KPMG

Independent auditor's report

to the members of Trifast plc only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Trifast plc for the year ended 31 March 2017 set out on pages 95 to 139. 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 2017 and of the group's profit for the year then ended;

— the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);

— the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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.

Overview		
Materiality: group financial statements as a whole	£0.89m (2016: £0.7m) 5% (2016: 5%) of normalised profit before tax	
Coverage	100% (2016: 92%) of group profit before tax	
Risks of material misstatement		**vs 2016**
Recurring risks	Carrying amount of inventory	◄►
	Recoverability of goodwill	◄►

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows (unchanged from 2016):

<table>
<tr><th></th><th>The risk</th><th>Our response</th></tr>
<tr><td>Carrying amount of inventory
(£41.9 million; 2016: £39.4m)

Refer to page 67 (Audit Committee Report), page 104 (accounting policy) and page 119 (financial disclosures).</td><td>A proportion of the group’s inventory is manufactured to meet specific customer requirements. There is a risk over the recoverability of these balances if a customer experiences financial stress or there is a demand issue with a customer’s product that includes a part manufactured by Trifast. Our audit focused on this customer-specific inventory.</td><td>Our procedures included:
Tests of details:
— we assessed whether old and slow moving inventory is provided against in accordance with the group accounting policy and in compliance with accounting standards. We considered the estimation method applied through historical trend analysis;
— we analysed customer-specific inventory balances by age and challenged the group's assumptions of the expected usage based on our knowledge and experience of the industry in which the customer operates;
— we inspected a sample of service level agreements to compare customers' minimum purchase commitments to year-end inventory levels and considered any residual risk of recoverability; and
Assessing transparency:
— we considered the adequacy of the group's disclosures about the degree of estimation involved in arriving at the inventory provision.</td></tr>
<tr><td>Recoverability of goodwill
(£29.3 million; 2016: £27.4m)

Refer to page 67 (Audit Committee Report), page 103 (accounting policy) and pages 114 to 116 (financial disclosures).</td><td>Volatility in certain of the group’s markets has meant that recoverability of individual elements of the group’s goodwill presented a risk.

In addition as assessment of recoverability is dependent on inherently uncertain forecasting it was a key judgemental area that our audit concentrated on.

In particular the recoverability of goodwill at one component (PSEP) was more sensitive to changes in forecast assumptions than other components, has the lowest value of headroom in management’s base case projections and demonstrated lower headroom compared to the prior year.</td><td>Our procedures included:
Control design:
— we tested the group's budgeting procedures upon which the forecasts are based and the principles and integrity of the group's discounted cash flow model;
Benchmarking assumptions:
— we compared the group's assumptions to externally derived data as well as our own assessments based on our knowledge of the client and experience of the industry in which it operates. Specifically we compared their assumptions such as projected revenue growth, profitability and discount rates, to industry norms, components’ historical performance and external data sources;
Sensitivity analysis:
— we performed sensitivity analyses for these key inputs and assumptions, and identified whether any cash generating units were particularly sensitive to impairment; and
Assessing transparency:
— we assessed whether the group's disclosures related to the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.</td></tr>
</table>

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £0.89 million (2016: £0.7 million), determined with reference to a benchmark of group profit before tax, normalised to exclude costs of exercise of executive share options, of £17.9 million of which it represents 5%, (2016 £14.2 million, determined with reference to group profit before tax normalised to exclude that year's accelerated share based payment and acquisition costs, of which it represents 5%).

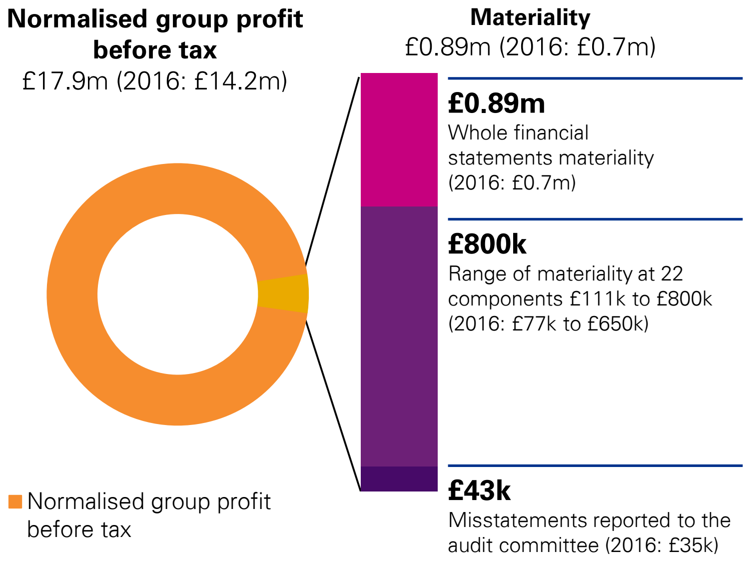
We report to the audit committee any corrected or uncorrected misstatements exceeding £43,000 (2016: £35,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

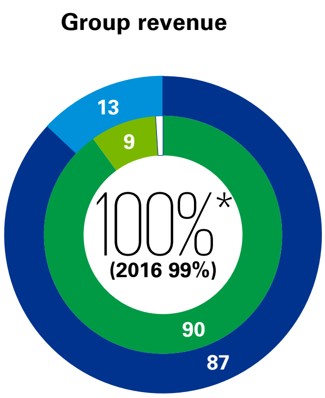
Of the group's 22 (2016: 21) reporting components, we subjected 10 (2016: 11) to audits for group reporting purposes. We conducted reviews of financial information (including enquiry) at a further 8 (2016: 7) non-significant components. These components were not individually significant enough to require an audit for group reporting purposes but a review was performed due to the size and risk profile of these components.

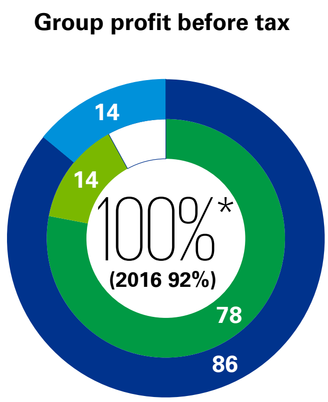
The components within the scope of our work accounted for the percentages illustrated opposite.

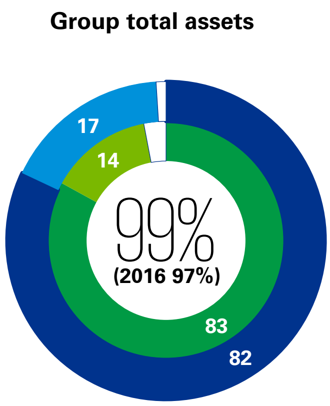
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £111,000 to £800,000 (2016: £77,000 to £650,000), having regard to the mix of size and risk profile of the Group across the components. The work on 8 of the 18 reporting components subject to audit or review (2016: 8 of the 18 reporting components subject to audit or review) was performed by component auditors and the rest by the Group team. The group team performed procedures on the items excluded from normalised group profit before tax.

The Group team visited 1 (2016: 1) component location in Italy (2016: Singapore). Telephone conference meetings were also held with that component auditor and others that were not physically visited. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.









Full scope for group audit purposes 2017
Specified risk-focused audit procedures 2017
Full scope for group audit purposes 2016
Specified risk-focused audit procedures 2016
Residual components
* Rounded to nearest whole percent

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' viability statement on page 50, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the three years to 31 March 2020; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that 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 group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required 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.

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 65, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 64 to 65 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 87, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Mark Sheppard (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
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12 June 2017