

Tuesday, 21 November 2023



TRIFAST PLC

(Trifast, Group or Company)

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

HALF-YEARLY FINANCIAL REPORT

Unaudited results for the six months ended 30 September 2023

"Self-help actions help us remain on-track to deliver full-year results"

Iain Percival, Chief Executive Officer

Key financials

Underlying measures	CER ² HY2024	CER ² change	AER ² HY2024	AER ² change	AER HY2023	AER HY2022
Revenue	£119.1m	(1.0)%	£117.6m	(2.2)%	£120.2m	£103.8m
Gross profit %	25.9%	130bps	25.7%	110bps	24.6%	26.3%
Underlying operating profit (UOP) ¹	£6.9m	11.0%	£6.6m	6.6%	£6.2m	£7.4m
Underlying operating profit % ¹	5.8%	60bps	5.6%	40bps	5.2%	7.2%
Underlying profit before tax ¹	£4.1m	(24.2)%	£3.9m	(29.3)%	£5.5m	£7.0m
Underlying diluted earnings per share ¹			2.18p	(34.5)%	3.33p	4.42p
Adjusted net debt ³			£27.8m	£(12.6)m	£40.4m	£5.1m
Return on capital employed (ROCE) ¹			5.6%	(110)bps	6.7%	8.8%
Interim dividend			0.60p	(20.0)%	0.75p	0.70p
GAAP measures						
Operating profit			£4.7m	26.4%	£3.7m	£5.7m
Operating profit %			4.0%	90 bps	3.1%	5.5%
Profit before tax			£2.0m	(33.8)%	£3.0m	£5.3m
Diluted earnings per share			1.15p	(37.8)%	1.85p	3.22p

1. Before separately disclosed items (see notes 2, 6 and 7)

2. "CER" being Constant Exchange Rate, calculated by translating the HY2024 figures by the average HY2023 exchange rate and "AER" being Average Exchange Rate

3. Adjusted net debt is presented excluding the impact of IFRS16 Leases as this is how the calculation is performed for the purposes of the Group's banking facilities. Including right-of-use liabilities, net debt would increase by £(20.0)m to £(47.8)m (HY2023: net debt would increase by £(14.8)m to £(55.2)m).

Operational highlights

- Trading remained resilient despite a challenging environment:
 - Revenue down (2.2)% (CER: (1.0)% down) - reduced demand in the distribution, general industrial and health & home sectors, offset by growth in light and heavy vehicles
 - Gross margin increases 110bps to 25.7% at AER due to focused pricing and supplier initiatives
 - Underlying PBT reduced £1.6m to £3.9m at AER – higher underlying operating profits more than offset by increased interest costs
- Adjusted net debt reduced by £10.2m to £27.8m, improving our leverage ratio to c.1.60x (FY2023: 2.19x)
- UK operational improvement initiative through National Distribution Centre ('NDC'), delivers encouraging early cost savings to date of £0.2m
- Key appointments at Board level completed (Chair and CEO)

Presentation of HY2024 results

- 1 The Group will be holding a presentation in person and virtual to analysts today at 10.00am (UK time). Further details can be obtained by contacting TooleyStreet Communications – details are shown below. Investor enquiries can also be made via the Company's stockbroker, Peel Hunt LLP and its corporate access team.
- 2 The Company will also be presenting the HY2024 results via the Investor Meet Company platform today (21 November) at 11.30am (UK time). CEO Iain Percival, CFO Darren Hayes-Powell and Chief Operating Officer Dan Jack will host this 'live' event. To register for the session, you may follow this link:
<https://www.investormeetcompany.com/trifast-plc/register-investor>

Investors who follow Trifast on the IMC platform will automatically be invited to join the event. The webcast will be available on the Trifast website in due course.

Enquiries please contact:

Trifast plc

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Editors' notes

About Trifast plc (TR)

Founded in East Sussex in 1973, TR is a leading international specialist in the design, engineering, manufacture, and distribution of high-quality industrial fastenings and Category 'C' components principally to major global assembly industries.

The Group supplies to customers in c.70 countries across a wide range of industries, including light vehicle, heavy vehicle, health & home, energy, tech, & infrastructure (ET&I), general industrial and distributors. As a full service provider to multinational OEMs and Tier 1 companies spanning several sectors, we deliver comprehensive support to our customers across every requirement, from concept design through to technical engineering consultancy, manufacturing, supply management and global logistics.

As an international business we are able to provide 24/7 customer support from across key regions in the UK, Asia, Europe and North America. In addition to our service locations we operate a number of manufacturing facilities focused on high volume cold forged fasteners and special parts. We have also established Technical & Innovation Centres to support R&D and customer collaboration across the world.

For more information, visit our

Investor website: www.trifast.com
Commercial website: www.trfastenings.com
LinkedIn: www.linkedin.com/company/tr-fastenings
Twitter: www.twitter.com/trfastenings
Facebook: www.facebook.com/trfastenings

Trifast, TR and TR Fastenings are registered trademarks of the Company

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Electronic communications

The Company is not proposing to bulk print and distribute hard copies of this half-yearly financial report for the six months ended 30 September 2023. Copies can be requested via Companysecretariat@trifast.com, or by writing to, The Company Secretary, Trifast plc, Trifast House, Bellbrook Park, Uckfield, East Sussex, TN22 1QW. News updates, Regulatory News and Financial statements, can also be viewed and downloaded from the Group's website, www.trifast.com.

Forward-looking statements

This announcement contains certain forward-looking statements. These reflect the knowledge and information available to the Company during the preparation and up to the publication of this document. By their very nature, these statements depend upon circumstances and relate to events that may occur in the future thereby involving a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company.



TRIFAST PLC HALF-YEARLY FINANCIAL REPORT

Unaudited results for the six months ended 30 September 2023

BUSINESS REVIEW

Unless stated otherwise, current year comparisons with prior year are calculated at constant currency (CER) and where we refer to 'underlying', this is defined as being before separately disclosed items (see note 2). CER calculations have been calculated by translating the HY2024 figures by the average HY2023 exchange rate.

The impact of foreign exchange movements has reduced our AER revenue by 1.2%, £1.4m (HY2023: increased by 2.1%, £2.4m), our AER underlying profit before tax by 6.6%, £0.3m (HY2023: increased by 4.5%, £0.2m).

Underlying measures	CER HY2024	CER change	AER HY2024	AER change	AER HY2023	AER HY2022
Revenue	£119.1m	(1.0)%	£117.6m	(2.2)%	£120.2m	£103.8m
Gross profit %	25.9%	130bps	25.7%	110bps	24.6%	26.3%
Underlying operating profit (UOP) ¹	£6.9m	11.0%	£6.6m	6.6%	£6.2m	£7.4m
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Underlying profit before tax ¹	£4.1m	(24.2)%	£3.9m	(29.3)%	£5.5m	£7.0m
Underlying diluted earnings per share ¹			2.18p	(34.5)%	3.33p	4.42p
Return on capital employed (ROCE) ¹			5.6%	(110)bps	6.7%	8.8%
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1. Before separately disclosed items (see notes 2, 6 and 7)

Group performance

Revenue overall decreased by 1.0% to £119.1m (AER: decreased 2.2% to £117.6m). Softer demand in distribution, general industrial and health & home sectors, offset by growth in light and heavy vehicles sectors. The volume decreases have also been offset by improved pricing.

Despite the difficult market environment, the gross profit margin of 25.9% was 130 bps (AER 110bps) above prior years margin of 24.6%, UOP margin increased by 60bps to 5.8% (AER increase 40bps) and UOP increased by 11.0% to £6.9m. This reflects our focus on the mid-term targets (purchasing/supplier focus, G200/High yield market segmentation and operational improvement programme) and self-help initiatives to drive sustainable and profitable growth.

The UK operational improvement plan (via the purpose-built National Distribution Centre) delivered earlier than expected cost savings to date of c.£0.2m

Underlying profit before tax (UPBT) is down 24.2% at CER to £4.1m (AER: down 29.3% to £3.9m, HY2023: £5.5m). Interest has increased year-on-year by £2.0m reflecting an increase in interest rates and higher average borrowings. Adjusted net debt reduced to £27.8m from £38.0m at FY2023, as a part of our continued working capital initiatives, improving our banking covenant leverage ratio to c 1.6x (FY2023: 2.19x).

AER profit before tax has decreased to £2.0m (HY2023: £3.0m) and includes the following one-off separately disclosed items: Project Atlas spend £0.5m, acquired intangible amortisation £0.9m and restructuring costs £0.5m (which include the set up of the NDC).

The resultant diluted earnings per share has decreased by 37.8% to 1.15p (HY2023: 1.85p).

In June 2023, the Group signed a new revolving credit facility (RCF) agreement and term loans facility agreement, with the same lenders, partially guaranteed by UK Export Finance to allow the Group flexibility on future cash investments. The combined agreements with a facility limit of £120m, provides strength and support to enable the Group to meet its future strategic growth plans. We have undrawn facilities of £58.5m (FY2023: £10.5m), providing us with the security and flexibility to continue to operate and invest in our future growth.

Revenue (CER)

Total revenue in HY2024 decreased 1.0% to £119.1m (AER decreased 2.2% to £117.6m) as detailed below.

Europe – revenues have increased 9.5% to £46.2m (HY2023: £42.2m) driven by the transfer of our European distribution business from the UK to TR Kuhlmann (Germany), and by an uplift in the light and heavy vehicle sectors in Sweden. Hungary and Italy continue to be impacted by the current downturn in customer demand and the ongoing Ukraine conflict.

UK – revenue reduced 10.7% to £38.0m (HY2023: £42.5m) due to the slowdown in the distributor market demand and the transfer of the business above to TR Kuhlmann (Germany). This has been partially offset by increases in the light vehicle sector.

Asia – reported a 14.3% decrease in revenue to £27.6m (HY2023: £32.2m) mainly driven by the distributor sector and the continuing softness in the Asia market. China is still experiencing low consumer demand following Covid shutdowns and the general macro-economic climate. There was however a significant uplift in the light vehicle sector in PSEP (Malaysia) and Thailand.

North America – continued growth in the light vehicle and health & home sectors, combined with new contract wins contributed to an increase in revenue of 5.4% to £14.3m (HY2023: £13.6m).

Note - Regional revenues include intercompany

Underlying operating profit (CER)

Region ²	HY2024 UOP	HY2023 UOP	Movement	HY2024 UOP margin	HY2023 UOP margin	Movement
Europe	£3.7m	£0.6m	£3.1m	8.0%	1.4%	660bps
UK	£1.6m	£3.0m	£(1.4)m	4.2%	7.1%	(290)bps
Asia	£4.5m	£5.2m	£(0.7)m	16.1%	16.0%	10bps
North America	£0.6m	£(0.1)m	£0.7m	4.1%	(0.3)%	440bps

2 :Regional operating profit exclude central costs

The underlying operating profit (UOP) has increased to £6.9m (HY2023: £6.2m) and an UOP margin of 5.8% (HY2023: 5.2%).

In **Europe**, UOP margins increased 660 bps to 8.0% and operating profit improved to £3.7m (HY2023:1.4% margin, £0.6m UOP). In addition to the transfer of the distribution business from the UK to TR Kuhlmann (Germany), there was higher margin in Sweden and significant margin improvement in TR VIC (Italy) resulting from actions last year to manage rising costs, price increases and improved plant utilisation.

In the **UK**, UOP margins decreased year-on-year by 290bps to 4.2%, and UOP fell to £1.6m (HY2023: 7.1%, £3.0m). Volume decline in the distributor sector (impacting PTS and Lancaster) was the main contributor, offset by some improvement in the light vehicle sector. The lower revenue at TR Fastenings (UK) reflects the business transfer of the European distribution business to TR Kuhlmann (Germany), this was offset by the delivery of earlier than expected costs savings from the NDC of c.£0.2m.

UOP margins in **Asia** have slightly increased to 16.1% due to margin improvement initiatives and tighter overhead control but with a reduction in UOP to £4.5m (HY2023: 16.0%, £5.2m) driven by lower sales volume. Consumer demand in China remains low and overall general market softness remains in the Asia region. During the period, we also saw a significant uplift in light vehicle activity at PSEP (Malaysia) and Thailand together with the price increases in PSEP (Malaysia).

In **North America**, UOP margins have also improved by 440bps to 4.1%, and UOP returned positive at £0.6m from £(0.1)m in HY2023 driven by better revenue performance and margin improvements. There was an increase in warehouse costs although they were offset through stock write-backs following a drive to clear down old inventory and operating cost savings.

Operating profit (AER)

The Group operating profit increased to £4.7m from £3.7m and operating margin to 4.0% from 3.1%. Operating profit includes £1.9m of costs not included in UOP (primarily acquired intangible amortisation, Project Atlas costs and NDC set up costs) (HY2023: £2.5m).

At a regional level, the movements at operating profit and margins broadly follow the movements at UOP level:

Region ²	HY2024 Operating profit	HY2023 Operating profit	Movement	HY2024 Operating margin	HY2023 Operating margin	Movement
Europe	£3.1m	£0.1m	£3.0m	6.6%	0.2%	640 bps
UK	£1.0m	£2.8m	£(1.8)m	2.6%	6.7%	(410) bps
Asia	£4.3m	£5.2m	£(0.9)m	16.2%	16.0%	20 bps
USA	£0.4m	£(0.2)m	£0.6m	2.7%	(1.8)%	450 bps

2 : Regional operating profit exclude central costs

Net financing costs (AER)

Net financing costs have increased to £2.8m (HY2023: £0.7m) mainly due to higher interest rates applied to our RCF and UKEF – EDG facility drawdowns. This remains a focused improvement area to reduce debt through working capital and cash management initiatives.

Taxation (AER)

The increase in the underlying effective tax rate (UETR) to 23.7% (HY2023: 17.7%) and the effective tax rate (ETR) at 21.5% (HY2023: 16.5%) was mainly due to the mix of profits and losses at different tax rates and some profit shift to higher tax jurisdictions (e.g. Germany).

Earnings per share (AER)

The decrease in underlying profit before tax and the increase in our UETR, has reduced the underlying diluted EPS by 34.5% to 2.18p (HY2023: 3.33p). Diluted EPS has decreased by 37.8% to 1.15p (HY2023: 1.85p).

Dividend

The Company has declared an interim dividend of 0.60p (HY2023: 0.75p) which will be paid on 11 April 2024 to members on the register as at 15 March 2024. We continue to consider that an appropriate level of dividend cover is in the range of 3.0x to 4.0x.

Return on Capital Employed (AER)

As at 30 September 2023, the Group's shareholders' equity decreased to £131.9m (FY2023: £135.9m). The £4.0m reduction reflects the impact of the profit for the period of £1.6m, a dividend charge of £(3.0)m, a net movement in share-based payments of £(0.6)m and a foreign exchange reserve loss of £1.9m (most notably sterling strengthening against Singapore Dollar, Taiwan Dollar, Renminbi, Malaysian Ringgit and Euro).

Over this lower asset base and due to repayment of borrowings during the period, our ROCE has increased to 5.6% (FY2023: 5.4%).

Adjusted net debt (AER)

The Group's adjusted net debt has decreased by £10.2m to £27.8m (FY2023: £38.0m).

A strong focus on working capital management contributed £9.2m, of which £6.5m came from inventory reduction. Working capital management continues to be a focus in HY2, targeting to reduce inventory levels and managing debtors accordingly. Capital expenditure in the period amounted to £2.2m, including £0.5m on Project Atlas charged to the Condensed consolidated interim income statement and £0.2m capitalised as Intangible Assets on Project Atlas (Also, see Project Atlas section below). Interest paid was £2.1m (excluding arrangement fees and IFRS16 interest) due to higher interest rates and higher average loan balance during the period.

Including the impact of IFRS16 Leases, the Group's net debt position decreased by £6.0m to £47.8m (FY2023: £53.8m). IFRS16 Leases have increased to £20.0m (FY2023: £15.8m) predominantly due to the signing of the NDC lease during the period.

Other key balance sheet movements

Property, plant and equipment and intangibles have decreased by £1.8m to £58.1m (FY2023: £59.9m) as a result of the depreciation and amortisation charge during the period, off set by additions and the effects of movement on foreign exchange during the period.

Right-of-use assets have increased by £4.1m to £18.5m (FY2023: £14.4m) and right-of-use liabilities increased by £5.2m to £20.0m (FY2023: £15.8m), principally due to the new lease for NDC.

Trade and other receivables decreased by £4.0m to £57.9m (FY2023: £61.9m) due to lower sales and improved collections. This, combined with the decrease in our inventory (see adjusted net debt) has seen working capital as a % of sales decrease to 44.2% (FY2023: 45.9%).

Other interest-bearing loans and borrowings reduced £9.9m to £59.9m (FY2023: £69.8m), net of unamortised loan arrangement fees, principally due to the working capital management initiatives disclosed in the Adjusted net debt section above. As previously indicated, a new RCF and UKEF-EDG facility agreements with a facility limit of £120m was signed in June 2023.

Trade and other payables increased £1.9m to £37.2m (FY2023: £35.3m), this movement includes the recognition of a deposit received on 29 September 2023 for £1.0m for the uncompleted sale of freehold land and therefore, presented as a creditor at the balance sheet date.

Provisions have reduced by £1.3m to £3.0m (FY2023: £4.3m) principally on account of the utilisation of the restructuring and related charges provisions during HY2024.

Project Atlas

Project Atlas has completed the roll-out of TR Fastenings (UK) during FY2023 and Hungary in HY2024. Atlas will close as a project with the roll-out to the remaining in scope distribution countries.

We have incurred direct costs of £0.7m in HY2024 (cumulatively £18.1m), largely relating to the project team, consultancy, localised testing and training costs. We have excluded £0.5m of these costs from our underlying results, to reflect the unusual scale and one-off nature of this project. In line with accounting standards, we have also recognised the remaining £0.2m (cumulatively £8.1m) as intangible assets on the balance sheet at 30 September 2023.

Acquisitions

We continue our acquisition aspirations, by exploring opportunities for on/near-shoring manufacturing and supply chain capabilities to help deliver economic and environmental benefits in the future.

People

The Board would like to acknowledge and thank the teams around the globe who, in challenging times, continue to work in partnership with commitment and focus to deliver the quality of service and supply that our customers expect.

Outlook

Macroeconomic environment will continue to put pressure on short- term trading especially in Asia. However, we are confident in our pipeline and self-help initiatives.

The contract wins in the period are up from prior period, reflecting increased market share especially in the light vehicle sector. We are expecting the light and heavy vehicle sector wins to have a phased implementation with some starting production in Q4 of this financial year.

The programme underway to improve the business model across the UK in operational activity and group services teams is progressing well with the NDC facility in the Midlands now operational and the closure of existing satellite sites in motion. We remain on track to achieve the completion and delivery of the benefits in line with our business case.

We remain focused in reducing our working capital levels during HY2, with leverage expected to fall below 1.50x by year-end and continued reduction of net debt.

Our recent investment in a Joint venture set up at the end of September with a leading Asia manufacturer will become fully operational in the second half, and this will strengthen our Chinese customer relationships.

In summary, Trifast's business foundations remain strong, with significant potential to be realised through our expertise in engineering and innovation. Our strategies for profitable growth put us in a good position to achieve our medium-term objectives.

RISKS AND UNCERTAINTIES

As a result of our continuous review of the risk register for the business, the Directors have made a change to the principal risks and uncertainties stated in the Group's Annual Report for the year ended 31 March 2023. The following 2 principal risks have been removed due to significant progress made in managing the risk:

- Controls effectiveness
- Customer-specific obsolete stock

In our annual report we also identified 6 emerging risks, and from these 3 new principal risks and uncertainties have been identified as detailed below:

Sustainability and climate change

We identified both climate change impact and climate change legislation as emerging risks, and our continued analysis of these risks has led to the recognition of sustainability and climate change as a principal risk. We see this as a challenge across the fastener industry in both consistency of data available, and the development of reporting frameworks to support the introduction of Carbon Border Adjustment Mechanisms (CBAM) in Europe and similar reporting requirements around the world. Our supply chain teams are engaged with our global network of suppliers to ensure that CBAM reporting is fully understood and our Engineering team are developing a standard model to support product carbon footprint reporting. Further details of our climate-related risks and opportunities can be found in our sustainability report.

Compliance infrastructure

Compliance and controls infrastructure was also reported as an emerging risk in our annual report based on the anticipated changes to the Corporate Governance Code. We have identified that there is a clear opportunity in this area to develop our controls mapping across the global business. We are developing an Integrated Management System (IMS) for our teams across the world.

Internal culture

We identified in the annual report that our significant restructuring activities may negatively impact the organisational culture, and we see both risks and opportunities in this area. We continue to focus on our people as key stakeholders through our ESG committee.

No system can fully eliminate risk and therefore the understanding of operational risk is central to the management process within the Group. We continue to review and analyse both existing and emerging risks and work with our business teams to understand the impact of internal and external changes, and the risks and opportunities that they present. This work is supported by the development of our internal audit function and reviewed by the Audit & Risk Committee meetings chaired by our Senior Independent Non-Executive Director.

A copy of the Group's Annual Report for the year ended 31 March 2023 can be found on the website www.trifast.com.

As with all businesses, the Group faces risks, with some not wholly within its control, which could have a material impact on the Group, and may affect its performance with actual results becoming materially different from both forecast and historic results. The macroeconomic climate is still under pressure and we continue to remain vigilant for any indications that could adversely impact expected results going forward.

The long term success of the Group depends on the ongoing review, assessment and management of the key business risks it faces.

Trifast plc — responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority; and
- the interim management report includes a fair review of the information required by:
 - a. DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b. DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Iain Percival
Chief Executive Officer
20 November 2023

Darren Hayes-Powell
Chief Financial Officer
20 November 2023

Condensed consolidated interim income statement

Unaudited results for the six months ended 30 September 2023

	Notes	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Continuing operations				
Revenue	3, 9	117,625	120,232	244,391
Cost of sales		(87,365)	(90,683)	(182,462)
Gross profit		30,260	29,549	61,929
Other operating income		497	154	510
Distribution expenses		(3,483)	(3,171)	(6,727)
Administrative expenses before separately disclosed items		(20,666)	(20,333)	(43,728)
Acquired intangible amortisation	2	(893)	(892)	(1,798)
Project Atlas	2	(500)	(771)	(1,722)
Restructuring and related charges	2	(477)	-	(4,235)
Impairment of goodwill	2	-	-	(2,926)
Settlement for loss of office	2	-	(538)	(1,050)
Aborted acquisition costs	2	-	(253)	(261)
Total administrative expenses		(22,536)	(22,787)	(55,720)
Operating profit / (loss)		4,738	3,745	(8)
Financial income		60	41	158
Financial expenses		(2,814)	(790)	(2,842)
Net financing costs	3	(2,754)	(749)	(2,684)
Profit / (loss) before tax	3	1,984	2,996	(2,692)
Taxation	4	(426)	(496)	(174)
Profit / (loss) for the period (attributable to equity shareholders of the Parent Company)		1,558	2,500	(2,866)
Earnings / (loss) per share				
Basic	6	1.15p	1.85p	(2.12)p
Diluted	6	1.15p	1.85p	(2.12)p

Condensed consolidated interim statement of comprehensive income

Unaudited results for the six months ended 30 September 2023

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Profit/(loss) for the period	1,558	2,500	(2,866)
Other comprehensive (expense)/income for the period:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(2,372)	7,413	4,053
Gain/(loss) on a hedge of a net investment taken to equity	466	(2,429)	(1,655)
Other comprehensive (expense)/income recognised for the period	(1,906)	4,984	2,398
Total comprehensive (expense)/income recognised for the period (attributable to equity shareholders of the parent company)	(348)	7,484	(468)

Condensed consolidated interim statement of changes in equity

Unaudited results for the six months ended 30 September 2023

	Share capital £000	Share premium £000	Merger reserve £000	Own shares held £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2023	6,805	22,530	16,328	(3,017)	14,682	78,561	135,889
Total comprehensive income for the period:							
Profit for the period	-	-	-	-	-	1,558	1,558
Other comprehensive expense for the period	-	-	-	-	(1,906)	-	(1,906)
Total comprehensive income for the period	6,805	22,530	16,328	(3,017)	12,776	80,119	135,541
Transactions with owners, recorded directly in equity:							
Share-based payment transactions (net of tax)	-	-	-	-	-	(602)	(602)
Movement in own shares held	-	-	-	698	-	(698)	-
Dividends (note 5)	-	-	-	-	-	(3,026)	(3,026)
Total transactions with owners	-	-	-	698	-	(4,326)	(3,628)
Balance at 30 September 2023	6,805	22,530	16,328	(2,319)	12,776	75,793	131,913
	Share capital £000	Share premium £000	Merger reserve £000	Own shares held £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2022	6,804	22,512	16,328	(3,487)	12,284	84,704	139,145
Total comprehensive income for the period:							
Profit for the period	-	-	-	-	-	2,500	2,500
Other comprehensive income for the year	-	-	-	-	4,984	-	4,984
Total comprehensive income for the period	-	-	-	-	4,984	2,500	7,484
Transactions with owners, recorded directly in equity:							
Issue of share capital	1	17	-	-	-	-	18
Share-based payment transactions (net of tax)	-	-	-	-	-	(530)	(530)
Movement in own shares held	-	-	-	-	-	-	-
Dividends (note 5)	-	-	-	-	-	(2,812)	(2,812)
Total transactions with owners	1	17	-	-	-	(3,342)	(3,324)
Balance at 30 September 2022	6,805	22,529	16,328	(3,487)	17,268	83,862	143,305

Condensed consolidated interim statement of financial position

Unaudited results for the six months ended 30 September 2023

	Notes	30 September 2023 £000	30 September 2022 £000	31 March 2023 £000
Non-current assets				
Property, plant, and equipment		18,734	21,983	19,417
Right-of-use assets		18,457	13,890	14,395
Intangible assets		39,327	44,633	40,451
Investment in joint venture		159	-	-
Deferred tax assets		4,456	3,039	4,289
Total non-current assets		81,133	83,545	78,552
Current assets				
Inventories		83,399	102,833	90,948
Trade and other receivables		57,858	65,956	61,906
Assets classified as held for sale		2,130	-	2,130
Cash and cash equivalents	7	32,026	29,023	31,798
Total current assets		175,413	197,812	186,782
Total assets	3	256,546	281,357	265,334
Current liabilities				
Trade and other payables		37,223	45,352	35,332
Right-of-use liabilities	7	3,592	3,424	3,498
Provisions		1,499	-	2,809
Tax payable		481	2,739	2,560
Dividends payable	5	2,020	1,875	-
Total current liabilities		44,815	53,390	44,199
Non-current liabilities				
Other interest-bearing loans and borrowings	7, 14	59,856	69,382	69,825
Right-of-use liabilities	7	16,433	11,337	12,315
Provisions		1,546	1,088	1,443
Deferred tax liabilities		1,983	2,855	1,663
Total non-current liabilities		79,818	84,662	85,246
Total liabilities	3	124,633	138,052	129,445
Net assets		131,913	143,305	135,889
Equity				
Share capital		6,805	6,805	6,805
Share premium		22,530	22,529	22,530
Merger reserve		16,328	16,328	16,328
Own shares held	8	(2,319)	(3,487)	(3,017)
Translation reserve		12,776	17,268	14,682
Retained earnings		75,793	83,862	78,561
Total equity		131,913	143,305	135,889

Condensed consolidated interim statement of cash flows

Unaudited results for the six months ended 30 September 2023

	Notes	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Cash flows from operating activities				
Profit / (loss) for the period		1,558	2,500	(2,866)
Adjustments for:				
Depreciation, amortisation, and impairment		2,671	2,420	5,471
Right-of-use asset amortisation		2,002	1,747	3,640
Unrealised foreign currency loss/(gain)		32	(40)	(50)
Financial income		(60)	(41)	(158)
Financial expense (excluding right-of-use liabilities)		2,488	602	2,412
Right-of-use liabilities' financial expense		326	188	430
(Gain)/loss on sale of property, plant & equipment, intangibles		(9)	127	149
Equity settled share-based payment transactions		(656)	(530)	24
Impairment of goodwill		-	-	2,926
Impairment of right-of-use assets and property, plant and equipment on restructuring		-	-	1,426
Taxation charge		426	496	174
Operating cash inflow before changes in working capital and provisions		8,778	7,469	13,578
Change in trade and other receivables		2,342	(1,793)	1,644
Change in inventories		6,537	(9,141)	215
Change in trade and other payables		1,496	(1,519)	(11,739)
Change in provisions		(1,206)	-	2,792
Cash generated / (used) in operations		17,947	(4,984)	6,490
Tax paid		(1,686)	(1,795)	(3,529)
Net cash generated / (used) in operating activities		16,261	(6,779)	2,961
Cash flows from investing activities				
Proceeds from sale of property, plant & equipment	13	1,028	42	27
Interest received		60	34	138
Investment in joint venture		(159)	-	-
Acquisition of property, plant and equipment, and intangibles		(1,748)	(2,591)	(5,625)
Net cash used in investing activities		(819)	(2,515)	(5,460)
Cash flows from financing activities				
Net proceeds from the issue of share capital		-	18	19
Repayments of borrowings		(98,962)	-	-
Proceeds from borrowings		91,414	13,924	16,423
Repayment of right-of-use liabilities		(1,846)	(1,913)	(3,792)
Dividends paid		(1,006)	(937)	(2,812)
Interest and charges paid		(4,208)	(656)	(2,477)
Net cash (used)/generated in financing activities		(14,608)	10,436	7,361
Net change in cash and cash equivalents		834	1,142	4,862
Cash and cash equivalents at 1 April		31,798	26,741	26,741
Effect of exchange rate fluctuations on cash held		(606)	1,140	195
Cash and cash equivalents at end of period	7	32,026	29,023	31,798

NOTES TO THE 2023 HALF-YEARLY FINANCIAL REPORT

Unaudited results for the six months ended 30 September 2023

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority and UK-adopted International Accounting Standard (“IAS”) 34: Interim Financial Reporting. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at, and for, the year ended 31 March 2023. The annual financial statements of the Group are prepared in accordance with UK adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

This statement does not comprise full financial statements within the meaning of Section 495 and 496 of the Companies Act 2006. The statement is unaudited but has been reviewed by BDO LLP and their Report is set out at the end of this document.

The comparative figures for the financial year ended 31 March 2023 are not the Company’s statutory accounts for that financial year and have been extracted from the full Annual Report and Accounts for that financial year. Those accounts have been reported on by the Company’s auditor and delivered to the Registrar of Companies. The Report of the Auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their Report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies set out in the full Annual Report and Accounts for the year ended 31 March 2023, except the following amendments which apply for the first time in HY2024, but, they do not have a material impact on these condensed consolidated interim financial statements.

The following amendments are effective for the period beginning 1 January 2023:

- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 (Amendment – Disclosure of Accounting Policies)
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Accounting Estimates)
- IAS 12 Income Taxes (Amendment – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction)
- IAS 12 Income Taxes (International Tax Reform – Pillar Two Model Rules)

Going concern

The Group’s business activities, together with the factors (including the impact of COVID-19) likely to affect its future development, performance and position are set out in the accompanying Business Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the same report. In addition, note 26 to the Group’s previously published financial statements for the year ended 31 March 2023 includes the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Current trading and forecasts show that the Group will continue to be profitable and generate cash. The banking facilities and covenants (leverage and interest cover) that are in place provide appropriate headroom against forecasts based on the current outlook. There are some headwinds in the global economic environment including the rising interest rate environment, however should there be adverse factors beyond expectation including further increases in interest rates, the Directors are confident given the low levels of leverage within the business and the expectation that this will reduce further that these would be mitigated. As such the Directors do not consider there to be material uncertainties relating to events or conditions that may be relevant to the next 12 months from signing of the half-yearly financial report, which cast doubt on the going concern status. This is also the case after performing sensitivity analysis, reverse stress testing scenarios to break point for the covenants and understanding what this would equate to either increasing net debt or reducing EBITDA. Thus, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and hence they continue to adopt the going concern basis of accounting in preparing the half-yearly financial report.

Estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make estimates, judgements and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions take account of the circumstances and facts at the period end, historical experience of similar situations and other factors that are believed to be reasonable and relevant, the results which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty include those disclosed in the consolidated financial statements for the year ended 31 March 2023.

A key judgement made by management relates to Project Atlas costs meeting the capitalisation criteria under IAS 38 Intangible Assets, also considering the March 2021 IFRS IC agenda decision update on ‘Configuration and customisation costs in a cloud computing arrangement’, allowing directly attributable costs to be capitalised.

No other key judgements have been made, other than those involving estimations. The key sources of estimation uncertainty are inventory valuation and recoverability of goodwill.

1. Basis of preparation.....continued

The methodology for calculating the inventory provision has remained consistent with year end. Inventories are stated at the lower of cost and net realisable value with a provision being made for obsolete and slow-moving items. Initially, management makes a judgement on whether an item of inventory should be classified as standard or customer specific. This classification then largely determines when a provision is recognised. Management then estimates the net realisable value of the stock for each individual classification. In most circumstances, a provision is made earlier for customer-specific stock (compared to standard) because it generally carries a greater risk of becoming obsolete or slow moving given the fastenings are designed specifically for an individual customer.

The 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 range of possible outcomes includes a write off of the carrying amount at 30 September 2023, to a write back of the customer-specific inventory provision at period end (HY2024: £6.2m; HY2023: £7.0m; FY2023: £6.1m).

The carrying amount of goodwill as at 30 September 2023, was £22.8m (HY2023: £26.4m; FY2023: £22.9m). In the 31 March 2023 consolidated financial statements, carrying value of the goodwill in the VIC CGU of £2.9m was fully impaired. For the remaining CGUs, an impairment assessment was carried out and no indicators of impairment were identified as at 30 September 2023.

2. Underlying profit before tax and separately disclosed items

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Underlying profit before tax	3,854	5,450	9,300
Separately disclosed items within administrative expenses:			
Acquired intangible amortisation	(893)	(892)	(1,798)
Project Atlas	(500)	(771)	(1,722)
Settlement for loss of office	-	(538)	(1,050)
Aborted acquisition costs	-	(253)	(261)
Impairment of Goodwill	-	-	(2,926)
Restructuring and other related charges	(477)	-	(4,235)
Profit /(loss) before tax	1,984	2,996	(2,692)

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Underlying EBITDA	10,388	9,474	19,297
Separately disclosed items within administrative expenses:			
Project Atlas	(500)	(771)	(1,722)
Settlement for loss of office	-	(538)	(1,050)
Impairment of Goodwill	-	-	(2,926)
Aborted acquisition costs	-	(253)	(261)
Restructuring and other related charges	(477)	-	(4,235)
EBITDA	9,411	7,912	9,103
Acquired intangible amortisation	(893)	(892)	(1,798)
Depreciation (including right-of-use depreciation) and non-acquired amortisation	(3,780)	(3,275)	(7,313)
Operating profit /(loss)	4,738	3,745	(8)

Consistent with prior periods, management feel it is appropriate to remove separately disclosed items as included above to allow the reader of the accounts to understand the underlying trading performance of the Group. Management use judgement in assessing which items, due to their size or incidence, should be disclosed as separately disclosed items. This is consistent with the way financial information is presented to the Board. Further reconciliations of underlying measures to IFRS measures and the cash flow impact of separately disclosed items can be found in note 7.

2. Underlying profit before tax and separately disclosed itemscontinued

Event driven items

Project Atlas is a multi-year investment into our IT infrastructure and underlying business processes. We have excluded these costs (primarily relating to training and project team 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.

Restructuring and related charges of £4.2m in FY23 are a result of a strategic review of operations and functions initiated in Q4 FY2023 and approved by the Board on 28 March 2023. The charges include costs in respect of a down-sizing of personnel primarily within the UK due to the centralisation of multi-site distribution centres into a national distribution centre (NDC) in the Midlands and the closure of our UK manufacturing site in Uckfield. These efficiency initiative results in restructuring costs including redundancies. The charges also include impairment of non-current assets due to the closure of certain offices and warehouses within the UK directly related to the restructuring programme initiative and setting up the NDC. The closure of the offices/warehouses and redundancies would happen over the financial year FY2024 and is planned to be completed by 31 March 2024. The charges for HY2024 amounting to £0.5m primarily relate to professional fees and other related costs incurred for setting up the NDC in the Midlands. We have excluded these costs from our underlying results, to reflect the size and one-off nature of this project.

Recurring items

Acquired intangible amortisation has remained in line with HY2023. Intangible amortisation relating to acquisitions has been separately disclosed so as to present the trading performance of the respective entities with a charge on a comparable basis to other entities in the group.

3. Geographical operating segments

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

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

In presenting information on the basis of geographical operating segments, segment revenue, segment underlying operating profit 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 Executive Committee uses to monitor and assess the Group. Interest is reported on a net basis rather than gross as this is how it is presented to the Chief Operating Decision Maker (the Executive Committee). All material non-current assets are located in the country the relevant Group entity is incorporated in.

Segment revenue and results under the primary reporting format for the six months ended 30 September 2023 and 2022 are disclosed in the table below:

	UK £000	Europe £000	USA £000	Asia £000	Central costs, assets and liabilities £000	Total £000
September 2023						
Revenue*						
Revenue from external customers	35,667	45,269	13,884	22,805	-	117,625
Inter segment revenue	2,333	878	78	3,682	-	6,971
Total revenue	38,000	46,147	13,962	26,487	-	124,596
Underlying operating profit (see note 7)	1,579	3,618	567	4,313	(3,469)	6,608
Net financing costs	(236)	(457)	(504)	152	(1,709)	(2,754)
Underlying profit before tax	1,343	3,161	63	4,465	(5,178)	3,854
Separately disclosed items (see note 2)						(1,870)
Profit before tax						1,984
Specific disclosure items						
Depreciation and amortisation	(1,189)	(1,857)	(420)	(845)	(362)	(4,673)
Assets and liabilities						
Non-current asset additions	6,619	829	160	200	172	7,980
Segment assets	73,350	81,356	27,096	60,494	14,250	256,546
Segment liabilities	(26,833)	(18,263)	(3,956)	(12,123)	(63,460)	(124,635)

3. Geographical operating segments.....continued

	UK £000	Europe £000	USA £000	Asia £000	Central costs, assets and liabilities £000	Total £000
September 2022						
Revenue*						
Revenue from external customers	38,984	40,462	13,486	27,300	-	120,232
Inter segment revenue	3,546	1,762	111	4,939	-	10,358
Total revenue	42,530	42,224	13,597	32,239	-	130,590
Underlying operating profit (see note 7)	3,016	610	(42)	5,173	(2,558)	6,199
Net financing costs	(108)	(150)	(108)	(9)	(374)	(749)
Underlying profit before tax	2,908	460	(150)	5,164	(2,932)	5,450
Separately disclosed items (see note 2)						(2,454)
Profit before tax						2,996
Specific disclosure items						
Depreciation and amortisation	(1,063)	(1,592)	(436)	(887)	(189)	(4,167)
Assets and liabilities						
Non-current asset additions	377	2,959	39	1,144	524	5,043
Segment assets	78,518	86,159	28,399	76,389	11,892	281,357
Segment liabilities	(26,294)	(19,045)	(3,643)	(15,930)	(73,140)	(138,052)

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

4. Taxation

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Current tax on income for the period			
UK tax	-	-	(91)
Foreign tax	259	1,013	2,959
Deferred tax income for the period	12	(362)	(2,824)
Adjustments in respect of prior years	155	(155)	130
	426	496	174

The increase in the underlying effective tax rate (UETR) to 23.7% (HY2023: 17.7%) and the effective tax rate (ETR) to 21.5% (HY2023: 16.5%) was mainly due to the mix of profits and losses at different tax rates and some profit shift to higher tax jurisdictions (e.g. Germany).

Remaining in line with FY2023, the Deferred tax asset was £4.4m (FY2023: £4.3m) and Deferred tax liability £1.9m (FY2023: £1.7m).

5. Dividends

The dividend payable of £2.0m represents the final dividend for the year ended 31 March 2023 which was approved by Shareholders at the AGM on 15 September 2023 and paid on 13 October 2023 to members on the Register on 29 September 2023. The Company paid an HY2023 interim dividend of 0.75p (HY2022: 0.70p) on 13 April 2023 totalling £1.0m to Shareholders on the register as at 17 March 2023. The Company has declared an HY2024 interim dividend of 0.60p (HY2023: 0.75p) which will be paid on 11 April 2024 to Shareholders on the Register as at 15 March 2024.

6. Earnings per share

The calculation of earnings per 5 pence ordinary share is based on profit for the period after taxation and the weighted average number of shares in the period of 134,930,615 (net of own shares held) (HY2023: 134,891,184, FY2023: 134,893,523).

The calculation of the fully diluted earnings per 5 pence ordinary share is based on profit for the period after taxation. In accordance with IAS 33 the weighted average number of shares in the period has been adjusted to take account of the effects of all dilutive potential ordinary shares (net of own shares held). The number of shares used in the calculation amount to 134,930,615 (HY2023: 134,902,422 FY2023: 134,893,523).

The underlying diluted earnings per share, which in the Directors' opinion best reflects the underlying performance of the Group, is detailed below:

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Profit/(loss) after tax for the period	1,558	2,500	(2,866)
Separately disclosed items:			
Acquired intangible amortisation	893	892	1,798
Project Atlas	500	771	1,722
Restructuring and related charges	477	-	4,235
Impairment of goodwill	-	-	2,926
Settlement for loss of office	-	538	1,050
Aborted acquisition costs	-	253	261
Tax charge on adjusted items above	(488)	(468)	(2,211)
Underlying profit after tax	2,940	4,486	6,915
Basic EPS	1.15p	1.85p	(2.12)p
Diluted EPS	1.15p	1.85p	(2.12)p
Underlying diluted EPS	2.18p	3.33p	5.13p

7. Alternative Performance Measure

The half-yearly financial report includes both IFRS 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 the Business Review) 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 half-yearly financial report (including the basis of calculation, assumptions, use and relevance) are detailed in note 2 (underlying profit before tax, EBITDA and underlying EBITDA) and below.

• Underlying figures

The Group believes that underlying measures provide additional guidance to statutory measures to help understand the underlying trading 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.

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.

Explanations for the items removed from the underlying figures are provided in note 2.

• Constant Exchange Rate (CER) figures

These are used 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 HY2024 income statement results (of subsidiaries whose presentation currency is not sterling) using HY2023 average exchange rates to provide a comparison which removes the foreign currency translational impact. The impact of translational gains and losses made on non-functional currency net assets held around the Group have not been removed.

• Underlying diluted EPS

A key measure for the Group as it is one of the measures used to set the Directors' variable remuneration. The calculation is disclosed in note 6.

7. Alternative Performance Measure.....continued

• Underlying operating margin

Underlying operating margin is used in the financial review to give the reader an understanding of the performance of the Group and regions. It is calculated by dividing underlying operating profit (see return on capital employed section for reconciliation to operating profit) by revenue in the year.

• 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 a rolling 12 month underlying EBIT divided by average capital employed (net assets + gross debt) over this period, multiplied by 100%. Underlying EBIT has been reconciled to operating profit below.

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Underlying EBIT/Underlying operating profit	6,608	6,199	11,984
Separately disclosed items within administrative expenses:			
Acquired intangible amortisation	(893)	(892)	(1,798)
Project Atlas	(500)	(771)	(1,722)
Restructuring and related charges	(477)	-	(4,235)
Impairment of goodwill	-	-	(2,926)
Settlement for loss of office	-	(538)	(1,050)
Aborted acquisition costs	-	(253)	(261)
Operating profit	4,738	3,745	(8)

• Underlying cash conversion as a percentage of underlying EBITDA

This is another key metric used by investors to understand how effective the Group was at converting profit into cash. Since the underlying cash conversion is compared to underlying EBITDA, which has removed the impact of separately disclosed items (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.

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Underlying cash conversion	20,155	(4,068)	9,435
Expensed Project Atlas costs paid	(536)	(853)	(1,634)
Settlement for loss of office	-	(33)	(1,050)
Aborted acquisition costs	-	(30)	-
Acquisition costs paid	-	-	(261)
Restructuring and related charges	(1,672)	-	-
Cash generated /(used) in operations	17,947	(4,984)	6,490

• 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.

	Six months ended 30 September 2023			Six months ended 30 September 2022		
	Profit impact £000	Tax impact £000	ETR %	Profit impact £000	Tax impact £000	ETR %
Profit before tax	1,984	(426)	21.5%	2,996	(496)	16.5%
Separately disclosed items	1,870	(488)	26.1%	2,454	(468)	19.1%
Underlying profit before tax	3,854	(914)	23.7%	5,450	(964)	17.7%

7. Alternative Performance Measure.....continued

• Adjusted net debt and adjusted net debt to Underlying EBITDA ratio

This removes the impact of IFRS16 from both net debt and Underlying EBITDA and IFRS 2 Share-based Payments from underlying EBITDA to better reflect the banking facility covenant calculations. Other adjustments are made to meet the calculations specified in the facility agreement. Underlying EBITDA is reconciled to operating profit in note 2.

	At 30 September 2023 £000	At 30 September 2022 £000	At 31 March 2023 £000
Net cash and cash equivalents	32,026	29,023	31,798
Debt due within one year	(3,592)	(3,424)	(3,498)
Debt due after one year	(76,289)	(80,719)	(82,140)
Gross debt	(79,881)	(84,143)	(85,638)
Net debt	(47,855)	(55,120)	(53,840)
Right-of-use lease liabilities	20,025	14,761	15,813
Adjusted net debt	(27,830)	(40,359)	(38,027)

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Underlying EBITDA	10,388	9,474	19,297
IFRS2 share-based payment charge and other related costs	(645)	(555)	168
Operating lease rentals	(2,337)	(1,996)	(4,483)
Adjusted underlying EBITDA	7,406	6,923	14,982

• Adjusted interest cover

This is adjusted EBITDA to adjusted net interest to better reflect the banking facility covenant calculations, removing the impact of IFRS 16 Leases. Underlying EBITDA has IFRS 16 Leases and IFRS 2 Share-based Payments removed above and is reconciled to operating profit in note 2.

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Net Interest	(2,754)	(749)	(2,684)
Right-of-use liability interest	326	188	430
Adjusted net interest	(2,428)	(561)	(2,254)

• Working capital as a percentage of revenue

This is calculated as current assets excluding cash, less current liabilities excluding debt like items as a percentage of Group revenue. It is a KPI for the Group as it remains a key focus to ensure efficient allocation of capital on the balance sheet to improve quality of earnings and reduce the additional investment needed to support organic growth.

8. Own shares held

The own shares held reserve comprises the cost of the Company's shares held by the Group. At 30 September 2023, the Group held 1,452,696 of the Company's shares (HY2023: 2,194,470; FY2023: 1,896,048).

9. Disaggregation of revenue

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.

September 2023	UK	Europe	USA	Asia	Total
Light vehicle	7%	14%	7%	6%	34%
Health & home	2%	10%	1%	6%	19%
Distributors	8%	2%	—	4%	14%
Energy, tech & infrastructure	5%	5%	3%	2%	15%
General industrial	5%	4%	2%	1%	12%
Heavy vehicle	3%	3%	—	—	6%
Revenue from external customers (AER)	30%	38%	13%	19%	100%

September 2022	UK	Europe	USA	Asia	Total
Light vehicle	5%	11%	4%	5%	25%
Health & home	2%	10%	—	7%	19%
Distributors	11%	1%	1%	7%	20%
Energy, tech & infrastructure	6%	5%	3%	3%	17%
General industrial	5%	5%	2%	1%	13%
Heavy vehicle	2%	3%	1%	—	6%
Revenue from external customers (AER)	31%	35%	11%	23%	100%

10. Financial instruments

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

11. IFRS2 Share-based payments

During the period, a gain of £0.6m (HY2023: gain of £0.6m) was recognised in relation to IFRS2 Share-based payments due to the reversal of the cumulative charge relating to the 2021 Board, Executive Committee and Senior Manager LTIP shares as the non-market performance conditions are unlikely to be met.

12. Related parties

Transactions between subsidiaries of the Group, are not disclosed in this note as they have been eliminated on consolidation.

For the Executive Directors and the remaining key management personnel (Executive Committee members) in the period, there is no significant change in the components of the compensation that would materially affect that disclosed in the Director's remuneration report and note 28 of the consolidated financial statements for the year ended 31 March 2023. Iain Percival (Chief Executive Officer) and Serena Lang (Non-Executive Chair) were appointed to the Board with effect from 20 September 2023 and 10 August 2023 respectively.

In the period, there were share options granted to key management personnel totalling nil (HY2023: 1,910,554). There were lapses related to key management personnel LTIP share options totalling 132,407 (HY2023: 549,879).

13. Subsequent events

Asset classified as held for sale is the freehold land and building of a net book value of £2.1m. A contract for sale and leaseback of the freehold land and building was entered on 29 September and the sale was completed and lease entered on 23 October 2023. A deposit of £1.0m was received on 29 September and is presented within 'Trade and other payables' within 'Current Liabilities' in the Condensed consolidated interim statement of financial position. Also, in the Condensed consolidated interim statement of cash flows, the amount is presented within 'Proceeds on sale of property, plant & equipment'.

14. Other interest-bearing loans and borrowings

On 1 June 2023, the Group's £80m Revolving Credit Facility was redeemed via two new banking agreements with a combined facility limit of £120m, in the form of:

1. Revolving Credit Facility (£70m) The facility has a term of three years with two possible one-year extensions (i.e. potential term of five years). The facility can be utilised in either USD, EUR or GBP and there are no pre-determined currency limits.
2. UK Export Finance (UKEF) Export Development Guarantee (EDG) Facility (£50m Sterling equivalent) The facility has a term of five years with a three-year availability period and is split between a USD facility (\$31m), a EUR facility (€17m) and a GBP facility (£10m) with UK Export Finance providing an 80% guarantee.

The new Group facilities are subject to the same 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.

The three lenders who provided the redeemed Revolving Credit Facility remain as the lenders in both facility agreements. The facilities are guaranteed by 18 Group companies which exceed thresholds in various metrics as specified by the lenders. Both facilities are provided for general corporate purposes and will support the Group in achieving growth ambitions.

Refer to note 29 of the Group's Annual report for the year ended 31 March 2023 for further details.

INDEPENDENT REVIEW REPORT TO TRIFAST PLC

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 which comprises the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim statement of financial position, the condensed consolidated interim statement of cash flows and the related notes.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the Group to cease to continue as a going concern.

Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Group a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Group in meeting the requirements of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP

Chartered Accountants
Gatwick
20 November 2023

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