordinary shares of 5p were as follows:

Grant date/employees entitled	Number of instruments	Contractual life of options
01/10/15 SAYE	8,571	Oct 2020
01/10/16 SAYE	35,601	Oct 2021
01/10/17 SAYE	44,732	Oct 2020, Oct 2022
01/10/18 SAYE	72,876	Oct 2021, Oct 2023
01/10/19 SAYE	104,800	Oct 2022, Oct 2024
15/09/20 SAYE	2,297,713	Oct 2023, Oct 2025
Total outstanding options	2,564,293	
Board deferred equity bonus shares	669,910	Sep 2018, Jul 2019, 2020
Senior manager and OEB LTIP shares	2,916,761	Dec 2019, Jul 2022, Nov 2023
Board LTIP shares	1,715,579	Jul 2021, Jul 2022, Nov 2023
Total	**7,866,543**	

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

24 Provisions

Group	Dilapidations £000	Total £000
Balance at 31 March 2020	959	959
Charged to the profit and loss	64	64
Balance at 31 March 2021	**1,023**	**1,023**

Dilapidations relate to a portfolio of properties within the UK, external advisers were used to provide estimates of potential costs and likelihood of sub-letting. The future cash flows were then discounted using risk-free rates over the length of the leases. These will be utilised on vacation.

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

Group	**2021 Total £000**	2020 Total £000
Non-current (greater than 1 year)	**1,023**	959
Current (less than 1 year)	**—**	—
Balance at 31 March	**1,023**	959

In respect of the Company there are £nil provisions (FY2020: £nil).

Notes to the financial statements continued
for the year ended 31 March 2021

25 Capital and reserves
Capital and reserves – Group and Company
See Statements of changes in equity on pages 134 and 135.

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

The merger reserve has arisen under Section 612 Companies Act 2006 and is a non-distributable reserve. In June 2020 the Company successfully completed placings of shares which increased the merger reserve by £14.8m, see note 37.

During the year the Group purchased 44,280 shares (FY2020: 1,000,000) on the open market via the Trifast EBT for £1.32 per share, total £0.1m (FY2020: £1.7m). 743,384 shares (FY2020: 1,289,187) were transferred out of the Own Shares Held reserve at a weighted average cost of £1.88, total cost £1.4m (FY2020: weighted average cost of £2.16, total cost £2.8m) to fulfil all of the exercise of awards in the year, excluding SAYE. The number of ordinary shares held at 31 March 2021 was 329,087 (FY2020: 1,028,191). These shares are in the Own Shares Held reserve and are to help meet future employee share plan obligations.

Share capital

	Number of ordinary shares	
	2021	2020
In issue at 1 April	**122,632,912**	121,890,011
Shares issued	**13,399,549**	742,901
In issue at 31 March – fully paid	**136,032,461**	122,632,912

The total number of shares issued during the year was 13,399,549 for a consideration of £16.1m (FY2020: 742,901 shares for £0.4m). The majority of these (13,278,132) related to the equity raise in June 2020, see note 37.

In FY2021, all shares were issued for cash. In FY2020 all shares were issued for cash, excluding 314,930 as part of the Board deferred equity bonus scheme.

	2021 £000	2020 £000
Allotted, called up and fully paid		
Ordinary shares of 5p each	**6,802**	6,132

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

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

	2021 £000	2020 £000
Final paid 2020 – nil (FY2019: 3.05p) per qualifying ordinary share	**—**	3,687
Interim paid 2020 – 1.20p (FY2019: 1.20p) per qualifying ordinary share	**1,457**	1,447
	1,457	5,134

After the balance sheet date a final dividend of 1.60p per qualifying ordinary share (FY2020: nil) was proposed by the Directors and an interim dividend of nil (FY2020: 1.20p) was paid in April 2021.

	2021 £000	2020 £000
Final proposed 2021 – 1.60p (FY2020: nil) per qualifying ordinary share	**2,177**	—
Interim paid 2021 – nil (FY2020: 1.20p) per qualifying ordinary share	**—**	1,457
	2,177	1,457

Subject to shareholder approval at the Annual General Meeting which is to be held on 28 July 2021, the Board are proposing a final dividend of 1.60p. See the financial review for further details.

26 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2021 was based on the profit attributable to ordinary shareholders of £5.8m (FY2020: loss of £(0.2)m) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2021 (net of own shares held) of 133,821,189 (FY2020: 122,171,272), calculated as follows:

Weighted average number of ordinary shares

	2021	2020
Issued ordinary shares at 1 April	**122,632,912**	121,890,011
Net effect of shares issued/(held)	**11,188,277**	281,261
Weighted average number of ordinary shares at 31 March	**133,821,189**	122,171,272

Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2021 was based on profit attributable to ordinary shareholders of £5.8m (FY2020: loss of £(0.2)m) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2021 (net of own shares held) of 134,257,324 (FY2020: 122,171,272), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2021	2020
Weighted average number of ordinary shares at 31 March	**133,821,189**	122,171,272
Effect of share options on issue	**436,135**	—
Weighted average number of ordinary shares (diluted) at 31 March	**134,257,324**	122,171,272

For diluted EPS in FY2020 there were potentially 2,273,827 dilutive share options, however they are not included in the weighted average calculation because they are anti-dilutive since there is a loss after tax. These dilutive share options are considered in the calculation for underlying diluted EPS below.

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

Underlying earnings per share

	2021 EPS			2020 EPS		
EPS (total)	**Earnings £000**	**Basic**	**Diluted**	Earnings £000	Basic	Diluted
Profit/(loss) after tax for the financial year	**5,790**	**4.33p**	**4.31p**	(238)	(0.19)p	(0.19)p
Separately disclosed items:						
Acquired intangible amortisation	**1,428**	**1.07p**	**1.06p**	1,409	1.15p	1.13p
Project Atlas	**1,082**	**0.81p**	**0.81p**	2,505	2.05p	2.01p
Restructuring costs	**377**	**0.28p**	**0.28p**	—	—	—
Loss on disposal of TR Formac (Malaysia) SDN Bhd	**280**	**0.21p**	**0.21p**	—	—	—
Equity raise costs	**59**	**0.04p**	**0.04p**	—	—	—
Impairments in goodwill	**—**	**—**	**—**	7,761	6.35p	6.24p
Tax charge on adjusted items above	**(641)**	**(0.48)p**	**(0.47)p**	(683)	(0.56)p	(0.55)p
Underlying profit after tax	**8,375**	**6.26p**	**6.24p**	10,754	8.80p	8.64p

Underlying earnings per share has been presented after the reclassification of IFRS 2 Share-based Payments and other related costs into underlying results. The impact has been a reduction of 0.73p from 6.97p (FY2020: 1.90p from 10.54p).

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

27 Financial instruments

(a) Fair values of financial instruments

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

(b) Financial instruments risks

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

(i) Credit risk

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

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

Credit evaluations are performed on all customers requiring credit over a predetermined amount. All overdue debts are monitored regularly and customers are put on credit hold if payments are not received on time as appropriate. The carrying amount of trade receivables represents the maximum credit exposure for the Group. These procedures have been further enhanced as a result of COVID-19 uncertainties. The maximum exposure to credit risk at the balance sheet date was £48.8m (FY2020: £48.5m), being the total carrying amount of trade receivables net of an allowance. Management does not consider there to be any significant unimpaired credit risk in the year-end balance sheet (FY2020: £nil), and have not seen a significant increase in risk as a result of COVID-19.

There have been no significant changes to estimation techniques or significant assumptions made during the reporting period.

At the balance sheet date there were no significant geographic or sector-specific concentrations of credit risk, although we continue to monitor the automotive sector closely due to the ongoing challenges in this specific end market.

Impairment losses

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

	2021 £000	2020 £000
Balance at 1 April	**(1,149)**	(986)
Impairment loss movement	**101**	(163)
Balance at 31 March	**(1,048)**	(1,149)

There are no significant losses/bad debts provided for specific customers. The allowance account for trade receivables is used to record impairment losses where a credit risk has been identified, unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

(ii) Liquidity and interest risk

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

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

At 31 March 2021, the Group banking facilities with a group of three lenders comprised a revolving multi-currency credit facility (RCF) of up to £80.0m (FY2020: up to £80.0m).

On 16 April 2019, all of the Group's centrally held facilities and the ABL facility in TR Fastenings Ltd were redeemed via this new four-year Revolving Credit Facility of up to £80.0m maturing April 2023. The facility includes an accordion of up to £40.0m and the option to extend maturity up to April 2024. The facility is guaranteed by 16 Group companies which exceed thresholds in various financial metrics as specified by lenders. Interest on this new facility is charged at the aggregate rate of LIBOR/EURIBOR plus a margin of 1.10%, in accordance with a formula incorporating the ratio of consolidated net debt against the consolidated underlying EBITDA of the Group.

In June 2015, VIC took out a €3.0m repayment loan with MPS in Italy to part-fund the de-factoring of their receivables. Interest is charged at 1.95% above EURIBOR until maturity in FY2021.

Covenant headroom – at 31 March 2021

The RCF in place as at 31 March 2021 is subject to quarterly covenant testing as follows:

Interest cover: Underlying EBITDA[1] to net interest to exceed a ratio of four.

Adjusted leverage: Total net debt[1] to underlying EBITDA[1] not to exceed a ratio of three.

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

1. As defined in the facility agreement

Liquidity tables

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

	2021			
	Carrying amount/ contractual cash flows[1] £000	**Less than 1 year £000**	**1 to 2 years £000**	**2 to 5 years £000**
Non-derivative financial liabilities				
Group and Company				
Revolving Credit Facility	**17,389**	**—**	**—**	**17,389**
Total Group and Company	**17,389**	**—**	**—**	**17,389**

1. In addition to the above, there are interest charges of £220k for the year relating to Revolving Credit Facility

IFRS 16 right-of-use liabilities details are provided in note 12.

	2020			
	Carrying amount/ contractual cash flows[1] £000	Less than 1 year £000	1 to 2 years £000	2 to 5 years £000
Non-derivative financial liabilities				
Company				
Revolving Credit Facility	44,262	—	—	44,262
Total Company	44,262	—	—	44,262
Group				
VIC unsecured loan	266	266	—	—
Total Group	44,528	266	—	44,262

1. In addition to the above, there are interest charges of £328k for the year relating to Revolving Credit Facility

27 Financial instruments continued
(b) Financial instruments risks continued
(ii) Liquidity and interest risk continued
Liquidity headroom

Trading forecasts show that the facilities in place at 31 March 2021 provided sufficient liquidity headroom. The Group continues to maintain positive relationships with a number of banks and the Directors believe that appropriate facilities will continue to be made available to the Group as and when they are required.

On 19 June 2020, the Group successfully completed a Placing of new ordinary shares, raising net £15.4m of proceeds. As of 30 June 2020 the Group has been in a net cash position, promoting further significant liquidity headroom to support the Group's strategic investment and organic growth aims (see note 37)

Facilities that were available at 31 March 2021 (excluding bank overdrafts and lease liabilities):

	2021			2020		
	Available facilities £000	**Utilised facilities £000**	**Unutilised facilities £000**	Available facilities £000	Utilised facilities £000	Unutilised facilities £000
Company						
Revolving Credit Facility	**80,000**	**17,389**	**62,611**	80,000	44,262	35,738
Total Company	**80,000**	**17,389**	**62,611**	80,000	44,262	35,738
Group						
VIC unsecured loan	**—**	**—**	**—**	266	266	—
Total Group	**80,000**	**17,389**	**62,611**	80,266	44,528	35,738

In addition there is an accordion facility of £40m as part of the RCF agreement, which provides potential additional finance under current agreed terms subject to credit approval.

Interest risk

The Group monitors closely all loans outstanding which currently incur interest at floating rates. When appropriate, the Group makes use of derivative financial instruments, including interest rate swaps and caps. The Group will continue to review this position going forward.

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

Further details of the rates applicable on interest-bearing loans and borrowings are given in note 21.

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

Interest rate table (including lease liabilities)

	Group		Company	
	2021 £000	2020 £000	**2021 £000**	2020 £000
Variable rate instruments				
Financial assets	**30,265**	28,727	**2,256**	265
Financial liabilities[1]	**(16,970)**	(43,888)	**(16,970)**	(43,622)
Net cash/(debt)	**13,295**	(15,161)	**(14,714)**	(43,357)

1. Including prepaid arrangement fee of £0.4m (FY2020: £0.6m)

Sensitivity analysis

A change of one percentage point in interest rates at the balance sheet date would change equity and profit and loss by £0.2m (FY2020: £0.4m). This calculation has been applied to risk exposures existing at the balance sheet date.

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

(iii) Foreign currency risk

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

Operational foreign exchange exposure

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

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

Monetary assets/liabilities

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

The Euro denominated RCF utilised facility of €13.1m (£11.2m) is net investment hedged against the net asset value of TR VIC, TR Kuhlmann and TR Holland. Therefore all foreign exchange movements that are being hedged are taken to the translation reserve. The US Dollar and remaining Euro denominated RCF utilised facility of $4.5m and €3.5m respectively (£3.3m and £2.9m respectively) is naturally hedged by an equivalent asset in the Company.

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

31 March 2021	**Sterling £000**	**Euro £000**	**US Dollar £000**	**Singapore Dollar £000**	**Total £000**
Cash and cash equivalents exposure	**585**	**4,071**	**6,515**	**57**	**11,228**

31 March 2020	Sterling £000	Euro £000	US Dollar £000	Singapore Dollar £000	Total £000
Cash and cash equivalents exposure	695	2,497	7,730	213	11,135

Sensitivity analysis

Group

A 1% change in significant foreign currency balances against local functional currency at 31 March 2021 would have changed equity and profit and loss by the amount shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

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

		Equity and profit or loss	
Foreign currency	Local currency	**2021 £000**	2020 £000
Euro	Sterling	**(8)**	(9)
US Dollar	Singapore Dollar	**(31)**	(51)
US Dollar	Taiwanese Dollar	**(22)**	(20)
Euro	Taiwanese Dollar	**(19)**	(2)
Euro	Hungarian Forint	**(9)**	(11)

27 Financial instruments continued

(c) Capital management and allocation

It is the Board's desire to maximise long-term returns. As such, the generation and disciplined deployment of free cash is a core aspect of Trifast's strategy. The following framework and priorities have been established and these are refreshed as part of our annual budgeting process.

Capital allocation priorities

The Board's key capital allocation priorities are as follows:

- Continue to invest in working capital as required to support organic growth in the next short term
- Strategic and targeted investments to drive ongoing organic growth in the medium term
- Realise acquisitions in line with our acquisition strategy
- A progressive dividend policy, maintaining a medium term target dividend cover range at the top end of between 3x to 4x

Special dividends and share buy-backs having been considered, do not currently form part of our capital allocation framework.

Cash conversion

The Group has been, and continues to expect to be, consistently cash generative. In the longer term the Board continues to target normalised cash conversion of 70% to 85%, as we invest in the balance sheet to support our ongoing organic growth.

	2018	2019	2020	**2021**
Net debt to underlying EBITDA	0.30x	0.54x	0.80x	**(0.87)x**

Calculated in line with the banking agreement.

Maximum adjusted leverage covenant – 3.0x.

The Board has determined that in the current macroeconomic and shareholder environment, it is appropriate to adopt a prudent but flexible capital structure and will seek to operate with gearing of between 1 and 1.5x net debt:EBITDA. Certain circumstances, such as an acquisition, or a more uncertain macroeconomic environment may support a temporary extension of this level.

The Group has various borrowings and available facilities (see section (b) (ii) Liquidity and interest risk) that contain certain external capital requirements ('covenants') that are considered normal for these types of arrangements. As discussed above, we remain comfortably within all such covenants.

The capital structure of the Group is provided below:

	2021 £000	2020 £000
Cash and cash equivalents	**30,265**	28,727
Borrowings (note 21)	**(29,756)**	(58,997)
Net cash/(debt)	**509**	(30,270)
Equity	**(131,804)**	(115,660)
Capital	**(131,295)**	(145,930)

28 Contingent liabilities

Company

The Company has cross guarantees on its UK banking facilities with its three UK subsidiaries. The amount outstanding at the end of the year was £nil (FY2020: £nil).

29 Related parties

Group and Company

Compensation of key management personnel of the Group

Full details of the compensation of key management personnel are given in the Directors' remuneration report on pages 102 to 119.

Transactions with Directors and Directors' close family relatives

During FY2020 a relative of the then Chair provided IT/marketing consultancy services totalling £12,000 on an arm's length basis and with terms similar to other third party suppliers. The outstanding balance at 31 March 2020 was £2,000.

There were no other related party transactions with Directors, or Directors' close family members in the year (FY2020: £nil).

Related party transactions

Details of principal subsidiary undertakings, country of registration and principal activities are included in note 32.

Company related party transactions with subsidiaries – income/expenditure FY2021

	Rent income £000	Income management fees £000	Loan interest receivable £000	Total income £000	Expenditure management fees £000	Loan interest payable £000	Total expense £000
TR Fastenings Ltd	290	330	—	620	197	38	235
Lancaster Fastener Co Ltd	—	24	—	24	—	—	—
Precision Technology Supplies Ltd	—	38	—	38	—	—	—
TR Southern Fasteners Ltd	—	21	—	21	—	—	—
TR Norge AS	—	21	—	21	—	—	—
TR Fastenings AB	—	101	—	101	—	—	—
TR Miller BV	—	79	—	79	—	—	—
TR Hungary Kft	—	81	—	81	—	—	—
TR VIC SPA	—	132	—	132	—	—	—
TR Kuhlmann GmbH	—	61	—	61	—	—	—
TR Fastenings España	—	74	34	108	—	—	—
TR Fastenings Inc	—	112	49	161	—	—	—
TR Asia Investments Pte Ltd	—	165	—	165	—	—	—
Total	290	1,239	83	1,612	197	38	235

Notes to the financial statements continued
for the year ended 31 March 2021

29 Related parties continued
Related party transactions continued
Company related party transactions with subsidiaries – income/expenditure FY2020

	Rent income £000	Income management fees £000	Loan interest receivable £000	Total income £000	Expenditure management fees £000	Loan interest payable £000	Total expense £000
TR Fastenings Ltd	290	332	—	622	647	23	670
Lancaster Fastener Co Ltd	—	30	—	30	—	—	—
Precision Technology Supplies Ltd	—	30	—	30	—	—	—
TR Southern Fasteners Ltd	—	24	—	24	—	—	—
TR Norge AS	—	24	—	24	—	—	—
TR Fastenings AB	—	73	—	73	—	—	—
TR Miller BV	—	88	—	88	—	—	—
TR Hungary Kft	—	103	—	103	—	4	4
TR VIC SPA	—	104	—	104	—	—	—
TR Kuhlmann GmbH	—	76	—	76	—	—	—
TR Fastenings España	—	64	25	89	—	—	—
TR Fastenings Inc	—	82	90	172	—	—	—
TR Asia Investments Pte Ltd	—	752	—	752	—	—	—
Total	290	1,782	115	2,187	647	27	674

	2021		2020	
	Balances receivables £000	**Balances payables £000**	Balances receivables £000	Balances payables £000
TR Fastenings Ltd	**119**	**4,260**	2,812	3,225
Lancaster Fastener Company Ltd	**126**	**—**	104	—
Precision Technology Supplies	**136**	**—**	116	—
TR Southern Fasteners Ltd	**38**	**—**	49	—
TR Norge AS	**97**	**—**	86	—
TR Fastenings AB	**248**	**—**	246	—
TR Miller Holding BV	**15**	**—**	234	—
TR Hungary Kft	**55**	**3**	53	2
TR VIC SPA	**41**	**—**	215	—
TR Kuhlmann GmbH	**41**	**—**	15	—
TR Fastenings España	**3,015**	**—**	2,758	—
TR Fastenings Inc	**3,265**	**—**	3,330	—
TR Asia Investments Holdings Pte Ltd	**873**	**—**	491	—
TR Formac Pte Ltd	**238**	**—**	411	—
TR Formac (Malaysia) SDN Bhd	**—**	**—**	8	—
TR Formac (Shanghai) Pte Ltd	**—**	**—**	3	—
Special Fasteners Engineering Co Ltd	**30**	**—**	149	—
Power Steel & Electro-Plating Works SDN Bhd	**38**	**—**	13	—
TR Fastenings Poland Sp Zoo	**47**	**—**	43	—
Non-trading dormant subsidiaries	**—**	**267**	—	267
Trifast Overseas Holdings Ltd	**38,038**	**—**	37,754	—
Trifast Holdings BV	**—**	**28**	—	53
	46,460	**4,558**	48,890	3,547

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

30 Subsequent events

There are no material adjusting events subsequent to the balance sheet date.

There are no other material non-adjusting events subsequent to the balance sheet date.

31 Accounting estimates and judgements

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

Key judgements

In preparing the financial statements and applying the Group's accounting policies, the key judgement made by management relates to Project Atlas costs meeting the capitalisation criteria under IAS 38 Intangible Assets, allowing directly attributable costs to be capitalised. The judgement includes identifying and quantifying the costs that should be capitalised, which principally relate to the design and build of the IT infrastructure, from the overall Project Atlas spend. In the year, £1.2m (FY2020: £3.1m) (see notes 14 and 15) has been capitalised. The costs expensed in the income statement are disclosed in note 2. Other than Project Atlas, no judgements have been made, other than those involving estimations, that have a significant effect on the amounts recognised in the financial statements.

Sources of estimation uncertainty

The sources of estimation uncertainty that management have identified which may result in a material adjustment to the carrying amount of assets and liabilities in the next financial year are inventory valuation and recoverability of goodwill.

Inventories are stated at the lower of cost and net realisable value with a provision being made for obsolete and slow-moving items. Initially, management makes a judgement on whether an item of inventory should be classified as standard or customer specific. This classification then largely determines when a provision is recognised. Management then estimates the net realisable value of the stock for each individual classification. In most circumstances, a provision is made earlier for customer specific stock (compared to standard) because it generally carries a greater risk of becoming obsolete or slow moving given the fastenings are designed specifically for an individual customer. The amount of write-downs recognised as an expense in the period relating to this estimate is detailed in note 19.

The carrying amount of inventory at year end was £54.8m of which £27.9m related to customer specific stock (FY2020: carrying value £59.2m, customer specific stock £31.4m).

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

The carrying amount of goodwill at year end was £23.1m (FY2020: £23.8m) of which £2.9m (FY2020: £3.0m) relates to VIC. As part of the impairment review testing, no impairment was required in the year for VIC (FY2020: £7.0m), but the recoverability of the remaining goodwill is sensitive to changes in discount rate. The uncertainty in the Italian economy, particularly due to COVID-19, could cause an increase in discount rate which could lead to an additional impairment. For more information, please see note 14.

There are also longer-term risks involved with the recoverability of goodwill which could result in a material adjustment to the carrying amounts of assets and liabilities. These estimates depend upon the outcome of future events and may need to be revised as circumstances change.

32 Trifast plc subsidiaries

	Country of incorporation or registration	Issued and fully paid share capital	Principal activity	Percentage of ordinary shares held		Office address
				Group	Company	
Europe						
Trifast Overseas Holdings Ltd	United Kingdom	£112	Holding Company	100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
Trifast Holdings B.V.	Netherlands	€18,427	Holding Company	100%	—	Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands
TR Fastenings Ltd	United Kingdom	£10,200	Manufacture and distribution of fastenings	100%	—	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
TR Southern Fasteners Limited	Republic of Ireland	€254	Distribution of fastenings	100%	—	Mallow Business & Technology Park, Mallow, Co. Cork, P51 HV12, Republic of Ireland
TR Norge AS	Norway	NOK 300,000	Distribution of fastenings	100%	—	Masteveien 8, NO-1481 Hagan, Norway
TR Miller Holding B.V.	Netherlands	€45,378	Distribution of fastenings	100%	—	Kelvinstraat 5, 7575 AS, Oldenzaal, Netherlands
Lancaster Fastener Company Ltd	United Kingdom	£40,000	Distribution of fastenings	100%	—	Stevant Way, Northgate, White Lund Industrial Estate, Morecambe, LA3 3PU, UK
TR Fastenings AB	Sweden	SEK 1,500,000	Distribution of fastenings	100%	—	Box 4133, Smedjegatan 6, 7tr, SE-131 04 Nacka, Sweden
TR Hungary Kft	Hungary	HUF 68,257,300	Distribution of fastenings	100%	—	Szigetszentmiklós, Leshegy út 8, 2310 Hungary
TR Fastenings Poland Sp. Z o.o	Poland	PLN 50,000	Distribution of fastenings	100%	100%	Al Jerozolimskie 56c, 00-803 Warszawa, Poland
TR VIC SPA	Italy	€187,200	Manufacture and distribution of fastenings	100%	—	Via Industriale, 19, 06022 Fossato Di Vico (PG), Italy
VIC Sp. Z o.o.	Poland	PLN 50,000	Distribution of fastenings	100%	—	Wroclaw, ul Wiosenna 14/2, Poland
TR Kuhlmann GmbH	Germany	€25,000	Distribution of fastenings	100%	—	Lerchenweg 99, 33415 Verl, Germany
Precision Technology Supplies Ltd	United Kingdom	£10,000	Distribution of fastenings	100%	—	The Birches Industrial Estate, Imberhorne Lane, East Grinstead, West Sussex RH19 1XZ, UK
TR Fastenings España – Ingenieria Industrial, S.L.	Spain	€3,085	Distribution of fastenings	100%	—	Calle De La Cilencia 43, Viladecans, Barcelona, CP 08840, Spain

Notes to the financial statements continued
for the year ended 31 March 2021

32 Trifast plc subsidiaries continued

	Country of incorporation or registration	Issued and fully paid share capital	Principal activity	Percentage of ordinary shares held		Office address
				Group	Company	
Asia						
TR Asia Investment Holdings Pte Ltd	Singapore	S$4	Holding Company	100%	—	57 Senoko Road, Singapore 758121
TR Formac Pte Ltd	Singapore	S$315,000	Manufacture and distribution of fastenings	100%	—	57 Senoko Road, Singapore 758121
TR Formac (Malaysia) SDN Bhd (disposed on 4 November 2020)	Malaysia	MYR 480,000	Manufacture and distribution of fastenings	100%	—	1 & 3 Lorong Iks Juru 11, Taman Industri Ringan Juru, 14100 Simpang Ampat, Seberang Perai (S), Pulau Pinang, Malaysia
TR Formac (Shanghai) Pte Ltd	China	US$ 200,000	Distribution of fastenings	100%	—	No. 1222, JinHu Road, Pudong, Shanghai, PR China. 201206
Special Fasteners Engineering Co Ltd	Taiwan	TW$ 100,000,000	Manufacture and distribution of fastenings	100%	—	9F.-3 No. 366, Bo Ai 2nd Rd., Kaohsiung 81358, Taiwan, R.O.C
TR Formac Fastenings Private Ltd	India	INR 18,850,000	Distribution of fastenings	100%	—	Door No:6, 05th Cross Street, Mangala Nagar, Porur, Chennai-600 116, India
Power Steel & Electro-Plating Works SDN Bhd	Malaysia	MYR 4,586,523	Manufacture and distribution of fastenings	100%	—	Jalan Pengapit 15/19, Section 15, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia
TR Formac Co. Ltd	Thailand	THB 20,000,000	Distribution of fastenings	100%	—	28, 3rd Floor Motorway Road, Prawet, Bangkok 10,250, Thailand
Americas						
TR Fastenings Inc	USA	US$ 20,000	Distribution of fastenings	100%	—	10811 Vine Crest Drive, Suite 190, Houston, Texas 77086, USA

	Country of incorporation or registration	Issued and fully paid share capital	Principal activity	Percentage of ordinary shares held		Office address
				Group	Company	
Dormants						
Trifast Systems Ltd	United Kingdom	£100	Dormant	100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
Ivor Green (Exports) Ltd	United Kingdom	£5,000	Dormant	100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
Charles Stringer's Sons & Co.Limited	United Kingdom	£18,000	Dormant	100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
Fastech (Scotland) Ltd	United Kingdom	£100	Dormant	100%	100%	International House, Stanley Boulevard, Hamilton Intnl Technology Park, Blantyre, Glasgow, Scotland, G72 0BN
Micro Screws & Tools Ltd	United Kingdom	£1,000	Dormant	100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
Trifast International Ltd	United Kingdom	£2	Dormant	100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
Rollthread International Ltd	United Kingdom	£10,000	Dormant	100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
TR Group Ltd	United Kingdom	£100	Dormant	100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
Fastener Techniques Ltd	United Kingdom	£73,939	Dormant	100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
Trifast Qualifying Employee Share Ownership Trustee Ltd	United Kingdom	£2	Dormant	100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
Trifix Ltd	United Kingdom	£100	Dormant	100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
Serco Ryan Ltd	United Kingdom	£3,000	Dormant	100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
TR Europe Ltd	United Kingdom	£2,500	Dormant	100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK

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

33 Alternative Performance Measures

The Annual Report includes both GAAP measures and Alternative Performance Measures (APMs), the latter of which are considered by management to better allow the readers of the accounts to understand the underlying performance of the Group. A number of these APMs are used by management to measure the KPIs of the business (see pages 36 to 38 for key performance indicators) and are therefore aligned to the Group's strategic aims. They are also used at Board level to monitor financial performance throughout the year.

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

Underlying measures have been presented after the reclassification of IFRS 2 Share-based Payments including related NI costs on exercise into underlying results, see note 2.

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

These are used predominantly in the financial review and give the readers a better understanding of the performance of the Group, regions and entities from a trading perspective. They have been calculated by translating the FY2021 income statement results (of subsidiaries whose presentational currency is not Sterling) using FY2020 average annual exchange rates to provide a comparison which removes the foreign currency translational impact. The impact of translational gains and losses made on non-functional currency net assets held around the Group have not been removed.

- **Underlying operating margin**

Underlying operating margin is used in the financial review to give the reader a better understanding of the performance of the Group and regions. It is calculated by dividing underlying operating profit by revenue in the year.

- **Underlying diluted EPS**

A key measure for the Group as it is one of the measures used to set the Directors' variable remuneration, as disclosed in the Directors' remuneration report. The calculation has been disclosed in note 26.

- **Return on capital employed (ROCE)**

Return on capital employed is a key metric used by investors to understand how efficient the Group is with its capital employed. The calculation is detailed in the Glossary on page 189. The calculation for capital employed has been changed in FY2021 (and restated for FY2020) to reflect an add-back of gross, rather than net debt. The numerator is underlying EBIT which has been reconciled to operating profit below. Note 2 explains why the separately disclosed items have been removed to aid understanding of the underlying performance of the Group.

	2021 £000	2020 £000
Underlying EBIT/Underlying operating profit	**11,982**	15,752
Separately disclosed items within administrative expenses		
Acquired intangible amortisation	**(1,428)**	(1,409)
Project Atlas	**(1,082)**	(2,505)
Restructuring costs	**(377)**	—
Loss on disposal of TR Formac (Malaysia) SDN Bhd	**(280)**	—
Equity raise costs	**(59)**	—
Impairments in goodwill	**—**	(7,761)
Operating profit	**8,756**	4,077

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

This is another key metric used by investors to understand how effective the Group were at converting profit into cash. The adjustments made to arrive at underlying cash conversion from cash generated from operations are detailed below. To reconcile operating profit to underlying EBITDA, see note 2.

	2021 £000	2020 £000
Underlying cash conversion	**26,021**	22,290
Project Atlas	**(1,082)**	(2,383)
Restructuring costs	**(358)**	—
Deferred consideration	**—**	(503)
Cash generated from operations	**24,581**	19,404

- **Underlying effective tax rate**

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

	2021			2020		
	Profit impact £000	**Tax impact £000**	**ETR %**	Profit impact £000	Tax impact £000	ETR %
Profit before tax	**7,784**	**(1,994)**	**25.6%**	3,042	(3,280)	107.8%
Separately disclosed items	**3,226**	**(640)**	**19.8%**	11,675	(681)	5.8%
Underlying profit before tax	**11,010**	**(2,634)**	**23.9%**	14,717	(3,961)	26.9%

- **Adjusted net cash/(debt) to adjusted Underlying EBITDA (adjusted leverage) ratio**

This removes the impact of IFRS 16 from both net debt and Underlying EBITDA to better reflect the banking facility covenant calculations. Underlying EBITDA is reconciled to operating profit in note 2.

	2021 £000	2020 £000
Net cash/(debt)	**509**	(30,270)
Right-of-use lease liabilities	**12,786**	15,109
Adjusted net cash/(debt)	**13,295**	(15,161)

	2021 £000	2020 £000
Underlying EBITDA	**17,596**	21,188
IFRS 2 share-based payment charge and other related costs	**1,225**	2,337
Operating lease payments	**(3,583)**	(3,505)
Adjusted EBITDA	**15,238**	20,020

- **Adjusted interest cover**

This is adjusted EBITDA to adjusted net interest to better reflect the banking facility covenant calculations, removing the impact of IFRS 16. Underlying EBITDA has IFRS 16 removed above and is reconciled to operating profit in note 2.

	2021 £000	2020 £000
Net interest	**(972)**	(1,035)
Right-of-use liability interest	**313**	365
Adjusted net interest	**(659)**	(670)

The table below details the impact that the presentational change of IFRS 2 Share-based Payments (including related NI costs on exercise) into underlying results has had on our key metrics:

	FY2020 (as previously reported) £000	IFRS 2 impact £000	FY2020 (post IFRS 2) £000	**FY2021 (as reported, post IFRS 2) £000**	**FY2021 (pre IFRS 2) £000**
Underlying EBIT/Underlying operating profit	18,089	(2,337)	15,752	**11,982**	**13,207**
Underlying EBITDA	23,525	(2,337)	21,188	**17,596**	**18,821**
Underlying cash conversion	22,579	(289)	22,290	**26,021**	**26,154**
Underlying profit before tax	17,054	(2,337)	14,717	**11,010**	**12,235**
Underlying ETR (%)	23.1%	380bps	26.9%	**23.9%**	**23.5%**

34 Reconciliation of net cash flow to movement in net cash/(debt)

	2021 £000	2020 £000
Net change in cash and cash equivalents	**3,264**	3,220
Proceeds from new loan	**—**	(45,026)
Repayment of borrowings	**26,656**	41,620
Net decrease/(increase) in right-of-use liabilities	**2,089**	(816)
Payment of finance lease liabilities	**—**	74
Net repayment/(proceeds) from borrowings	**28,745**	(4,148)
Decrease/(increase) in net debt before exchange rate differences	**32,009**	(928)
Movement in prepaid arrangement fees	**(240)**	—
Exchange rate differences	**(990)**	(892)
Decrease/(increase) in net debt	**30,779**	(1,820)
Opening net debt	**(30,270)**	(28,450)
Closing net cash/(debt)	**509**	(30,270)

Net debt is reconciled to the balance sheet as follows:

	2021 £000	2020 £000
Cash and cash equivalents	**30,265**	28,727
Other interest-bearing loans and borrowings	**(16,970)**	(43,888)
Right-of-use liabilities	**(12,786)**	(15,109)
Closing net cash/(debt)	**509**	(30,270)

35 Changes in financial liabilities including both cash flows and non-cash changes

	2021 £000	2020 £000
Group		
Finance liabilities at 1 April	**58,997**	39,356
Opening right-of-use liabilities as 1 April 2020	**—**	14,293
Finance liabilities at 1 April (restated)	**58,997**	53,649
Cash flow changes	**(30,314)**	(155)
Foreign exchange on financial liabilities	**(736)**	1,246
Arrangement fees unwinding	**240**	—
Right-of-use liabilities additions	**1,637**	3,913
Right-of-use liabilities disposals	**(68)**	(21)
Right-of-use liabilities interest	**—**	365
Finance liabilities at 31 March	**29,756**	58,997

	2021 £000	2020 £000
Company		
Finance liabilities at 1 April	**43,647**	35,530
Opening right-of-use liabilities as 1 April 2020	**—**	20
Finance liabilities at 1 April (restated)	**43,647**	35,550
Cash flow changes	**(26,408)**	6,649
Foreign exchange on financial liabilities	**(503)**	1,185
Arrangement fees unwinding	**240**	240
Right-of-use liabilities additions	**55**	23
Finance liabilities at 31 March	**17,031**	43,647

Liabilities arising from financing activities include other interest-bearing loans and borrowings and right-of-use liabilities.

36 Revenue from contracts with customers

In line with IFRS 15 Revenue from Contracts with Customers we have included the disaggregation of external revenue by sector, breaking this down by our geographical operating segments. In FY2021 we changed our sector categories and FY2020 has been re-presented for this, see pages 18 and 19 for further details.

March 2021	UK	Europe	USA	Asia	Total
Light vehicle	7%	12%	3%	5%	27%
Health & Home	3%	14%	—	8%	25%
Distributors	11%	—	—	5%	16%
Energy, Tech & Infrastructure	6%	5%	2%	3%	16%
General industrial	5%	6%	—	1%	12%
Heavy vehicle	2%	1%	—	1%	4%
Revenue from external customers (AER)	**34%**	**38%**	**5%**	**23%**	**100%**

March 2020	UK	Europe	USA	Asia	Total
Light vehicle	9%	12%	4%	5%	30%
Health & Home	2%	12%	—	8%	22%
Distributors	11%	—	—	5%	16%
Energy, Tech & Infrastructure	6%	5%	1%	4%	16%
General industrial	5%	5%	—	1%	11%
Heavy vehicle	3%	2%	—	—	5%
Revenue from external customers (AER)	36%	36%	5%	23%	100%

37 Equity raise – Project Lavender

In June 2020, the Company incorporated a Jersey-registered 'cash box' company. This was used to facilitate the Placing on 19 June 2020 of 12,448,132 ordinary shares of 5p, followed by a broker option on 23 June 2020 of 830,000 ordinary shares of 5p each, together at a Placing price of 1.205p per share. The Placing raised £16.0m and the Company received cash proceeds of £15.4m, net of expenses. The proceeds of the share issue were placed into the 'cash box' company which was then acquired by way of a share exchange in circumstances which qualified for merger relief and so avoided the need to recognise a share premium on the share issue. The net amount booked to share capital and reserves was £15.5m; £0.7m was allocated to nominal share capital and £14.8m was recorded in the merger reserve in equity. Costs of £0.1m were recognised in administrative expenses in separately disclosed items. All shares are fully paid up.

38 Disposal of TR Formac (Malaysia) SDN Bhd

In September 2020, following a strategic review of the Group's businesses around the world, the Board made the decision to dispose of our smallest manufacturing site, TR Formac (Malaysia) SDN Bhd. In contrast to the rest of our production facilities, this business has focused on more standard product manufacture and therefore was no longer considered a good fit with the Group's strategic direction.

On 4 November 2020, the sale to the local Managing Director was completed for proceeds of MYR 1.0m (c.£0.2m). The loss on sale (including the recycling of the relevant foreign exchange reserve) is c.£0.3m and is separately disclosed in the Consolidated income statement.

Glossary of terms

AER
Actual Exchange Rate.

Assets
Anything owned by the Company having a monetary value; e.g. fixed assets such as buildings, plant and machinery, vehicles (these are not assets if rented and not owned) and potentially including intangibles such as trademarks and brand names, and current assets, such as inventory, debtors and cash.

Average capital employed
Averaged using month-end balances and opening capital employed. Capital employed is the sum of net assets and gross debt. This is a change to previous years where net debt has been used; comparative figures have been re-presented for this change.

Balance sheet (or statements of financial position)
These provide a 'snapshot' at a date in time of who owns what in the Company, and what assets and debts represent the value of the Company.

The balance sheet is where to look for information about short-term and long-term debts, gearing (the ratio of debt to equity), reserves, inventory values (materials and finished goods), capital assets, cash, and the value of shareholders' funds. The balance sheet equation is:

Capital + Liabilities (where the money came from)

= Assets (where the money is now)

Book build
Book building is the process by which an underwriter attempts to determine the price at which an initial public offering (IPO) or Placing of equity will be offered.

Broker option
The broker option has been issued to facilitate the participation by existing shareholders of the Company, being shareholders of the Company who hold shares in the Company.

CAGR
Compounded Annual Growth Rate.

Cash flow
The movement of cash in and out of a business from day-to-day direct trading and other non-trading effects, such as capital expenditure, tax and dividend payments.

Category 'C' components
Low value components that are wrapped up into our supply proposition for a customer.

CER
Constant Exchange Rate.

Current assets
Cash and anything that is expected to be converted into cash within 12 months of the balance sheet date. For example, debtors or inventory.

Current liabilities
Money owed by the business that is generally due for payment within 12 months of balance sheet date. For example: creditors, bank overdrafts or tax.

Depreciation
The proportion of cost relating to a capital item, over an agreed period, (based on the useful life of the asset); for example, a piece of equipment costing £10,000 having a life of five years might be depreciated over five years at a cost of £2,000 per year.

This would be shown in the income statement as a depreciation cost of £2,000 per year; the balance sheet would show an asset value of £8,000 at the end of year one, reducing by £2,000 per year; and the cash flow statement would show all £10,000 being used to pay for it in year one.

Dividend
A dividend is a payment made per share, to a company's shareholders and is based on the profits of the year, but not necessarily all the profits. Normally a half-year dividend is recommended by a company board whilst the final dividend for the year is proposed by the board of directors and shareholders consider and vote on this at the Annual General Meeting.

Dividend cover
Underlying diluted earnings per share over proposed dividend per share in the year.

Glossary of terms continued

Earnings before
There are several 'Earnings before....' ratios. The key ones being:

- PBT Profit/earnings before taxes
- EBIT Earnings before interest and taxes
- EBITDA Earnings before interest, taxes, depreciation, and amortisation
- Underlying Profit before separately disclosed items (see note 2)

Earnings relate to operating and non-operating profits (e.g. interest, dividends received from other investments).

GAAP
Generally Accepted Accounting Practice.

Gearing
The ratio of debt to equity, usually the relationship between long-term borrowings and shareholders' funds.

GDPR
The General Data Protection Regulation is a regulation by which the European Parliament, the Council of the European Union, and the European Commission intend to strengthen and unify data protection for all individuals within the European Union. It also addresses the export of personal data outside the EU.

Goodwill
Any surplus money paid to acquire a company that exceeds its net assets fair value.

ICAEW
Institute of Chartered Accountants in England & Wales.

Intellectual property (IP)
This is an intangible asset such as a copyright or patent.

Copyright is the exclusive right to produce copies and to control an original work and is granted by law for a specified number of years.

A patent is a government grant to an inventor, assuring the inventor the sole right to make, use and sell an invention for a limited period.

Legal entity identifier (LEI)
An LEI is a unique identifier for persons that are legal entities or structures including companies, charities and trusts. The obligation for legal entities or structures to obtain an LEI was endorsed by the G20 (the leaders of the 20 largest economies). Further information on LEIs, including answers to frequently asked questions, can be found at https://www.gleif.org/en/about-lei/questions-and-answers

MiFID
MiFID applied in the UK from 2007, and was revised by MiFID II, in January 2018, to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. MiFID II extended the MiFID requirements in a number of areas – new market structure requirements, including:

- New and extended requirements in relation to transparency
- New rules on research and inducements
- New product governance requirements for manufacturers and distributors of MiFID 'products'
- Introduction of a harmonised commodity position limits regime

For more, visit www.fca.org.uk/markets/mifid-ii

Non-pre-emptive rights
This term refers to an issue or sale of any equity securities by a company to which pre-emptive rights do not apply.

OEM
Original equipment manufacturers.

PDMR
This term stands for Persons Discharging Managerial Responsibility. These relate to people who are Board directors or senior management, who have access to price-sensitive information on a regular basis. As a result, if they buy or sell shares at any time this must be declared in a PDMR notice which is released by the Company via the London Stock Exchange News Service (RNS). PDMRs may not deal in the Company's shares in a close period.

P/E ratio (price per earnings)
The P/E ratio is an important indicator as to how the investing market views the health, performance, prospects and investment risk of a plc. The P/E ratio is arrived at by dividing the share price by the underlying diluted earnings per share.

Placing
A placing (called a placement in the USA) is the issue of new securities, which are sold directly to holders, usually institutional investors. Unlike a rights issue, a placing of shares is not an offer to existing shareholders; simply to any suitable buyers who can be found. The advantage of a placing is that it is a cheaper and simpler method of raising funds for the business.

PPE
PPE stands for Personal Protective Equipment and includes items such as masks, helmets, gloves, eye protection and high-visibility clothing and is designed to keep people safe.

Pre-emptive rights
Pre-emptive rights are a clause in an option, security or merger agreement that gives the investor the right to maintain his or her percentage ownership of a company by buying a proportionate number of shares of any future issue of the security.

Profit
The surplus remaining after total costs are deducted from total revenue.

Profit and loss account (P&L) (or income statement)
The P&L shows how well the company has performed in its trading activities and would cover a trading account for a period.

The P&L shows profit performance and typically shows sales revenue, cost of sales/cost of goods sold, generally a gross profit margin, fixed overheads and/or operating expenses, and then a profit before tax figure (PBT).

Reserves
The accumulated and retained difference between profits and losses year-on-year since the company's formation.

Retained profit/earnings
Business profit which is after tax and dividend payments to shareholders; retained by the business and used for reinvestment.

Return on capital employed (ROCE)
A fundamental financial performance measure.
A percentage figure representing earnings before interest and tax against the money that is invested in the business.

Underlying EBIT ÷ average capital employed (net assets + gross debt) × 100 = ROCE.

Using gross debt is a change to previous years where net debt has been used, comparative figures have been re-presented for this change.

Rights issue
A rights issue is the term for when a company offers more of its ordinary shares to current shareholders, usually to raise extra capital for the business.

Share capital
The balance sheet nominal value paid into the company by shareholders at the time(s) shares were issued.

Shareholders' funds
A measure of the shareholders' total interest in the company, represented by the total share capital plus reserves.

Statements of cash flow
The statements of cash flows show the movement and availability of cash through and to the business over a given period. For any business 'cash is king' and essential to meet payments, for example to suppliers, staff and other creditors.

Stock code
A stock code is used to find a listing on the regulatory market such as the London Stock Exchange. Trifast's stock code is TRI.

Third party logistics (3PL)
3PL in logistics and supply chain management is an organisation's use of third-party businesses to outsource elements of its distribution, warehousing and fulfilment services.

Tier 1
A subcontractor to the OEM.

Trademark
The name or a symbol used by a manufacturer or dealer to distinguish its products from those of competitors. A registered trademark is one that is officially registered and legally protected.

Working capital
Current assets less current liabilities, representing the required investment, continually circulating, to finance inventory, debtors and work in progress.

Five year history

	Not restated for IFRS 2						
	2017	2018	2019	2019 restated[3]	2020	2020 restated[3]	**2021[3]**
Revenue	£186.5m	£197.6m	£209.0m	£209.0m	£200.2m	£200.2m	**£188.2m**
GP margin[2]	31.1%	30.5%	30.0%	30.0%	27.5%	27.5%	**26.5%**
Underlying operating profit[1,2]	£21.0m	£22.7m	£24.2m	£21.6m	£18.1m	£15.8m	**£12.0m**
Underlying operating profit margin[1,2]	11.3%	11.5%	11.6%	10.4%	9.0%	7.9%	**6.4%**
Operating profit[2]	£17.9m	£19.0m	£17.1m	£17.1m	£4.1m	£4.1m	**£8.8m**
Operating profit margin[2]	9.6%	9.6%	8.2%	8.2%	2.0%	2.0%	**4.7%**
Underlying EBITDA[1,2]	£22.9m	£24.7m	£26.4m	£23.9m	£23.5m	£21.2m	**£17.6m**
Underlying PBT[1,2]	£20.5m	£22.2m	£23.5m	£21.0m	£17.1m	£14.7m	**£11.0m**
PBT[2]	£17.3m	£18.5m	£16.4m	£16.4m	£3.0m	£3.0m	**£7.8m**
ROCE %[1,2,4]	19.9%	20.1%	18.8%	13.9%	12.0%	8.8%	**6.8%**
Total dividend per share	3.50p	3.85p	4.25p	4.25p	1.20p	1.20p	**1.60p**
Dividend increase %	25.0%	10.0%	10.4%	10.4%	(71.8)%	(71.8)%	**33.3%**
Dividend cover	3.7x	3.6x	3.4x	3.0x	8.8x	7.2x	**3.9x**
Underlying diluted EPS[1,2]	12.82p	13.78p	14.53p	12.79p	10.54p	8.64p	**6.24p**
Diluted EPS[2]	10.40p	12.20p	9.90p	9.90p	(0.19)p	(0.19)p	**4.31p**
Adjusted net debt/(cash)[5]	£6.4m	£7.4m	£14.2m	£14.2m	£15.2m	£15.2m	**£(13.3)m**
Cash conversion % of underlying EBITDA[1,2]	97.3%	68.1%	64.9%	71.4%	95.9%	105.1%	**147.9%**
Share price at 31 March	211p	255p	193p	193p	95p	95p	**150p**

1. Before separately disclosed items, see note 2
2. Presented after adoption of IFRS 16 Leases from FY2020
3. Presented after the reclassification of IFRS 2 Share-based Payments into underlying results. For EPS the impact has been a reduction of 0.73p from 6.97p (FY2020: 1.90p from 10.54p). For ROCE a reduction of 90bps from 9.6% (FY2020: 150bps from 12.0%)
4. The calculation for ROCE has also been changed in FY2021 (and restated above for FY2019 and FY2020) to reflect an add back of gross, rather than net debt, see glossary on page 189 for further details. The impact of this change is a 190bps reduction from 8.7% in FY2021 (FY2020: 170bps reduction from 10.5%)
5. Adjusted net debt/(cash) is excluding the impact of IFRS 16 Leases

Company and advisers

Company
Trifast plc
Incorporated in the United Kingdom
Registered number: 01919797

LSE Premium Listing
Ticker: TRI

LEI REFERENCE: 213800WFIVE6RWK3CR22

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Trifast House
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Committee memberships as at 1 April 2021
Audit Committee
Neil Warner (Chair)[1]
Clive Watson (Chair)[2]
Scott Mac Meekin
Claire Balmforth

Remuneration Committee
Claire Balmforth (Chair)
Neil Warner[1]
Scott Mac Meekin
Clive Watson[2]

Nomination Committee
Jonathan Shearman (Chair)
Neil Warner[1]
Scott Mac Meekin
Claire Balmforth
Clive Watson[2]

Company Secretary
Lyndsey Case

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The Pavilions, Bridgwater Road
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Financial PR
TooleyStreet Communications Limited
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1. Retired 31 July 2020
2. Appointed 30 July 2020

Financial calendar

AGM	12 noon, Wednesday 28 July 2021
Half-yearly results	November 2021
Trading update	February 2022
Financial year end	31 March 2022
Pre-close trading update	April 2022
Preliminary results	June 2022

Details of the Company's up-to-date financial reporting calendar can be found on our website at www.trifast.com/investors/financial-calendar/

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