03 Financial statements

ENABLING INNOVATION WITHIN HEALTHCARE & ENVIRONMENT

The outbreak of COVID-19, a major worldwide public health emergency, created an unprecedented demand for medical products, a situation never before experienced on this scale at any time in living memory. In response to the outbreak, the world turned to medical companies for vital help, which has galvanised the industry into action and to work in uncharted territories.

Read more about **Medical** and **Innovation** on pages 31 and 37

The critical products requiring fasteners and components are:

1. Respiratory support and monitoring equipment such as ventilators, which help to treat hospitalised patients
2. Personal Protective Equipment (PPE) such as face masks and protective visors
3. Diagnostic tests which identify those infected and further limit the spread of the virus

Application engineering has proved to be key. In addition to choosing a high quality fastener manufacturer and distributor with a diverse product range, it is also important to work with a company that offers application engineering expertise. *TR* engineers are fully engaged in the design and make critical recommendations for the interface between the fastener and the medical device.

Due to COVID-19 lockdown restraints, *TR* engineers have fully utilised the Modern Workplace by using various methods of online virtual communication to ensure the customer receives the highest level of service and technical support.

For over 25 years, *TR* Fastenings has been working with leading healthcare organisations and their subcontractors as a total solution provider of fasteners and cat c products. *TR* has geared up its capacity to support the medical technology industry during this critical time.

Contents

Independent auditor's report to the members of *Trifast* plc

Opinion

We have audited the financial statements of *Trifast* plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2020 which comprise Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Company statement of changes in equity, Statements of financial position, Statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the directors' confirmation set out on page 60 in the annual report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the directors' statement set out on page 84 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 60 in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How We Addressed the Key audit matter in the Audit
Recoverability of customer-specific inventory The group has bespoke customer-specific products for which there is a risk over recoverability if any contractual obligations to acquire outstanding stock are waived for commercial reasons or the customer experiences financial distress. Inventory is held at the lower of cost and net realisable value with provision being made for obsolete and slow moving items. Given the size of the customer-specific inventory balance, and the complexity involved in estimating customers changes in future demand there is a risk that the valuation of the inventory provision is inappropriate. ***Refer to the Accounting Policies of the Group on pages 136 to 143 for further detail on the policies impacting inventory provision valuation together with Note 31 detailing the estimation uncertainty over provisions for customer specific inventory and Note 19 for the financial disclosure of inventory.***	We have • Tested the application of the group provision accounting policy through sample testing the disaggregation of customer specific inventory, their aging and the arithmetical accuracy of application of the provision; • Challenged management's customer specific inventory provision estimate by evaluating its historic accuracy in comparison to the prior period provision, scrappage and its subsequent utilisation; • On a sample basis, obtained agreements to confirm contractual terms of customer underwriting agreements; and • On a sample basis, tested the recoverability of accounts receivable balances including those related to the sale of customer-specific inventory for indicators of financial distress. Key observations: We did not identify any indicators to suggest that the customer specific inventory provision was materially misstated.
Goodwill impairment Goodwill in the Group balance sheet is significant and subject to an annual impairment review. The recoverability of goodwill is dependent on estimating both cashflows and appropriate discount rates to apply in a value in use calculation. Given the size of the goodwill balance, and the complexity of estimating both cashflows (particularly owing to the impact of COVID-19) and discount rates we consider goodwill impairment to be an area of material estimation. Hence there is a risk that the valuation of goodwill is inappropriate. ***Refer to the Accounting Policies of the Group on pages 136 to 143 for further detail on the policies impacting goodwill valuation together with Note 31 detailing the estimation uncertainty over goodwill impairment and Note 14 for the financial disclosure of goodwill.***	We have; • Assessed management's model for compliance with IAS 36 (impairment of assets) together with its interaction with the new application of IFRS 16 (leases) and tested its computational accuracy; • Considered the historical accuracy of management's forecasting in light of the detailed exercise completed this year as a starting point for sensitising management's model; • Checked the coherence of the forecast COVID-19 adjusted cashflows with those modelled as part of the group going concern exercise; • Tested the discount rate assumptions using our valuation specialists to assess their reasonableness through corroboration to external sources; • Performed sensitivity analysis over the key assumptions and ensuring the group considered the same reasonably possible adverse effects that could arise as a result of a decrease in sales due to the impact of COVID-19 as with those applied in their going concern exercise; and • Assessed whether the disclosures sufficiently detail the key judgements within the impairment model and sources of estimation uncertainty. Key observations: We did not identify any indicators to suggest that the estimates made by the directors in the calculation of the goodwill impairment were inappropriate.

Key audit matter	How We Addressed the Key audit matter in the Audit
COVID-19 – Going Concern The directors' assessment of going concern involves a number of subjective estimates including forecast revenues, changes in working capital, future levels of bad debts, the rate of inflation, which have all been impacted by the current COVID-19 pandemic. We have therefore spent significant audit effort in assessing the appropriateness of the assumptions involved and to ensure the adequacy of the disclosure in the accounting policy in relation to the steps undertaken by the board to gain assurance that there is not a material uncertainty around the adoption of the going concern basis of preparing the financial statements. Therefore this area was identified as a Key Audit Matter. ***Refer to Accounting Policies of the Group on pages 136 to 143 for further detail on the Group's basis of preparation and within the Director's statement on page 84.***	We have: • Checked that forecasts included considerations for the impact of COVID-19; • Tested the computational accuracy of management's model and re-created their three scenario results using their respective input variables; • Challenged the likelihood and adequacy of management's cost savings based on our understanding of the business and benchmarking against historic actuals; • Assessed the availability of financing facilities, including the nature of facilities, their covenants and repayment terms; • Considered management's financial covenant compliance calculations through to September 2021 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements; • Sensitised the model with multivariate impacts to reflect a second peak in the Autumn mirroring the year-on-year revenue profile seen in April, flattening the overall revenue recovery together with a separate slower and contracted automotive sector. Further hypothetical mitigating cost savings were modelled by management bringing overhead costs in line with recent historic proportions; • Considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenario. Key observations: Our key observations are set out in the conclusions relating to principal risks, going concern and viability statement section of our audit report.

Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the group financial statements as a whole was set at £0.7m being 5% of profit before tax adjusted to exclude expensed Project Atlas, business acquisition costs and goodwill impairment totalling £11.7m. We consider this adjusted group profit before tax to be the most appropriate benchmark as it provides a more stable measure year-on-year than group profit before tax.

Performance materiality was set at 60% of the above materiality level taking into account various factors including this is a first year audit, the expected total value of known and likely misstatements, brought forward misstatements, management's attitude towards adjustments, the number of material estimates, and how homogeneous processes are within the group.

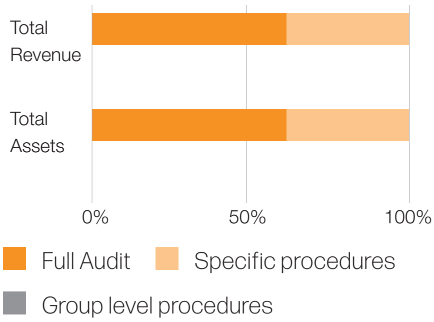
Where financial information from significant components were audited separately, significant component materiality levels were set for this purpose at lower levels up to a maximum of 95% of Group materiality ranging between £80k–£365k.

We agreed with the audit committee that we would all individual audit differences identified during the course of our audit in excess of £14k with those below £50k being reported in aggregate, in addition to other identified misstatements which, in our view, warranted reporting on qualitative grounds.

The materiality for the parent company financial statements, was restricted to the group audit allocated materiality of £0.2m. Performance materiality was set at 60% of materiality taking into account various factors including the expected total value of known and likely misstatements, brought forward misstatements, management's attitude towards adjustments, and the number of material estimates.

An overview of the scope of our audit
Our group audit was scoped by obtaining an understanding of the group and its control environment and assessing the risk of material misstatement at a group level. Audit work was planned and undertaken to address the risks of material misstatement.

Of the group's 23 reporting components, five were identified as significant and material with full scope audit procedures being performed for group purposes and 15 were identified as not-significant but material where specific balances and risks were identified as being in scope for audit purposes. We conducted reviews of financial information (including enquiry) at a further three not-significant or material components.



Members of the group audit team completed all audits except for three of the full scope and three specific scope audits that were audited by local overseas BDO network members, and inventory counts where a combination of local BDO network members and a non-BDO audit team attended and reported to the group audit team. We performed audit procedures on the group consolidation process.

The group audit team controlled and directed the work of the component audit teams. This included providing detailed audit instructions and setting of group materiality. The group audit team also took part in local audit meetings at the planning and completion stage of the component audits, had full access to the component team's audit files, and the group audit team visited two overseas component teams and met with all Asian management teams. As a result of travel restrictions due to COVID-19, a further planned visit to Italy was not able to be completed in person but completed on a remote basis instead.

Extent to which the audit is capable of detecting irregularities, including fraud
We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of non-compliance or fraud by the Group. We designed audit procedures at both the Group and significant component levels to detect material misstatements due to fraud and error. We note that it can be harder to detect those arising due to fraud as they may involve deliberate concealment or collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, IFRS, Companies Act 2006, the UK Listing Rules and certain requirements from the UK and overseas tax legislation. Our tests included, but were not limited to, agreement of the financial statement disclosures to underlying supporting documentation, review of correspondence with regulators and legal advisors, enquiries of management, review of board minutes, review of significant component auditors' working papers and review of internal audit reports. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the more removed from the audited financial transactions, the less likely we would become aware of it.

Other information
The directors are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 121** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 88 to 91** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 81** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 121, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the board on 25 November 2019 to audit the financial statements for the year ending 31 March 2020 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the year ending 31 March 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Anna Draper
(Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor

Gatwick

27 July 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement

for the year ended 31 March 2020

	Note	2020 £000	2019 £000
Continuing operations			
Revenue	3, 37	**200,221**	208,952
Cost of sales		**(145,114)**	(146,317)
Gross profit		**55,107**	62,635
Other operating income	4	**424**	464
Distribution expenses		**(4,627)**	(4,268)
Administrative expenses before separately disclosed items		**(32,815)**	(34,635)
IFRS2 share based payment charge	2, 23	**(2,030)**	(2,454)
Acquired intangible amortisation	2, 14	**(1,409)**	(1,419)
Net acquisition costs	2, 32	**–**	(3)
Project Atlas	2	**(2,505)**	(3,117)
Impairments in goodwill	2, 14	**(7,761)**	–
Costs on exercise of executive share options	2	**(307)**	(107)
Total administrative expenses		**(46,827)**	(41,735)
Operating profit	5, 6, 7	**4,077**	17,096
Financial income	8	**82**	80
Financial expenses	8	**(1,117)**	(755)
Net financing costs		**(1,035)**	(675)
Profit before taxation	3	**3,042**	16,421
Taxation	9	**(3,280)**	(4,177)
(Loss)/profit for the year (attributable to equity shareholders of the parent Company)		**(238)**	12,244
(Loss)/earnings per share			
Basic	26	**(0.19)p**	10.14p
Diluted	26	**(0.19)p**	9.90p

The notes on pages 136 to 181 form part of these financial statements

Consolidated statement of comprehensive income

for the year ended 31 March 2020

	2020 £000	2019 £000
(Loss)/profit for the year	**(238)**	12,244
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**1,342**	148
(Loss)/profit on a hedge of a net investment taken to equity	**(924)**	466
Other comprehensive income recognised directly in equity	**418**	614
Total comprehensive income recognised for the year		
(attributable to the equity shareholders of the parent Company)	**180**	12,858

Consolidated statement of changes in equity

for the year ended 31 March 2020

	Share capital £000	Share premium £000	Own shares held £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2019	**6,095**	**21,914**	**(3,019)**	**13,988**	**82,115**	**121,093**
Effect of change in accounting policy (see note 1)	–	–	–	–	(1,069)	(1,069)
Balance at 31 March 2019 (restated)	**6,095**	**21,914**	**(3,019)**	**13,988**	**81,046**	**120,024**
Total comprehensive income for the year:						
Loss for the year	–	–	–	–	(238)	(238)
Other comprehensive income for the year	–	–	–	418	–	418
Total comprehensive income recognised for the year	–	–	–	**418**	**(238)**	**180**
Issue of share capital (note 25)	**37**	**426**	–	–	**(16)**	**447**
Share based payment transactions (net of tax)	–	–	–	–	**1,836**	**1,836**
Movement in own shares held (note 25)	–	–	**1,085**	–	**(2,778)**	**(1,693)**
Dividends (note 25)	–	–	–	–	**(5,134)**	**(5,134)**
Total transactions with owners	**37**	**426**	**1,085**	**–**	**(6,092)**	**(4,544)**
Balance at 31 March 2020	**6,132**	**22,340**	**(1,934)**	**14,406**	**74,716**	**115,660**

Consolidated statement of changes in equity

for the year ended 31 March 2019

	Share capital £000	Share premium £000	Own shares held £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2018	6,068	21,579	(3,437)	13,374	72,705	110,289
Total comprehensive income for the year:						
Profit for the year	–	–	–	–	12,244	12,244
Other comprehensive income for the year	–	–	–	614	–	614
Total comprehensive income recognised for the year	–	–	–	614	12,244	12,858
Issue of share capital (note 25)	27	335	–	–	(9)	353
Share based payment transactions (net of tax)	–	–	–	–	2,213	2,213
Movement in own shares held (note 25)	–	–	418	–	(418)	–
Dividends (note 25)	–	–	–	–	(4,620)	(4,620)
Total transactions with owners	27	335	418	–	(2,834)	(2,054)
Balance at 31 March 2019	6,095	21,914	(3,019)	13,988	82,115	121,093

Company statement of changes in equity

for the year ended 31 March 2020

	Share capital £000	Share premium £000	Own shares held £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2019 and restated for effect in change in accounting policy (see note 1)	**6,095**	**21,914**	**(3,019)**	**1,521**	**23,680**	**50,191**
Total comprehensive income for the year:						
Profit for the year	–	–	–	–	**4,166**	**4,166**
Total comprehensive income recognised for the year	–	–	–	–	**4,166**	**4,166**
Issue of share capital (note 25)	**37**	**426**	–	–	**(16)**	**447**
Share based payment transactions (net of tax)	–	–	–	–	**1,848**	**1,848**
Movement in own shares held (note 25)	–	–	**1,085**	–	**(2,778)**	**(1,693)**
Dividends (note 25)	–	–	–	–	**(5,134)**	**(5,134)**
Total transactions with owners	**37**	**426**	**1,085**	–	**(6,080)**	**(4,532)**
Balance at 31 March 2020	**6,132**	**22,340**	**(1,934)**	**1,521**	**21,766**	**49,825**

Company statement of changes in equity

for the year ended 31 March 2019

	Share capital £000	Share premium £000	Own shares held £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2018	6,068	21,579	(3,437)	1,521	21,853	47,584
Total comprehensive income for the year:						
Profit for the year	–	–	–	–	4,577	4,577
Total comprehensive income recognised for the year	–	–	–	–	4,577	4,577
Issue of share capital (note 25)	27	335	–	–	(9)	353
Share based payment transactions (net of tax)	–	–	–	–	2,297	2,297
Movement in own shares held (note 25)	–	–	418	–	(418)	–
Dividends (note 25)	–	–	–	–	(4,620)	(4,620)
Total transactions with owners	27	335	418	–	(2,750)	(1,970)
Balance at 31 March 2019	6,095	21,914	(3,019)	1,521	23,680	50,191

Statements of financial position

at 31 March 2020

	Note	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Non-current assets					
Property, plant and equipment	10, 11	**20,427**	21,081	**2,384**	2,469
Right-of-use asset	12, 13	**13,788**	–	**24**	–
Intangible assets	14, 15	**39,155**	44,818	**4,088**	943
Equity investments	16	–	–	**42,006**	41,440
Deferred tax assets	17, 18	**1,926**	2,129	**381**	683
Total non-current assets		**75,296**	68,028	**48,883**	45,535
Current assets					
Inventories	19	**59,187**	57,558	–	–
Trade and other receivables	20	**52,928**	53,782	**48,911**	44,517
Cash and cash equivalents	27	**28,727**	25,199	**265**	899
Total current assets		**140,842**	136,539	**49,176**	45,416
Total assets	3	**216,138**	204,567	**98,059**	90,951
Current liabilities					
Other interest-bearing loans and borrowings	21, 27	**266**	32,617	–	29,123
Trade and other payables	22	**34,914**	37,207	**4,587**	5,102
Right-of-use liabilities	12, 13, 21	**3,113**	–	**11**	–
Tax payable		**1,817**	1,982	–	–
Total current liabilities		**40,110**	71,806	**4,598**	34,225
Non-current liabilities					
Non-current trade and other payables		–	138	–	–
Other interest-bearing loans and borrowings	21, 27	**43,622**	6,739	**43,622**	6,407
Right-of-use liabilities	12, 13, 21	**11,996**	–	**14**	–
Provisions	24	**959**	959	–	–
Deferred tax liabilities	17, 18	**3,791**	3,832	–	128
Total non-current liabilities		**60,368**	11,668	**43,636**	6,535
Total liabilities	3	**100,478**	83,474	**48,234**	40,760
Net assets		**115,660**	121,093	**49,825**	50,191
Equity					
Share capital		**6,132**	6,095	**6,132**	6,095
Share premium		**22,340**	21,914	**22,340**	21,914
Own shares held		**(1,934)**	(3,019)	**(1,934)**	(3,019)
Reserves		**14,406**	13,988	**1,521**	1,521
Retained earnings		**74,716**	82,115	**21,766**	23,680
Total equity		**115,660**	121,093	**49,825**	50,191

The profit after tax for the Company is £4.2m (FY2019: £4.6m).

The notes on pages 136 to 181 form part of these financial statements.

These financial statements were approved by the Board of Directors on 27 July 2020 and were signed on its behalf by:

Mark Belton
Director

Clare Foster
Director

Statements of cash flows

for the year ended 31 March 2020

		Group		Company	
	Note	2020 £000	2019 £000	2020 £000	2019 £000
Cash flows from operating activities					
(Loss)/profit for the year		**(238)**	12,244	**4,166**	4,577
Adjustments for:					
Depreciation, amortisation and impairment	10, 11, 14	**11,541**	3,672	**85**	80
Right-of-use asset depreciation	12, 13	**3,118**	–	**19**	–
Unrealised foreign currency loss		**89**	38	**82**	–
Financial income	8	**(82)**	(80)	**(115)**	(38)
Financial expense (excluding right-of-use liabilities' financial expense)	8	**752**	755	**742**	614
Right-of-use liabilities' financial expense	12, 13	**365**	–	**–**	–
(Gain)/loss on sale of property, plant and equipment and investments		**(3)**	12	**–**	–
Dividends received		**–**	–	**(10,072)**	(10,837)
Equity settled share based payment charge		**1,981**	2,414	**441**	1,131
Taxation charge	9	**3,280**	4,177	**41**	–
Operating cash inflow/(outflow) before changes in working capital and provisions		**20,803**	23,232	**(4,611)**	(4,473)
Change in trade and other receivables		**2,060**	(755)	**(2,310)**	(10,475)
Change in inventories		**(1,217)**	(6,036)	**–**	–
Change in trade and other payables		**(2,242)**	(2,645)	**(538)**	2,673
Change in provisions		**–**	(12)	**–**	–
Cash generated from/(used in) operations		**19,404**	13,784	**(7,459)**	(12,275)
Tax paid		**(3,889)**	(3,877)	**–**	–
Net cash from/(used in) operating activities		**15,515**	9,907	**(7,459)**	(12,275)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**7**	31	**–**	–
Interest received		**82**	84	**108**	37
Acquisition of subsidiary, net of cash acquired	32	**(503)**	(8,150)	**–**	–
Acquisition of property, plant and equipment and intangibles	10, 11, 14, 15	**(4,594)**	(4,180)	**(3,145)**	(999)
Dividends received		**–**	–	**10,072**	10,837
Net cash (used in)/from investing activities		**(5,008)**	(12,215)	**7,035**	9,875
Cash flows from financing activities					
Proceeds from the issue of share capital	25	**447**	353	**447**	353
Purchase of own shares	25	**(1,693)**	–	**(1,693)**	–
Proceeds from new loan		**45,026**	12,136	**44,225**	12,136
Repayment of borrowings		**(41,620)**	(5,953)	**(37,318)**	(4,433)
(Payment)/proceeds from finance leases		**(74)**	(2)	**–**	–
Repayment of right-of-use liabilities	12, 13	**(3,487)**	–	**(18)**	–
Dividends paid	25	**(5,134)**	(4,620)	**(5,134)**	(4,620)
Interest paid		**(752)**	(758)	**(719)**	(614)
Net cash (used in)/from financing activities		**(7,287)**	1,156	**(210)**	2,822
Net change in cash and cash equivalents		**3,220**	(1,152)	**(634)**	422
Cash and cash equivalents at 1 April		**25,199**	26,222	**899**	477
Effect of exchange rate fluctuations on cash held		**308**	129	**–**	–
Cash and cash equivalents at 31 March		**28,727**	25,199	**265**	899

Notes to the financial statements

for the year ended 31 March 2020

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 187.

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 £4.2m (FY2019: £4.6m).

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.

In these financial statements the Group has changed its accounting policies for IFRS16 Leases. The effect of the changes in accounting policies by this standard has been disclosed in note 1w. The accounting policies (notes 1f and 1o) and relevant notes to the financial statements (notes 12 and 13) have been updated to reflect the new requirements.

A number of amendments to existing standards are also effective from 1 April 2019 but they do not have a material effect on the Group financial statements.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

The Group is currently assessing the impact of these amendments and do not expect them to have a significant impact on the financial statements.

b) Basis of preparation

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

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

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

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

Going concern

A review of the business activity and future prospects of the Group (including the impact of COVID-19) 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 70 to 75. Detailed information regarding the Group's current facility levels, liquidity, credit, interest and foreign exchange risk are provided in note 27.

Current trading and forecasts show that the Group will continue to be profitable and generate cash. The banking facilities and covenants that are in place provide appropriate headroom against forecasts.

Considering the current forecasts, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1 Accounting policies continued

c) Basis of consolidation

i) Subsidiaries

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

ii) Transactions eliminated on consolidation

Intra-Group balances, and any unrealised gains and losses or income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

d) Foreign currency

i) Foreign currency transactions

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

ii) Financial statements of foreign operations

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

Foreign exchange differences arising on retranslation are recognised in a separate component of equity, the translation reserve, through other comprehensive income. They are released into the income statement as part of the gain or loss on disposal.

e) Hedge of net investment in foreign operations

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

f) Property, plant and equipment

i) Owned assets

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

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

ii) Depreciation

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

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

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

iii) Leased assets (prior year only)

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

Expenditure on Project Atlas is capitalised (currently as an asset under the course of construction) as the system is technically and commercially feasible, and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and the Group can measure reliably the expenditure attributable to the asset during its development. The expenditure capitalised is directly attributable to the design and build of the new system and includes the cost of materials and external consultants as well as an appropriate allocation of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses. Currently no amortisation charges are recognised in the financial statements as the asset is not ready for its intended use.

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

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

iii) Subsequent expenditure

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

iv) Amortisation

Amortisation is charged to the consolidated income statement in administrative expenses on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are tested systematically for impairment at each annual balance sheet date. The amortisation rates of other intangible assets per annum are as follows:

Customer relationships	–	6.7% to 12.5%
Technology	–	6.7% to 10%
Order backlog	–	100%
Marketing - related	–	8.3%
Other	–	20% to 33%

h) Non-derivative financial instruments

i) Investments in subsidiaries

Investments in subsidiaries are held in the Company balance sheet at historic cost net of any impairment (see accounting policy (j)).

ii) Trade and other receivables

Trade and other receivables are recognised initially at the transaction price when they originated, and subsequently at amortised cost less impairment losses (see accounting policy (j)). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

1 Accounting policies continued

iii) Cash and cash equivalents

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

iv) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at amortised cost. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

v) Trade and other payables

Trade and other payables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or issue. Subsequently they are measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

i) Inventories

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

j) Impairment

The carrying amounts of the Group's assets, other than inventories (see accounting policy (i)), and deferred tax assets (see accounting policy (p)), are reviewed at each balance sheet date to determine whether there is any indication of impairment.

Financial assets measured at amortised cost and contract assets (as defined in IFRS15) are considered to be credit-impaired if objective evidence indicates that one or more events has had a negative effect on the estimated future cash flows of that asset.

When determining whether objective evidence indicates there is a negative effect on estimated future cash flows, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

Loss allowances for expected credit losses (ECLs) are recognised when they are expected to arise as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset where appropriate.

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

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

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.

1 Accounting policies continued

ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed. An impairment loss on any other asset is assessed at each reporting date and is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

k) Share capital

i) Dividends

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

ii) Classification of share capital issued by the Group

Share capital issued by the Group is treated as equity as it is a non-derivative that confers no contractual obligations upon the Company or the Group to deliver cash or other financial assets with another party under conditions that are potentially unfavourable.

l) Employee benefits

i) Defined contribution plans

The Group operates Defined Contribution Pension Schemes which include stakeholder pension plans. The assets of these schemes are held separately from those of the Group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period. The Group pays fixed contributions and will have no legal or constructive obligation to pay further amounts.

ii) Share based payment transactions

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of cash settled awards is recognised as an expense with a corresponding increase in liabilities over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the award. Any changes in the liability are recognised in profit or loss.

Where the Company grants awards over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the share based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised in equity or liabilities depending on the method of settlement. Amounts recharged to the subsidiary are recognised as a reduction in the cost of investment in the subsidiary.

iii) Termination benefits

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

m) Provisions

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

n) Revenue

Revenue from the sale of goods rendered is recognised net of VAT in the consolidated income statement when the performance obligation is satisfied and the customer obtains control. In accordance with normal practice, there is a single performance obligation which is on dispatch of goods or at the point of customer acceptance where appropriate. The transaction price is determined by the invoice amount with adjustments made for variable consideration (ie rebates) where applicable.

o) Expenses

i) Operating lease payments (prior year) and short-term/low value lease payments (current year)

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

ii) Finance lease payments (prior year finance leases, current year IFRS16 Leases)

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.

1 Accounting policies continued

iii) Net financing costs

Net financing costs comprise interest payable on borrowings and right-of-use liabilities calculated using the effective interest rate method and interest receivable on funds invested. Interest income is recognised in the consolidated income statement as it accrues, using the effective interest method. Net finance costs also include the amortisation of arrangement fees and related costs.

p) Taxation

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

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

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

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

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company, or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

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

q) Operating segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenditure (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (the Board) in order to make decisions about allocating resources and to assess its performance, and for which discrete financial information is available.

The Group operates in a number of geographical economic environments. The Company only operates in one business segment, being the manufacture and logistical supply of industrial fasteners and Category 'C' components.

r) Financial guarantee contracts

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

s) Earnings per share

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

t) Underlying measure of profits and losses

The Group believes that underlying operating profit and underlying profit before tax provide additional guidance to statutory measures to help understand the underlying performance of the business during the financial period. The term 'underlying' is not defined under Adopted IFRS. It is a measure that is used by management to assess the underlying performance of the business internally and is not intended to be a substitute measure for Adopted IFRSs' GAAP measures. The Group defines these underlying measures as follows:

Underlying profit before tax is profit before taxation and separately disclosed items (see note 2).

Underlying profit after tax is profit after taxation but before separately disclosed items (see note 2) and is used in the calculation of underlying earnings per share.

1 Accounting policies continued
Underlying operating and segment results (see note 3) are operating and segment profit before separately disclosed items.

It should be noted that the definitions of underlying items being used in these financial statements are those used by the Group and may not be comparable with the term 'underlying' as defined by other companies within the same sector or elsewhere.

Separately disclosed items are included within the income statement caption to which they relate.

u) Separately disclosed items (see note 2)
Separately disclosed items are those significant items which in management's judgement should be highlighted by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

v) Own shares acquired by Employee Benefit Trust
The Employee Benefit Trust ("EBT") provides for the issue of shares to Group employees under share based payment arrangements. The Company is the sole funder of the EBT, and all shares and assets held by the EBT are held under a trust arrangement for the benefit of Group employees and the Company, and the Company therefore accounts for the EBT as an extension to the Company in the financial statements.

Repurchased shares (classified as own shares acquired) are recognised at the amount of consideration paid, which includes directly attributable costs, as a deduction from equity. They are presented separately in equity as own shares held. When the shares are subsequently sold or used to settle future equity award commitments, the amount received is recognised as an increase in equity.

w) Adoption of IFRS16
This note explains the impact of the adoption of IFRS16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 April 2019 (date of initial application).

The group adopted IFRS16 from 1 April 2019 under the modified retrospective approach and therefore has not restated comparatives for the 2019 reporting period. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

Policy applied from 1 April 2019 – The Group as lessee
The Group's leases primarily comprise of right-of-use assets regarding land & buildings, motor vehicles and equipment. Short-term leases (<12 months) and leases for which the underlying asset is of a low value (<£4k) are excluded.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses. The right-of-use asset is subsequently depreciated using the straight-line method from the lease commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments (excluding non-lease components) that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate.

The lease liabilities are subsequently increased by the interest cost on the lease liability and decreased by lease payments made. The liability will be remeasured if there is a change in the future lease payments or if there are changes in the estimated length of the lease.

The lease period is established as the non-cancellable period together with the opportunity to extend the lease if the lessee is reasonably certain to utilise that option, and periods covered by an opportunity to terminate the lease if the lessee is reasonably certain not to utilise that option.

Practical expedients applied
In applying IFRS16 for the first time, the group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS17 and IFRIC4 Determining whether an Arrangement contains a Lease.

1 Accounting policies continued

Adjustments recognised on adoption of IFRS16 – Group

On adoption of IFRS16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The Group also recognised right-of-use assets for properties, vehicles & equipment which were measured on a retrospective basis as if the new rules had always been applied, discounted at the rate on the date of initial application. This has been summarised below.

	1 April 2019 £'000
Right-of-use assets	12,909
Deferred tax asset	251
Right-of-use liabilities (current)	2,727
Right-of-use liabilities (non-current)	11,566
Prepayments	(117)
Accruals	(180)
Retained Earnings	(1,069)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the lessee's incremental borrowing rate at 1 April 2019. The weighted average rate applied is 2.4%.

The right-of-use liabilities recognised at 1 April 2019 reconciles to the operating lease commitment as at 31 March 2019 as disclosed in the Group's consolidated financial statements as follows:

	1 April 2019 £'000
Operating lease commitment as at 31 March 2019 as disclosed in the Group's consolidated financial statements	14,283
Recognition exemption for leases of low-value assets	(160)
Recognition exemption for leases with less than 12 months lease term at transition	(250)
Operating leases in scope of IFRS16	13,873
Discounted using the incremental borrowing rate as 1 April 2019	(1,676)
Inception date before transition date but lease commenced after	(203)
Difference between minimum lease payments & end of lease	2,105
Extension options reasonably certain to be exercised	194
Right-of-use liabilities recognised at 1 April 2019	**14,293**

The recognised right-of-use assets relate to the following types of assets:

	1 April 2019 £'000
Land & buildings	11,925
Motor vehicles	951
Equipment	33
Total right-of-use asset	**12,909**

Adjustments recognised on adoption of IFRS16 – Company

On adoption of IFRS16, the Company recognised lease liabilities of £20,000 and right of use assets of £20,000 in relation to leases which had previously been classified as operating leases under the principles of IAS17 Leases. The leases were measured using the same principles above for the Group.

2 Underlying profit before tax and separately disclosed items

	Note	2020 £000	2019 £000
Underlying profit before tax		**17,054**	23,521
Separately disclosed items within administrative expenses			
IFRS2 share based payment charge	23	**(2,030)**	(2,454)
Acquired intangible amortisation	14	**(1,409)**	(1,419)
Net acquisition costs	32	**–**	(3)
Project Atlas		**(2,505)**	(3,117)
Impairment of goodwill		**(7,761)**	–
Costs on exercise of executive share options		**(307)**	(107)
Profit before tax		**3,042**	16,421

	Note	2020 £000	2019 £000
Underlying EBITDA		**23,525**	26,449
Separately disclosed items within administrative expenses			
IFRS2 share based payment charge	23	**(2,030)**	(2,454)
Net acquisition costs	32	**–**	(3)
Project Atlas		**(2,505)**	(3,117)
Impairment of goodwill		**(7,761)**	–
Costs on exercise of executive share options		**(307)**	(107)
EBITDA		**10,922**	20,768
Acquired intangible amortisation		**(1,409)**	(1,419)
Depreciation and non-acquired amortisation		**(5,436)**	(2,253)
Operating profit		**4,077**	17,096

There were £nil separately disclosed items in FY2020 (FY2019: £nil) other than the amounts detailed above. FY2020 accounts for leases under IFRS16 Leases, FY2019 accounts for leases under IAS 17 Leases. The transition to IFRS16 resulted in EBITDA being c.£3.5m higher.

Recurring items

During the period the IFRS2 charge decreased, due to the non-market performance conditions not being achieved for the Board FY2018 LTIP and hence the cumulative charge was reversed. £0.3m (FY2019: £0.5m) relates to the Board deferred equity bonus scheme. £0.1m (FY2019: £0.6m) relates to the new LTIP structure for the Directors. £1.5m (FY2019: £1.2m) represents the charge for the Deferred Bonus Award scheme for senior managers. The remaining £0.2m (FY2019: £0.2m) relates to the SAYE scheme.

IFRS2 share based payment charges have continued to be specifically presented as separately disclosed items within administrative expenses. We understand that these costs are more conventionally included within underlying results and we confirm management's intention to present these as such at the appropriate time. However, currently the underlying equity award schemes that form the basis of these charges are under a period of significant development.

2 Underlying profit before tax and separately disclosed items continued

This includes:

- The cessation of the Board deferred equity schemes that were in operation from FY2014 to FY2017
- The one-off introduction of a three-year Senior Manager deferred equity bonus award in FY2016
- The introduction of the current annual, rolling three year Board LTIP share awards in FY2018
- The subsequent introduction of a new annual, rolling three year Senior Manager LTIP share award scheme in FY2020

As a result of the above, the annual IFRS2 charge is expected to be subject to a significant degree of volatility until we reach a more stable ongoing position. We consider that this ongoing volatility, if presented within our underlying results in the short to medium term, will only detract readers from being able to gain a clear understanding of the Group's underlying trading position.

Management will continue to periodically assess this decision to determine when IFRS2 share based payment charges will become part of the underlying results.

Acquired intangible amortisation has remained in line with prior year. Intangible amortisation relating to acquisitions have been separately disclosed since they do not relate to the trading performance of the respective entities with a charge.

During the year, part of the FY2017 Board deferred equity bonus shares and the FY2017 Senior Manager Equity Awards were exercised and the Group incurred £0.3m of employer's National Insurance in relation to these exercises. Last year, the FY2016 Deferred Equity Bonus awards were exercised resulting in the Company incurring £0.1m of employer's National Insurance.

Event driven/one-off items

Net acquisition costs of £nil (FY2019: £0.1m) were incurred in the year. The FY2019 acquisition costs were in relation to the acquisition of PTS on 4 April 2018. The costs in FY2019 were offset by a £(0.1)m movement in the contingent consideration for PTS.

Project Atlas is a multi-year investment into our IT infrastructure and underlying business processes, budgeted to cost £15.0m. As a consequence of the work undertaken to date on this project, we have incurred direct costs of £2.5m in FY2020 (FY2019: £3.1m), largely relating to the project team. We have excluded these costs from our underlying results, to reflect the unusual scale and one-off nature of this project. We anticipate continuing to do so in order to provide shareholders with a better understanding of our underlying trading performance during this period of investment. This investment will be recorded as a combination of capital expenditure and separately disclosed items, dependent on accounting convention.

Impairments in goodwill of £7.8m (FY2019: £nil) were incurred in the year relating to VIC (£7.0m) and PSEP (£0.8m), see note 14 for further details.

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.

3 Operating segmental analysis continued

Geographical operating segments

The Group is comprised of the following main geographical operating segments:

– UK
– Europe includes Norway, Sweden, Hungary, Ireland, Holland, Italy, Germany, Spain and Poland
– USA includes USA and Mexico
– Asia includes Malaysia, China, Singapore, Taiwan, Thailand, India and Philippines

In presenting information on the basis of geographical operating segments, segment revenue and segment assets are based on the geographical location of our entities across the world, and are consolidated into the four distinct geographical regions, which the Board use to monitor and assess the Group. Interest is reported on a net basis rather than gross as this is how it is presented to the Chief Operating Decision Maker. All material non-current assets are located in the country the relevant Group entity is incorporated in.

March 2020	UK £000	Europe £000	USA £000	Asia £000	Common costs £000	Total £000
Revenue						
Revenue from external customers	71,979	71,217	10,864	46,161	–	200,221
Inter segment revenue	3,521	1,521	177	8,363	–	13,582
Total revenue	75,500	72,738	11,041	54,524	–	213,803
Underlying operating result	6,819	5,722	281	8,262	(2,995)	18,089
Net financing costs	(161)	(102)	(114)	(33)	(625)	(1,035)
Underlying segment result	6,658	5,620	167	8,229	(3,620)	17,054
Separately disclosed items (see note 2)						(14,012)
Profit before tax						3,042
Specific disclosure items						
Depreciation and amortisation	1,841	2,717	235	1,949	103	6,845
Impairments in goodwill		6,966		795		7,761
Assets and liabilities						
Non-current asset additions	3,021	777	136	1,463	3,167	8,564
Segment assets	65,679	69,836	8,897	64,534	7,192	216,138
Segment liabilities	(24,127)	(16,150)	(1,855)	(13,582)	(44,764)	(100,478)

Within separately disclosed items of £14.0m are £7.8m of goodwill impairments.

March 2019	UK £000	Europe £000	USA £000	Asia £000	Common costs £000	Total £000
Revenue						
Revenue from external customers	76,030	75,395	8,822	48,705	–	208,952
Inter segment revenue	3,040	1,742	178	10,539	–	15,499
Total revenue	79,070	77,137	9,000	59,244	–	224,451
Underlying operating result	8,666	8,423	446	9,445	(2,784)	24,196
Net financing (costs)/income	(99)	(42)	(19)	63	(578)	(675)
Underlying segment result	8,567	8,381	427	9,508	(3,362)	23,521
Separately disclosed items (see note 2)						(7,100)
Profit before tax						16,421
Specific disclosure items						
Depreciation and amortisation	705	1,891	45	951	80	3,672
Assets and liabilities						
Non-current asset additions	700	754	1,312	218	998	3,982
Segment assets	57,763	75,407	6,505	59,458	5,434	204,567
Segment liabilities	(20,027)	(14,416)	(492)	(10,759)	(37,780)	(83,474)

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 £14.9m (FY2019: £16.9m) was sold into the European market. Of the Asian external revenue, £4.5m (FY2019: £5.1m) was sold into the American market and £4.1m (FY2019: £8.6m) 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

	2020 £000	2019 £000
Rental income received from freehold properties	**12**	12
Other income	**412**	452
	424	464

5 Expenses and auditor's remuneration

Included in profit for the year are the following:

	Note	2020 £000	2019 £000
Depreciation and non-acquired amortisation	10, 14	**2,318**	2,253
Right-of-use assets depreciation	12	**3,118**	–
Amortisation of acquired intangibles	14	**1,409**	1,419
Impairments in goodwill		**7,761**	–
Operating lease expense		**1,058**	4,051
Net foreign exchange gain		**(567)**	(92)
Project Atlas (IT and business processes)		**2,505**	3,117
(Gain)/loss on disposal of fixed assets		**(3)**	12

The employee benefit expense recognised in the year is disclosed in note 23. Operating lease expense in FY2020 are low value and short-term leases, in FY2019 it was operating leases under IAS17.

Auditor's remuneration:

	2020 £000	2019 £000
Audit of these financial statements	**146**	87
Audit of financial statements of subsidiaries pursuant to legislation	**250**	252
Taxation compliance services	–	21
Other assurance services	–	30
Other services relating to transaction services	–	–
Total	**396**	**390**

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		Company Number of employees	
	2020	2019	**2020**	2019
Office and Management	**113**	113	**20**	19
Manufacturing	**338**	337	–	–
Sales	**194**	193	–	–
Distribution	**634**	633	–	–
	1,279	1,276	**20**	19

The aggregate payroll costs of these people were as follows:

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Wages and salaries (including accrued bonus)	**33,622**	32,697	**1,851**	1,780
Share based payments	**2,030**	2,454	**441**	1,131
Social security costs	**3,497**	3,280	**303**	274
Contributions to defined contribution plans (see note 23)	**2,004**	1,994	**178**	192
	41,153	40,425	**2,773**	3,377

7 Directors' emoluments

	2020 £000	2019 £000
Directors' emoluments	**1,108**	1,082
Company contributions to money purchase pension plans	**30**	30
Pension cash payments	**105**	102
	1,243	1,214

The emoluments of individual Directors, as well as the total gain on exercise of share options by Directors, are shown in the Remuneration report on pages 92 to 107.

The aggregate of emoluments of the highest paid Director was £0.32m (FY2019: £0.31m), which included no vested LTIP or deferred equity award (FY2019: £nil), Company pension contributions of £0.01m (FY2019: £0.01m) made to a money purchase scheme on his behalf and pension cash payments of £0.04m (FY2019: £0.04m). During the year, 16,822 SAYE share options were exercised (no deferred equity shares were exercised) by the highest paid director (FY2019: no SAYE share options exercised, no deferred equity shares exercised).

The annual IFRS2 charge relating to Board deferred equity bonuses was £0.28m (FY2019: £0.52m). The annual IFRS2 charge relating to Board LTIP shares was £0.11m (FY2019: £0.58m). The highest paid Director's element of this charge was £0.08m (FY2019: £0.33m).

	Number of Directors	
	2020	2019
Retirement benefits are accruing to the following number of Directors under money purchase schemes	**3**	3
The number of Directors who exercised share options was	**3**	1

See pages 92 to 107 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

	2020 £000	2019 £000
Financial income		
Interest income on financial assets	**82**	80
Financial expenses		
Interest payable on bank loans, IFRS 16 right-of-use liabilities and hire purchase liabilities	**1,117**	755

The FY2020 includes £0.4m of additional interest on the right-of-use liabilities in compliance with IFRS 16, see note 12 (FY2019 : £nil)

9 Taxation

Recognised in the income statement	2020 £000	2019 £000
Current UK tax expense:		
Current year	59	496
Adjustments for prior years	(50)	103
	9	599
Current foreign tax expense:		
Current year	3,181	3,941
Adjustments for prior years	(91)	(10)
	3,090	3,931
Total current tax	3,099	4,530
Deferred tax expense (note 17):		
Origination and reversal of temporary differences	179	(289)
Change in tax rates	(7)	27
Adjustments for prior years	9	(91)
Deferred tax expense/(income)	181	(353)
Tax in income statement	**3,280**	4,177

	2020 £000	2019 £000
Current tax recognised directly in equity – IFRS2 share based tax credit	(58)	(121)
Deferred tax recognised directly in equity – IFRS2 share based tax charge	203	322
Total tax recognised in equity	**145**	201

Reconciliation of effective tax rate ('ETR') and tax expense	2020 £000	ETR %	2019 £000	ETR %
(Loss)/profit for the period	(238)		12,244	
Tax from continuing operations	3,280		4,177	
Profit before tax	3,042		16,421	
Tax using the UK corporation tax rate of 19% (FY2019: 19%)	578	19	3,120	19
Tax suffered on dividends	416	14	474	3
Non-deductible expenses	286	9	189	1
Tax incentives	–	–	(146)	(1)
Non-taxable receipts	(44)	(1)	–	–
IFRS2 share option charge	501	16	105	1
Deferred tax assets not recognised	76	2	58	–
Impairment losses	1,475	49	–	–
Different tax rates on overseas earnings	131	4	348	2
Adjustments in respect of prior years	(132)	(4)	2	–
Tax rate change	(7)	–	27	–
Total tax in income statement	**3,280**	**108**	4,177	25

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 2018	17,091	968	30,876	6,077	683	55,695
Additions	182	136	1,656	982	32	2,988
Acquisitions	–	4	115	399	19	537
Disposals	–	(36)	(67)	(18)	–	(121)
Effect of movements in foreign exchange	42	19	140	10	(1)	210
Balance at 31 March 2019	**17,315**	**1,091**	**32,720**	**7,450**	**733**	**59,309**
Balance at 1 April 2019	17,315	1,091	32,720	7,450	733	59,309
Additions	24	10	688	655	50	1,427
Disposals	–	–	(46)	(156)	(16)	(218)
Effect of movements in foreign exchange	206	(1)	470	40	14	729
Balance at 31 March 2020	**17,545**	**1,100**	**33,832**	**7,989**	**781**	**61,247**
Depreciation and impairment						
Balance at 1 April 2018	5,376	698	24,650	4,407	551	35,682
Depreciation charge for the year	271	103	1,331	451	50	2,206
Acquisitions	–	1	71	201	11	284
Disposals	–	(20)	(41)	(17)	–	(78)
Effect of movements in foreign exchange	(12)	14	121	11	–	134
Balance at 31 March 2019	**5,635**	**796**	**26,132**	**5,053**	**612**	**38,228**
Balance at 1 April 2019	5,635	796	26,132	5,053	612	38,228
Depreciation charge for the year	283	100	1,473	436	41	2,333
Disposals	–	–	(49)	(150)	(15)	(214)
Effect of movements in foreign exchange	85	(2)	357	21	12	473
Balance at 31 March 2020	**6,003**	**894**	**27,913**	**5,360**	**650**	**40,820**
Net book value						
At 31 March 2018	11,715	270	6,226	1,670	132	20,013
At 31 March 2019	11,680	295	6,588	2,397	121	21,081
At 31 March 2020	**11,542**	**206**	**5,919**	**2,629**	**131**	**20,427**

Included in the net book value of land and buildings is £9.7m (FY2019: £9.7m) of freehold land and buildings, and £1.9m (FY2019: £2.0m) of long leasehold land and buildings.

Project Atlas costs in the consolidated income statement includes £53k (FY2019: £3k) of depreciation.

11 Property, plant and equipment – Company

	Land and buildings £000	Fixtures & fittings £000	Total £000
Cost			
Balance at 1 April 2018	3,857	571	4,428
Additions	48	8	56
Balance at 31 March 2019, 1 April 2019 and 31 March 2020	**3,905**	**579**	**4,484**
Depreciation and impairment			
Balance at 1 April 2018	1,375	560	1,935
Depreciation charge for the year	76	4	80
Balance at 31 March 2019	1,451	564	2,015
Balance at 1 April 2019	1,451	564	2,015
Depreciation charge for the year	82	3	85
Balance at 31 March 2020	**1,533**	**567**	**2,100**
Net book value			
At 1 April 2018	2,482	11	2,493
At 31 March 2019	2,454	15	2,469
At 31 March 2020	**2,372**	**12**	**2,384**

Included in the net book value of land and buildings is £2.4m (FY2019: £2.5m) of freehold land and buildings.

12 IFRS16 – Group

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets
- Leases with a duration of 12 months or less

IFRS 16 was adopted on 1 April 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 April 2019, see note 1w. The following policies apply subsequent to the date of initial application, 1 April 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the lessee's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes

- Amounts expected to be payable under any residual value guarantee
- The exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease
- Initial direct costs incurred
- The amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease.

12 IFRS16 – Group continued

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, which are discounted at the same discount rate that applied on lease commencement. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- In all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of use asset being adjusted by the same amount
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount

The Group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Group will consider whether the absence of a break clause would expose the group to excessive risk.

Typically, factors considered in deciding to negotiate a break clause include:

- The length of the lease term
- The economic stability of the environment in which the property is located
- Whether the location represents a new area of operations for the Group

At 31 March 2020 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because it was considered reasonably certain that the Group would not exercise its right to exercise any right to break the lease.

Nature of leasing activities (in the capacity as lessee)

The Group leases several properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation and in others to be reset periodically to market rental rates. In some jurisdiction's property leases the periodic rent is fixed over the lease term.

The Group also leases certain items of plant and equipment and vehicles which comprise only fixed payments over the lease terms.

The percentages in the table below reflect the current proportions of total lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use total assets if there was an uplift of 1% on the balance sheet date to lease payments that are variable.

	Lease contracts (number)	Fixed payments %	Variable payments %	Sensitivity £000
Property leases with periodic uplifts to market rentals or inflation	7	–	21	31
Property leases with fixed payments	35	72	–	–
Leases of equipment & vehicles	129	7	–	–
At 31 March 2020	**171**	**79**	**21**	**31**

12 IFRS16 – Group continued

Right-of-use assets (Group)

	Land and buildings £000	Motor vehicles £000	Equipment £000	Total £000
At 1 April 2019	11,925	951	33	12,909
Additions				
Lease extensions	2,336	22	–	2,358
New leases	920	586	75	1,581
Rent review	31	–	–	31
Depreciation	(2,590)	(504)	(24)	(3,118)
Disposals	–	(21)	–	(21)
Foreign exchange movements	44	4	–	48
At 31 March 2020	**12,666**	**1,038**	**84**	**13,788**

Right-of-use liabilities (Group)

	Land and buildings £000	Motor vehicles £000	Equipment £000	Total £000
At 1 April 2019	13,288	966	39	14,293
Additions				
Lease extensions	2,279	22	–	2,301
New leases	920	586	75	1,581
Rent review	31	–	–	31
Lease payments	(2,937)	(523)	(27)	(3,487)
Interest	342	22	1	365
Disposals	–	(21)	–	(21)
Foreign exchange movements	43	3	–	46
At 31 March 2020	**13,966**	**1,055**	**88**	**15,109**

	Total £000
Short-term lease expense	973
Low value lease expense	85
Aggregate undiscounted future commitments for short-term and low value leases	301

There have been no sale and leaseback transactions in the current or prior year.

	Under 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
At 31 March 2020					
Lease liabilities	**3,113**	**2,380**	**4,477**	**5,139**	**15,109**

13 IFRS16 – Company

Right-of-use assets (Company)

	Motor vehicles £000	Total £000
At 1 April 2019	20	20
Additions		
New leases	23	23
Depreciation	(19)	(19)
At 31 March 2020	**24**	**24**

Right-of-use liabilities (Company)

	Motor vehicles £000	Total £000
At 1 April 2019	20	20
Additions		
New leases	23	23
Lease payments	(18)	(18)
Interest	–	–
At 31 March 2020	**25**	**25**

	Total £000
Short-term lease expense	7
Low value lease expense	–
Aggregate undiscounted future commitments for short-term and low value leases	–

There have been no sale and leaseback transactions in the current or prior year.

	Under 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
At 31 March 2020					
Lease liabilities	11	6	8	–	25

14 Intangible assets – Group

	Assets under course of construction £000	Goodwill £000	Other £000	Total £000
Cost				
Balance at 1 April 2018	–	43,358	15,456	58,814
Acquisitions	–	2,043	4,816	6,859
Additions	943	–	51	994
Effect of movements in foreign exchange	–	359	(258)	101
Balance at 31 March 2019	943	45,760	20,065	66,768
Balance at 1 April 2019	943	45,760	20,065	66,768
Additions	3,145	–	22	3,167
Effect of movements in foreign exchange	–	165	346	511
Balance at 31 March 2020	**4,088**	**45,925**	**20,433**	**70,446**
Amortisation and impairment				
Balance at 1 April 2018	–	14,231	6,182	20,413
Amortisation for the year	–	–	1,469	1,469
Effect of movements in foreign exchange	–	164	(96)	68
Balance at 31 March 2019	–	14,395	7,555	21,950
Balance at 1 April 2019	–	14,395	7,555	21,950
Amortisation for the year	–	–	1,447	1,447
Impairment for the year	–	7,761	–	7,761
Effect of movements in foreign exchange	–	(12)	145	133
Balance at 31 March 2020	–	**22,144**	**9,147**	**31,291**
Net book value				
At 1 April 2018	–	29,127	9,274	38,401
At 31 March 2019	943	31,365	12,510	44,818
At 31 March 2020	**4,088**	**23,781**	**11,286**	**39,155**

The addition in assets under the course of construction in the year relates to Project Atlas.

Included within other intangibles are customer relationship intangible assets of £9.0m (FY2019: £9.9m), know-how of £1.1m (FY2019: £1.3m) and marketing related intangibles of £0.9m (FY2019: £1.0m).

The amortisation charge is recognised in administrative expenses in the income statement. Of the £1,447,000 charge in the year, £1,409,000 relates to amortisation on acquired intangibles.

Other intangible assets are made up of:

- Customer relationships acquired as part of the acquisition of PSEP. The remaining amortisation period left on these assets is 3.8 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 7.8 years
- Customer relationships acquired as part of the acquisition of Kuhlmann. The average remaining amortisation period on these assets is 5.5 years
- Customer relationships and marketing related intangibles acquired as part of the acquisition of PTS, the average remaining amortisation period on these assets is 12.3 years

14 Intangible assets – Group continued

The following cash generating units have carrying amounts of goodwill:

	2020 £000	2019 £000
Special Fasteners Engineering Co. Ltd (Taiwan)	**10,691**	10,722
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)	–	793
TR VIC SPA (VIC) (Italy)	**3,001**	9,802
TR Kuhlmann GmbH (Germany)	**1,551**	1,510
Precision Technology Supplies Ltd (UK)	**2,043**	2,043
Other	**104**	104
	23,781	31,365

The changes in goodwill for SFE and Kuhlmann relate to foreign exchange gains or losses as these investments are held in, Singaporean Dollars and Euros respectively. The reductions in goodwill for VIC and PSEP predominantly relate to goodwill impairments of £7.0m and £0.8m respectively, the remaining movements relate to foreign exchange gains or losses as the investments are held in Euros and Malaysian Ringgits respectively.

Annual impairment testing

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

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. In this method, the free cash flows after funding internal needs of the subject company are forecast for a finite period of four years based on actual operating results, budgets and economic market research. Beyond the finite period, a terminal (residual) value is estimated using an assumed stable cash flow figure.

The values assigned to the key assumptions represent management's assessment of future trends in the fastenings market and are based on both external and internal sources of historical data. Further information on sources of data used can be found in each description of the key assumptions below.

The recoverable amount of Special Fasteners Engineering Co. Ltd (Taiwan), *TR* VIC SPA (Italy) and Serco Ryan Ltd (within *TR* Fastenings Ltd) (UK) have been calculated with reference to the key assumptions shown below:

	SFE		VIC		Serco	
	2020	2019	**2020**	2019	**2020**	2019
Long-term revenue growth rate	**2.0%**	2.0%	**1.6%**	2.0%	**2.0%**	2.0%
Discount rate – post-tax	**7.6%**	9.9%	**10.8%**	11.2%	**7.3%**	8.4%
Discount rate – pre-tax	**9.5%**	12.4%	**14.9%**	15.4%	**9.0%**	10.4%
Terminal EBIT margin	**16.2%**	16.8%	**13.5%**	17.2%	**8.1%**	9.1%

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

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.

14 Intangible assets – Group continued

In determining the risk adjusted discount rate, management has applied an adjustment for the systemic risk to each of the Group's operations determined using an average of the betas of comparable listed fastener distribution and manufacturing companies and, where available and appropriate, across a specific territory. Management has used an equity market risk premium that takes into consideration studies by independent economists, the average equity market risk premium over the past five years and the market risk premiums typically used by investment banks in evaluating acquisition proposals.

To calculate the pre-tax discount rate we have taken the post-tax discount rate and divided this by one minus the applicable tax rate. We consider this an appropriate approximation of the pre-tax rate as there are no significant timing differences between the tax cash flows and tax charges. The table above discloses the discount rate on a post and pre-tax basis. This takes into account certain components such as the various discount rates reflecting different risk premiums and tax rates in the respective regions. Overall, the Board is confident that the discount rate adequately reflects the circumstances in each location and is in accordance with 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.

Impairments in the year

The impairments of £7.0m in VIC's goodwill and £0.8m in PSEP's goodwill respectively have arisen due to the impact of COVID-19 both on short to medium-term cash flows as well as higher than usual discount rates. These have been separately disclosed in the consolidated income statement.

For VIC, the discount rate used is 10.8% post-tax (14.9% pre-tax). This is at similar levels to FY2019 (11.2% post-tax; 15.4% pre-tax) due to the economic struggles in Italy, but higher than the average post-tax rate in previous years of c.9.3%. The unit's recoverable amount calculated by management is £27.4m.

For PSEP, the discount rate used is 10.6% post-tax (13.9% pre-tax). This is broadly in line with FY2019 (11.6% post-tax; 15.3% pre-tax), but higher than the average post-tax rate in previous years of *c.*10.0%. The unit's recoverable amount calculated by management is £10.4m.

Sensitivity to changes in assumptions

The continued economic struggles in Italy, combined with the impact of COVID-19, has caused the discount rate for VIC to remain high (the years before FY2019 it was c.9.3%), thus reducing headroom. If these uncertainties continue and the discount rate increases then it is possible that there might be an additional impairment of VIC's goodwill. Given the impairment in the year, VIC's recoverable amount is equal to its carrying amount. An increase in the discount rate of 50bps will cause the units recoverable amount to be £1.3m lower than its carrying amount. Despite the negative impact of the macroeconomic factors (including COVID-19) which are outside of our direct control, management believe the outlook for VIC continues to be positive.

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

15 Intangible assets – Company

	Assets under course of construction £000	Other £000	Total £000
Cost			
Balance at 1 April 2018	–	62	62
Additions	943	–	943
Balance at 31 March 2019	943	62	1,005
Balance at 1 April 2019	943	62	1,005
Additions	3,145	–	3,145
Balance at 31 March 2020	4,088	62	4,150
Amortisation and impairment			
Balance at 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	–	62	62
Net book value			
At 1 April 2018	–	–	–
At 31 March 2019	943	–	943
At 31 March 2020	**4,088**	–	**4,088**

The addition in assets under the course of construction in the year relates to Project Atlas.

16 Equity investments – Company
Investments in subsidiaries

	Total £000
Cost	
Balance at 1 April 2018, 31 March 2019, 1 April 2019	42,585
Additions	566
Balance at 31 March 2020	**43,151**
Provision	
Balance at 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	1,145
Net book value	
Balance at 1 April 2018, 31 March 2019	**41,440**
Balance at 31 March 2020	**42,006**

The additions in the year relate to IFRS2 charges that will not be recharged to subsidiaries.

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.

Following the acquisition of Serco Ryan Ltd in September 2005, the trade and assets of Serco Ryan were transferred to fellow subsidiary *TR* Fastenings Ltd at book value. This resulted in an apparent overvaluation of the Serco Ryan Ltd investment as held in the Company's books, although there was no overall loss to the Group. Schedule 1 of SI 2008/410 of the Companies Act 2006 requires that, where such overvaluation is expected to be permanent, the investment should be written down accordingly. The directors consider that as the substance of the transaction was merely to reorganise the Group's operations, such a treatment would fail to give a true and fair view. Therefore the diminution in value of the investment in Serco Ryan Ltd has instead been re-allocated to the Company's investment in *Trifast* Overseas Holdings Ltd, being the immediate parent company of *TR* Fastenings Limited and directly owned by the Company.

17 Deferred tax assets and liabilities – Group
Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 £000	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000
Property, plant and equipment	**(1)**	(44)	**1,815**	1,751	**1,814**	1,707
IFRS16 Leases	**(253)**	–	–	–	**(253)**	–
Intangible assets	**(118)**	(116)	**2,166**	2,292	**2,048**	2,176
Provision on inventories	**(715)**	(805)	–	–	**(715)**	(805)
Provisions/accruals	**(480)**	(460)	**345**	366	**(135)**	(94)
IFRS2 Share based payments	**(405)**	(1,068)	–	–	**(405)**	(1,068)
Tax losses	**(489)**	(213)	–	–	**(489)**	(213)
Tax (assets)/liabilities	**(2,461)**	(2,706)	**4,326**	4,409	**1,865**	1,703
Tax set-off	**535**	577	**(535)**	(577)	–	–
Net tax (assets)/liabilities	**(1,926)**	(2,129)	**3,791**	3,832	**1,865**	1,703

A potential £2.3m (FY2019: £2.0m) 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. The majority of the increase (£0.2m) reflects the UK tax rate change from 17% to 19%.

A potential £1.4m of (FY2019: £1.6m) deferred tax liability relating to the temporary differences associated with undistributed profits in subsidiaries has not been recognised. This is on the grounds that we are able to control the timing of these reversals and it is not considered probable that these amounts will reverse in the foreseeable future.

17 Deferred tax assets and liabilities – Group continued

Movement in deferred tax during the year

	1 April 2019 £000	Recognised in income £000	Recognised in equity^ £000	**31 March 2020 £000**
Property, plant and equipment*	1,707	95	12	**1,814**
IFRS16 leases*	(251)	(3)	1	**(253)**
Intangible assets	2,176	(163)	35	**2,048**
Provision on inventories	(805)	87	3	**(715)**
Provisions/accruals	(94)	(22)	(19)	**(135)**
IFRS2 Share based payments	(1,068)	460	203	**(405)**
Tax losses	(213)	(273)	(3)	**(489)**
	1,452	181	232	**1,865**

* The 1 April 2019 position has been restated to include a deferred tax asset of £251k recognised on the adoption of IFRS16 Leases

Movement in deferred tax during the prior year

	1 April 2018 £000	**Recognised in income £000**	**Recognised on Acquisitions £000**	**Recognised in equity^ £000**	**31 March 2019 £000**
Property, plant and equipment	1,625	36	42	4	1,707
Intangible assets	1,634	(248)	819	(29)	2,176
Provision on inventories	(694)	(103)	–	(8)	(805)
Provisions/accruals	(223)	139	–	(10)	(94)
IFRS2 Share based payments	(1,142)	(248)	–	322	(1,068)
Tax losses	(270)	71	–	(14)	(213)
	930	(353)	861	265	1,703

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

18 Deferred tax assets and liabilities – Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2020 £000	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000
Property, plant and equipment	–	–	**133**	128	**133**	128
Provisions/accruals	**(1)**	(1)	–	–	**(1)**	(1)
IFRS2 Share based payments	**(309)**	(682)	–	–	**(309)**	(682)
Tax losses	**(204)**	–	–	–	**(204)**	–
Tax (assets)/liabilities	**(514)**	(683)	**133**	128	**(381)**	(555)
Tax set-off	**133**	–	**(133)**	–	–	–
Net tax (assets)/liabilities	**(381)**	(683)	–	128	**(381)**	(555)

A potential £2.2m (FY2019: £2.0m) 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. The increase of £0.2m reflects the UK tax rate change from 17% to 19%.

18 Deferred tax assets and liabilities – Company continued

Movement in deferred tax during the year

	1 April 2019 £000	Recognised in income £000	Recognised in equity £000	**31 March 2020 £000**
Property, plant and equipment	128	5	–	**133**
Provisions/accruals	(1)	–	–	**(1)**
IFRS2 Share based payments	(682)	195	178	**(309)**
Tax losses	–	(204)	–	**(204)**
	(555)	(4)	178	**(381)**

Movement in deferred tax during the prior year

	1 April 2018 £000	Recognised in income £000	Recognised in equity £000	31 March 2019 £000
Property, plant and equipment	132	(4)	–	128
Provisions/accruals	(1)	–	–	(1)
IFRS2 Share based payments	(766)	(107)	191	(682)
	(635)	(111)	191	(555)

19 Inventories – Group

	2020 £000	2019 £000
Raw materials and consumables	**4,982**	5,568
Work in progress	**2,026**	2,233
Finished goods and goods for resale	**52,179**	49,757
	59,187	57,558

In FY2020, inventories of £129.2m (FY2019: £132.4m) were recognised as an expense during the year and included in cost of sales. Inventories have been written down by £1.6m in the year (FY2019: £1.1m) in line with the Group's stock provisioning policy. Such write-downs were recognised as an expense during FY2020. No significant specific stock provisions have been reversed in the year.

No inventories are pledged as security for liabilities.

The carrying amount of inventories carried at fair value less costs to sell is £1.4m (FY2019: £1.2m).

20 Trade and other receivables

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Trade receivables	**48,484**	49,149	–	–
Non trade receivables and prepayments	**4,444**	4,633	**21**	313
Amounts owed by subsidiary undertakings	–	–	**48,890**	44,204
	52,928	53,782	**48,911**	44,517

An explanation of credit risk and details of the security held over receivables is provided in note 27.

The trade receivables position for the Group at 1 April 2018 was £48.0m.

Expected credit losses for the Group were calculated by first grouping trade receivables by entity and looking at historic credit loss rates over 5 years. This was then overlaid with considerations for overdue debt, forward looking information (including COVID-19) and any customer specific risks.

Expected credit losses for the Company were assessed at year end and there had not been a significant increase in credit risk therefore they are provided at 12-month ECL. No material provision was required in FY2020 or FY2019.

21 Other interest-bearing loans and borrowings

This note provides information about the Group and Company's existing interest-bearing loans and borrowings as at 31 March 2020. For more information about the security provided by the Group and Company over loans or the Group and Company's exposure to interest rate, foreign currency and liquidity risk, see note 27.

			Current		Non-current	
Initial loan value	Rate	Maturity	**2020 £000**	2019 £000	**2020 £000**	2019 £000
Group						
Asset based lending	Base + 1.49%	2019	–	2,977	–	–
VIC unsecured loan	EURIBOR + 1.95%	2020	**266**	517	–	258
Right of use liabilities	Various	2020-2050	**3,102**	–	**11,982**	–
Finance lease liabilities	Various	2019-2020	–	–	–	74
Group and Company						
Revolving Credit Facility	LIBOR/ EURIBOR + 1.10%	2023	–	–	**44,262**	–
Prepaid arrangement fees			–	–	**(640)**	–
Right of use liabilities	Various	2020-2023	**11**	–	**14**	–
Facility A VIC acquisition loan	EURIBOR + 1.50%	2021	–	4,307	–	4,307
Facility B Revolving Credit Facility	LIBOR/ EURIBOR + 1.50%	2019-2021	–	24,816	–	–
Property Loan	LIBOR + 1.25%	2021	–	–	–	2,100
Total Group			**3,379**	32,617	**55,618**	6,739
Total Company			**11**	29,123	**43,636**	6,407

On 16th April 2019, the Group re-financed its banking facilities, see note 27 for further information.

22 Trade and other payables

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Trade payables	**20,054**	21,496	–	–
Amounts payable to subsidiary undertakings	–	–	**3,547**	4,162
Deferred consideration	–	511	–	–
Non-trade payables and accrued expenses	**12,665**	12,961	**855**	839
Other taxes and social security	**2,195**	2,239	**185**	101
	34,914	37,207	**4,587**	5,102

23 Employee benefits

Pension plans

Defined contribution plans

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

The total expense relating to these plans in the current year was £2.0m (FY2019: £2.0m) and represents contributions payable by the Group to the funds.

At the end of the financial year, there were outstanding pension contributions of £0.1m (FY2019: £0.1m), which are included in creditors.

Share based payments

The Group Share Options (including SAYE plans) provide for an exercise price equal to the average quoted market price of the Group shares on the date of grant. In the case of SAYE, this price is discounted in line with HMRC limits. The vesting period is generally three or five years. The options expire if they remain unexercised after the exercise period has lapsed. Furthermore, options are forfeited if the employee leaves the Group before the options vest, unless for retirement, redundancy or health reasons. The options are equity settled.

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

	2020		2019	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding at beginning of year	**1,239,534**	**1.43**	1,341,115	1.22
Granted during the year	**373,753**	**1.78**	298,670	1.93
Forfeited/lapsed during the year	**(235,663)**	**1.81**	(54,890)	1.77
Exercised during the year	**(427,971)**	**1.04**	(345,361)	1.00
Outstanding at the end of the year	**949,653**	**1.65**	1,239,534	1.43
Exercisable at the end of the year	**42,421**	**1.17**	22,797	1.05

The options outstanding at 31 March 2020 had a weighted average remaining contractual life of 1.9 years (FY2019: 1.6 years) and exercise prices ranging from £1.00 to £1.93 (FY2019: £0.35 to £1.93).

The weighted average share price at the date of exercise for share options exercised in 2020 was £1.86 (FY2019: £1.99).

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model.

The contractual life of the option is used as an input into this model.

Board deferred equity bonus shares

The Board deferred equity bonus shares have been discussed in more detail in the Remuneration report (pages 92 to 107). The number of deferred equity bonus shares are as follows:

	Deferred equity bonus shares
Outstanding at beginning of year	**1,682,860**
2015 deferred equity bonus shares exercised	**(400,046)**
Outstanding at the end of the year	**1,282,814**
Exercisable at the end of the year	**746,211**

The above includes 36,703 shares for C Foo relating to his employment as *TR* Asia MD. He does not sit on the Main plc Board.

These nil cost options are subject to a three year service period and the fair value has been calculated using the discounted dividend model (DDM). This is based on expected dividends over the three year term. They are equity settled shares.

The weighted average share price at the date of exercise for share options exercised in FY2020 was £1.79 (FY2019: £2.21).

The options outstanding at 31 March 2020 had a weighted average remaining contractual life of nil years (FY2019: 0.4 years).

23 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	1,843,179
Granted during the year	788,500
Exercised during the year	(1,306,440)
Outstanding at end of year	**1,325,239**

The shares granted in previous years were subject to a base award and a multiplier award. The base award required a service period of three years from date of grant and was also subject to personal performance conditions being met during the performance period. The multiplier award was determined by a non-market performance condition which was achieved at 31 March 2019 meaning the maximum multiplier was applied to the shares that vested. The awards granted on 30 December 2016, 24 November 2017, 1 April 2018, 4 April 2018 and 14 November 2018 vested in December 2019. The method of settlement for these shares is a mixture of equity and cash settled. The fair value has been calculated using the Discounted Dividend model. This was at grant date for the equity settled awards. The fair value for the cash settled awards was remeasured to the date the awards vested. The weighted average share price at the date of exercise for share options exercised in FY2020 was £1.75 (FY2019: £nil).

The awards granted in the current year are subject to a non-market performance condition of underlying EPS growth for a 3 year period starting on 1 April 2019 and a service condition of 3 years from the grant date. The non-market performance condition requires underlying EPS to growth by 5% per annum for a 25% payout, 15% per annum for a 100% payout with straight line vesting for growth in between 5% and 15% per annum. If growth is less than 5% per annum the payout is nil. The method of settlement for these shares is a mixture of equity and cash settled. The fair value has been calculated using the Discounted Dividend model. This was at grant date for the equity settled awards. The fair value for the cash settled awards are remeasured at the reporting date.

Board LTIP shares

The Board LTIP shares are part of the remuneration policy approved at the 2017 AGM and have been discussed in more detail in the Remuneration report (pages 92 to 107). The maximum number of Board LTIP shares are as follows:

	Board LTIP shares
Outstanding at beginning of year	1,178,428
Granted during the year	549,879
Outstanding at end of year	**1,728,307**

The above includes 151,442 shares for G Budd relating to when he was a main plc Board Director. He stepped down from the main plc Board on 31 March 2018. The above includes 446,490 shares for G Roberts relating to when she was a main plc Board Director. She stepped down from the main plc Board on 31 March 2020.

23 Employee benefits continued

These nil cost options are subject to performance (EPS growth and TSR performance) and service conditions over a three year period. The fair value for the EPS element has been calculated using the DDM whilst the fair value for the TSR element has been calculated using the Monte-Carlo simulation. They are equity settled shares. In line with 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.

The options outstanding at 31 March 2020 had a weighted average remaining contractual life of 1.3 years (FY2019: 1.8 years).

Date of grant	Type of instrument	Valuation model	Number out-standing on 31 March 2020	Share price on date of grant (£)	Exercise price (£)	Expected volatility %	Vesting period (yrs)	Expected life (yrs)	Risk- free rate %	Expected annual dividend %	Fair value (£)
01/10/2014	SAYE 5 Year	Black-Scholes	**1,515**	1.05	1.00	35.76	5.00	5.00	1.73	1.33	0.33
01/10/2015	SAYE 5 Year	Black-Scholes	**111,991**	1.14	1.05	34.60	5.00	5.00	1.17	1.84	0.33
01/10/2016	SAYE 3 Year	Black-Scholes	**34,986**	1.72	1.07	33.83	3.00	3.00	0.36	1.63	0.68
01/10/2016	SAYE 5 Year	Black-Scholes	**57,018**	1.72	1.07	32.80	5.00	5.00	0.66	1.63	0.71
01/10/2017	SAYE 3 Year	Black-Scholes	**169,183**	2.24	1.77	26.64	3.00	3.00	0.57	1.56	0.59
01/10/2017	SAYE 5 Year	Black-Scholes	**76,766**	2.24	1.77	31.18	5.00	5.00	0.82	1.56	0.72
01/10/2018	SAYE 3 Year	Black-Scholes	**132,022**	1.92	1.93	24.59	3.00	3.00	0.84	2.01	0.28
01/10/2018	SAYE 5 Year	Black-Scholes	**27,504**	1.92	1.93	30.01	5.00	5.00	1.03	2.01	0.42
01/10/2019	SAYE 3 Year	Black-Scholes	**245,713**	1.60	1.78	27.58	3.00	3.00	0.45	2.66	0.19
01/10/2019	SAYE 5 Year	Black-Scholes	**92,955**	1.60	1.78	28.46	5.00	5.00	0.43	2.66	0.24
Total SAYE Share Options			**949,653**								
30/09/2015	Board deferred equity	DDM	**384,466**	1.16	n/a	n/a	2.56	2.56	n/a	1.81	1.11
15/07/2016	Board deferred equity	DDM	**361,745**	1.35	n/a	n/a	2.71	2.71	n/a	2.07	1.28
26/07/2017	Board deferred equity	DDM	**536,603**	2.17	n/a	n/a	2.68	2.68	n/a	1.61	2.08
30/12/2016	SM deferred bonus equity	DDM	**488,183**	2.05	n/a	n/a	3.00	3.00	n/a	1.46	1.96
24/11/2017	SM deferred bonus equity	DDM	**39,370**	2.45	n/a	n/a	2.10	2.10	n/a	1.47	2.37
30/09/2017	Board LTIP shares - EPS growth	DDM	**479,567**	2.08	n/a	n/a	3.00	3.00	0.53	1.68	1.98
30/09/2017	Board LTIP shares - TSR element	Monte-Carlo simulation	**205,528**	2.08	n/a	25.7	3.00	3.00	0.53	1.68	0.80
04/04/2018	SM deferred bonus equity	DDM	**9,186**	2.54	n/a	n/a	1.74	1.75	n/a	1.42	2.48
23/07/2018	Board LTIP shares - EPS growth	DDM	**345,333**	2.38	n/a	n/a	3.00	3.00	0.77	1.62	2.27
23/07/2018	Board LTIP shares - TSR element	Monte-Carlo simulation	**148,000**	2.38	n/a	24.30	3.00	3.00	0.77	1.62	0.94
23/07/2019	Board LTIP shares - EPS growth	DDM	**384,915**	2.07	n/a	n/a	3.00	3.00	0.42	2.05	1.95
23/07/2019	Board LTIP shares - TSR element	Monte-Carlo simulation	**164,964**	2.07	n/a	25.96	3.00	3.00	0.42	2.05	1.15
23/07/2019	SM deferred bonus equity	DDM	**744,000**	2.07	n/a	n/a	3.00	3.00	n/a	2.05	1.95
23/07/2019	SM deferred bonus cash	DDM	**44,500**	2.07	n/a	n/a	3.00	2.31	n/a	4.47	0.86
Total Share options			5,286,013								

23 Employee benefits continued

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 £2.0m and £2.5m in relation to share based payment transactions in FY2020 and FY2019 respectively. Of this, £49k (FY2019: £40k) relates to cash settled awards to which a liability is recognised on the statement of financial position in trade and other payables. The remaining amount relates to equity settled awards.

As at 31 March 2020, outstanding options to subscribe for ordinary shares of 5p were as follows:

Grant date/employees entitled	Number of instruments	Contractual life of options
01/10/14/SAYE	1,515	Oct 2019
01/10/15/SAYE	111,991	Oct 2020
01/10/16/SAYE	92,004	Oct 2019, Oct 2021
01/10/17 SAYE	245,949	Oct 2020, Oct 2022
01/10/18 SAYE	159,526	Oct 2021, Oct 2023
01/10/19 SAYE	338,668	Oct 2022, Oct 2024
Total outstanding options	949,653	
Board deferred equity bonus shares	1,282,814	Sep 2018, Jul 2019, 2020
Senior manager deferred bonus shares	1,325,239	Dec 2019, Jul 2022
Board LTIP shares	1,728,307	Sep 2020, Jul 2021, Jul 2022
Total	**5,286,013**	

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

24 Provisions

Group	Dilapidations £000	Total £000
Balance at 31 March 2019 and 31 March 2020	959	959

Dilapidations relate to a portfolio of properties within the UK, 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. These will be utilised on vacation.

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

Group	**2020 Total £000**	2019 Total £000
Non-current (greater than 1 year)	**959**	959
Current (less than 1 year)	–	–
Balance at 31 March	**959**	959

In respect of the Company there are £nil provisions (FY2019: £nil).

25 Capital and reserves

Capital and reserves – Group and Company

See Statements of changes in equity on pages 132 to 133.

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.

During the year the Group purchased 1,000,000 shares (FY2019: nil) on the open market via the *Trifast* EBT for £1.68 per share , total £1.7m (FY2019 : nil shares). Whilst 1,289,187 shares (FY2019: 182,622) were transferred out of the Own Shares Held reserve at a weighted average cost of £2.16, total cost £2.8m (FY2019: weighted average cost of £2.29, total cost £0.4m) to fulfil part of the exercise of awards under the deferred equity bonus shares scheme. The number of ordinary shares held at the 31 March 2020 was 1,028,191 (FY2019: 1,317,378). These shares are in the Own Shares Held reserve and are to help meet future employee share plan obligations.

Share capital

	Number of ordinary shares	
	2020	2019
In issue at 1 April	**121,890,011**	121,364,667
Shares issued	**742,901**	525,344
In issue at 31 March – fully paid	**122,632,912**	121,890,011

The total number of shares issued during the year was 742,901 for a consideration of £0.4m (FY2019: 525,344 shares for £0.4m). In FY2019 6,973 shares were issued in relation to the Senior Manager deferred bonus share scheme. The number was greater than the total exercised (3,937 shares) as a result of a proportion of the award being settled in a tax efficient manner (3,195 as nil-cost awards and 3,778 as CSOP options with an exercise price of £1.98).

In FY2020, all shares were issued for cash, excluding 314,930 shares (FY2019: 173,010) as part of the Board deferred equity bonus scheme and nil (FY2019: 3,195) as part of the senior manager deferred bonus shares.

	2020 £000	2019 £000
Allotted, called up and fully paid		
Ordinary shares of 5p each	**6,132**	6,095

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

Dividends

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

	2020 £000	2019 £000
Final paid 2019 – 3.05p (FY2018: 2.75p) per qualifying ordinary share	**3,687**	3,301
Interim paid 2019 – 1.20p (FY2018: 1.10p) per qualifying ordinary share	**1,447**	1,319
	5,134	4,620

After the balance sheet date a final dividend of nilp per qualifying ordinary share (FY2019: 3.05p) was proposed by the Directors and an interim dividend of 1.20p (FY2019: 1.20p) was paid in April 2020.

	2020 £000	2019 £000
Final proposed 2020 – nilp (FY2019: 3.05p) per qualifying ordinary share	–	3,687
Interim paid 2020 1.20p (FY2019: 1.20p) per qualifying ordinary share	**1,457**	1,447
	1,457	5,134

Subject to Shareholder approval at the Annual General Meeting which is to be held on 22 September 2020, the Board are not proposing a final dividend at this time. See the Business Review for further details.

26 Earnings per share

Basic earnings per share

The calculation of basic loss per share at 31 March 2020 was based on the loss attributable to ordinary shareholders of £(0.2)m (FY2019: profit of £12.2m) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2020 (excluding own shares held) of 122,171,272 (FY2019: 120,723,637), calculated as follows:

Weighted average number of ordinary shares

	2020	2019
Issued ordinary shares at 1 April	121,890,011	121,364,667
Net effect of shares issued/(held)	281,261	(641,030)
Weighted average number of ordinary shares at 31 March	**122,171,272**	120,723,637

Diluted earnings per share

The calculation of diluted loss per share at 31 March 2020 was based on loss attributable to ordinary shareholders of £(0.2)m (FY2019: profit of £12.2m) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2020 (excluding own shares held) of 122,171,272 (FY2019: 123,734,170), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2020	2019
Weighted average number of ordinary shares at 31 March	122,171,272	120,723,637
Effect of share options on issue	–	3,010,533
Weighted average number of ordinary shares (diluted) at 31 March	**122,171,272**	123,734,170

For diluted EPS there are potentially 2,273,827 dilutive share options, however they are not included in the weighted average calculation for FY2020 because they are anti-dilutive since there is a loss after tax. These dilutive share options are considered in the calculation for underlying diluted EPS below.

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

Underlying earnings per share

	2020 EPS			2019 EPS		
EPS (total)	**Earnings £000**	**Basic**	**Diluted**	Earnings £000	Basic	Diluted
(Loss)/profit after tax for the financial year	(238)	(0.19)p	(0.19)p	12,244	10.14p	9.90p
Separately disclosed items:						
IFRS2 share based payment charge	2,030	1.66p	1.63p	2,454	2.03p	1.98p
Acquired intangible amortisation	1,409	1.15p	1.13p	1,419	1.18p	1.14p
Net acquisition costs	–	–	–	3	–	–
Costs on exercise of executive share options	307	0.25p	0.24p	107	0.09p	0.09p
Impairments in goodwill	7,761	6.35p	6.24p	–	–	–
Project Atlas	2,505	2.05p	2.01p	3,117	2.58p	2.52p
Tax charge on adjusted items above	(653)	(0.53)p	(0.52)p	(1,370)	(1.13p)	(1.10p)
Underlying profit after tax	**13,121**	**10.74p**	**10.54p**	17,974	14.89p	14.53p

The 'underlying diluted' earnings per share is detailed in the above tables. In the Directors' opinion, this best reflects the underlying performance of the Group and assists in the comparison with the results of earlier years (see note 2).

27 Financial instruments

(a) Fair values of financial instruments

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

(b) Financial instruments risks

Exposure to credit, liquidity, interest rate and currency risks 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.

27 Financial instruments continued

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

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

Credit evaluations are performed on all customers requiring credit over a predetermined amount. All overdue debts are monitored regularly and customers are put on credit hold if payments are not received on time as appropriate. The carrying amount of trade receivables represents the maximum credit exposure for the Group. These procedures have been enhanced as a result of COVID-19 uncertainties. Therefore, the maximum exposure to credit risk at the balance sheet date was £48.5m (FY2019: £49.1m), 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 (FY2019: £nil), even taking into account COVID-19.

At the balance sheet date there were no significant geographic or sector specific concentrations of credit risk. Although we continue to monitor the automotive sector closely due to the ongoing challenges in this specific end market.

Impairment losses

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows.

	2020 £000	2019 £000
Balance at 1 April	**(986)**	(897)
Impairment loss movement	**(163)**	(89)
Balance at 31 March	**(1,149)**	(986)

There are no significant losses/bad debts provided for specific customers. The allowance account for trade receivables is used to record impairment losses where a credit risk has been identified, unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

(ii) Liquidity and interest risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group holds net debt and hence its main interest and liquidity risks are associated with the maturity of its facilities against cash inflows from around the Group. The Group's objective is to maintain a balance of continuity of funding and flexibility through the use of banking facilities as applicable.

At 31 March 2020, the Group banking facilities with a group of three lenders comprised a revolving multi-currency credit facility ('RCF') of up to £80.0m (balance at 31 March 2020: £44.3m).

On 16 April 2019, all of the Group's centrally held facilities and the ABL facility in *TR* Fastenings Ltd were redeemed via this new four year Revolving Credit Facility of up to £80m maturing April 2023. The facility includes an accordion of. up to £40m and the option to extend maturity up to April 2024. The facility is guaranteed by 16 Group companies which exceed thresholds in various financial metrics as specified by lenders. Interest on this new facility is charged at the aggregate rate of LIBOR/EURIBOR plus a margin of 1.10%, in accordance with a formula incorporating the ratio of consolidated net debt against the consolidated underlying EBITDA of the Group.

In June 2015, VIC took out a €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 FY2021.

27 Financial instruments continued

Covenant headroom – at 31 March 2020

The RCF facility in place as at 31 March 2020 are subject to quarterly covenant testing as follows:

Interest cover: Underlying EBITDA to net interest to exceed a ratio of four.
Adjusted leverage: Total net debt to underlying EBITDA not to exceed a ratio of three.

These covenants currently provide significant headroom and forecasts (taking into account COVID-19 scenario planning and the equity raise (see note 30)) indicate no breach is anticipated.

Liquidity tables

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

	2020			
	Carrying amount/ contractual cash flows^ £000	**Less than 1 year £000**	**1 to 2 years £000**	**2 to 5 years £000**
Non-derivative financial liabilities				
Company				
Revolving credit facility	**44,262**	–	–	**44,262**
Total Company	**44,262**	–	–	**44,262**
Group				
VIC unsecured loan	**266**	**266**	–	–
Total Group	**44,528**	**266**	–	**44,262**

^ In addition to the above, there are interest charges of £328k for the year relating to Revolving Credit Facilty.

IFRS 16 Right-of-use liabilities details are provided in note 12.

	2019			
	Carrying amount/ contractual cash flows £000	Less than 1 year £000	1 to 2 years £000	2 to 5 years £000
Non-derivative financial liabilities				
Company				
Facility A – VIC acquisition loan	8,614	4,307	4,307	–
Facility B – Revolving credit facility	24,816	24,816	–	–
Property loan	2,100	–	2,100	–
Total Company	35,530	29,123	6,407	–
Group				
Asset based lending	2,977	2,977	–	–
VIC unsecured loan	775	517	258	–
Total Group	39,282	32,617	6,665	–

Liquidity headroom

Trading forecasts show that the facilities in place at 31 March 2020 provided sufficient liquidity headroom. The Group continues to maintain positive relationships with a number of banks and the Directors believe that appropriate facilities will continue to be made available to the Group as and when they are required. The re-finance on 16 April 2019 provides additional liquidity headroom to support the Group's strategic investment aims.

On 19 June, the Group successfully completed a placing of new ordinary shares, raising net £15.5m of proceeds. As of 30 June 2020 the Group has been in a net cash position, promoting further significant liquidity headroom (see note 30).

27 Financial instruments continued

Facilities that were available at 31 March 2020 (excluding bank overdrafts and lease liabilities):

	2020			2019		
	Available facilities £000	**Utilised facilities £000**	**Unutilised facilities £000**	Available facilities £000	Utilised facilities £000	Unutilised facilities £000
Company						
Revolving Credit Facility	**80,000**	**44,262**	**35,738**	–	–	–
Facility A – VIC acquisition loan	–	–	–	8,614	8,614	–
Facility B – Revolving credit facility	–	–	–	31,000	24,816	6,184
Property loan	–	–	–	2,100	2,100	–
Total Company	**80,000**	**44,262**	**35,738**	41,714	35,530	6,184
Group						
Asset based lending	–	–	–	15,000	2,977	12,023
VIC unsecured loan	**266**	**266**	–	775	775	–
Total Group	**80,266**	**44,528**	**35,738**	57,489	39,282	18,207

In addition there is an accordion facility of £40m as part of the RCF facility agreement, which provides potential additional finance under current agreed terms subject to credit approval.

Interest risk

The Group monitors closely all loans outstanding which currently incur interest at floating rates. When appropriate the Group makes use of derivative financial instruments, including interest rate swaps and caps. The Group will continue to review this position going forward.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates the split between fixed and variable interest rates at the balance sheet date.

Further details of the rates applicable on interest-bearing loans and borrowings is given in note 21.

All assets and liabilities in place at year end bear interest at a floating rate and therefore may change within one year.

Interest rate table (including lease liabilities)

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Variable rate instruments				
Financial assets	**28,727**	25,199	**265**	899
Financial liabilities*	**(58,997)**	(39,356)	**(43,647)**	(35,530)
Net debt	**(30,270)**	(14,157)	**(43,382)**	(34,631)

* Including prepaid arrangement fee of £0.6m

Sensitivity analysis

A change of one percentage point in interest rates at the balance sheet date would change equity and profit and loss by £0.4m (FY2019: £0.4m). This calculation has been applied to risk exposures existing at the balance sheet date.

This analysis assumes that all other variables, in particular foreign currency rates, remain consistent and considers the effect of financial instruments with variable interest rates. The analysis is performed on the same basis for the comparative period.

(iii) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than local functional currency. The Group faces additional currency risks arising from monetary financial instruments held in non-functional local currencies.

Operational foreign exchange exposure

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

Where possible the Group tries to hold the majority of its cash and cash equivalent balances in the local currency at the respective entity.

27 Financial instruments continued

Monetary assets/liabilities

The Group continues to monitor exchange rates and buy or sell currencies in order to minimise open exposure to foreign exchange risk. The Group does not speculate on exchange rates. No foreign exchange derivative financial instruments are held at the balance sheet date.

The Euro denominated RCF utilised facility of €46.4m (£41.1m) is net investment hedged against the net asset value of *TR* VIC, *TR* Kuhlmann and *TR* Espana. Therefore all foreign exchange movements that are being hedged are taken to the translation reserve. The US Dollar denominated RCF utilised facility of $4.0m (£3.2m) is naturally hedged by an equivalent asset in the Company.

The Group's exposure to foreign currency risk is as follows (based on the carrying amount for cash and cash equivalents held in non-functional currencies):

31 March 2020	**Sterling £000**	**Euro £000**	**US Dollar £000**	**Singapore Dollar £000**	**Total £000**
Cash and cash equivalents exposure	695	2,497	7,730	213	11,135

31 March 2019	Sterling £000	Euro £000	US Dollar £000	Singapore Dollar £000	Total £000
Cash and cash equivalents exposure	1,297	2,719	5,094	281	9,391

Sensitivity analysis

Group

A 1% change in significant foreign currency balances against local functional currency at 31 March 2020 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	
Foreign currency	Local currency	**2020 £000**	2019 £000
EURO	Sterling	**(9)**	(11)
US Dollar	Singapore Dollar	**(51)**	(26)
US Dollar	Taiwanese Dollar	**(20)**	(14)
EURO	Hungarian forint	**(11)**	(9)

(c) Capital management and allocation

The Group's objectives when managing capital are to ensure that all entities within the Group will be able to continue as going concerns, whilst 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.

Capital allocation priorities

The Board's key capital allocation priorities are as follows:

- Continue to invest in the business to drive organic growth
- Realise acquisitions in-line with our acquisition strategy
- Return to a progressive dividend policy as soon as is practical, maintaining a target dividend cover range of between 3x to 4x

Due to ongoing investment opportunities and the current levels of uncertainty due to COVID-19, we have no medium-term plans to return excess cash to shareholders.

Cash conversion

The Group has been and continues to expect to be, outside of the short term COVID-19 environment, consistently cash generative. In the longer term the Board continues to target normalised cash conversion of 70% to 80%, as we invest in the balance sheet to support our ongoing organic growth.

	2017	2018	2019	**2020**
Net debt to underlying EBITDA	0.28x	0.30x	0.54x	**0.80x**

Calculated in line with the banking agreement

Maximum adjusted leverage covenant - 3.0x

27 Financial instruments continued
In the current uncertain environment the Board has set a maximum net debt to underlying EBITDA ratio of 1.5× (FY2019 : 2.0×). This would only be breached via investment, where a short-term reversal can be reliably forecast.

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.

Due to the uncertainties of the COVID-19 pandemic our total funding requirement is reviewed via detailed scenario forecasts, updated daily and reported weekly. Further information on our response to COVID-19 is included on pages 10 to 13.

The capital structure of the Group is provided below:

	2020 £000	2019 £000
Cash and cash equivalents	**28,727**	25,199
Borrowings (note 21)	**(58,997)**	(39,356)
Net debt	**(30,270)**	(14,157)
Equity	**(115,660)**	(121,093)
Capital	**(145,930)**	(135,250)

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 (FY2019: £0.1m).

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 92 to 107.

Transactions with Directors and Directors' close family relatives.

During 2020 a relative of the Chair provided IT/Marketing consultancy services totalling £12,000 (FY2019: £12,000) on an arm's length basis and with terms similar to other third party suppliers. The outstanding balance at 31 March 2020 was £2,000 (FY2019: £1,000).

There were no other related party transactions with Directors, or Directors' close family members in the year (FY2019: £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 FY2020

	Rent income £000	**Income management fees £000**	**Loan interest receivable £000**	**Total income £000**	**Expenditure management fees £000**	**Loan interest payable £000**	**Total expense £000**
TR Fastenings Ltd	**290**	**332**	**–**	**622**	**647**	**23**	**670**
Lancaster Fastener Co Ltd	**–**	**30**	**–**	**30**	**–**	**–**	**–**
Precision Technology Supplies Ltd	**–**	**30**	**–**	**30**	**–**	**–**	**–**
TR Southern Fasteners Ltd	**–**	**24**	**–**	**24**	**–**	**–**	**–**
TR Norge AS	**–**	**24**	**–**	**24**	**–**	**–**	**–**
TR Fastenings AB	**–**	**73**	**–**	**73**	**–**	**–**	**–**
TR Miller BV	**–**	**88**	**–**	**88**	**–**	**–**	**–**
TR Hungary Kft	**–**	**103**	**–**	**103**	**–**	**4**	**4**
TR VIC SPA	**–**	**104**	**–**	**104**	**–**	**–**	**–**
TR Kuhlmann GmbH	**–**	**76**	**–**	**76**	**–**	**–**	**–**
TR Fastenings España	**–**	**64**	**25**	**89**	**–**	**–**	**–**
TR Fastenings Inc	**–**	**82**	**90**	**172**	**–**	**–**	**–**
TR Asia Investments Pte Ltd	**–**	**752**	**–**	**752**	**–**	**–**	**–**
Total	**290**	**1,782**	**115**	**2,187**	**647**	**27**	**674**

29 Related parties continued

Company related party transactions with subsidiaries – income/expenditure FY2019

	Rent income £000	Income management fees £000	Loan interest receivable £000	Total income £000	Expenditure management fees £000	Loan interest payable £000	Total expense £000
TR Fastenings Ltd	290	435	–	725	539	–	539
Lancaster Fastener Co Ltd	–	39	–	39	–	–	–
Precision Technology Supplies Ltd	–	–	–	–	–	–	–
TR Southern Fasteners Ltd	–	25	–	25	–	–	–
TR Norge AS	–	29	–	29	–	–	–
TR Fastenings AB	–	77	–	77	–	–	–
TR Miller BV	–	92	–	92	–	–	–
TR Hungary Kft	–	97	–	97	–	7	7
TR VIC SPA	–	104	–	104	–	–	–
TR Kuhlmann GmbH	–	82	–	82	–	–	–
TR Fastenings España	–	66	16	82	–	–	–
TR Fastenings Inc	–	87	22	109	–	–	–
TR Asia Investments Pte Ltd	–	716	–	716	–	–	–
	290	1,849	38	2,177	539	7	546

	2020		2019	
	Balances receivables £000	**Balances payables £000**	Balances receivables £000	Balances payables £000
TR Fastenings Ltd	**2,812**	**3,225**	2,026	3,462
Lancaster Fastener Company Ltd	**104**	–	93	–
Precision Technology Supplies	**116**	–	56	–
TR Southern Fasteners Ltd	**49**	–	23	–
TR Norge AS	**86**	–	55	–
TR Fastenings AB	**246**	–	164	–
TR Miller Holding B.V.	**234**	–	183	–
TR Hungary Kft	**53**	**2**	29	343
TR VIC SPA	**215**	–	136	–
TR Kuhlmann GmbH	**15**	–	143	–
TR Fastenings España	**2,758**	–	1,687	–
TR Fastenings Inc	**3,330**	–	2,018	–
TR Asia Investments Holdings Pte Ltd	**491**	–	491	–
TR Formac Pte Ltd	**411**	–	234	–
TR Formac (Malaysia) SDN Bhd	**8**	–	75	–
TR Formac (Shanghai) Pte Ltd	**3**	–	67	–
Special Fasteners Engineering Co Ltd	**149**	–	96	–
Power Steel & Electro-Plating Works SDN Bhd	**13**	–	167	–
TR Fastenings Poland Sp Zoo	**43**	–	39	–
Non-trading dormant subsidiaries	–	**267**	–	267
Trifast Overseas Holdings Ltd	**37,754**	–	36,422	–
Trifast Holdings B.V.	–	**53**	–	90
	48,890	**3,547**	44,204	4,162

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

30 Subsequent events

There are no material adjusting events subsequent to the balance sheet date.

On the 19 June 2020 the Company's broker, Peel Hunt, successfully completed the placing of 12,448,132 new ordinary shares of five pence each in the share capital of the Company at a price of 120.5 pence per Placing Share, raising gross proceeds of approximately £15m. The Placing Price represented a discount of 9.7% to the closing price of 133.5 pence per share on 18 June 2020. The Placing Shares being issued represented approximately 10.1% of the issued share capital of the Company prior to the Placing.

On 23 June, the broker option was exercised in full, placing a total of 830,000 new ordinary shares of five pence each in the share capital of the Company, raising gross proceeds of approximately £1m. The transaction costs incurred relating to the placings of these shares were £0.5m.

As part of the transactions for the placing of the ordinary shares, *Trifast* plc acquired Project Lavender Limited, a company incorporated in Jersey, on 5 June 2020, and after the placing of the shares the company was liquidated on 24 June 2020.

The placing was undertaken to ensure that the Group can continue to support its long-term strategic investments as well as being able to maximise its growth in the short term as markets recover from COVID-19. For further details, see the Business Review.

There are no other material non-adjusting events subsequent to the balance sheet date.

31 Accounting estimates and judgements

The preparation of financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported annual amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key judgements

In preparing the financial statements and applying the Group's accounting policies, the key judgement made by management relates to Project Atlas costs meeting the capitalisation criteria under IAS 38 Intangible Assets, allowing directly attributable costs to be capitalised. The judgement includes identifying and quantifying the costs that should be capitalised, which principally relate to the design and build of the IT infrastructure, from the overall Project Atlas spend. In the year, £3.1m (FY2019: £0.9m) (see notes 14 and 15) has been capitalised. The costs expensed in the income statement are disclosed in note 2. Other than Project Atlas, no judgements have been made, other than those involving estimations, that have a significant effect on the amounts recognised in the financial statements.

Sources of estimation uncertainty

The sources of estimation uncertainty that management have identified which may result in a material adjustment to the carrying amount of assets and liabilities in the next financial year are inventory valuation and recoverability of goodwill.

Inventories are stated at the lower of cost and net realisable value with a provision being made for obsolete and slow moving items. Initially, management makes a judgement on whether an item of inventory should be classified as standard or customer specific. This classification then 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 19.

The carrying amount of inventory at year end was £59.2m of which £31.4m related to customer specific stock (FY2019: carrying value £57.6m, customer specific stock £30.3m).

The key sensitivity to the carrying amount of customer specific inventory relates to the future demand levels for specific products stocked for individual customers. In the event that an individual customer's demand for products specific to them unexpectedly reduced, the company might be required to increase the inventory provision. Although one customer taking such action is unlikely to result in a material adjustment, multiple customers taking such action over a short timescale could result in a material adjustment.

The carrying amount of goodwill at year end was £59.9m (FY2019: £31.4m) of which £3.0m (FY2019: £9.8m) relates to VIC. As part of the impairment review testing, management have recognised an impairment of £7.0m in the year for VIC, but also that the recoverability of the remaining goodwill is sensitive to changes in discount rate. The uncertainty in the Italian economy, particularly due to COVID-19, could cause an increase in discount rate which could lead to an additional impairment. For more information, please see note 14.

There are also longer-term risks involved with the recoverability of goodwill which could result in a material adjustment to the carrying amounts of assets and liabilities. These estimates depend upon the outcome of future events and may need to be revised as circumstances change.

32 Acquisition of Precision Technology Supplies Limited ('PTS')
Please note all figures below are as disclosed in the 31 March 2019 Annual Report.

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

Based in East Grinstead, UK, PTS was founded in 1988 and employs 27 staff. It is a highly regarded distributor of stainless steel industrial fastenings and precision turned parts, primarily to the electronics, medical instruments, petrochemical, defence and robotics sectors. Its emphasis is on delivering high quality products and services, currently selling into >75 countries directly through its well-established distributor network, as well as digitally through its newly developed, fully integrated commercial website which lists over 43,000 products for sale. This approach has enabled PTS to continue to deliver strong sales growth over the last three years.

In the twelve months since acquiring PTS to 31 March 2019, the subsidiary contributed £1.2m to the consolidated profit before tax for the period and £7.1m to Group revenue.

TR has experienced a growing demand for stainless steel fastenings from a number of our global OEM customers. Adding the PTS product portfolio will widen our global stock range to enhance our customer offering and provide further support to our distributor sales (currently 12% of Group revenue).

	Provisional fair values disclosed^ £000	Adjustments to provisional fair values £000	Recognised fair value £000
Property, plant and equipment	253	–	253
Intangible assets	4,816	–	4,816
Inventories	2,417	(164)	2,253
Trade and other receivables	1,324	–	1,324
Cash and cash equivalents	632	–	632
Trade and other payables	(1,218)	187	(1,031)
Provisions	–	(50)	(50)
Deferred tax liabilities	(861)	–	(861)
Net identifiable assets and liabilities	7,363	(27)	7,336
Consideration paid:			
Initial cash price paid	8,781	–	8,781
Contingent consideration at fair value*	598	–	598
Total consideration	9,379	–	9,379
Goodwill on acquisition	2,016	27	2,043

^ These figures were disclosed in the Annual Report for the year ended 31 March 2019
* Original contingent consideration fair value at acquisition date

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

Intangible assets that arose on the acquisition include the following:

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

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

Effect of acquisition
The Group incurred costs of £nil up to 31 March 2020 (FY2019: £0.1m) in relation to the PTS acquisition. In FY2019 the £0.1m of costs were included in administrative expenses in the Group's consolidated statement of comprehensive income and formed part of separately disclosed items, see note 2. This was offset by a movement of £0.1m in acquisition related contingent consideration.

33 *Trifast* plc subsidiaries

	Country of incorporation or registration	Issued and fully paid share capital	Principal activity
Europe			
Trifast Overseas Holdings Ltd	United Kingdom		Holding Company
Trifast Holdings B.V.	Netherlands		Holding Company
TR Fastenings Ltd	United Kingdom		Manufacture and distribution of fastenings
TR Southern Fasteners Limited	Republic of Ireland		Distribution of fastenings
TR Norge AS	Norway		Distribution of fastenings
TR Miller Holding B.V.	Netherlands		Distribution of fastenings
Lancaster Fastener Company Ltd	United Kingdom		Distribution of fastenings
TR Fastenings AB	Sweden		Distribution of fastenings
TR Hungary Kft	Hungary		Distribution of fastenings
TR Fastenings Poland Sp. Z o.o	Poland		Distribution of fastenings
TR VIC SPA	Italy		Manufacture and distribution of fastenings
VIC Sp. Z o.o.	Poland		Distribution of fastenings
TR Kuhlmann GmbH	Germany		Distribution of fastenings
Precision Technology Supplies Ltd	United Kingdom		Distribution of fastenings
TR Fastenings España – Ingenieria Industrial, S.L.	Spain		Distribution of fastenings
Asia			
TR Asia Investment Holdings Pte Ltd	Singapore		Holding Company
TR Formac Pte Ltd	Singapore		Manufacture and distribution of fastenings
TR Formac (Malaysia) SDN Bhd	Malaysia		Manufacture and distribution of fastenings
TR Formac (Shanghai) Pte Ltd	China		Distribution of fastenings
Special Fasteners Engineering Co Ltd	Taiwan		Manufacture and distribution of fastenings
TR Formac Fastenings Private Ltd	India		Distribution of fastenings
Power Steel & Electro-Plating Works SDN Bhd	Malaysia		Manufacture and distribution of fastenings
TR Formac Co. Ltd	Thailand		Distribution of fastenings
Americas			
TR Fastenings Inc	USA		Distribution of fastenings
Dormants			
Trifast Systems Ltd	United Kingdom		Dormant
Ivor Green (Exports) Ltd	United Kingdom		Dormant
Charles Stringer's Sons & Co.Limited	United Kingdom		Dormant
Fastech (Scotland) Ltd	United Kingdom		Dormant
Micro Screws & Tools Ltd	United Kingdom		Dormant
Trifast International Ltd	United Kingdom		Dormant
Rollthread International Ltd	United Kingdom		Dormant
TR Group Ltd	United Kingdom		Dormant
Fastener Techniques Ltd	United Kingdom		Dormant
Trifast Qualifying Employee Share Ownership Trustee Ltd	United Kingdom		Dormant
Trifix Ltd	United Kingdom		Dormant
Serco Ryan Ltd	United Kingdom		Dormant
TR Europe Ltd	United Kingdom		Dormant

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%	–	The Birches Industrial Estate, Imberhorne Lane, East Grinstead, West Sussex RH19 1XZ, UK
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
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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

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 68 to 69 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 2020 income statement results (of subsidiaries whose presentational currency is not sterling) using FY2019 average annual exchange rates to provide a comparison which removes the foreign currency translational impact. The impact of translational gains and losses made on non-functional currency net assets held around the Group have not been removed.

- **Underlying operating margin**

Underlying operating margin is used in the business review to give the reader a better understanding of the performance of the Group and regions. It is calculated by dividing underlying operating profit by revenue in the year.

- **Underlying diluted EPS**

A key measure for the Group as it is one of the measures used to set the Directors' variable remuneration, as disclosed in the Directors' remuneration report. The calculation has been disclosed in note 26.

- **Return on capital employed (ROCE)**

Return on capital employed is a key metric used by investors to understand how efficient the Group is with its capital employed. The calculation is detailed in the Glossary on pages 184 to 185. 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	**2020 £000**	2019 £000
Underlying EBIT/Underlying operating profit		**18,089**	24,196
Separately disclosed items within administrative expenses			
IFRS2 share based payment charge	23	**(2,030)**	(2,454)
Acquired intangible amortisation		**(1,409)**	(1,419)
Net acquisition costs	32	**–**	(3)
Project Atlas		**(2,505)**	(3,117)
Impairments of goodwill		**(7,761)**	–
Costs on exercise of executive share options		**(307)**	(107)
Operating profit		**4,077**	17,096

34 Alternative Performance Measures continued

- **Underlying cash conversion as a percentage of underlying EBITDA**

This is another key metric used by investors to understand how effective the Group were at converting profit into cash. Since the underlying cash conversion is compared to underlying EBITDA, which has removed the impact of IFRS2 share based payment charges (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.

	2020 £000	2019 £000
Underlying cash conversion	**22,579**	17,154
Acquisition expenses	–	(101)
Costs on exercise of executive share options	**(289)**	(107)
Deferred consideration	**(503)**	–
Project Atlas	**(2,383)**	(3,162)
Cash generated from operations	**19,404**	13,784

- **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.

	2020			2019		
	Profit impact £000	**Tax impact £000**	**ETR %**	Profit impact £000	Tax impact £000	ETR %
Profit before tax	**3,042**	**(3,280)**	**107.8%**	16,421	(4,177)	25.4%
Separately disclosed items	**14,011**	**(653)**	**4.7%**	7,100	(1,370)	19.3%
Underlying profit before tax	**17,053**	**(3,933)**	**23.1%**	23,521	(5,547)	23.6%

- **Adjusted net debt and adjusted net debt to Underlying EBITDA (adjusted leverage) ratio**

This removes the impact of IFRS 16 from both net debt and Underlying EBITDA from FY2020. There is no impact to FY2019 as IFRS16 was applied under the modified retrospective approach, see note 1. Underlying EBITDA is reconciled to operating profit in note 2.

	2020 £000
Net debt	**(30,270)**
Right-of-use lease liabilities	**15,109**
Adjusted net debt	**(15,161)**

	2020 £000
Underlying EBITDA	**23,525**
Operating lease payments	**(3,505)**
Adjusted EBITDA	**20,020**

- **Interest cover**

This is Adjusted EBITDA to adjusted net interest, removing the impact of IFRS 16 from both in FY2020. There is no impact to FY2019 as IFRS16 was applied under the modified retrospective approach, see note 1. Underlying EBITDA has IFRS 16 removed above and is reconciled to operating profit in note 2.

	2020 £000
Net debt	**(1,035)**
Right-of-use liability interest	**365**
Adjusted net interest	**(670)**

35 Reconciliation of net cash flow to movement in net debt

	2020 £000	2019 £000
Net change in cash and cash equivalents	**3,220**	(1,152)
Proceeds from new loan	**(45,026)**	(12,136)
Repayment of borrowings	**41,620**	5,953
Net increase in right-of-use liabilities	**(816)**	–
Payment of finance lease liabilities	**74**	2
Net proceeds from borrowings	**(4,148)**	(6,181)
Increase in net debt before exchange rate differences	**(928)**	(7,333)
Exchange rate differences	**(892)**	607
Increase in net debt	**(1,820)**	(6,726)
Opening net debt	**(14,157)**	(7,431)
Opening right-of-use liabiltiies at 1 April 2019	**(14,293)**	–
Closing net debt	**(30,270)**	(14,157)

Net debt consists of cash and cash equivalents, right-of-use liabilities and other interest-bearing loans and borrowings (both current and non-current) on the statement of financial position.

36 Changes in financial liabilities including both cash flows and non-cash changes

	2020 £000	2019 £000
Balance at 1 April	**39,356**	33,653
Opening right-of-use liabilities as 1 April 2019	**14,293**	–
Balance at 1 April (restated)	**53,649**	33,653
Cash flow changes	**(155)**	6,181
Foreign exchange on loans	**1,185**	(461)
Foreign exchange on translation of subsidiaries	**61**	(17)
Right-of-use liabilities additions	**3,913**	–
Right-of-use liabilities disposals	**(21)**	–
Right-of-use liabilities interest	**365**	–
Balance at 31 March	**58,997**	39,356

Liabilities arising from financing activities include other interest-bearing loans and borrowings and right-of-use liabilities.

37 Revenue from contracts with customers

In line with IFRS15 *Revenue from Contracts with Customers* we have included the disaggregation of external revenue by sector, breaking this down by our geographical operating segments.

March 2020	**UK £000**	**Europe £000**	**USA £000**	**Asia £000**	**Total £000**
Electronics	**4%**	**4%**	**1%**	**5%**	**14%**
Automotive	**9%**	**13%**	**4%**	**8%**	**34%**
Domestic appliances	**2%**	**12%**	**–**	**6%**	**20%**
Distributors	**9%**	**–**	**–**	**2%**	**11%**
General industrial	**7%**	**3%**	**–**	**1%**	**11%**
Other	**5%**	**4%**	**–**	**1%**	**10%**
Revenue from external customers (AER)	**36%**	**36%**	**5%**	**23%**	**100%**

March 2019	UK £000	Europe £000	USA £000	Asia £000	Total £000
Electronics	3%	5%	2%	5%	15%
Automotive	10%	13%	2%	8%	33%
Domestic appliances	1%	12%	–	7%	20%
Distributors	10%	–	–	2%	12%
General industrial	7%	3%	–	1%	11%
Other	5%	3%	–	1%	9%
Revenue from external customers (AER)	36%	36%	4%	24%	100%