NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

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 147.

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. The profit after tax for the Company is £4.8m (2016: £11.07m).

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 Financial Reporting Standards as adopted by the EU ('Adopted IFRSs') 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.

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 are 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 Business review on pages 32 to 41. Detailed information regarding the Group's current facility levels, liquidity, credit, interest and foreign exchange risk are provided in note 26.

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 our 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.

1 Accounting policies (continued)

d) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the 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 directly in a separate component of equity, the translation reserve. 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% on a straight-line basis
Plant and machinery	—	10–20% per annum on a straight-line basis
Fixtures, fittings and office equipment	—	10–25% per annum on a straight-line basis

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

iii) Leased assets

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

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described in accounting policy (o).

1 **Accounting policies (continued)**

iv) Subsequent costs

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

g) Intangible assets

i) 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 IFRS1 and IFRS3, 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

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 profit or loss as an expense as incurred.

iii) Subsequent expenditure

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

iv) Amortisation

Amortisation is charged to the consolidated income statement 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%
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)).

1 Accounting policies (continued)

ii) Trade and other receivables

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

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

v) Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequently they are measured at amortised cost.

i) Inventories

Inventories are stated at the lower of cost and net realisable value with provision being made for obsolete and slow moving items.
In determining the cost of raw materials, 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. If any such indication exists, the asset's recoverable amount is estimated.

Financial assets are considered to be impaired if objective evidence indicates that one or more events has had a negative effect on the estimated future cash flows of that asset.

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the 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.

1 Accounting policies (continued)

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 significant risks and rewards of ownership have been transferred to the buyer. In accordance with normal practice, this will be on dispatch of goods or at the point of customer acceptance where appropriate.

o) Expenses

i) Operating 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.

1 Accounting policies (continued)

ii) Finance lease payments

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 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.

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.

q) Operating segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular geographical economic environment whose operating results are reviewed regularly by the Group's Chief Operating Decision Maker (the Board) in order to allocate resources and 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.

1 Accounting policies (continued)

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) Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 Financial Instruments (effective date 1 January 2018)

- IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018)

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. This means that it will be effective for the year ending 31 March 2019 for *Trifast*. The Group is currently performing an assessment of the potential impact of the adoption but do not anticipate it being material.

- IFRS 16 Leases (effective date 1 January 2019)

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. This will be effective for *Trifast* in the year ending 31 March 2020. The Group plans to perform an assessment of the impact of IFRS 16 on the financial statements during the current financial year. Given the value of the Group's operating lease commitments, it is expected it will have a material impact on the values of gross assets and gross liabilities recognised in the financial statements.

2 Underlying profit before tax and separately disclosed items

	Note	**2017 £000**	2016 £000
Underlying profit before tax		**20,497**	16,002
Separately disclosed items within administrative expenses			
IFRS2 share based payment charge	22	**(1,512)**	(1,687)
Acquired intangible amortisation	12	**(1,273)**	(974)
Net acquisition costs	32	**—**	(264)
Profit on sale of fixed assets		**195**	—
Costs on exercise of executive share options		**(567)**	—
Profit before tax		**17,340**	13,077

	Note	**2017 £000**	2016 £000
Underlying EBITDA		**22,868**	18,150
Separately disclosed items within administrative expenses			
IFRS2 share based payment charge	22	**(1,512)**	(1,687)
Net acquisition costs	32	**—**	(264)
Profit on sale of fixed assets		**195**	—
Costs on exercise of executive share options		**(567)**	—
EBITDA		**20,984**	16,199
Acquired intangible amortisation		**(1,273)**	(974)
Depreciation and non-acquired amortisation		**(1,850)**	(1,357)
Operating profit		**17,861**	13,868

There were no separately disclosed items in 2017 (2016: £nil) other than the amounts detailed above.

During the period the IFRS2 charge decreased slightly due to the acceleration in the prior year of the 2014, 2015 and 2016 Deferred Equity Bonus charges for retiring Directors, offset by a charge for the 2017 Deferred Equity Bonus scheme for Directors and the addition of a new Deferred Bonus Award scheme for senior managers. £1.1m (2016: £1.6m) relates to the Deferred Equity Bonus scheme for Directors of which £0.1m (2016: £0.8m) relates to retiring Directors. £0.3m (2016: £nil) represents the charge for the Deferred Bonus Award scheme for senior managers. The remaining £0.1m (2016: £0.1m) relates to the SAYE scheme.

The increase in the acquired intangible amortisation charge is primarily due to the acquisition of Kuhlmann in the prior year now having a full year effect.

During the year the remaining 2m options granted under the 2009 executive share option scheme were exercised. The Company incurred £0.6m of employer's National Insurance in relation to these exercises and the acceleration of the 2014, 2015 and 2016 Deferred Equity Bonus awards.

Obsolete plant and machinery was sold in our Italian manufacturing company Viteria Italia Centrale. The profit recorded on this sale was £0.2m.

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 34.

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 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 and India

In presenting information on the basis of geographical operating segments, segment revenue and segment assets are based on the geographical location of our entities across the world, and are consolidated into the four distinct geographical regions, which the Board use to monitor and assess the Group.

March 2017	UK £000	Europe £000	USA £000	Asia £000	Common costs £000	Total £000
Revenue						
Revenue from external customers	**66,825**	**67,231**	**5,900**	**46,556**	—	**186,512**
Inter segment revenue	**2,443**	**613**	**123**	**7,262**	—	**10,441**
Total revenue	**69,268**	**67,844**	**6,023**	**53,818**	—	**196,953**
Underlying operating result	**6,538**	**9,818**	**334**	**8,005**	**(3,677)**	**21,018**
Net financing costs	**(145)**	**(73)**	—	**20**	**(323)**	**(521)**
Underlying segment result	**6,393**	**9,745**	**334**	**8,025**	**(4,000)**	**20,497**
Separately disclosed items (see note 2)						**(3,157)**
Profit before tax						**17,340**
Specific disclosure items						
Depreciation and amortisation	**423**	**1,626**	**25**	**973**	**76**	**3,123**
Assets and liabilities						
Segment assets	**40,348**	**68,289**	**3,742**	**58,876**	**5,975**	**177,230**
Segment liabilities	**(19,535)**	**(13,689)**	**(294)**	**(11,581)**	**(30,433)**	**(75,532)**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

3 Operating segmental analysis (continued)

March 2016	UK^ £000	Europe £000	USA £000	Asia* £000	Common costs ^ £000	Total £000
Revenue						
Revenue from external customers	64,156	54,030	4,602	38,582	—	161,370
Inter segment revenue	2,057	341	97	6,276	—	8,771
Total revenue	66,213	54,371	4,699	44,858	—	170,141
Underlying operating result	6,172	6,880	401	6,730	(3,390)	16,793
Net financing costs	(278)	(107)	(2)	(29)	(375)	(791)
Underlying segment result	5,894	6,773	399	6,701	(3,765)	16,002
Separately disclosed items (see note 2)						(2,925)
Profit before tax						13,077
Specific disclosure items						
Depreciation and amortisation	231	1,181	22	833	64	2,331
Assets and liabilities						
Segment assets	36,525	63,568	3,164	50,295	4,481	158,033
Segment liabilities	(15,792)	(14,952)	(385)	(9,679)	(33,475)	(74,283)

^ Including the offset of the UK overdrafts from Common costs, as allowable under financing agreements with HSBC

*Historically this was stated after eliminating revenue between Asian entities. However management believe it is more appropriate to include this in the inter segment revenue number above and therefore this has been restated to £6.3m from £5.8m. In FY2017 the equivalent adjustment was £0.3m

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 £11.3m (2016: £10.4m) was sold into the European market. Of the Asian external revenue, £4.6m (2016: £3.9m) was sold into the American market and £5.5m (2016: £5.9m) sold into the European market.

Revenue is derived solely from the manufacture and logistical supply of industrial fasteners and category 'C' components.

4 Other operating income

	2017 £000	2016 £000
Rental income received from freehold properties	**152**	139
Other income	**243**	178
	395	317

5 Expenses and auditor's remuneration
Included in profit for the year are the following:

	Note	**2017 £000**	2016 £000
Depreciation and non-acquired amortisation	10,12	**1,850**	1,357
Amortisation of acquired intangibles	12	**1,273**	974
Operating lease expense	27	**2,529**	2,507
Net foreign exchange gain		**(46)**	(661)
(Gain)/loss on disposal of fixed assets		**(184)**	15

Auditor's remuneration:

	2017 £000	2016 £000
Audit of these financial statements	**38**	41
Audit of financial statements of subsidiaries pursuant to legislation	**222**	208
Taxation compliance services	**15**	15
Other assurance services	**28**	27
Other services relating to transaction services	—	60

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 Number of employees 2017	2016
Office and management	**107**	109
Manufacturing	**318**	307
Sales	**182**	180
Distribution	**597**	589
	1,204	1,185

The aggregate payroll costs of these people were as follows:

	Group 2017 £000	2016 £000
Wages and salaries (including bonus)	**30,873**	27,514
Share based payments	**1,512**	1,687
Social security costs	**2,811**	2,400
Contributions to defined contribution plans (see note 22)	**1,795**	1,613
	36,991	33,214

7 Directors' emoluments

	2017 £000	2016 £000
Directors' emoluments	**2,337**	1,779
Deferred equity (face value)	**1,050**	1,020
Company contributions to money purchase pension plans	**107**	139
Pension cash payments	**46**	—
	3,540	2,938

The emoluments of individual Directors are shown in the Remuneration Report on pages 70 to 86.

The aggregate of emoluments of the highest paid Director was £0.81m (2016: £0.62m), which included deferred equity (at face value) of £0.25m (2016: £0.23m), Company pension contributions of £0.03m (2016: £0.05m) made to a money purchase scheme on his behalf and pension cash payments of £0.02m (2016: £nil). During the year, the highest paid Director exercised 18,000 SAYE share options (2016: nil).

The annual IFRS2 charge relating to Board deferred equity bonuses given in 2014, 2015, 2016 and 2017 was £1.13m (2016: £1.22m). The highest paid Director's element of this charge was £0.23m (2016: £0.27m).

	Number of Directors 2017	2016
Retirement benefits are accruing to the following number of Directors under money purchase schemes	**4**	4
The number of Directors who exercised share options was	**2**	—

See pages 70 to 86 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

	2017 £000	2016 £000
Financial income		
Interest income on financial assets	**60**	60
Financial expenses		
Interest payable on bank loans and hire purchase liabilities	**581**	851

9 Taxation

Recognised in the income statement	2017 £000	2016 £000
Current UK tax expense:		
Current year	**520**	554
Adjustments for prior years	**(8)**	210
	512	764
Current foreign tax expense:		
Current year	**4,756**	3,052
Adjustments for prior years	**(138)**	19
	4,618	3,071
Total current tax	**5,130**	3,835
Deferred tax expense (note 15):		
Origination and reversal of temporary differences	**(454)**	(196)
Adjustments for prior years	**(34)**	(787)
Deferred tax income	**(488)**	(983)
Tax in income statement	**4,642**	2,852

Tax recognised directly in equity	2017 £000	2016 £000
Current tax recognised directly in equity — IFRS2 share based tax credit	**(522)**	(70)
Deferred tax recognised directly in equity — IFRS2 share based tax charge/(credit)	**130**	(90)
Total tax recognised in equity	**(392)**	(160)

Reconciliation of effective tax rate ('ETR') and tax expense	2017 £000	ETR %	2016 £000	ETR %
Profit for the period	**12,698**		10,225	
Tax from continuing operations	**4,642**		2,852	
Profit before tax	**17,340**		13,077	
Tax using the UK corporation tax rate of 20% (2016: 20%)	**3,468**	**20**	2,615	20
Tax suffered on dividends	**264**	**2**	133	2
Retention tax	**102**	**1**	71	–
Non-deductible expenses	**190**	**1**	223	2
Tax incentives	**(274)**	**(2)**	(123)	(1)
IFRS2 share option (credit)/charge	**(1)**	—	112	1
Deferred tax assets not recognised	**511**	**3**	72	–
Different tax rates on overseas earnings	**540**	**3**	256	2
Adjustments in respect of prior years	**(180)**	**(1)**	(558)	(4)
Tax rate change	**22**	—	51	—
Total tax in income statement	**4,642**	**27**	2,852	22

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. Deferred tax has been calculated based on these enacted rates.

At a consolidated level there is a provision for £1.2m (2016: £1.2m) relating to open enquiries with a tax authority. Negotiations with the tax authority are ongoing and the Group expects to settle the liability within a year. The Group has consulted with an external tax advisor to determine an appropriate amount to recognise on the balance sheet. The amount recognised is an estimate and therefore the final outcome could vary to what is provided in the financial statements. There has been no movements in the provision during the year. The amount recognised in the Company financial statements is £nil (2016: £nil).

10 Property, plant and equipment — Group

	Land and buildings £000	Leasehold improvements £000	Plant and equipment £000	Fixtures & fittings £000	Motor vehicles £000	Total £000
Cost						
Balance at 1 April 2015	15,620	888	23,665	4,857	556	45,586
Additions	93	31	1,676	480	36	2,316
Acquisitions	30	—	—	233	22	285
Disposals	—	(7)	(116)	(286)	(31)	(440)
Effect of movements in foreign exchange	527	21	935	71	30	1,584
Balance at 31 March 2016	16,270	933	26,160	5,355	613	49,331
Balance at 1 April 2016	16,270	933	26,160	5,355	613	49,331
Additions	319	30	2,174	349	31	2,903
Disposals	—	(103)	(792)	(490)	(80)	(1,465)
Effect of movements in foreign exchange	911	54	1,955	194	54	3,168
Balance at 31 March 2017	**17,500**	**914**	**29,497**	**5,408**	**618**	**53,937**
Depreciation and impairment						
Balance at 1 April 2015	4,197	629	20,687	3,994	456	29,963
Depreciation charge for the year	223	66	755	269	44	1,357
Acquisitions	3	—	—	94	16	113
Disposals	—	(7)	(107)	(267)	(28)	(409)
Effect of movements in foreign exchange	230	15	809	56	26	1,136
Balance at 31 March 2016	4,653	703	22,144	4,146	514	32,160
Balance at 1 April 2016	4,653	703	22,144	4,146	514	32,160
Depreciation charge for the year	262	65	947	500	47	1,821
Disposals	—	(103)	(786)	(482)	(80)	(1,451)
Effect of movements in foreign exchange	308	44	1,607	146	44	2,149
Balance at 31 March 2017	**5,223**	**709**	**23,912**	**4,310**	**525**	**34,679**
Net book value						
At 1 April 2015	11,423	259	2,978	863	100	15,623
At 31 March 2016	11,617	230	4,016	1,209	99	17,171
At 31 March 2017	**12,277**	**205**	**5,585**	**1,098**	**93**	**19,258**

Included in the net book value of land and buildings is £10.85m (2016: £10.30m) of freehold land and buildings, and £1.43m (2016: £1.32m) of long leasehold land and buildings.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2017

11 Property, plant and equipment — Company

	Land and buildings £000	Fixtures & fittings £000	Total £000
Cost			
Balance at 1 April 2015	3,563	569	4,132
Additions	—	2	2
Balance at 31 March 2016	3,563	571	4,134
Balance at 1 April 2016	3,563	571	4,134
Additions	288	—	288
Balance at 31 March 2017	**3,851**	**571**	**4,422**
Depreciation and impairment			
Balance at 1 April 2015	1,155	553	1,708
Depreciation charge for the year	61	3	64
Balance at 31 March 2016	1,216	556	1,772
Balance at 1 April 2016	1,216	556	1,772
Depreciation charge for the year	74	2	76
Balance at 31 March 2017	**1,290**	**558**	**1,848**
Net book value			
At 1 April 2015	2,408	16	2,424
At 31 March 2016	2,347	15	2,362
At 31 March 2017	**2,561**	**13**	**2,574**

Included in the net book value of land and buildings is £2.56m (2016: £2.35m) of freehold land and buildings. This is provided as security over the property loan. See note 26 for further details.

12 Intangible assets — Group

	Goodwill £000	Other £000	Total £000
Cost			
Balance at 1 April 2015	38,678	10,148	48,826
Acquisitions	1,187	3,651	4,838
Additions	—	23	23
Disposals	—	(742)	(742)
Effect of movements in foreign exchange	1,597	1,214	2,811
Balance at 31 March 2016	41,462	14,294	55,756
Balance at 1 April 2016	41,462	14,294	55,756
Additions	—	45	45
Effect of movements in foreign exchange	2,298	945	3,243
Balance at 31 March 2017	**43,760**	**15,284**	**59,044**
Amortisation and impairment			
Balance at 1 April 2015	13,835	2,829	16,664
Amortisation for the year	—	974	974
Disposals	—	(742)	(742)
Effect of movements in foreign exchange	190	411	601
Balance at 31 March 2016	14,025	3,472	17,497
Balance at 1 April 2016	14,025	3,472	17,497
Amortisation for the year	—	1,302	1,302
Disposals	—	—	—
Effect of movements in foreign exchange	414	149	563
Balance at 31 March 2017	**14,439**	**4,923**	**19,362**
Net book value			
At 1 April 2015	24,843	7,319	32,162
At 31 March 2016	27,437	10,822	38,259
At 31 March 2017	**29,321**	**10,361**	**39,682**

The amortisation charge is recognised in administrative expenses in the income statement. Of the £1.30m charge in the year, £1.27m relates to amortisation on acquired intangibles.

12 Intangible assets — Group (continued)

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 6.75 years
- 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 10.72 years (maximum 12.17 years).
- Customer relationships and order backlog acquired as part of the acquisition of Kuhlmann. The average remaining amortisation period on these assets is 8.50 years.

There were £nil impairments made during 2017 (2016: £nil).

The following cash generating units have carrying amounts of goodwill:

	2017 £000	2016 £000
Special Fasteners Engineering Co. Ltd (Taiwan)	**10,834**	9,780
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
Power Steel and Electro-Plating Works SDN Bhd (PSEP) (Malaysia)	**763**	753
Viterie Italia Centrale (VIC) (Italy)	**9,731**	9,020
TR Kuhlmann GmbH (Germany)	**1,498**	1,389
Other	**104**	104
	29,321	27,437

The £1.05m, £0.71m, £0.11m and £0.01m increases in the goodwill of SFE, VIC, Kuhlmann and PSEP respectively refer to foreign exchange gains as these investments are held in Singapore Dollars, Euros and Malaysian Ringits.

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), Viterie Italia Centrale (Italy) and Serco Ryan Ltd (within *TR* Fastenings Ltd) (UK) have been calculated with reference to the key assumptions shown below:

	SFE		**VIC**		**Serco**	
	2017	2016	**2017**	2016	**2017**	2016
Long term revenue growth rate	**2.0%**	2.0%	**2.0%**	2.0%	**2.0%**	2.0%
Discount rate — post-tax	**8.2%**	8.8%	**8.9%**	9.6%	**6.8%**	8.2%
Discount rate — pre-tax	**9.9%**	10.6%	**12.4%**	13.9%	**8.5%**	10.2%
Terminal EBIT margin	**16.0%**	16.0%	**17.4%**	20.0%	**11.0%**	9.0%

The downward movement in the terminal EBIT margin for VIC has resulted largely from a revised assumption in the long term €:$ rate. This reflects more recent trends continuing for the longer term.

Long term revenue growth rate

Four year management plans are used for the Group's value in use calculations. 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.

12 Intangible assets — Group (continued)

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 a forward-looking equity market risk premium that takes into consideration studies by independent economists, the average equity market risk premium over the past ten 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. 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 IAS36.

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.

Sensitivity to changes in assumptions

The impairment test carried out on PSEP assumes a compound annual sales growth rate over the four year period cash flows are projected of 5.2%, reducing to 2.0% for the terminal year. The basis for this sales growth is a combination of new contracts that PSEP has won and additional new business that is expected to follow from fulfilling these initial contracts and further extending relationships with these multinational OEM customers.

Using the assumptions above for sales growth, a terminal EBIT margin of 12.3% and a post-tax discount rate of 10.2% (pre-tax discount rate 13.5%) the recoverable amount of the CGU was estimated to be higher than its carrying amount by £1.0m.

Whilst the year to 31 March 2017 has been very encouraging for PSEP, with sales growth of 6.2%, showing the outlook is improving as a result of the proactive actions the Group are taking, it is possible the estimated start of production dates for the newly awarded sales contracts could be delayed or the new follow on business might come through at lower levels than predicted. If the growth rates were to reduce to 1.5% over the four year period management projects cash flows and also in the terminal year, i.e assuming that growth falls below expected regional GDP forecasts (4.4% per the Economist Intelligence Unit), with terminal EBIT margin and discount rates remaining the same as the above, this would lead to a small impairment of c.£0.3m.

In order for the unit's recoverable amount to equal its carrying amount, in absence of any other changes, the sales growth rate would have to fall to c.2.0%.

The calculation is also sensitive to budgeted EBIT margins with a break even point of c.11.0%, but as an established business with a good track record of consistent margin achievement and strong cost control, despite recent trading level fluctuations, management consider the major sensitivity to be the timing of the revenue growth.

Excluding PSEP, management believe that no reasonably possible change in any of the key assumptions would cause the carrying value of any other cash generating unit to exceed its recoverable amount.

13 Intangible assets — Company

	Other £000
Cost	
Balance at 1 April 2015, 31 March 2016 and 31 March 2017	62
Amortisation and impairment	
Balance at 1 April 2015, 31 March 2016 and 31 March 2017	62
Net book value	
At 1 April 2015, 31 March 2016 and 31 March 2017	—

14 Equity investments — Company

Investments in subsidiaries

	£000
Cost	
Balance at 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	42,585
Provision	
Balance at 1 April 2015	7,885
Reversal of provision	(6,740)
Balance at 31 March 2016 and 31 March 2017	**1,145**
Net book value	
At 1 April 2015	34,700
At 31 March 2016	41,440
At 31 March 2017	**41,440**

Details of principal subsidiary and associate undertakings, country of registration and principal activity are included in note 33.

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.

The reversal of the provision in prior year relates to *TR* Fastenings Inc. An impairment review was conducted using the value in use methodology and this determined that the asset is now fully recoverable.

In FY2017 the Company's investment in it's fully owned subsidiary *TR* Fastenings Inc was sold at cost to *Trifast* Overseas Holdings Ltd in a share for share exchange. This led to no change in the net book value of the equity investments held by the company.

15 Deferred tax assets and liabilities — Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 £000	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000
Property, plant and equipment	**(81)**	(70)	**1,697**	1,743	**1,616**	1,673
Intangible assets	**(115)**	(53)	**2,191**	2,240	**2,076**	2,187
Inventories	**(774)**	(737)	**—**	—	**(774)**	(737)
Provisions/accruals	**(537)**	(327)	**188**	159	**(349)**	(168)
IFRS2 Share based payments	**(835)**	(903)	**—**	—	**(835)**	(903)
Tax losses	**(457)**	(539)	**—**	—	**(457)**	(539)
Tax (assets)/liabilities	**(2,799)**	(2,629)	**4,076**	4,142	**1,277**	1,513
Tax set-off	**440**	464	**(440)**	(464)	**—**	—
Net tax (assets)/liabilities	**(2,359)**	(2,165)	**3,636**	3,678	**1,277**	1,513

A potential £2.10m (2016: £1.62m) 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 2016 £000	Recognised in income £000	Recognised in equity^ £000	**31 March 2017 £000**
Property, plant and equipment	1,673	(135)	78	**1,616**
Intangible assets	2,187	(270)	159	**2,076**
Inventories	(737)	15	(52)	**(774)**
Provisions/accruals	(168)	(188)	7	**(349)**
IFRS2 Share based payments	(903)	(62)	130	**(835)**
Tax losses	(539)	152	(70)	**(457)**
	1,513	(488)	252	**1,277**

Movement in deferred tax during the prior year

	1 April 2015 £000	Recognised in income £000	Recognised in equity^ £000	31 March 2016 £000
Property, plant and equipment	1,522	92	59	1,673
Intangible assets	2,274	(259)	172	2,187
Inventories	(571)	(155)	(11)	(737)
Provisions/accruals	(143)	(30)	5	(168)
IFRS2 Share based payments	(649)	(164)	(90)	(903)
Tax losses	(53)	(467)	(19)	(539)
	2,380	(983)	116	1,513

^ Amounts recognised in equity include the deferred tax on IFRS2 share based payments and the equity element of foreign exchange differences taken to reserves

16 Deferred tax assets and liabilities — Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 £000	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000
Property, plant and equipment	—	—	**164**	175	**164**	175
Provisions/accruals	**(1)**	(39)	—	—	**(1)**	(39)
IFRS2 Share based payments	**(684)**	(797)	—	—	**(684)**	(797)
Tax (assets)/liabilities	**(685)**	(836)	**164**	175	**(521)**	(661)

A potential £2.10m (2016: £1.62m) deferred tax asset relating to the Company's trapped management losses was not recognised on the grounds that recovery of these losses is uncertain.

Movement in deferred tax during the year

	1 April 2016 £000	Recognised in income £000	Recognised in equity £000	**31 March 2017 £000**
Property, plant and equipment	175	(11)	—	**164**
Provisions/accruals	(39)	38	—	**(1)**
IFRS2 Share based payments	(797)	(24)	137	**(684)**
	(661)	3	137	**(521)**

Movement in deferred tax during the prior year

	1 April 2015 £000	Recognised in income £000	Recognised in equity £000	31 March 2016 £000
Property, plant and equipment	217	(42)	—	175
Provisions/accruals	(2)	(37)	—	(39)
IFRS2 Share based payments	(489)	(204)	(104)	(797)
	(274)	(283)	(104)	(661)

17 Inventories — Group

	2017 £000	2016 £000
Raw materials and consumables	**4,903**	4,067
Work in progress	**1,972**	1,458
Finished goods and goods for resale	**35,051**	33,913
	41,926	39,438

In 2017, inventories of £115.5m (2016: £100.0m) were recognised as an expense during the year and included in cost of sales. Inventories have been written down by £1.7m (2016: £1.2m) in line with the Group's stock provisioning policy. Such write-downs were recognised as an expense during 2017. 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 £0.6m (2016: £1.0m).

18 Trade and other receivables

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Trade receivables	**47,497**	41,931	—	—
Non trade receivables and prepayments	**1,863**	1,455	**183**	41
Amounts owed by subsidiary undertakings	—	—	**31,199**	33,572
	49,360	43,386	**31,382**	33,613

An explanation of credit risk and details of the security held over receivables is provided in note 26.

19 Cash and cash equivalents/bank overdrafts

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Cash and cash equivalents per Statements of financial position	**24,645**	17,614	**2,587**	1,406
Bank overdrafts per Statements of financial position	—	(33)	—	(2,273)
Cash and cash equivalents per Statements of cash flows	**24,645**	17,581	**2,587**	(867)

20 Other interest-bearing loans and borrowings

This note provides information about the Group and Company's existing interest-bearing loans and borrowings. 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 26.

Initial loan value	Rate	Maturity	Current 2017 £000	Current 2016 £000	Non-current 2017 £000	Non-current 2016 £000
Group						
Asset based lending	Base + 1.49%	—	**3,280**	3,144	—	—
PSEP acquisition loan	Fixed 3.14%	2016	—	1,170	—	—
VIC unsecured loan	EURIBOR + 1.95%	2020	**513**	476	**1,283**	1,665
Kuhlmann unsecured loan	EURIBOR + 1.55%	2024	—	18	—	132
Finance lease liabilities	Various	2017-19	**2**	2	**8**	12
Group and Company						
Facility A VIC acquisition loan	EURIBOR + 1.50%	2021	**3,208**	2,091	**12,830**	14,866
Facility B Revolving Credit Facility	LIBOR/EURIBOR + 1.50%	2019/2021	**7,869**	10,000	—	—
Property Loan	LIBOR + 1.25%	2021	—	—	**2,100**	—
Total Group			**14,872**	16,901	**16,221**	16,675
Total Company			**11,077**	12,091	**14,930**	14,866

21 Trade and other payables

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Trade payables	**19,302**	17,164	—	—
Amounts payable to subsidiary undertakings	—	—	**954**	2,630
Deferred consideration	—	1,348	—	1,348
Non-trade payables and accrued expenses	**15,322**	13,149	**2,073**	1,623
Other taxes and social security	**2,521**	1,369	**1,335**	119
	37,145	33,030	**4,362**	5,720

22 Employee benefits

Pension plans

Defined contribution plans

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

The total expense relating to these plans in the current year was £1.80m (2016: £1.61m) and represents contributions payable by the Group to the funds.

At the end of the financial year, there were outstanding pension contributions of £0.12m (2016: £0.12m), 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, five or seven 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:

	2017		2016	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding at beginning of year	**3,486,706**	**0.35**	3,567,961	0.26
Granted during the year	**438,175**	**1.07**	495,264	1.05
Forfeited/lapsed during the year	**(141,909)**	**0.47**	(32,068)	0.91
Exercised during the year	**(2,496,555)**	**0.14**	(544,451)	0.33
Outstanding at the end of the year	**1,286,417**	**1.00**	3,486,706	0.35
Exercisable at the end of the year	**—**	**—**	2,024,685	0.09

The options outstanding at 31 March 2017 had a weighted average remaining contractual life of 1.7 years (2016: 2.8 years) and exercise prices ranging from £0.25 to £1.07 (2016: £0.085 to £1.05).

The weighted average share price at the date of exercise for share options exercised in 2017 was 173.00p (2016: 114.30p).

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 Black Scholes, Binomial Lattice and Monte Carlo models.
The contractual life of the option is used as an input into this model.

Board deferred equity bonus shares

The Board deferred equity bonus shares have been discussed in more detail in the Remuneration report (pages 70 to 86).

The number of deferred equity bonus shares is as follows:

	Deferred equity bonus shares
Outstanding at beginning of year	**3,372,922**
2017 deferred equity bonus shares awarded	**499,900**
2014, 2015, 2016 Accelerated deferred equity bonus shares exercised*	**(1,050,044)**
Outstanding at end of year	**2,822,778**

* The accelerated deferred equity bonus shares exercised were for J Barker and T Tan in line with their good leaver statuses on retirement

The above includes 95,354 shares for 2016, 144,943 for 2015 and 185,282 for 2014 for T Tan relating to his employment as *TR* Asia MD. He did not sit on the main plc Board prior to retirement on 31 December 2015.

These nil cost options are subject to a three year service period and the fair value has been calculated using the Discounted Dividend model. 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 2017 was £1.35 (2016: no shares exercised).

The options outstanding at 31 March 2017 had a weighted average remaining contractual life of 1.6 years (2016: 2.2 years).

22 Employee benefits (continued)

Senior manager deferred bonus shares

The number of deferred bonus shares is as follows:

	Deferred bonus shares
Outstanding at beginning of year	—
Granted during the year	**1,744,094**
Outstanding at end of year	**1,744,094**

This is a new nil-cost option scheme implemented in the year. The shares granted in the year are subject to a base award and a multiplier award. The base award requires a three year service period to be achieved and is also subject to personal performance conditions being met during the performance period. The multiplier award is determined by a non-market performance condition. This requires the Group's underlying organic profit before tax in the financial year 2019 to be £18.5m (representing a compound annual growth rate of 5.0% from 31 March 2016) for the total payout to be 1.5x the base award. A maximum payout of 2.0x the base award can be achieved if this metric is £21.3m (representing a compound annual growth rate of 10.0% from 31 March 2016). If it falls between £18.5m and £21.3m the multiplier applied is calculated on a straight line basis to determine the number of awards. If it is below £18.5m the multiplier used is 1.0x.

The awards were granted on 30 December 2016 and are due to vest in December 2019. The method of settlement for these shares are 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 are remeasured at the reporting date.

In line with IFRS2 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.

Date of grant	Type of instrument	Valuation model	No. outstanding on 31 March 2017	Share price on date of grant (£)	Exercise price (£)	Expected volatility %	Vesting period (yrs)	Expected life (yrs)	Risk-free rate %	Expected annual dividend %	Fair value (£)
01/10/2010	SAYE 7 Year	Black Scholes	6,490	0.370	0.250	47.86	7.00	7.00	2.43	1.36	0.20
01/10/2011	SAYE 7 Year	Black Scholes	7,920	0.410	0.450	47.63	7.00	7.00	0.56	0.00	0.19
01/10/2012	SAYE 5 Year	Black Scholes	47,139	0.460	0.350	48.08	5.00	5.00	1.37	1.09	0.21
01/10/2012	SAYE 7 Year	Black Scholes	5,280	0.460	0.350	48.08	7.00	7.00	1.93	1.09	0.24
01/10/2013	SAYE 5 Year	Black Scholes	21,000	0.680	0.500	46.06	5.00	5.00	1.55	1.19	0.31
01/10/2014	SAYE 3 Year	Black Scholes	204,120	1.050	1.000	35.76	3.00	3.00	1.23	1.33	0.26
01/10/2014	SAYE 5 Year	Black Scholes	111,201	1.050	1.000	35.76	5.00	5.00	1.73	1.33	0.33
01/10/2015	SAYE 3 Year	Black Scholes	336,304	1.140	1.050	35.20	3.00	3.00	0.77	1.84	0.28
01/10/2015	SAYE 5 Year	Black Scholes	120,562	1.140	1.050	34.60	5.00	5.00	1.17	1.84	0.33
01/10/2016	SAYE 3 Year	Black Scholes	366,580	1.720	1.070	33.83	3.00	3.00	0.40	1.63	0.68
01/10/2016	SAYE 5 Year	Black Scholes	59,821	1.720	1.070	32.80	5.00	5.00	0.70	1.63	0.71
Total Share Options			**1,286,417**								
18/09/2014	Board deferred equity	DDM^	820,989	1.050	n/a	n/a	2.79	2.79	n/a	1.33	1.02
09/09/2015	Board deferred equity	DDM^	740,098	1.160	n/a	n/a	3.79	3.79	n/a	1.81	1.11
15/07/2016	Board deferred equity	DDM^	761,791	1.350	n/a	n/a	4.00	4.00	n/a	2.07	1.28
31/03/2017*	Board deferred equity	DDM^	499,900	2.140	n/a	n/a	4.00	4.00	n/a	1.40	2.05
30/12/2016	SM deferred bonus equity	DDM^	1,641,732	2.050	n/a	n/a	3.00	3.00	n/a	1.46	1.96
30/12/2016	SM deferred bonus cash	DDM^	102,362	2.050	n/a	n/a	3.00	3.00	n/a	1.40	2.05
Total			**5,853,289**								

^ Discounted Dividend model

* Final date of grant will be date of formal agreement

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 £1.51m and £1.69m in relation to share based payment transactions in 2017 and 2016 respectively. Of this, £16,412 (2016: £nil) relates to cash settled awards to which a liability is recognised on the balance sheet. The remaining amount relates to equity settled awards.

22 Employee benefits (continued)

As at 31 March 2017, outstanding options to subscribe for ordinary shares of 5p were as follows:

Grant date/employees entitled	**Number of instruments**	**Contractual life of options**
01/10/10/SAYE	6,490	Oct 2017
01/10/11/SAYE	7,920	Oct 2018
01/10/12/SAYE	52,419	Oct 2017, 2019
01/10/13/SAYE	21,000	Oct 2018
01/10/14/SAYE	315,321	Oct 2017, 2019
01/10/15/SAYE	456,866	Oct 2018, 2020
01/10/16/SAYE	426,401	Oct 2019, 2021
Total outstanding options	1,286,417	
Board deferred equity bonus shares	2,822,778	Sep 2017, 2018, 2019, Jul 2020
Senior manager deferred bonus shares	1,744,094	Dec 2019
Total	**5,853,289**	

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

23 Provisions

Group	**Restructuring costs £000**	**Dilapidations £000**	**Total £000**
Balance at 31 March 2016	**76**	**1,117**	**1,193**
Provisions utilised during the year	**—**	**(6)**	**(6)**
Balance at 31 March 2017	**76**	**1,111**	**1,187**

The restructuring provision relates to onerous leases arising from the 'right-sizing' of our portfolio of properties within the UK. Dilapidations also relate to properties. Both will be utilised by vacation.

In respect of onerous leases and dilapidation provisions, external advisors 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.

All amounts represent a best estimate of the expected cash outflows although actual amounts paid could be lower or higher.

Group	**Restructuring costs £000**	**Dilapidations £000**	**2017 Total £000**	2016 Total £000
Non-current (greater than 1 year)	—	**1,111**	**1,111**	1,117
Current (less than 1 year)	**76**	—	**76**	76
Balance at 31 March	**76**	**1,111**	**1,187**	1,193

In respect of the Company there are £nil provisions (2016: £nil).

24 Capital and reserves

Capital and reserves — Group and Company

See Statements of changes in equity on pages 97 and 98.

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.

Share capital

	Number of ordinary shares	
	2017	2016
In issue at 1 April	**116,747,887**	116,174,086
Shares issued	**3,546,599**	573,801
In issue at 31 March — fully paid	**120,294,486**	116,747,887

The total number of shares issued during the year was 3,546,599 for a consideration of £0.3m (2016: 573,801 shares for £0.2m). These were settled in cash other than issues of 1,050,044 shares from the deferred equity award scheme due to the early retirement of Jim Barker and Thomas Tan which were issued for nil cost.

In FY2016, all shares were issued for cash, excluding 29,350 shares for £0.3m as part of the consideration of the acquisition of Kuhlmann (see note 32).

	2017 £000	2016 £000
Allotted, called up and fully paid		
Ordinary shares of 5p each	**6,014**	5,837

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

Dividends

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

	2017 £000	2016 £000
Final paid 2016 — 2.00p (2015: 1.50p) per qualifying ordinary share	**2,376**	1,743
Interim paid 2016 — 0.80p (2015: 0.60p) per qualifying ordinary share	**934**	697
	3,310	2,440

After the balance sheet date a final dividend of 2.50p per qualifying ordinary share (2016: 2.00p) was proposed by the Directors and an interim dividend of 1.00p (2016: 0.80p) was paid in April 2017.

	2017 £000	2016 £000
Final proposed 2017 — 2.50p (2016: 2.00p) per qualifying ordinary share	**3,007**	2,376
Interim paid 2017 — 1.00p (2016: 0.80p) per qualifying ordinary share	**1,203**	934
	4,210	3,310

Subject to Shareholder approval at the Annual General Meeting which is to be held on 27 July 2017, the final dividend will be paid on 13 October 2017 to Members on the register at the close of business on 15 September 2017. The ordinary shares will become ex-dividend on 14 September 2017.

25 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2017 was based on the profit attributable to ordinary shareholders of £12.7m (2016: £10.2m) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2017 of 118,493,886 (2016: 116,388,265), calculated as follows:

Weighted average number of ordinary shares

	2017	2016
Issued ordinary shares at 1 April	**116,747,887**	116,174,086
Effect of shares issued	**1,745,999**	214,179
Weighted average number of ordinary shares at 31 March	**118,493,886**	116,388,265

Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2017 was based on profit attributable to ordinary shareholders of £12.7m (2016: £10.2m) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2017 of 122,143,769 (2016: 120,345,662), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2017	2016
Weighted average number of ordinary shares at 31 March	**118,493,886**	116,388,265
Effect of share options on issue	**3,649,883**	3,957,397
Weighted average number of ordinary shares (diluted) at 31 March	**122,143,769**	120,345,662

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

		2017 EPS			2016 EPS	
EPS (total)	**Earnings £000**	**Basic**	**Diluted**	**Earnings £000**	**Basic**	**Diluted**
Profit after tax for the financial year	**12,698**	**10.72p**	**10.40p**	10,225	8.78p	8.50p
Separately disclosed items:						
IFRS2 share based payment charge	**1,512**	**1.28p**	**1.24p**	1,687	1.45p	1.40p
Acquired intangible amortisation	**1,273**	**1.07p**	**1.04p**	974	0.84p	0.81p
Net acquisition costs	**—**	**—**	**—**	264	0.23p	0.22p
Costs on exercise of executive share options	**567**	**0.48p**	**0.46p**	—	—	—
Profit on sale of fixed assets	**(195)**	**(0.17p)**	**(0.16p)**	—	—	—
Tax charge on adjusted items^	**(193)**	**(0.16p)**	**(0.16p)**	(1,132)	(0.97p)	(0.94p)
Underlying profit after tax	**15,662**	**13.22p**	**12.82p**	12,018	10.33p	9.99p

^ For the 2016 calculation this includes adjusting for the recognition of the deferred tax asset in *TR* Fastenings Inc

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).

26 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, interest rate and currency risks arises in the normal course of the Group's business, and the Group continues to monitor and reduce any exposure accordingly. 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. Bad debt insurance is taken out on all key accounts where the cost is appropriate given the risk covered. All overdue debts are monitored regularly and customers are put on credit hold if payments are not received on time. The carrying amount of trade receivables represents the maximum credit exposure for the Group. Therefore, the maximum exposure to credit risk at the balance sheet date was £47.50m (2016: £41.93m), 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 (2016: £nil).

At the balance sheet date there were no significant geographic or sector specific concentrations of credit risk.

	2017 £000	2016 £000
Amounts less than 90 days past due	**46,911**	41,491
Amounts more than 90 days past due	**586**	440
	47,497	41,931

For balances neither past due nor impaired credit quality is considered good and no credit exposures have been identified (2016: nil).

When 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.

Impairment losses
The movement in the allowance for impairment in respect of receivables during the year was as follows:

	2017 £000	2016 £000
Balance at 1 April	**(803)**	(754)
Impairment movement	**(72)**	(49)
Balance at 31 March	**(875)**	(803)

There are no significant losses/bad debts provided for specific customers. Impairments are recognised where a credit exposure has been identified whether amounts are past due or not.

(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 net debt and hence its main interest and liquidity risks are associated with the maturity of its loans 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 loans and banking facilities as applicable.

26 Financial instruments (continued)

The Group banking facilities with HSBC comprise:

- a term loan facility of €25.0m ('Facility A') used to fund the acquisition of VIC (balance at 31 March 2017: €18.75m)
- a revolving multi-currency credit facility ('RCF') of up to £15.0m with an option to increase the facility by £20m ('Facility B') (balance at 31 March 2017: £7.9m)
- a property loan of £2.1m (balance at 31 March 2017: £2.1m)

The obligations of *Trifast* under Facility A and Facility B are guaranteed by the UK non-dormant subsidiaries of the Company.

Interest on facility A and B is charged at the aggregate rate of LIBOR/EURIBOR plus a margin of 1.50%, in accordance with a formula incorporating the ratio of consolidated net debt against the consolidated underlying EBITDA of the Group. Interest on the property loan is charged at LIBOR plus a margin of 1.25%.

Facilities A and B were restructured in October 2016. At the same time, the property loan was taken out, secured on the Group's premises in Uckfield.

In addition the Group has an Asset Based Lending ('ABL') facility providing up to a maximum of £15.0m secured over the receivables of *TR* Fastenings Limited. This facility charges a marginal interest rate of 1.49% above base.

In June 2015, VIC took out a €3m 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 2020.

Covenant headroom

The current and modified UK term facilities are subject to quarterly covenant testing as follows:

Interest cover:	Underlying EBITDA to net interest to exceed a ratio of three.
Debt Service cover:	Underlying EBITDA to debt service to exceed a ratio of one.
Net Debt cover:	Total net debt to underlying EBITDA not to exceed a ratio of 2.75.

These covenants currently provide significant headroom and forecasts indicate no breach is anticipated.

Liquidity tables

The following are the contractual maturities of the existing financial liabilities, excluding bank overdrafts and finance lease liabilities:

	2017				
	Carrying amount/ contractual cash flows^ £000	**Less than 1 year £000**	**1 to 2 years £000**	**2 to 5 years £000**	**5 years and over £000**
Non-derivative financial liabilities					
Company					
Facility A — VIC acquisition loan	**16,038**	**3,208**	**4,276**	**8,554**	—
Facility B — Revolving credit facility	**7,869**	**7,869**	—	—	—
Property loan	**2,100**	—	—	**2,100**	—
Total Company	**26,007**	**11,077**	**4,276**	**10,654**	—
Group					
Asset based lending	**3,280**	**3,280**	—	—	—
VIC unsecured loan	**1,796**	**513**	**513**	**770**	—
Total Group	**31,083**	**14,870**	**4,789**	**11,424**	—

^ Excluding interest charges

26 Financial instruments (continued)

Finance lease liabilities at 31 March 2017 are £0.01m (2016: £0.01m). The Kuhlmann unsecured loan was paid off in full in October 2016.

	2016				
	Carrying amount/ contractual cash flows^ £000	Less than 1 year £000	1 to 2 years £000	2 to 5 years £000	5 years and over £000
Non-derivative financial liabilities					
Company					
Facility A — VIC acquisition loan	16,957	2,091	3,964	10,902	—
Facility B — Revolving credit facility	10,000	10,000	—	—	—
Total Company	26,957	12,091	3,964	10,902	—
Group					
Asset based lending	3,144	3,144	—	—	—
PSEP acquisition loan	1,170	1,170	—	—	—
VIC unsecured loan	2,141	476	476	1,189	—
Kuhlmann unsecured loan	150	18	18	54	60
Total Group	33,562	16,899	4,458	12,145	60

^ Excluding interest charges

Liquidity headroom

Trading forecasts show that the current facilities provide 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.

Available existing facilities at 31 March 2017 (excluding bank overdrafts and finance lease liabilities):

	2017			2016		
	Available facilities £000	**Utilised facilities £000**	**Un-utilised facilities £000**	Available facilities £000	Utilised facilities £000	Un-utilised facilities £000
Company						
Facility A — VIC acquisition loan	**16,038**	**16,038**	—	16,957	16,957	—
Facility B — Revolving credit facility	**15,000**	**7,869**	**7,131**	10,000	10,000	—
Property loan	**2,100**	**2,100**	—	—	—	—
Total Company	**33,138**	**26,007**	**7,131**	26,957	26,957	—
Group						
Asset based lending	**15,000**	**3,280**	**11,720**	17,000	3,144	13,856
PSEP acquisition loan	—	—	—	1,170	1,170	—
VIC unsecured loan	**1,796**	**1,796**	—	2,141	2,141	—
Kuhlmann unsecured loan	—	—	—	150	150	—
Total Group	**49,934**	**31,083**	**18,851**	47,418	33,562	13,856

In addition, an accordion facility of £20.0m as been written into the main HSBC RCF facility agreement, providing potential additional finance under currently agreed terms subject to credit approval.

Interest risk

The Group monitors closely all loans outstanding which currently incur interest at floating rates. When interest rate exposure risk becomes significant the Group makes use of derivative financial instruments, including interest rate swaps and caps. The only instrument held at the balance sheet date relates to Facility A, where a cap of 1% EURIBOR is in place (2016: 1%). 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.

26 Financial instruments (continued)

Further details of the rates applicable on interest-bearing loans and borrowings is given in note 20.

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 bank overdraft and finance lease liabilities)

	Group		Company	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Fixed rate instruments				
Financial liabilities	**—**	(1,170)	**—**	—
	—	(1,170)	**—**	—
Variable rate instruments				
Financial assets	**24,645**	17,614	**2,587**	1,406
Financial liabilities^	**(31,093)**	(32,439)	**(26,007)**	(29,230)
	(6,448)	(14,825)	**(23,420)**	(27,824)

^ £16.0m of the variable rate financial liability balance in the Group and the Company relates to Facility A and has a 1% EURIBOR interest rate cap in place

Sensitivity analysis

A change of one point in interest rates at the balance sheet date would change equity and profit and loss by £0.3m (2016: £0.2m). 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 (2016: a flexible forward contract to cover 50% ($3.0m) of the HY1 2017 €:$ transactional risk within VIC). The 2016 year end value of this contract was not significant and therefore no disclosures have been provided below. The Group will continue to review this position going forward.

The €25m VIC acquisition loan and the RCF utilised facility of €9.2m (£7.9m) are net investment hedged against the net asset value of VIC and *TR* Kuhlmann. Therefore all foreign exchange movements that are being hedged are taken to the translation reserve. All other loans are held in the local currency of the relevant company and so are excluded from the analysis below.

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 2017	**Sterling £000**	**Euro £000**	**US Dollar £000**	**Singapore Dollar £000**	**Total £000**
Cash and cash equivalents exposure	**733**	**3,213**	**5,895**	**290**	**10,131**

31 March 2016	Sterling £000	Euro £000	US Dollar £000	Singapore Dollar £000	Total £000
Cash and cash equivalents exposure	139	3,140	4,345	409	8,033

26 Financial instruments (continued)

Sensitivity analysis

Group

A 1% change in significant foreign currency balances against local functional currency at 31 March 2017 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 & profit or loss	
		2017	2016
Foreign currency	Local currency	**£000**	£000
US Dollar	Sterling	**(2)**	(2)
EURO	Sterling	**(19)**	(21)
US Dollar	Singapore Dollar	**(31)**	(21)
US Dollar	Taiwanese Dollar	**(20)**	(14)

(c) Capital management

The Group's objectives when managing capital are to ensure that all entities within the Group will be able to continue as going concerns, while maximising the return to shareholders through the optimisation of the debt and equity balance. We regularly review and maintain or adjust the capital structure as appropriate in order to achieve these objectives, consistent with the management of capital for previous periods. 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.

Identification of the total funding requirement is achieved via a detailed cash flow forecast which is reviewed and updated on a monthly basis.

The capital structure of the Group is presented below:

	2017	2016
	£000	£000
Cash and cash equivalents (note 19)	**24,645**	17,581
Borrowings (note 20)	**(31,093)**	(33,576)
Net debt	**(6,448)**	(15,995)
Equity	**(101,698)**	(83,750)
Capital	**(108,146)**	(99,745)

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		**Company**	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Less than one year	**2,910**	2,698	**31**	27
Between two and five years	**5,023**	5,587	**37**	42
More than five years	**3,047**	1,282	**—**	—
Total	**10,980**	9,567	**68**	69

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

Group

During the year £2.53m was recognised as an expense (2016: £2.51m) in the income statement in respect of operating leases.

Company

During the year £0.04m (2016: £0.05m) was recognised as an expense in the income statement in respect of operating leases.

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 (2016: £2.34m).

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 70 to 86.

Transactions with Directors and Directors' close family relatives

During 2017 a relative of the Chairman provided IT/Marketing consultancy services totalling £12,000 (2016: £12,000) on an arm's length basis and with terms similar to other third party suppliers. The outstanding balance at 31 March 2017 was £1,000 (2016: £1,000).

There were no other related party transactions with Directors, or Directors' close family relatives in the year (2016: £nil).

Related party transactions

Details of principal subsidiary undertakings, country of registration and principal activities are included in note 33.

Company related party transactions with subsidiaries — income/expenditure 2017

	Rent income £000	Income management fees £000	Loan interest £000	Total income £000	Expenditure management fees £000	Loan interest £000	Total expense £000
TR Fastenings Ltd	**290**	**470**	—	**760**	**399**	—	**399**
TR Southern Fasteners Ltd	—	**17**	—	**17**	—	—	—
TR Norge AS	—	**21**	—	**21**	—	—	—
TR Fastenings AB	—	**49**	—	**49**	—	—	—
TR Miller BV	—	**67**	**26**	**93**	—	—	—
Lancaster Fastener Co Ltd	—	**29**	—	**29**	—	—	—
TR Hungary Kft	—	**49**	—	**49**	—	—	—
Viterie Italia Centrale SPA	—	**104**	—	**104**	—	**3**	**3**
TR Kuhlmann GmbH	—	**49**	—	**49**	—	—	—
TR Asia Investments Pte Ltd	—	**569**	—	**569**	—	—	—
TR Fastenings Inc	—	**55**	—	**55**	—	—	—
TR Fastenings España – Ingenieria Industrial, S.L.	—	—	**1**	**1**	—	—	—
TR Fastenings Poland Sp Zoo	—	—	**1**	**1**	—	—	—
	290	**1,479**	**28**	**1,797**	**399**	**3**	**402**

Company related party transactions with subsidiaries — income/expenditure 2016

	Rent £000	Income management fees £000	Loan interest £000	Total £000	Expenditure management fees £000
TR Fastenings Ltd	290	405	—	695	314
TR Southern Fasteners Ltd	—	25	—	25	—
TR Norge AS	—	31	—	31	—
TR Fastenings AB	—	49	—	49	—
TR Miller BV	—	75	31	106	—
Lancaster Fastener Co Ltd	—	28	—	28	—
TR Hungary Kft	—	35	—	35	—
Viterie Italia Centrale SPA	—	97	—	97	—
TR Asia Investments Pte Ltd	—	498	—	498	—
TR Fastenings Inc	—	56	—	56	—
	290	1,299	31	1,620	314

29 Related parties (continued)

	2017		2016	
	Balances receivables £000	**Balances payables £000**	Balances receivables £000	Balances payables £000
TR Fastenings Ltd	**812**	—	621	63
TR Southern Fasteners Ltd	**4**	—	2	—
TR Norge AS	**6**	—	3	—
TR Fastenings AB	**16**	—	4	—
TR Miller Holding B.V.	**408**	—	797	—
Lancaster Fastener Company Ltd	**26**	—	31	—
TR Hungary Kft	**6**	—	3	—
Viterie Italia Centrale SPA	**23**	**687**	16	—
TR Kuhlmann GmbH	**16**	—	—	—
TR Fastenings Inc	**14**	—	5	—
TR Asia Investments Holdings Pte Ltd	**472**	—	465	—
TR Formac Pte Ltd	**26**	—	—	—
TR Formac (Malaysia) SDN Bhd	**8**	—	—	—
TR Formac (Shanghai) Pte Ltd	**8**	—	—	—
Special Fasteners Engineering Co Ltd	**10**	—	—	—
Power Steel & Electro-Plating Works SDN Bhd	**15**	—	—	—
TR Fastenings España - Ingenieria Industrial, S.L.	**350**	—	—	—
TR Fastenings Poland Sp Zoo	**30**	—	25	—
Non-trading dormant subsidiaries	—	**267**	—	267
Trifast Overseas Holdings Ltd	**28,496**	—	31,212	2,300
Trifast Holdings B.V.	**453**	—	388	—
	31,199	**954**	33,572	2,630

All related party transactions are on an arm's length basis.

30 Subsequent events

There are no material adjusting or 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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates, although, unless otherwise stated, management do not consider that the range of possible outcomes for each estimate or judgement would result in a material adjustment to the relevant balance sheet carrying value.

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.

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

- Recoverable amount of goodwill (note 12)

IAS36 Impairment of Assets seeks to ensure that the carrying amount of goodwill is not held at an amount greater than its recoverable amount. The recoverable amount is determined as the higher of fair value less costs to sell and value in use. Management use the value in use model to determine whether goodwill is recoverable. This involves estimating the future performance of a cash generating unit (CGU) that goodwill has been allocated to. The key estimates used in determining the future performance of a CGU are: revenue growth rate, discount rate and terminal EBIT margin. To determine the revenue growth rate and terminal EBIT margin management considers the historic performance of the business, nominal GDP rates in the country of operation and any known or expected changes to occur to existing operations. To calculate an appropriate discount rate, management consider external sources of data based on current market conditions. The assumptions used for each significant CGU relating to these key estimates, including changes to the assumptions applied in previous years, are disclosed in note 12.

31 Accounting estimates and judgements (continued)

Note 12 also discloses if a reasonable possible change in a key assumption would cause the carrying amount of goodwill to exceed its recoverable amount for a CGU. From the impairment tests conducted on PSEP, management have identified that if the sales growth was not achieved, it is possible an impairment of £0.3m would need to be recognised. Further details behind the assumptions to arrive at the £0.3m impairment are disclosed in the note.

- Inventory valuation (note 17)

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 determines when a provision is recognised. Management then estimates the net realisable value of the stock for each individual classification. A provision is made earlier for customer specific stock (compared to standard) because it 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 17.

- Fair values for IFRS2 charge (note 22)

Accounting standards require fair values to be measured for each share based payment scheme and the cost is recognised in the financial statements over the relevant vesting periods. IFRS2 Share-Based Payments is very prescriptive in determining whether an award is equity or cash settled so there is little judgement for management to make here. Judgement is then used to determine which valuation model is appropriate to calculate the fair value and then subsequently the estimates are determined based on the inputs required for each model. These calculations are complex and therefore the Directors use external advisors to determine which is the most appropriate valuation model and subsequently the estimates required. The valuation model used for the Board deferred equity bonus and senior management deferred bonus schemes is the Discounted Dividend model which uses the expected annual dividend as its key estimate. The valuation model used for the SAYE scheme is the Black Scholes model. The key estimates used in this model are: expected volatility, expected life and expected annual dividend. The figures used for these key estimates are disclosed in note 22. Crossing both models there is also an estimate made for the lapse rate to arrive at the number of awards expected to vest. The lapse rate for the Board deferred equity bonus shares is 0% and for the senior management deferred bonus and SAYE schemes it is 3%. A higher lapse rate during the vesting period will reduce the IFRS2 expense - a lower lapse rate will increase the expense.

Since the fair values for the equity settled awards are only calculated at the grant date, the estimates used in the calculation will not be updated (except for the number of awards expected to vest). Also, they do not result in an asset or liability being recognised, instead the credit goes direct to equity. The fair value for the cash settled awards are required to be re-measured at each reporting date and therefore the estimates will be updated. The carrying amount of the liability at the period end was £16,412 (2016: £nil).

- Income taxes (notes 9,15 and 16)

To arrive at the amounts recognised in the balance sheet the Directors are required to estimate certain decisions that are still pending from tax authorities. The pending decisions relate to potential tax exposures from open enquiries. The Directors use external tax advisors to arrive at their decisions regarding these estimates. The final position taken by a tax authority could differ from the estimates made by the Directors which could impact the liability recognised on the balance sheet which is £1.2m (2016: £1.2m). As explained in note 9 the open enquiries are expected to be settled within a year. The amount provided is at the upper end of the range of possible outcomes and we do not anticipate the final settlement significantly exceeding the amount recognised.

32 Acquisition of Kuhlmann Befestigungselemente GmbH & Co. KG ('Kuhlmann')

Please note all figures below are as disclosed in the 31 March 2016 Annual Report. Therefore the figures in sterling are using applicate exchange rates relating to the year ended 31 March 2016.

On 1 October 2015, the Group acquired Kuhlmann for a total consideration of €8.5m (£6.2m). The initial amount of €6.8m (£4.9m) was paid on completion in cash and €0.04m (£0.03m) was satisfied by the allotment of 29,350 ordinary shares in the Company. Consideration of €1.7m (1 October 2015: £1.2m, 31 March 2016: £1.3m) was deferred for 12 months with payment made in September 2016. The cash consideration was met from the Group's existing bank facilities.

The Group is investing in Kuhlmann to further develop the opportunities in the German market and the acquisition of Kuhlmann was earnings enhancing in the first full year of ownership.

Based in Verl, close to Bielefeld, Germany, Kuhlmann was founded in 1996 and employs 18 staff. It is a well-respected highly efficient distributor of industrial fastenings within the domestic German market. Its emphasis is on delivering high quality products and services to its well-established longstanding customer base in the principal sectors of machinery and plant engineering, sheet metal processing and industrial. Kuhlmann's management team and previous owners, Frank Niggebrügge, Eric Hütter and Peter Henning, continue to run the business with the support of the operational management team and staff who will remain within the business.

For the year ended 31 December 2014, Kuhlmann reported revenue of €6.7m (£5.4m) and profit before tax of €1.7m (£1.4m). Gross assets at the same date were €1.4m (£1.1m).

In the six months since acquiring Kuhlmann to 31 March 2016, the subsidiary contributed £0.5m to the consolidated underlying operating profit for the year and £2.5m to the Group's revenue. If the acquisition had occurred on 1 April 2015, Group revenue would have increased by an estimated £2.4m and consolidated operating profit would have been increased by an estimated £0.6m. In determining these amounts management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same as if the acquisition had occurred on 1 April 2015.

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

	Provisional fair value disclosed^ £000	Adjustments to provisional fair values £000	Recognised fair value £000
Property, plant and equipment	176	(2)	174
Intangible assets	3,651	—	3,651
Inventories	463	(6)	457
Trade and other receivables	420	3	423
Cash and cash equivalents	583	—	583
Trade and other payables	(297)	(18)	(315)
Deferred tax liabilities	(1,011)	1,011	—
Net identifiable assets and liabilities	3,985	988	4,973
Consideration paid:			
Initial cash price paid	4,897	—	4,897
Equity instruments issued	31	—	31
Deferred consideration at fair value	1,232	—	1,232
Total consideration	6,160	—	6,160
Goodwill on acquisition	2,175	(988)	1,187

^ These amounts were disclosed in the Half Yearly Financial Report for the six months ended 30 September 2015

32 Acquisition of Kuhlmann Befestigungselemente GmbH & Co. KG ('Kuhlmann') (continued)

The fair value of trade receivables is £0.4m. The gross contractual cash flows to be collected are £0.4m. The best estimate at acquisition date of the contractual cash flows not to be collected is £nil.

The values previously disclosed in the Half Yearly Financial Report were provisional and were given for information purposes only since the acquisition was completed so close to 30 September 2015. An in-depth analysis has now been completed and led to adjustments to provisional fair values as disclosed in the table above. As part of this analysis it was identified that a tax deduction can be obtained locally for amortisation relating to acquired intangibles. Therefore on acquisition there was no temporary difference between the tax base and accounting net book value of these assets and hence no deferred tax liability was recognised.

Intangible assets that arose on the acquisition include the following:

- £3.3m of customer relationships, with an amortisation period deemed to be 10 years
- £0.4m of other intangibles, with an amortisation period deemed to be under 1 year

Goodwill is the excess of the purchase price over the fair value of the net assets acquired. Locally a tax deduction is available for Goodwill which is amortised over 15 years. It mostly represents potential synergies, e.g. cross-selling opportunities between Kuhlmann and the Group, and Kuhlmann's assembled workforce.

Effect of acquisition

The Group incurred costs of £0.26m in relation to the acquisition of Kuhlmann which have been included in administrative expenses in the Group's consolidated statement of comprehensive income and form part of separately disclosed items, see note 2. The foreign exchange losses of £0.55m made on the €1.7m deferred consideration and €6.8m external loan are part of the Group's net investment hedging and therefore have been recognised in the exchange reserve.

33 Trifast plc subsidiaries

Name	Country of incorporation or registration	Issued and fully paid share capital	Principal activity
Europe			
Trifast Overseas Holdings Ltd	United Kingdom	£112	Holding Company
Trifast Holdings B.V.	Netherlands	€18,428	Holding Company
TR Fastenings Ltd	United Kingdom	£10,200	Manufacture and distribution of fastenings
TR Southern Fasteners Ltd	Republic of Ireland	€254	Distribution of fastenings
TR Norge AS	Norway	NOK 300,000	Distribution of fastenings
TR Miller Holding B.V.	Netherlands	€45,378	Distribution of fastenings
Lancaster Fastener Company Ltd	United Kingdom	£40,000	Distribution of fastenings
TR Fastenings AB	Sweden	SEK 1,500,000	Distribution of fastenings
TR Hungary Kft	Hungary	HUF 68,257,300	Distribution of fastenings
TR Fastenings Poland Sp. Z o.o	Poland	PLN 50,000	Distribution of fastenings
Viterie Italia Centrale SPA	Italy	€187,200	Manufacture and distribution of fastenings
VIC Sp. Z o.o.	Poland	PLN 50,000	Distribution of fastenings
TR Kuhlmann GmbH	Germany	€25,000	Distribution of fastenings
TR Fastenings España - Ingenieria Industrial, S.L.	Spain	€3,085	Distribution of fastenings
Asia			
TR Asia Investment Holdings Pte Ltd	Singapore	S$4	Holding Company
TR Formac Pte Ltd	Singapore	S$315,000	Manufacture and distribution of fastenings
TR Formac (Malaysia) SDN Bhd	Malaysia	MYR 480,000	Manufacture and distribution of fastenings
TR Formac (Shanghai) Pte Ltd	China	US$200,000	Distribution of fastenings
Special Fasteners Engineering Co Ltd	Taiwan	TW$100,000,000	Manufacture and distribution of fastenings
TR Formac Fastenings Private Ltd	India	INR 18,850,000	Distribution of fastenings
Power Steel & Electro-Plating Works SDN Bhd	Malaysia	MYR 4,586,523	Manufacture and distribution of fastenings
TR Formac Co. Ltd	Thailand	THB 20,000,000	Distribution of fastenings
Americas			
TR Fastenings Inc	USA	US$1,168,063	Distribution of fastenings
Dormants			
Trifast Systems Ltd	United Kingdom	£100	Dormant
Ivor Green (Exports) Ltd	United Kingdom	£5,000	Dormant
Charles Stringer's Sons & Co.Limited	United Kingdom	£18,000	Dormant
Fastech (Scotland) Ltd	United Kingdom	£100	Dormant
Micro Screws & Tools Ltd	United Kingdom	£1,000	Dormant
Trifast International Ltd	United Kingdom	£2	Dormant
Rollthread International Ltd	United Kingdom	£10,000	Dormant
TR Group Ltd	United Kingdom	£100	Dormant
Fastener Techniques Ltd	United Kingdom	£73,939	Dormant
Trifix Ltd	United Kingdom	£100	Dormant
Serco Ryan Ltd	United Kingdom	£3,000	Dormant
TR Europe Ltd	United Kingdom	£2,500	Dormant
Trifast Qualifying Employee Share Ownership Trustee Ltd	United Kingdom	£2	Dormant
KNH Verwaltungs GmbH	Germany	€1	Dormant

The only changes in ownership during the year were due to the addition of *TR* Fastenings España - Ingenieria Industrial S.L. and the transfer in ownership of *TR* Fastenings Inc to *Trifast* Overseas Holdings Ltd from *Trifast* Plc.

All of the above subsidiaries have been included in the Group's financial statements.

Percentage of ordinary shares held Group	Company	Office Address
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	—	Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands
100%	—	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	—	Mallow Business & Technology Park, Mallow, Co. Cork, P51 HV12, Republic of Ireland
100%	—	Masteveien 8, NO-1481 Hagan, Norway
100%	—	Kelvinstraat 5, 7575 AS, Oldenzaal, Netherlands
100%	—	Stevant Way, Northgate, White Lund Industrial Estate, Morecambe, LA3 3PU, UK
100%	—	Box 4133, Smedjegatan 6, 7tr, SE-131 04 Nacka, Sweden
100%	—	Szigetszentmiklós, Leshegy út 8, 2310 Hungary
100%	100%	Al Jerozolimskie 56c, 00-803 Warszawa, Poland
100%	—	Via Industriale, 19, 06022 Fossato Di Vico (PG), Italy
100%	—	Wroclaw, ul Wiosenna 14/2, Poland
100%	—	Lerchenweg 99, 33415 Verl, Germany
100%	—	Calle De La Cilencia 43, Viladecans, Barcelona, CP 08840, Spain
100%	—	57 Senoko Road, Singapore 758121
100%	—	57 Senoko Road, Singapore 758121
100%	—	1 & 3 Lorong Iks Juru 11, Taman Industri Ringan Juru, 14100 Simpang Ampat, Seberang Perai (S), Pulau Pinang, Malaysia
100%	—	No. 1222, JinHu Road, Pudong, Shanghai, PR China. 201206
100%	—	9F.-3 No. 366, Bo Ai 2nd Rd., Kaohsiung 81358, Taiwan, R.O.C
100%	—	Plot No:180, Door No:2, 10th Cross Street, Mangala Nagar, Porur, Chennai-600 116, India
100%	—	Jalan Pengapit 15/19, Section 15, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia
100%	—	29/1, Piya Place Langsuan, 6th Floor, Unit no.6H, Soi Langsuan, Ploenchit Rd., Lumpini, Patumwan, Bangkok 10330 Thailand
100%	—	11255 Windfern Road, Houston, TX. 77064
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	International House, Stanley Boulevard, Hamilton Intnl Technology Park, Blantyre, Glasgow, Scotland, G72 0BN
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	100%	Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW, UK
100%	—	Lerchenweg 99, 33415 Verl, Germany

34 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 28 and 29 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.

- Constant Exchange Rate (CER) figures

These are used predominantly in the Business review and give the readers a better understanding of the performance of the Group, regions and entities from a trading perspective. They have been calculated by translating the 2017 income statement results (of subsidiaries whose presentational currency is not sterling) using FY2016 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 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 25.

- 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 145. 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.

	Note	**2017** **£000**	2016 £000
Underlying EBIT/Underlying operating profit		**21,018**	16,793
Separately disclosed items within administrative expenses			
IFRS2 share based payment charge	22	**(1,512)**	(1,687)
Acquired intangible amortisation		**(1,273)**	(974)
Net acquisition costs	32	**—**	(264)
Profit on sale of fixed assets		**195**	—
Costs on exercise of executive share options		**(567)**	—
Operating profit		**17,861**	13,868

- Normalised net debt

The calculation, assumptions, use and relevance are disclosed in the net debt section of the Business review on page 36.

- Underlying cash conversion as a percentage of underlying EBITDA

This is another key metric used by investors to understand how effective the Group were at converting profit into cash. Since the underlying cash conversion is compared to underlying EBITDA, which has removed the impact of IFRS2 share based payment charges (see note 2), the impact of these have also been removed from the underlying cash conversion. The adjustments made to arrive at underlying cash conversion from cash generated from operations are detailed below. To reconcile operating profit to underlying EBITDA, see note 2.

	2017 **£000**	2016 £000
Underlying cash conversion	**22,249**	15,873
Costs on exercise of executive share options	**(567)**	—
Movement in trade payables due to exercise of share options	**1,205**	—
Cash generated from operations	**22,887**	15,873

34 Alternative performance measures (continued)

- Underlying effective tax rate

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

One off tax adjustments have also been removed from the calculation as they are unlikely to repeat and therefore do not reflect recurring trading performance. In FY2017 the one-off adjustment relates to a deferred tax asset not recognised for losses in the year due to significant tax deductions available from the exercise of executive share options. In FY2016 the adjustment related to the recognition of deferred tax assets in *TR* Fastenings Inc on the grounds that recovery was considered probable.

	2017			2016		
	Profit impact £000	**Tax impact £000**	**ETR %**	Profit impact £000	Tax impact £000	ETR %
Profit before tax	**17,340**	**(4,642)**	**26.8%**	13,077	(2,852)	21.8%
Separately disclosed items	**3,157**	**(192)**	**6.1%**	2,925	(1,132)	38.7%
Underlying profit before tax	**20,497**	**(4,834)**	**23.6%**	16,002	(3,984)	24.9%