autins

Annual Report and Accounts 2017

BUILDING
momentum...

...as ONE COMPANY *in everything we do*

Our purpose

We address complex and challenging problems through responsive and innovative applications engineering and advanced manufacturing that results in optimised specialist solutions for acoustic and thermal management worldwide.

Our strategy

To deliver sustainable profitable growth. As a partner of choice for the automotive industry, we generate growth by providing differentiated acoustic and thermal products with a clear benefit to the customer. We do this through a high-performing, values-led organisation focused on delivering our strategic goals.

Visit us at: **www.autins.com**

Strategic Report

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Operational highlights

- Strong growth across all the Group's operations.
- Neptune product gaining traction directly through OEMs and through Tier 1 channels with orders in the year awarded across 8 OEMs, 19 vehicles, and well over 100 different parts.
- Good progress from our business in Germany. Growing and profitable in the year and won a multi-platform part for a major European automotive group.
- Good progress from our business in Sweden. Growing and profitable in the year and won multiple parts on existing and newly launched programmes for a major European OEM.
- Continued investment for growth focused on research, test and product development, advanced manufacturing, and continued strengthening of our organisation and capabilities.
- Non-automotive sales continued to show steady double-digit growth year-on-year.

Financial highlights

Revenue
£26.4m
+29.3%
2016: £20.4m

Gross profit
£9.0m
+38.2%
2016: £6.5m

Adjusted EBITDA
£2.0m
+42.9%
2016: £1.4m

Adjusted operating profit
£1.5m
+66.7%
2016: £0.9m

Reported profit after tax
£0.4m
+35.2%
2016: £0.3m

Earnings per share
1.82p
-10.3%
2016: 2.03p

Net debt
£2.0m
2016: Net cash £3.3m

Final dividend
0.8p
2016: £Nil

- Adjusted EBITDA excludes exceptional costs of £0.5m (FY2016:£Nil), additional IPO related costs of £0.1m (FY2016: £0.2m) and £0.6m (FY2016: £0.3m) of non recurring Neptune start up costs.
- Adjusted operating profit additionally excludes £0.2m of amortisation in both years.

DESIGNING *solutions*

We are a recognised leader in acoustic and thermal management technology. We combine applications expertise with advanced manufacturing capabilities to provide best-in-class solutions that create competitive advantage and generate premium margins. The end markets for our product offering are supported by long-term resilient growth drivers.

Our products

Neptune
Lightweight, ultra-micro fibre acoustic absorber

Fleeces
Nonwoven mono-material polyester fleeces with application specific scrims

Heavy layer
Thermoplastic mass barriers

Light foam
Low density polyurethane foam with application specific scrims and heat shields

Foams
Injection moulded polyurethane foam, open/semi-open/closed cell foams

Multi-layer
Layered barriers and absorbers tuned to specific applications e.g. Ozone

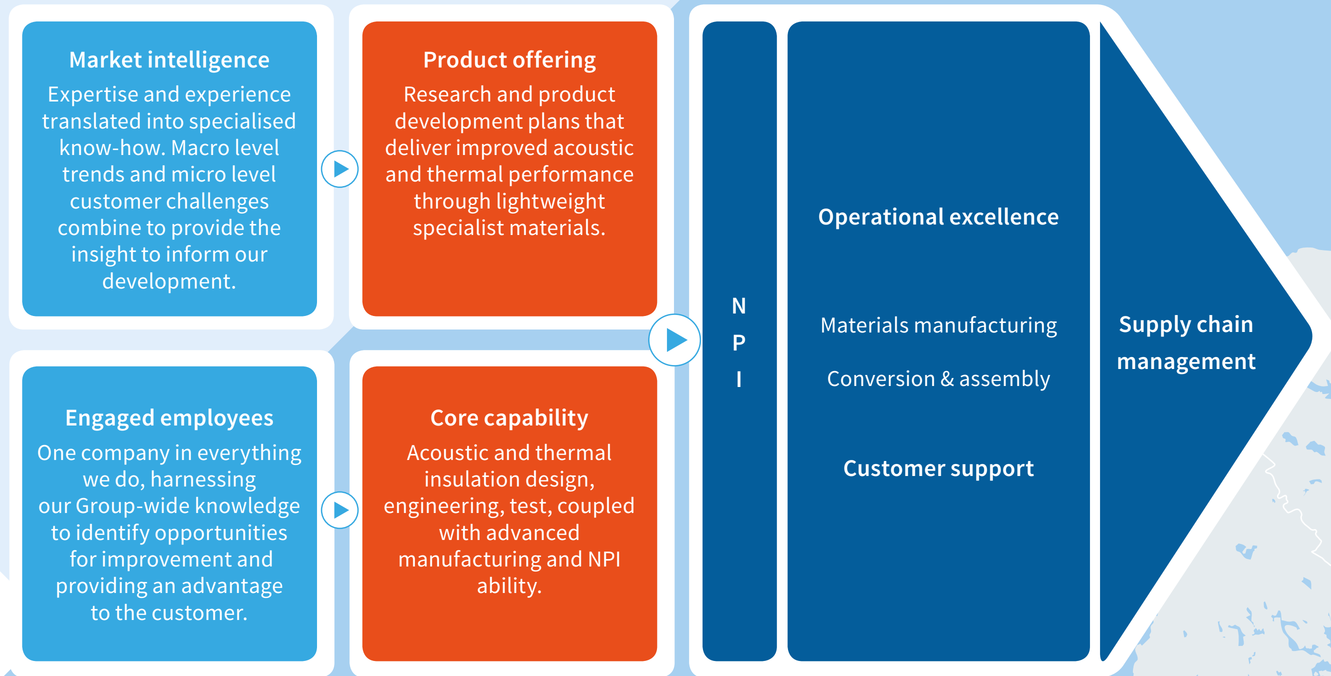
Our processes

Materials manufacturing
Ultra-micro fibre, low-density PUR foams

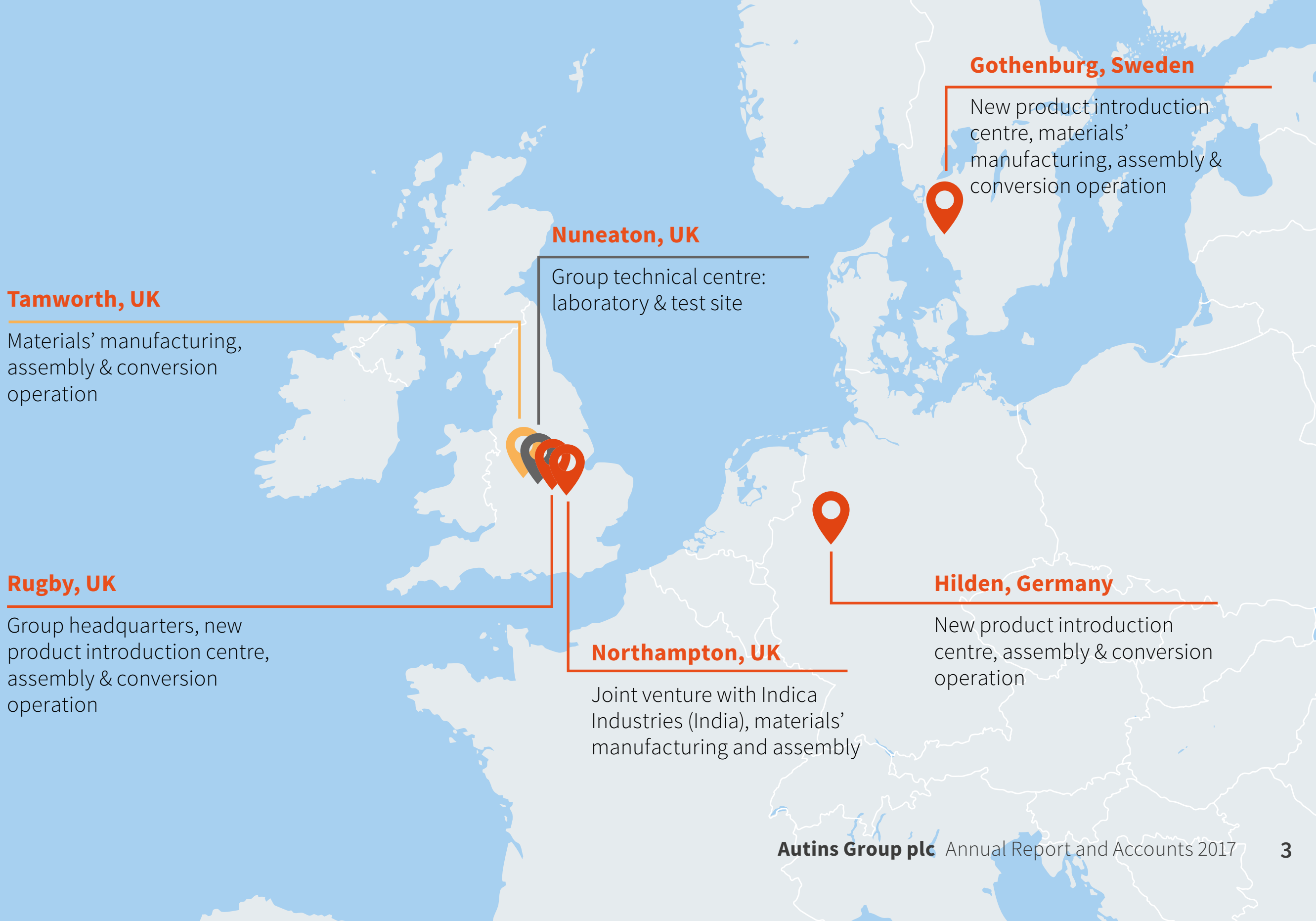
Conversion and assembly
Cutting, sealing, moulding, welding

Customer support
Tooling and component, design and testing

Our business model



Our locations



SOLVING *problems*

Our capabilities:

We design
We use our acoustic and thermal expertise and experience to research, test and develop a range of class-leading products. Innovative design is the starting point for how we differentiate ourselves.

We manufacture
We deploy advanced manufacturing across our supply chain to deliver performance that meets and exceeds customer requirements. We focus on continuous business process improvement to underpin how we work as one company in everything we do.

We support
We recognise that our products exist to solve customer problems. We are focused on providing support to our customers throughout their programme life cycles to ensure those problems stay solved.

Bonnet liners
Low density polyurethane (‘PUR') foam product with protective covers
Lightweight, superior acoustic performance, low flame response, high temperature environments

Bumper
Heavy layer product and PUR
Significant mass used to reduce vibrations and act as a barrier to noise transmission

Wheel arches
Combination product including polyester, recycled fibres or advanced materials such as Neptune
Cost-effective recycled materials, improved acoustic profile via multi-layer material solution

Door blankets
Neptune product in multiple thicknesses
High performance 3D acoustic absorption in key frequency range, thermally efficient

Dash mats
Multi-layer product with Ozone and Neptune option, delivering special acoustic performance
Material combinations balancing barrier to engine noise and absorption for interior acoustics

Battery insulation
Polyester wadding product with multi-purpose scrims – oil and water resistant
High performance protection via specialised coatings, optional barrier films, thermally efficient

Transmission undertray
Low density PUR foam with protective covers and optional aluminium heat shielding
Lightweight, superior acoustic performance, low flame response, high temperature environments

FOCUSING *our organisation*

We have delivered strong top line growth in FY2017 and the Board expects that this will continue in FY2018. Our ongoing investment programmes will enable the Group to sustain this growth in the long term through a better product range, along with better test and manufacturing facilities to better serve our growing customer base and do so profitably.

Performance

We are pleased to report our first full year results since our IPO in August 2016, which show strong growth in revenue, up by 29% to £26.4 million (FY2016: £20.4 million), and gross profit ahead 38% to £9.0 million (FY2016: £6.5 million). In line with our strategic plans, this supported further investment in the business: in which we continue to strengthen our management and key staff as we build core capabilities in research, test, and engineering and, similarly, we continue to invest in our core manufacturing processes.

At an operating level, each region has made progress. Having become wholly-owned at the time of the IPO in 2016, both Germany and Sweden have achieved promising wins with important Original Equipment Manufacturers ('OEMs'). This, combined with further improvements in the year, has meant that our operations in both countries delivered profits in the year. Coupled with access to strategically important European OEMs and large addressable markets, Autins is well placed for a bright future in Germany and Sweden.

In the UK, we have re-aligned our manufacturing processes across our sites in Rugby and Tamworth to better balance our capacity and the respective sites' utilisation levels. This will continue in FY2018 as we focus on ensuring that our operational performance not only meets and exceeds our customers' requirements but also provides us with a competitive advantage.

We have made solid progress in the year and remain committed to delivering improved financial performance, whilst being fully focused to stay on track with our ambitious long-term growth plans.

Market

Looking at the automotive market at a macro level, the pace and breadth of innovation in vehicles is considerable. We just have to look at the changing landscape of electronics, powertrain, connectivity, smart design, not to mention related digital services. There are significant implications for the car's interior environment as a result, with major challenges arising from an engineering and value perspective. Autonomous vehicles will only heighten this.

These increasing innovation challenges are re-shaping conventional automotive structures and relationships across OEMs and the tiers of suppliers as well as between the traditional automotive companies and the 'purer' technology companies. The consequential trends may be to drive consolidation and M&A activity but it will also likely encourage sharing of platforms and manufacturing along with outsourcing certain design and technology development. This will inevitably force more critical and focused thinking on what is core to the OEMs and the tiers of suppliers. Our strategy at Autins is to offer clearly differentiated and specialised products that not only play to our core capabilities but also provide a clear advantage to the customer. We plan to do this by partnering with OEMs and Tier 1s alike so that we can increasingly become and be seen as their Noise, Vibration and Harshness ('NVH') partner; supporting them throughout their programme life cycle and solving their problems.

Strategy

Our strategy has been refreshed as part of our annual business planning cycle and very much centres on our underlying intent to drive sustainable profitable growth, see pages 8 to 9 for more details. Our focus is for Autins to be a specialist solutions provider and to operate as one company in everything we do. Our investment programme, to fuel our growth, is well aligned with this whether it is in new product development and testing capability or in our facilities and manufacturing processes and capacity.

These respective investments in capability and capacity better position Autins to capitalise on the significant growth potential in our target markets. Our initial priority has been to ensure that our growth path is clear, focused and being followed and furthermore to establish a business model that can deliver on this growth potential and be able to scale effectively. In light of this, our operating performance needs to be continuously improving so that we see these scaling benefits reach all the way to the bottom line.

Dividend

The Board is proposing a first final dividend of 0.8 pence per share. The Board continues to adopt a progressive dividend policy alongside continuing investment in the business. The dividend will be paid to shareholders on the register on 19 January 2018 on 16 February 2018.

Governance

The Board is committed to promoting the highest standards of corporate governance and ensuring effective communication with shareholders. This year's Annual Report has continued to be refined to provide a clear picture of our business model and strategic plan. We have recently conducted a detailed internal review and assessment of Board effectiveness. This will form the basis from which we will look to develop Board performance in the spirit of continuous improvement and best practice.

People

We have outstanding employees and, on behalf of the Board, we would like to thank them all for their ongoing support and commitment to Autins. Our success is built upon a foundation of managing to harness and deploy their experience and expertise across the entire Group, as one company.

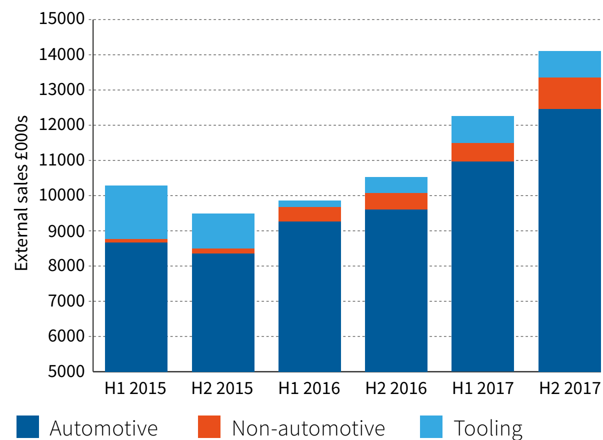
Outlook

In the near term, our results will be weighted to the second half of the year. This reflects our ongoing growth in conjunction with our continued investment. Across the full year, we are confident that 2018 will be a period of significant progress for Autins as we work to realise the full potential of the Group.

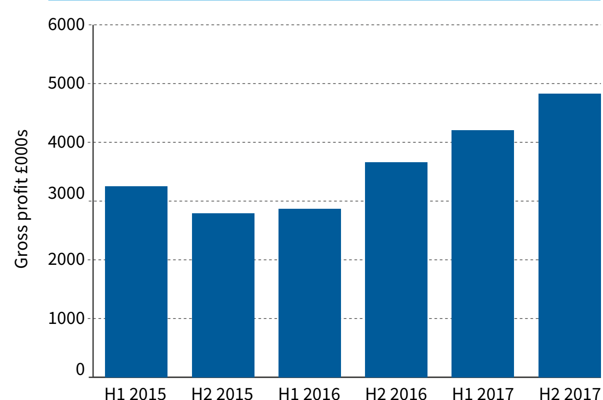
Adam Attwood
Chairman

Michael Jennings
Chief Executive

Group sales progression (last 3 years)



Group gross profit progression (last 3 years)



DRIVING *growth*

Strategic market drivers:

- Large target addressable market in automotive > common market drivers across OEMs
- Premium vehicle growth especially SUVs > changing NVH & lighter materials
- Regulatory pressure (emissions, VOC, smaller engines) > changing NVH needs & lighter materials
- Electric vehicle growth > changing NVH & thermal needs & lighter materials
- New interior demands, technologies, materials, combinations > multi-layer/thickness/function, non-wovens, weight

Strategic intent

Market-led

- Growth agenda built on best-in-class differentiated products
- Specialist applications and materials research and product development
- Broader market and customer coverage

Operational excellence

- Competitive advantage built around advanced manufacturing supply chain management
- Vertically integrated, mixed model assembly, product introduction centres
- Better position and footprint

Performance driven

- Customer-focused capabilities harnessing experience and expertise
- Group-wide business processes with one face to market
- One company in everything we do

Strategy in a nutshell

As one company, we are focused on investing in our core specialist capability to realise our full growth potential and transform the business. We want to create clear advantages to work with Autins so that we become integral to our customers and investors alike.

Strategic progress 2017

- New wins: Volvo, Aston Martin, London Taxi development
- Neptune OEM approvals continue to progress
- MIRA Technical Centre and team fully in place
- 3-Horizon research & product development programme in place

- New wins: VW, Porsche, Bentley
- Multiple tier collaborations working and winning together
- Launched Autins Operating System across all facilities
- Indica Automotive joint venture performing well

- Strengthening of core leadership and management
- Recruitment and investment in key staff across sales, operations and technical teams
- Group-wide business processes e.g. shared support services, key account management
- One company branding introduced

ENABLING GROWTH

through innovation

Researched and tested to ensure our product offering is clearly based on data-driven performance benefits.

The client

Electric vehicle ('EV') models have been announced and scheduled by every major automotive OEM. Now comes the challenge of implementation.

The problem

With the removal of the internal combustion engine ('ICE') and therefore engine noise, there is an expectation of a quieter drive in EVs. In practice the removal of one major noise source uncovers a range of different noise, vibration and harshness challenges across the vehicle. Additionally, no longer having an ICE to use as a heat source requires use of precious battery power to keep the cabin comfortable all year round.

The solution

At Autins we understand how to isolate and eliminate noise created by new EV components, typically creating more tonal and high frequency noises, which can be particularly annoying for passengers. Using our materials to offer lightweight solutions with superior acoustic performance, we reduce the noise previously masked by the ICE without having to increase the weight of the vehicle.

Bonnet liners

- Light foam product with protective covers.
- The lightweight, superior acoustic performance is ideally suited for EVs.

Wheel arches

- Combination product including advanced materials such as Neptune.
- Lightweight, superior acoustic performance to block out road noise in EVs.

Dash mats

- Multi-layer product, Ozone & Neptune option, special acoustic performance.
- Material combinations balancing barrier to road and wind noise and absorption for interior acoustics.

Door blankets

- Neptune product in multiple thicknesses.
- High-performance 3D acoustic absorption in key frequency range and thermally efficient for improved cabin temperature stability.

Pillars

- Neptune product in multiple thicknesses.
- High-performance 3D acoustic absorption of perceived enhanced road and wind noise and thermally efficient for improved cabin temperature stability.

Encapsulation

- Multi-layer product, Ozone & Neptune options, special acoustic performance.
- Material combinations to isolate noise from electric motors, gearbox, pumps, and HVAC preventing them from travelling throughout the vehicle.

Battery insulation

- Polyester, recycled fibres or advanced materials such as Neptune.
- Optimising range efficiency by reducing thermal effects on the battery.

ENABLING GROWTH

differentiated solutions

Linking existing know-how with potential new application areas resulted in innovative extensions to our product range.

The client
The London Taxi Company recently rebranded as the London Electric Vehicle Company ('LEVC') ahead of the launch of their new plug-in hybrid electric taxi specifically developed to make cities cleaner and greener.

The problem
Challenging convention to offer NVH solutions optimised for LEVCs unique plug-in hybrid electric vehicle design and functionality.

The solution

- Matching Autins' extensive applications knowledge with the design features and demand of the electric black cab, we fast-tracked a suite of parts designed and tested at our Group technical centre on the Horiba Mira Technology Park. The end parts may be tailor-made but the core solution utilised pre-engineered developments that already existed in our wider product range.

Parcel shelf

- Starting with handmade prototypes tested in vehicle to reach the optimal solution, Autins supplied not only the answer but reverse engineered the solution back into CAD drawings to produce tooling and products ready for production.

Footwell and quarter panel

- Presented with a problem area, Autins designed a multi-layer solution to solve a multi-faceted noise issue. Combining materials to create a barrier to road noise, whilst at the same time providing superior absorption for interior acoustics.

Brake pump encapsulation

- By encapsulating the brake pump with an injection moulded polyurethane foam, we were able to simultaneously reduce vibration and block noise at the source.

Bonnet liner

- Autins' light foam bonnet liner is 65% lighter than the conventional melamine foam liner that had originally been specified. Our smart 2D tooling design delivered a cost effective alternative, whilst offering an improved surface and edge finish. The result: reduced weight, improved aesthetics and safer handling.

DELIVERING *progress*

Revenue

The Group continued to grow with total revenue up 29% at £26.4 million (FY2016: £20.4 million).

Sales of components increased by 26% to £24.8 million (FY2016: £19.7 million). Direct sales to the Group's largest customer accounted for 64% of Group revenues (FY16: 65%). The Board expects this concentration to reduce in the coming year as revenues from new customer programmes begin volume production.

Within component manufacturing, flooring revenue grew by 50% to £0.9m (FY2016: £0.6m) with the Swedish DBX business acquired in April 2016 adding £0.1m year on year.

The UK component manufacturing business continued to be a major driver in terms of organic growth, with sales increasing by 20% to £22.0 million (FY2016: £18.4 million). Non-automotive components revenue in the UK increased by £0.2m with ongoing development of the product range to allow access to new markets.

Having secured new work with a major European OEM, German automotive revenues have more than doubled to £1.1m in the year. The Board expect continued growth in the coming year as this contract is implemented across more of the OEM's plants.

Swedish automotive revenues were £0.8m (FY2016: £0.3m) having benefitted from a combination of new platform launches in the second half of 2017 and a full year's trading following the acquisition of the remaining 51% on 20 April 2016.

Sales of tooling increased as anticipated to £1.5 million (FY2016: £0.6 million), with a number of new pressed and moulded components developed and entered into volume production.

Gross margin

Component gross margins increased to 34.6% (FY2016: 33.1%) with the continued benefit of new higher value added contracts secured in previous years.

The Board continues to seek opportunities to improve margins with commercial focus on higher added value products and materials, development of a common operational strategy and targeted capital investments designed to improve efficiency.

EBITDA and operating profit

Adjusted EBITDA was £2.0m (FY2016: £1.4m) with an adjusted operating profit of £1.5m (FY2016: £1.0m) after excluding exceptional and non-recurring costs as noted below. Management believe these adjusted measures are more indicative of the underlying business.

Unadjusted EBITDA was £0.9m (FY2016: £0.9m) after charging £0.55m (FY2016: £0.2m) of exceptional costs, and £0.6m (FY2016: £0.3m) of non-recurring incremental start-up costs for the Neptune facility.

Exceptional and non-recurring items

The Group incurred exceptional remuneration and associated costs of £0.2m (FY2016: £nil) as a result of the resignation of the former Chief Executive Officer, Jim Griffin, on 1 February 2017, and subsequent appointment of Michael Jennings.

Following the change of Chief Executive, a review of Group staffing was conducted to ensure it was aligned to the Group's strategic growth ambitions and a one company culture. This resulted in a further £0.1m of exceptional costs in the year (FY2016: £nil).

During the year, the Group incurred £0.2m (FY2016: £nil) of costs performing critical repairs to production presses within the Rugby facility. Whilst the Board believe that these repairs arose from an inherent design fault, this is being contested by the equipment manufacturer and the repairs have therefore been expensed as incurred. We continue to work with independent assessors and the equipment manufacturer to achieve an agreed resolution.

Further legal and professional costs of £0.1m were incurred in relation to the Group's IPO in the year (FY2016: £0.2m).

Amortisation of £0.2m (FY2016: £0.2m) in relation to acquired intangible assets has been excluded from adjusted operating profit.

James Larner
Chief Financial Officer

The Group's Neptune production facility has, whilst working towards full operational status, incurred further non-recurring start-up costs for Neptune of £0.6m (FY2016: £0.3m) in the year. This has been part of an extended commissioning period of the plant with ongoing refinement and commercialisation of the Neptune product for use in European OEM markets. Attributable commissioning costs in FY2017 totalled £0.4m and have been capitalised. Our current completion schedule indicates we will bring the asset into full use from 1 January 2018, at which time depreciation will commence in line with our accounting policies.

Joint ventures

The Group's current year share of joint venture activities relates solely to Indica Automotive, a foam conversion business based in Northampton. The comparative year included pre-acquisition losses at the Group's Swedish business prior to its full acquisition on 20 April 2016.

Indica Automotive's turnover increased by 43% to £2.6m (FY2016: £1.8m) with a profit before tax of £0.5m (FY2016: £0.4m) after £0.05m of exceptional costs (FY2016: £Nil). The Group's share of profit after tax was £0.2m (FY2016: £0.1m).

The business continues to invest in customer-facing staff and capital equipment in support of profitable growth and diversification away from the Group who remain the current largest customer.

Currency

The Group trades in currencies other than sterling, its base currency, due to its three overseas operations and certain raw material supplies. It therefore has a level of operational transactions conducted in Swedish krona and euro. The Group is also subject to currency variation in the retranslation of the results and net assets of those overseas operations.

As a result of the Neptune capital purchase stage payments, the currency with the greatest impact on Group results in the year has been the US dollar. The raw material supply agreement with IkSung Co, Ltd means there will also be an ongoing potential transactional risk on our results from the US dollar as Neptune volumes increase.

The Group held no forward currency contracting arrangements at either year end. During the current year the Group held a forward purchase contract for US dollar in relation to the final IkSung stage payment.

The Group's structure and trading balance are such that net currency exposure is naturally reduced. The Board will continue to monitor the situation and use derivatives to manage the Group's foreign currency risks where the underlying operational business or significant capital expenditure increases exposure. Transactions of a speculative nature are, and will continue to be, prohibited.

Net finance expense

The Group applied cash from the IPO to significantly reduce bank debt in the prior year and this year settled £1.1m of loan notes outstanding from an earlier buyout of minority shareholders. As a result of this reduced gearing, net finance expense for the year fell significantly to £0.1m (FY2016: £0.6m). An analysis of the net finance income is presented in note 8 on page 51.

Taxation

The lower effective tax rate reflects enhanced R&D claims for the current and prior periods, together with utilisation and recognition of brought forward tax losses.

The creation of a dedicated technical Research and Development ('R&D') team together with an expectation of ongoing development of the Neptune product mean the effective tax rate is likely to remain below the UK statutory level at least in the short term.

The Group's overseas subsidiaries continue to have significant taxable losses available. This will, in the short term, offset expected trading profits in Sweden and Germany that are higher relative corporation tax territories than the UK. As a result of trading in the year and forecasts for FY2018, the Group has recognised a deferred tax asset of £0.2m (FY2016: £0.1m) in relation to these losses. The Group has a further £0.1m (FY2016: £0.2m) unrecognised tax asset in respect of losses in the German subsidiary.

Earnings per share ('EPS')

The weighted average number of shares in issue has increased by 7.58 million as a result of new shares issued in relation to the Group's IPO on 22 August 2016.

As a result, despite the increased level of profit in the year, earnings per share decreased to 1.82p per share (FY2016: 2.03p per share).

Had the same weighted average number of shares been applied to the prior year then the FY2016 EPS comparative would have been 1.3p per share.

Calculations of earnings per share, including the potential dilution arising from the senior management share option scheme, are presented in note 10 on page 53.

Dividends

The Board propose a final dividend of 0.8p per share for the current year. Our dividend policy remains to balance reinvestment in support of the Group's growth strategy whilst progressively growing returns in line with earnings.

Net (debt)/cash and working capital

The Group ended the year with net debt (cash and cash equivalents less loan notes, bank financing and hire purchase agreements) of £2.0m (FY2016: Net cash £3.3m) and cash and cash equivalents of £1.4m (FY2016: £6.3m). During the year cash was applied to settle loan notes of £1.1m, making the final capital stage payments on the Neptune line of US$2.2m, as well as further capital investments and fund working capital. The Group has £0.9m (FY2016: £1.3m) of hire purchase agreements in the UK and £0.4m (FY2016: £0.5m) of long-term asset-backed bank loans in Sweden. These reflect the investments in capacity for growth across the Group prior to the IPO and refinance to HSBC. There were no new hire purchase agreements and £0.1m of new asset-backed loans in the year.

As reported last year, the Group had, in support of IPO costs, secured £0.25m of short-term extended arrangements with certain key suppliers which were normalised in the year.

Debtors increased in the year reflecting the Group's growth, with the position magnified by the £2m year-on-year increase in component revenue in the final quarter, as well as £0.25m higher tooling sales.

As part of the IPO process, the Group refinanced with HSBC in November 2016 having secured additional facilities to support growth and implementing a central banking platform that allows greater central cash and debt management. The HSBC facilities come without formal covenant and are over a three-year term to November 2019.

The Directors are satisfied that future funding requirements for the Group's planned growth are adequately supported by these new banking arrangements.

Acquisitions, goodwill and intangible assets

There were no acquisitions made in the year, but the fair values attributed to the assets of our Swedish entity were revised during the period as detailed in note 12 on page 54 resulting in an increase to non-separable goodwill.

The Board considered the carrying value of goodwill and other intangibles (both existing and generated in the year) at 30 September 2017 and concluded that the carrying value was fully recoverable.

Capital expenditure

Total capital additions were £2.6m (FY16: £5.0m) in the year. The Group continued to invest in plant for capacity expansion for growth, as well as investment in laboratory and specialist testing equipment for the Group's Technical Centre and R&D team.

In bringing the Neptune operation towards full operational capability a further, £0.85m was spent in the year on commissioning and line improvements.

Financial risk management

Details of our financial risk management policies are disclosed in note 3 on pages 46 to 48.

James Larner
Chief Financial Officer

Key performance indicators ('KPIs')

Lost time injury frequency rate ('LTIFR')

KPI definition

LTIFR is calculated as the number of lost time injuries divided by one million and multiplied by the number of hours worked.

Performance

Year	Value
2017	8.1
2016	3.1
2015	15.7

(One incident would represent 4.7 for FY2018)

Comment

Three incidents in the year that resulted in lost time (being more than one day away from work as a result of an incident at work).
No individual required admission to hospital and there were no permanent injuries sustained. Our long-term target is for zero lost time injuries.

Gross profit growth (£)

KPI definition

Measure is calculated as the change in gross profit from continuing operations in the current year compared with prior year. The effect of any acquisitions in the current or prior year is adjusted.

Performance

Year	Value
2017	+26.7%
2016	+1.3%

(Target: CAGR 15-20% over 3-5 years)

Comment

Gross profit benefitted from increased revenues but also improved margins as the proportion of higher value-added products and materials increased in the year. The effect of gross profit growth in Sweden has been excluded from both periods as acquired in April 2016.

Organic revenue growth (%)

KPI definition

Organic revenue growth measures the change in revenue in the current year compared with the prior year from continuing operations. The effects of any acquisitions in the current or prior year are adjusted.

Performance

Year	Value
2017	+30.4%
2016	+1.%

(Target: CAGR 15-20% over 3-5 years)

Comment

Orders and revenues grew strongly in all areas with new OEM platforms coming into volume production in the year. FY2016's growth was lower as significant tooling sales for new vehicles in FY2015 were replaced by component revenues. The effect of revenue growth in Sweden has been excluded from both periods as acquired in April 2016.

EPS growth (%)

KPI definition

EPS growth measures the change in basic earnings per share in the current year compared to that of the prior year.

Performance

Year	Value
2017	-10.3%
2016	-63.4%

(Target: CAGR 15% over 5 years)

Comment

Weighted average shares in issue increased by 7.58 million in FY2017 as a result of new shares issued in relation to the Group's IPO. Had the same weighted average been used for both periods then the FY2016 EPS would have been 1.3p per share which is 40% growth. Decrease in FY2016 was a result of both a partial dilution effect of new shares issued on IPO combined with exceptional costs in relation to the IPO and establishment of Neptune manufacturing.

R&D spend as a proportion of consolidated sales (%)

KPI definition

Measures the level of expensed research and development ('R&D') in the year as a percentage of the consolidated Group revenue.

Performance

Year	Value
2017	1.0%
2016	3.4%
2015	0.9%

(Target 2%)

Comment

The significant increase in FY2016 was largely attributable to a single large collaborative project that ended in early FY2017. Spending on R&D has continued, but a larger proportion of successful projects required capitalisation in accordance with our accounting policies. Capitalised R&D in FY2017 was £0.3m (FY2016: £0.2m)

New product & customer sales as a % of Group (%)

KPI definition

New product and new customer sales are measured as the combined revenue generated from products (e.g. Neptune) and customers secured by the Group in the current and previous two years, as a percentage of total revenue from continuing operations.

Performance

Year	Value
2017	12.7%
2016	5.6%
2015	1.2%

(Target: over 10%)

Comment

Increasing penetration of Neptune has delivered some volume in the year and will continue to do so in future periods. New contracts with major European OEMs as well as further penetration into their Tier 1 supply chains have, and will continue to deliver, growth for the Group. All non-automotive sales are new to the Group in the last three years.

Principal risks and uncertainties

Risk	Description and potential impact	Mitigation
Failing to successfully implement our growth strategies	Our future success is dependent on the effective implementation of our growth and diversification strategies. The execution of our strategies may place strain on our managerial, operational and financial reserves, and the failure to implement our strategies may adversely affect our reputation and prospects.	We have aligned our management effort in support of our strategic aims with clear functional leadership established. The Group's management capacity has been improved with the appointment of a number of high-calibre individuals to key business roles. Operational plans and key KPIs have been established to allow identification and correction of under-performance.
Dependence on single sector and certain key customers	The vast majority of the Group's business serves the automotive sector. A significant proportion of our revenue continues to be derived from one key customer. Our relationship with this key customer could be materially adversely affected by several factors, including a decision to diversify or change how, or from whom, they source components that we currently provide, an inability to agree on mutually acceptable pricing or a significant dispute with the Group. If our commercial relationship with a key customer terminates for any reason, or if one of our key customers significantly reduces its current or forecast business with us and we are unable to enter into similar relationships with other customers on a timely basis, or at all, our business could be materially adversely affected.	Even with our focus on specialised areas within the automotive industry our target addressable market is significant. Our current market share provides huge potential for growth. Strength of customer relationships is a priority for the Group and, for our key customers, multiple contact points are maintained. We have Key Customer Account Plans which outline our strategic approach and development activities in terms of joint NVH solutions. These plans also document roles and responsibilities of all Group functions in their support of customer relationships. Our strategy to diversify and grow our business in terms of customers, geographies and applications, as well as our vertical integration into materials reduces reliance on individual customers and sectors.
Dependence on relationship with IkSung Co., Ltd	IkSung are both a supplier of patented materials and a licensor of intellectual property rights in relation to the Neptune material. Were this relationship to deteriorate or breakdown, this could have a significant adverse effect on our business.	We are actively engaged with suppliers to provide alternative and dual sources for non-patented materials. The terms of our licensing agreement convey the right to source the proprietary fibre directly from the manufacturer. Our R&D effort includes plans to improve existing materials and to explore new materials that would reduce this reliance.
Major failure of Neptune line	The Neptune production line is the only such facility in Europe and a major breakdown could affect our ability to support customer growth	The line was purchased with a critical spares package and specialised maintenance training to allow the Group to perform preventative maintenance and repairs. In addition, an ongoing technical support agreement is held with IkSung for major machine failures and a back-to-back agreement is held which would allow material to be imported to support demand.

Risk	Description and potential impact	Mitigation
Risk of competing materials to Neptune	Technological advances in existing or potential substitute materials may impede the commercialisation or competitiveness of of Neptune and cause a reduction in demand.	Our multi-horizon research and product development plan is designed to improve our existing materials and to explore new materials and applications.
The impact of the EU Referendum (‘Brexit’)	Based on the considerable business press coverage, there is increasing uncertainty and concern on what form Brexit will take due to the relative lack of detail and clarity therein. The potential implications tend to focus around currency fluctuation and cross-border business with corresponding impact on the cost and availability of raw materials and labour. Potential changes to cross-border trading, including tariffs and non-tariff barriers, could affect both working capital requirements, by extending supply chains, and the costs of both manufacturing and sales. There remains uncertainty over the impact on the UK economy and the future growth the automotive sectors’ production and supply chain activities.	We have engaged with key third parties, suppliers and automotive industry bodies about the potential impacts of Brexit. The Group has manufacturing operations within Europe, as well as the UK with manufacturing capacity designed to serve local markets, in territory, and is reviewing future investments to meet likely automotive supply chain expansion in mainland Europe. As part of optimising operational capacity the Group has transferred manufacture of certain components to the territory in which they are sold, reducing risk on cross-border trading. Whilst recognising the competitive market, the Group seeks to position itself as an employer of choice. As further details of the Brexit terms emerge, management will continue to assess potential risks and impacts of changes in the automotive supply chain to the Group’s stakeholders.
IT Systems and software	The Group relies on a range of systems and software infrastructures and has EDI links to several customers. Loss or interruption of access to these could disrupt customer and production scheduling.	There has been ongoing investment in the IT infrastructure of the Group. This seeks to both improve operational functionality and also protect sensitive and proprietary data. Critical business continuity and disaster recovery plans are reviewed as an ongoing process in conjunction with our external IT support providers.
Currency and foreign exchange	A proportion of the Group’s business is carried out in currencies other than sterling. To the extent that there are fluctuations in exchange rates, this may have an impact on the Group’s future financial position. The Group may engage in foreign currency hedging transactions to mitigate potential foreign currency exposure. The Directors cannot predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on the business, operating results or financial condition of the Group.	The Group seeks, where possible, to buy materials and services in the functional currency of the procuring site so as to minimise transactional risk. In addition, external borrowings are maintained in the functional currency of local operations. For significant future capital projects the Board would consider a hedging strategy to give certainty at the time of order placement. The Board continues to monitor the level of transactional currency risk to which the Group is exposed and may implement a hedging strategy to limit or mitigate risk when the value of these transactions are considered significant enough to have a material impact on results.

This Strategic Report was approved by the Board on 12 December 2017 and signed by order of the Board by the Chairman.

Adam Attwood
Chairman
12 December 2017

Board of Directors and Senior Management

1
Adam Attwood
Non-Executive Chairman

Adam trained as a solicitor with Norton Rose Fulbright, before spending five years at Charterhouse Bank working in quoted company advisory and European M&A. He then spent seven years with ISIS Equity Partners (now Livingbridge) as an Investment Director holding non-executive roles for companies within the consumer products and IT industries. He has since acted in a non-executive capacity with a variety of private businesses. He joined the Autins' Board in January 2016 as Non-Executive Chairman, having previously provided strategic guidance to the Board since April 2013. Adam chairs the Group's Nomination Committee.

2
Terence (Terry) Brian Garthwaite
Non-Executive Director

Terry has over 35 years' experience as a Director of both publically-listed and private companies. He held a number of senior finance positions within Foseco plc including Director of corporate finance, prior to spending 11 years as Group Finance Director at Senior plc. He has also held non-executive positions at Wilmington Group plc, Brammer plc and Renishaw plc chairing the Audit Committee on each occasion. Terry qualified as a chartered accountant prior to joining Price Waterhouse. Terry joined the Board in April 2016 and chairs the Group's Audit Committee.

3
Ian Roy Griffiths
Non-Executive Director

Ian was appointed to the Board in April 2016 as a Non-Executive Director and is Chairman of the Group's Remuneration Committee. He brings wide-ranging international experience of the engineering business-to-business sector at both strategic and operational levels, having spent nearly 30 years with GKN plc. Ian served as a Non-Executive Director on the Board of Ultra Electronics Holdings plc from 2003 to 2012. He has been a Non-Executive Director of Renold plc since 2010 where he also chairs the Remuneration Committee and was Chairman of Hydro International plc which he joined as a Non-Executive Director and Chairman-elect in October 2014.

4
Michael Jennings
Chief Executive

Michael has spent his career in industrial product and technology-led businesses in the automotive, electronics and pharmaceutical sectors and most recently was Chief Executive of Hydro International plc from July 2013 until its takeover in late 2016.

Prior to this Michael was the Managing Director of the Industrial and Pharmaceutical Divisions at BOC Group Plc where he led the successful sale of the Pharmaceutical Systems business from BOC to IMA Group in 2008. Following the sale Michael joined IMA as Managing Director of its Pharmaceutical Division.

Michael joined the Board as Chief Executive in February 2017.

5
James David Larner
Chief Financial Officer and Company Secretary

James has spent a significant portion of his career operating in finance roles within the Tata Steel Group. Following on from this he acted as Finance Director for Caparo Mill Products before taking up the role as UK Finance Director at Autins. James also held the role of Treasurer to Birmingham Rathbone, a Midlands-based charity until becoming its Chairman in 2012. James started his career in an Audit role, qualifying with Ernst and Young in 2001. James joined the Group Board as Chief Financial Officer in January 2016.

6
Wayne Hodgkiss
Group Operations Director

Wayne brings a wealth of operational leadership experience predominantly from the automotive sector but also from industrial and aerospace supply. He has worked in senior positions with BMW, Johnson Controls, Goodrich, Terex Pegson, DHL Automotive, Bentley, and most recently EAD / London Taxi Company. He leads all of the Group's operations and has done so since June 2017.

7
Dr Kathryn Beresford
Group Technical Director

Dr Kathy Beresford completed her PhD in Multichannel Automotive Audio at the Institute of Sound Recording, at the University of Surrey in 2010 and was awarded a postgraduate award (with distinction) in Innovative Business Leadership from the University of Warwick in 2016. She spent seven years working in local government in varied roles conducting educational data analysis, modelling and interpretation alongside performance and project management. Kathy joined the Autins Group in June 2015 to lead research, development and innovation and to lead the establishment of the Group's technical facilities at the Horiba MIRA Technology Park.

8
Joshua Kimberling
Group Sales Director

Joshua has spent his career in sales management of automotive, process control and healthcare products. Most recently as Director at Flow-Mon Ltd, growing the business' global sales of UK manufactured process control products. Prior to this Joshua worked in both the US and Germany for Robert Bosch in the sales and marketing of automotive electronics, having account management responsibilities for major OEM's in the US and Europe. Joshua joined the Group in November 2016 to oversee sales and marketing.

9
Stefan Janzen
Group Technical Director

Stefan worked for HP Pelzer Group for over 20 years as a research and development engineer focused on automotive acoustic products and solutions, before joining Autins GmbH as Research and Development Manager in late 2013. Stefan has a degree in Biology from Westfälische Wilhelms University in Münster, Germany.

10
Kevin Sheldon
Plant Manager, UK

Kevin has over 25 years experience of operational process improvement and leadership and joined the Group in October 2017 to lead UK operations. Prior to this Kevin had been General Manager of Swissport Stansted and Birmingham Airports since 2010.

He has spent a significant part of his career in senior operational roles within the automotive and construction equipment including periods at Terex Pegson Ltd, Johnson Controls Automotive and MG Rover (Powertrain).

11
Örjan Karlsson
Managing Director, Autins AB

Örjan has over 20 years' experience in the automotive industry, having worked at Saab Automobile, Volvo Cars and Volvo AB and various suppliers to the automotive industry, with a focus on planning, implementing new projects and increasing capacity. Örjan has been Managing Director of Autins AB since June 2012.

12
Matthias Migl
Managing Director, Autins GmbH

Matthias has 20 years' experience in the automotive industry including with the specialist NVH and soft trim component manufacturer HP Pelzer Group, with a particular focus on acoustics. Matthias has been Managing Director of Autins GmbH since 2013 and holds a degree in Chemical Engineering from Friedrich – Alexander University, Erlangen, Germany.

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Directors' report

For the year ended 30 September 2017

The Directors present their report and the audited financial statements for the Group for the year ended 30 September 2017 in accordance with section 415 of the Companies Act 2006. Particulars of important events affecting the Group, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 19 which is incorporated into this report by reference. In addition, this report should be read in conjunction with information concerning Directors' remuneration and employee share schemes in notes 7 and 20 to the financial statements, and which is incorporated by way of cross-reference into the Directors' Report.

The principal activities of the Group are the manufacture and sale of insulating materials to the automotive industry. The Company is an investment holding company. The Directors are not aware, at the date of this report, of any likely changes in the Group's activities in the next year.

Results and dividends

The results for the year are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 31 and 32. Following the year end, the Directors assessed the appropriateness of the Group declaring a first final dividend and are recommending that a dividend of 0.8 pence should be paid.

Directors

The Directors who served during the year under review and up to the date of approving the Annual Report and Accounts were:

- Adam Attwood;
- Terry Garthwaite;
- Jim Griffin (resigned 1 February 2017);
- Ian Griffiths;
- Michael Jennings (appointed 6 February 2017); and
- James Larner

Corporate governance

Whilst the Group is not required to comply with the UK Corporate Governance Code the Directors acknowledge the importance of good corporate governance. The Board therefore seek to apply the principles of the Code as far as is practicable taking account the Group's size and stage of development. The Company is a member of the Quoted Company Alliance ('QCA') and are therefore using QCA resources to improve corporate governance standards.

Board of Directors and Board Committees

Biographical details of all the Directors at the date of this report are set out on page 20.
The Board has formally delegated certain duties and responsibilities to the Audit, Remuneration and Nomination Committees. These committees seek advice from the Company's advisors as the need arises and operate throughout the year.

Meetings of the Board and its Committees

The following table sets out the number of meetings of the Board and Committees during the year under review and individual attendance by the relevant members at these meetings:

	Board		Audit Committee		Remuneration Committee		Nomination Committee	
	Number	Attended	Number	Attended	Number	Attended	Number	Attended
Adam Attwood	11	11	4	4	4	4	1	1
Michael Jennings (appointed 6/2/17)	8*	8	n/a	n/a	n/a	n/a	n/a	n/a
Jim Griffin (resigned 1/2/17)	3*	2	n/a	n/a	n/a	n/a	n/a	n/a
James Larner	11	11	n/a	n/a	n/a	n/a	n/a	n/a
Terry Garthwaite	11	11	4	4	4	4	1	1
Ian Griffiths	11	11	4	4	4	4	1	1

* Number of potential meetings adjusted for date of appointment and/or resignation

Should a Director be unable to attend a meeting, their comments on the business to be considered at the meeting are discussed with the Chairman ahead of the meeting so that their contribution can be included in the wider Board discussion.

Board Committees

As noted above, the Board has three Principal Committees with defined terms of reference. The members of the Committees and their duties are set out below.

Audit Committee

The Audit Committee comprises the three Non-Executive Directors under the chairmanship of Terry Garthwaite. The Committee has terms of reference that are reviewed at least annually and meets formally not less than three times every year.

The Committee's role includes:

- Considering the appointment, fees, independence and effectiveness of the auditor and the audit process, and discuss the scope of the audit and its findings.
- Review audit and non-audit services and fees.
- Monitor the Group's accounting policies.
- Review and challenge the Group's assessment of business risks and internal controls to mitigate these risks.
- Review the annual and interim statements prior to their submission for approval by the Board.
- Review and challenge the going concern assumptions for the Group.
- Review the Group's whistle-blowing policy.

The ultimate responsibility for reviewing and approving the Annual Report and Accounts and the half-yearly reports remains with the Board.

Remuneration Committee

The Remuneration Committee is chaired by Ian Griffiths and comprises the three Non-Executive Directors. The Committee is responsible, within agreed terms of reference, for the following remuneration matters:

- Setting the remuneration policy for all Executive Directors.
- Ensuring that remuneration payments made to Directors are consistent with the approved policy.
- Overseeing incentives-based remuneration for Senior Management or employees.

Details of employee share-based payment schemes are given in note 20 on page 59.

In carrying out these duties the Committee ensures the appropriateness, relevance and market practice in respect of such remuneration policy. The committee has taken appropriate advice from BDO's human capital team with regards the Executive Director and Group senior management long-term incentive schemes.

Nomination Committee

The Nomination Committee has responsibility for reviewing the structure, size and composition of the Board and recommending to the Board any changes required, for succession planning and for identifying and nominating for approval of the Board candidates to fill vacancies as and when they arise.

The Committee is also responsible for reviewing the results of any Board performance evaluation process and making recommendations to the Board concerning the Board's committees and the re-election of Directors at the Annual General Meeting. The Committee meets as and when required, comprises the three Non-Executive Directors and is chaired by Adam Attwood.

Board evaluation

The Chairman, as part of his responsibilities, informally assesses the performance of the Board and its Directors on an ongoing basis and brings to the Board's attention any areas for improvement.

The Board made use of its membership of the QCA to access a formal Board effectiveness review. Each Director has completed an assessment, with additional narrative feedback where appropriate, across 12 key areas of Board effectiveness. The Chairman has collated the scoring and feedback and the Board will develop an action plan to address the findings in the coming year.

Those questions specifically addressing the Chairman's performance have been returned to an independent Non-Executive Director.

The Board are satisfied that their operating culture is such that an externally facilitated review was not necessary.

Board diversity

Vacancies on the Board will be filled following an evaluation of candidates who possess the required balance of skills, knowledge and experience, using recruitment consultants where appropriate. The process for the appointment of Non-Executive Directors is managed by the Nomination Committee. The Group recognises the importance of diversity at Board level and the Board comprises individuals with a wide range of skills and experiences from a variety of business backgrounds.

Internal control and risk management

The Board are responsible for the Group's system of internal control and for reviewing its effectiveness, taking guidance from the Audit Committee. The systems as implemented are designed to manage, limit and control the risk of failure to achieve business objectives rather than eliminate all risk completely. They can therefore only provide reasonable and not absolute assurance against material loss or misstatement.

The Company's Executive Directors, supported by the Group's Senior Management Team, are actively involved in the daily management of the operations of the Group and meet on a regular basis to discuss:

- Business risks and appropriate control systems improvements to manage those risks.
- Monthly financial and commercial results of the business compared to forecast.
- Environmental, health & safety performance.
- Progress on performance improvement projects.
- Steps taken to embed internal control and risk management further into the Group's operations.

The Group operates a whistle-blowing policy which is communicated to all employees via the Employee Engagement App which is a resource that holds Group-wide policies and risk procedures. Any concerns raised are passed to the Chairman of the Audit Committee for independent review.

Auditor independence

The Group's external auditors, BDO LLP, and the Audit Committee have safeguards in place to avoid the possibility that the auditors' objectivity and independence could be compromised. These safeguards include the auditors' report to the Audit Committee on the actions they take to comply with the professional and regulatory requirements and best practice designed to ensure their independence from the Company.

The non-audit work undertaken by the Group's auditor, BDO LLP, in the year included tax compliance and advice regarding the Group's long-term incentive plan.

Re-election of Directors

For the time being one-third of the Directors (excluding any Director appointed since the previous AGM) or, if their number is not a multiple of three, the number nearest to but not exceeding one-third, shall at every AGM retire from office by rotation. On this basis, Terry Garthwaite and Ian Griffiths will offer themselves for re-election at the forthcoming AGM.

Directors' interests and indemnity arrangements

At no time during the year did any Director hold a material interest in any contract of significance with the Company or any of its subsidiary undertakings, excepting an indemnity provision between each Director and the Company and employment contracts between each Executive Director and the Group. The Group has purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of all Group companies.

Directors' interests in shares

The beneficial interests in the shares of the Company of those Directors serving at 30 September 2017 were as follows:

	2p Ordinary Shares at 30 September 2017	% of issued Ordinary Share capital	2p Ordinary Shares at 1 October 2016	% of issued Ordinary Share capital
Adam Attwood	455,428	2.06	419,650	1.90
Ian Griffiths	14,311	0.06	Nil	n/a
Terry Garthwaite	Nil	n/a	Nil	n/a
Michael Jennings (appointed 6 February 2017)	71,557	0.32	n/a	n/a
James Larner	Nil	n/a	Nil	n/a

Share capital

Full details of the Company's authorised and issued share capital are set out in note 19 to the consolidated financial statements.

The Company has one class of Ordinary Share capital with a nominal value of £0.02 each. The rights and obligations attached to the Ordinary Shares are governed by UK law and the Company's Articles of Association.

Major interests in shares

The following substantial interests (3% or more) in voting rights attaching to the Company's Ordinary Shares had been notified to the Company:

Shareholder	Number of voting rights as at 12 December 2017	% voting rights as at 12 December 2017	Number of voting rights as at 30 September 2017	% voting rights as at 30 September 2017
Schroders	5,074,955	22.96%	5,074,955	22.96%
Miton Group plc	3,496,361	15.82%	3,496,361	15.82%
James (Jim) Griffin	3,035,626	13.74%	3,035,626	13.74%
Karen Holdback	1,275,000	5.77%	1,275,000	5.77%
Kevin Westwood	1,275,000	5.77%	1,275,000	5.77%
Hargreave Hale	1,124,750	5.09%	1,124,750	5.09%
Ruffer LLP	750,000	3.39%	750,000	3.39%
Unicorn Asset Management	710,000	3.21%	710,000	3.21%

Financial risk management

The Group, in certain circumstances, uses financial instruments to manage certain types of financial risks, including those relating to credit and foreign currency exchange. The Group's objectives and policies on financial risk management including information on liquidity, capital, credit and risk can be found on pages 46 to 48 of the financial statements and in the risks section on pages 18 to 19.

Future business developments

The Group's strategy is explained in the Strategic Report section of this Annual Report and Accounts which, as noted in the preamble to the Directors' Report, is incorporated into this report by reference.

Research and development
As noted in the Financial Review the Group continues to invest in its research and development activities, with further investments at the laboratory of Autins Technical Centre completed in the year. The Group has developed and implemented a three horizon research and product development plan which is designed to improve materials and processes within the Group and support development of customer solutions through the entire vehicle life cycle.

Health and safety
The Group remains committed to providing a safe and healthy working environment for staff and contractors alike. The Group-wide health and safety standards exist to set out, in support of a one Company approach, the required range of policies, procedures and systems designed to manage risks and promote wellbeing at all sites. The Company Secretary, with support from a full time environmental, health and safety professional, has overall accountability for health and safety across the organisation.

Charitable and political donations in the year
The Company did not make any political donations during the year (FY2016: nil).

A donation of £5,000 (FY2016: £nil) was made to Eastwood Volunteer Bureau's (Registered Charity No: 1091495) befriending service and the Group provided staff time and resources to WMG Academy, a school specialising in engineering education.

Going concern
The Company's business activities, together with risk factors which potentially affect its future development, performance or position can be found in the Strategic Report on pages 2 to 19. The Company's financial position and its cash flows are outlined in the Financial Review on pages 14 to 16.

The Board, after making reasonable enquiries, has an expectation that the Group and the Company have a sufficiently strong business model together with adequate financial resources and facilities to ensure that they continue to operate for the foreseeable future. The Company, whilst investing in equipment and working capital for future growth, has access, when required, to borrowing facilities designed to meet the Group's future cash requirements. Accordingly, the Directors have adopted the going concern basis in preparing the financial statements.

Auditors
The Company's independent auditor, BDO LLP has expressed their willingness to continue in office. As recommended by the Audit Committee and pursuant to section 487 of the Companies Act 2006, the Company will propose a resolution at the AGM to reappoint BDO LLP as auditor and authorise the Directors to agree its remuneration.

Audit information
The Directors who were in office on the date of approval of the Directors' Report have confirmed that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware. Each of the Directors has confirmed they have taken all the reasonable steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Annual General Meeting
Details of the Company's Annual General Meeting and the resolutions to be proposed are set out in the separate notice of meeting. The meeting will be held at 12pm on 2 February at the offices of Freeths LLP, 3rd Floor The Colmore Building, Colmore Circus, Queensway, Birmingham B4 6AT.

The Directors' Report has been approved by the Board of Directors on 12 December 2017.

Signed on behalf of the Board.

James Larner
Company Secretary
12 December 2017

Autins Group plc
Central Point One
Central Park Drive
Rugby
Warwickshire CV23 0WE

Company number: 8958960

Statement of Directors' responsibilities
In respect of the Annual Report and Accounts

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange, they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU, subject to any material departures disclosed and explained in the financial statements;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Parent Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Parent Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Autins Group plc

Opinion

We have audited the financial statements of Autins Group plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Company statements of financial position, the consolidated statement of cash flows, the consolidated and Company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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 30 September 2017 and of the Group's profit 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 United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group, 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 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 going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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) 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.

Matter	Our response
Accounting for the costs and depreciation for the Neptune production facility (Solar Nonwovens) *Refer to the Accounting Policies (page 39) and Note 5 (page 50) and Note 11 (page 53).* During the year, the Group has continued to invest in establishing the Neptune production facility in the UK, capitalising additional costs associated with commissioning the plant and machinery of £0.7m, expensing other operating costs as incurred. Following a detailed review, further costs of £0.7m which had previously been treated as leasehold improvements have been reclassified as plant and machinery. The costs capitalised include staff costs and other attributable expenses together with third party time and materials. At 30 September 2017, the production line was still undergoing testing and enhancements to satisfy the line speed and quality requirements to enable it to satisfy the judgement that full operational status had been achieved. This is currently expected to be completed by the end of 2017 and consequently no depreciation has been recognised in these financial statements. The areas of judgement, the levels and nature of which give rise to a significant risk that the assets may be misstated, are ▸ The allocation of commissioning and other costs associated with the facility between revenue and capital ▸ The assessment of when the facility is capable of operating as intended by management commences being depreciated. ▸ The evidence supporting of the carrying value of the facility	We reviewed the accounting policy and methodology adopted to apportion costs between capital and revenue, acknowledging that such allocations involve judgement. We tested a sample of the costs capitalised for the commissioning of the production facilities to assess compliance with the accounting policy and ensure appropriate judgement had been applied. The costs include third party costs, staff costs, an allocation of the direct costs associated with the site and the costs of pre-production samples of the Neptune product. Our testing also included a sample of the amounts previously designated as leasehold improvements to confirm the transfer was appropriate. We inspected technical analysis and reports produced by the engineering manager which documented the progress with and status of commissioning the facility at 30 September 2017. We discussed the our findings with the board in the context of the decision that the production line is yet to reach a stage at which it is capable of normal levels of production. We also considered the analysis and evidence in support of the ultimate feasibility of the production line and timescales for final commissioning being completed. We received and reviewed the assessment of the potential markets and sales volumes which are expected to be achieved once production commences, underpinned by a combination of committed production schedules, product listings with customers and enquiries. Our testing included considering key assumptions and judgements in the value in use calculations produced in support of the carrying value of the facility of £4.7m at 30 September 2017. Based on our testing we have concluded that the accounting estimates and judgments that have been applied to the assets at the Neptune facility are appropriate and have been appropriately disclosed.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and forming our opinions.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £300,000 (2016 - £275,000), which was based on 1.25% of turnover. At this stage in the Group's development, we consider this to be a more relevant measure than profit for the year.

Reporting threshold

An amount below which identified misstatements are considered to be clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £15,000, which was set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on the qualitative grounds. We evaluated all uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations when forming our opinion.

An overview of the scope of our audit

The Group manages its operations from the UK and has common financial systems, processes and controls covering all significant components.

The Group comprises six trading components, a parent Company and three dormant entities. We performed an audit of the complete financial information of Automotive Insulations Limited, Solar Non-Woven Limited and Autins Group plc. All work was performed by the Group audit team and the work was focused on these entities given their financial significance to the Group's financial position and performance.

The work over the significant components above gave us coverage of 88% of revenue and we performed analytical review procedures over the remaining trading entities to ensure we had the evidence needed to form our opinion on the financial statements as a whole.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 2017, 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 this other information we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by 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 the parent Company and its environment obtained in the course of the audit, we have not identified any 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 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 26, 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

This report is made solely to the 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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.

Andrew Mair (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham
United Kingdom

Date: 12 December 2017

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

Consolidated income statement
For the year ended 30 September 2017

	Note	2017 £000	2016 £000
Revenue	4	**26,357**	20,378
Cost of sales		**(17,327)**	(13,845)
Gross profit		**9,030**	6,533
Other operating income	5	**121**	291
Selling and distribution expenses		**(871)**	(693)
Administrative expenses excluding exceptional costs and amortisation		**(7,384)**	(5,410)
Exceptional IPO related administrative expenses (net)	5	**(92)**	(182)
Amortisation of acquired intangible assets	5	**(237)**	(237)
Other exceptional operating costs	5	**(458)**	–
Total administrative expenses		**(8,171)**	(5,829)
Operating profit	5	**109**	302
Finance expense	8	**(92)**	(558)
Share of post-tax profit of equity accounted joint ventures	13	**190**	115
Gain on existing interest on acquisition of control		**–**	327
Profit before tax		**207**	186
Tax credit	9	**196**	112
Profit after tax for the year		**403**	298
Attributable to equity holders of the Parent Company		**403**	295
Non-controlling interest		**–**	3
		403	298
Earnings per share for profit attributable to the owners of the Parent during the year			
Basic (pence)	10	**1.82p**	2.03p
Diluted (pence)	10	**1.82p**	2.03p

All amounts relate to continuing operations.

The notes on pages 39 to 61 form part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 30 September 2017

	Note	2017 £000	2016 £000
Profit after tax for the year		**403**	298
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Currency translation differences			
Attributable to equity holders of the Parent Company		**(15)**	(88)
Non-controlling interest		**–**	(7)
Total currency translation differences		**(15)**	(95)
Total comprehensive income for the year		**388**	203
Attributable to equity holders of the Parent Company		**388**	207
Non-controlling interest		**–**	(4)
		388	203

The notes on pages 39 to 61 form part of these financial statements.

Consolidated statement of financial position

As at 30 September 2017

	Note	2017 £000	2016 £000
Non-current assets			
Property, plant and equipment	11	**10,869**	8,808
Intangible assets	12	**3,837**	3,706
Investments in equity-accounted joint ventures	13	**243**	206
Deferred tax asset	18	**159**	–
Total non-current assets		**15,108**	12,720
Current assets			
Inventories	14	**1,967**	1,565
Trade and other receivables	15	**7,378**	4,955
Cash in hand and at bank		**1,625**	6,449
Total current assets		**10,970**	12,969
Total assets		**26,078**	25,689
Current liabilities			
Trade and other payables	16	**5,851**	6,300
Loans and borrowings	17	**2,947**	994
Total current liabilities		**8,798**	7,294
Non-current liabilities			
Trade and other payables	16	**123**	–
Loans and borrowings	17	**718**	2,119
Deferred tax liability	18	**496**	559
Total non-current liabilities		**1,337**	2,678
Total liabilities		**10,135**	9,972
Net assets		**15,943**	15,717
Equity attributable to equity holders of the Company			
Share capital	19	**442**	442
Share premium account	21	**12,938**	12,938
Other reserves	21	**1,886**	1,886
Currency differences reserve	21	**(103)**	(88)
Retained earnings	21	**780**	539
Total equity		**15,943**	15,717

The notes on pages 39 to 61 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 12 December 2017.

James Larner
Chief Financial Officer

Parent Company statement of financial position

As at 30 September 2017

	Note	2017 £000	2016 £000
Non-current assets			
Intangible assets	12	**54**	–
Investments	13	**16,239**	16,239
Total non-current assets		**16,293**	16,239
Current assets			
Trade and other receivables	15	**8,044**	6,605
Cash in hand and at bank		**77**	5,042
Total current assets		**8,121**	11,647
Total assets		**24,414**	27,886
Current liabilities			
Trade and other payables	16	**8,362**	10,778
Loans and borrowings	17	**–**	270
Total current liabilities		**8,362**	11,048
Non-current liabilities			
Loans and borrowings	17	**–**	894
Deferred tax liability	18	**29**	55
Total non-current liabilities		**29**	949
Total liabilities		**8,391**	11,997
Net assets		**16,023**	15,889
Equity attributable to equity holders of the Company			
Share capital	19	**442**	442
Share premium account	21	**12,938**	12,938
Other reserves	21	**1,886**	1,886
Retained earnings	21	**757**	623
Total equity		**16,023**	15,889

The Company has elected to take the exemption under section 408 of the Companies Act not to present the Parent Company profit and loss account. The profit for the Parent Company for the year was £296,000 (2016: £71,000).

The notes on pages 39 to 61 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 12 December 2017.

James Larner
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 30 September 2017

	Share capital £000	Share premium £000	Other reserves £000	Cumulative currency differences reserve £000	Retained earnings £000	Total equity £000
At 1 October 2016	**442**	**12,938**	**1,886**	**(88)**	**539**	**15,717**
Comprehensive income for the year						
Profit for the year	–	–	–	–	403	403
Other comprehensive income	–	–	–	(15)	–	(15)
Total comprehensive income for the year	–	–	–	(15)	403	388
Contributions by and distributions to owners						
Share-based payment	–	–	–	–	15	15
Dividends	–	–	–	–	(177)	(177)
Total contributions by and distributions to owners	–	–	–	–	(162)	(162)
At 30 September 2017	**442**	**12,938**	**1,886**	**(103)**	**780**	**15,943**

	Share capital £000	Share premium £000	Other reserves £000	Cumulative currency differences reserve £000	Retained earnings £000	Total £000	Non-controlling interest £000	Total equity £000
At 1 October 2015	255	–	1,391	–	476	2,122	(64)	2,058
Comprehensive income for the year								
Profit for the year	–	–	–	–	295	295	3	298
Other comprehensive income	–	–	–	(88)	–	(88)	(7)	(95)
Total comprehensive income for the year	–	–	–	(88)	295	207	(4)	203
Contributions by and distributions to owners								
Share-based payment	–	–	–	–	10	10	–	10
Dividends	–	–	–	–	(9)	(9)	–	(9)
Bonus share issue	14	–	–	–	(14)	–	–	–
Issue of share capital (net of expenses of issue)	173	12,938	495	–	–	13,606	–	13,606
Acquisition of minority interest	–	–	–	–	(219)	(219)	68	(151)
Total contributions by and distributions to owners	187	12,938	495	–	(232)	13,388	68	13,456
At 30 September 2016	**442**	**12,938**	**1,886**	**(88)**	**539**	**15,717**	**–**	**15,717**

The cumulative currency differences reserve may be reclassified subsequently to profit and loss.

Parent Company statement of changes in equity

For the year ended 30 September 2017

	Share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 October 2015	255	–	1,391	565	2,211
Comprehensive income for the year					
Profit for the year and total comprehensive expense	–	–	–	71	71
Total comprehensive income for the year	–	–	–	71	71
Contributions by and distributions to owners					
Dividends	–	–	–	(9)	(9)
Share-based payment				10	10
Bonus share issue	14	–	–	(14)	–
Issue of share capital (net of expenses of issue)	173	12,938	495	–	13,606
Total contributions by and distributions to owners	187	12,938	495	(13)	13,607
At 30 September 2016	**442**	**12,938**	**1,886**	**623**	**15,889**
Comprehensive income for the year					
Profit for the year and total comprehensive expense	**–**	**–**	**–**	**296**	**296**
Total comprehensive income for the year	**–**	**–**	**–**	**296**	**296**
Contributions by and distributions to owners					
Dividends	**–**	**–**	**–**	**(177)**	**(177)**
Share-based payment	**–**	**–**	**–**	**15**	**15**
Total contributions by and distributions to owners	**–**	**–**	**–**	**(162)**	**(162)**
At 30 September 2017	**442**	**12,938**	**1,886**	**757**	**16,023**

Consolidated statement of cash flows

For the year ended 30 September 2017

	2017 £000	2016 £000
Operating activities		
Profit after tax	**403**	298
Adjustments for:		
Income tax credit	**(196)**	(112)
Finance expense	**92**	558
Employee share-based payment charge	**15**	10
Depreciation of property, plant and equipment	**528**	379
Amortisation of intangible assets	**237**	237
Gain on existing interest on acquisition of control	**–**	(327)
Loss/(profit) on sale of fixed assets	**38**	(96)
Share of post-tax profit of equity accounted joint ventures	**(190)**	(115)
	927	832
Increase in trade and other receivables	**(2,357)**	(840)
Increase in inventories	**(402)**	(67)
Increase in trade and other payables	**930**	748
	(1,829)	(159)
Cash (used in)/generated from operations	**(902)**	673
Income taxes paid	**(92)**	(173)
Net cash flows from operating activities	**(994)**	500
Investing activities		
Purchase of property, plant and equipment	**(3,903)**	(3,417)
Proceeds from sale of property, plant and equipment	**–**	187
Purchase of intangible assets	**(363)**	(180)
Acquisition of subsidiary (net of overdraft acquired)	**–**	(56)
Dividend received from equity-accounted for joint venture	**153**	15
Net cash used in investing activities	**(4,113)**	(3,451)
Financing activities		
Share capital issued	**–**	14,000
Share issue expenses	**–**	(895)
Interest paid	**(81)**	(324)
Loan notes repaid	**(1,175)**	(425)
Bank loans repaid	**(219)**	(3,908)
Hire purchase repaid	**(400)**	(420)
Increase/(decrease) in invoice discounting	**2,199**	(1,893)
Bank loans drawn	**105**	2,976
Repayment of Directors' loans	**–**	(300)
Dividends paid	**(177)**	(9)
Net cash from financing activities	**252**	8,802
Net (decrease)/increase in cash and cash equivalents	**(4,855)**	5,851
Cash and cash equivalents at beginning of year	**6,300**	505
Overdraft on acquisition	**–**	(56)
Cash and cash equivalents at end of year	**1,445**	6,300
Cash and cash equivalents comprise:		
Cash balances	**1,625**	6,449
Bank overdrafts	**(180)**	(149)
	1,445	6,300

Non-cash transactions

Ordinary Shares with a value of £500,000 were issued to settle the consideration for the acquisition of Autins AB (formerly Scandins AB) and of the non-controlling interest in Autins GmbH (formerly RI Rheinland Insulations GmbH) in the year ended 30 September 2016.

The Group acquired plant and equipment at a cost of £nil (2016: £240,000) under hire purchase arrangements and at 30 September 2016 there was a capital accrual of £1,410,000 which was subsequently settled in the year ended 30 September 2017.

Consolidated statement of cash flows continued

For the year ended 30 September 2017

Reconciliation of movements in net cash/financing liabilities

	Opening £000	Cash flows £000	Non-cash movements £000	Closing £000
Year ended 30 September 2017				
Cash balances	**6,449**	**(4,824)**	**–**	**1,625**
Bank overdrafts	**(149)**	**(31)**	**–**	**(180)**
	6,300	**(4,855)**	**–**	**1,445**
Invoice discounting	**–**	**(2,199)**	**–**	**(2,199)**
Bank loans	**(519)**	**114**	**–**	**(405)**
Hire purchase liabilities	**(1,281)**	**400**	**–**	**(881)**
Loan notes	**(1,164)**	**1,175**	**(11)**	**–**
	3,336	**(5,365)**	**(11)**	**(2,040)**
Year ended 30 September 2016				
Cash balances	505	5,944	–	6,449
Bank overdrafts	–	(93)	(56)	(149)
	505	5,851	(56)	6,300
Invoice discounting	(1,893)	1,893	–	–
Bank loans	(1,260)	741	–	(519)
Hire purchase liabilities	(1,461)	420	(240)	(1,281)
Loan notes	(1,355)	425	(234)	(1,164)
	(5,464)	**9,330**	**(530)**	**3,336**

Notes to the financial statements

For the year ended 30 September 2017

1. Accounting policies

Description of business

Autins Group is a public limited company registered and domiciled in England and Wales and listed on the Alternative Investment Market of the London Stock Exchange ('AIM'). The principal activity of the Group is the supply of Noise Vibration and Harshness ('NVH') insulating materials primarily to the automotive industry. The address of the registered office is Central Point One, Central Park Drive, Rugby, Warwickshire, CV23 0WE.

Accounting convention and basis of preparation

The financial statements have been prepared in accordance with the historical cost convention, International Financial Reporting Standards ('IFRS') and IFRIC interpretations issued by the International Accounting Standards Board as adopted by the European Union. The stated accounting policies have been consistently applied to all periods presented.

The Parent Company financial statements have been prepared under applicable United Kingdom Accounting Standards ('FRS 101') in order to apply IFRS accounting standards. The following FRS 101 disclosure exemptions have been taken in respect of the Parent Company only information:

- IAS 7 Statement of cash flows;
- IFRS 7 Financial instruments disclosures; and
- IAS 24 Key management remuneration.

The consolidated financial statements are drawn up in sterling, the functional currency of Autins Group plc. The level of rounding for the financial statements is the nearest thousand pounds.

Composition of the Group

A list of the subsidiary undertakings and joint ventures is given in note 13 to the financial statements.

Changes in accounting policies

These financial statements have been prepared in accordance with IFRS and IFRC Interpretations issued by the International Accounting Standards Board as adopted by the European Union for periods beginning on or after 1 October 2016. There were no new standards or interpretations effective for the first time for the period beginning on 1 October 2016 which impacted on the financial statements.

New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments which are not yet effective and have not been adopted early in these financial statements that may, or will, have an effect on the Company's or Group's future financial statements are:

IFRS 15 Revenue from Contracts with Customers

This standard is mandatory for periods beginning on or after 1 January 2018 and will therefore be effective for the Group's results for the year ending 30 September 2019.

IFRS 15 establishes principles for reporting the nature, amount and timing of revenue arising from an entity's contracts with customers. It also seeks to establish a single framework for revenue recognition across all industries.

The Group has conducted a review to assess the impact of IFRS 15. Based on this review the Board's view is that there will be limited effect in the recognition or reporting of the Group's components revenue, but some potential for earlier recognition of revenue arising from tooling sales to automotive customers may occur.

- For component revenue the Board considers that there is a single performance criteria (in relation to the transfer of significant risk and reward of ownership to the buyer, which is usually when the goods have been accepted by the customer) and recognition under the new standard would align to the Group's current accounting policy.
- Earlier recognition of tooling sales could arise due to an assessment of the performance criteria and financing component for each individual contract and it's associated stage payments. The overall impact to Group revenues therefore cannot be determined at this time as it is dependent on individual contracts.

IFRS 9 Financial Instruments

IFRS 9 Financial instruments, addresses the classification, measurement and recognition of financial assets and liabilities and replaces guidance in IAS 39 relating to the subsequent classification and measurement of financial instruments.

The standard is effective for accounting periods beginning on or after 1 January 2018 and will therefore be effective for the Group's results for the year ended 30 September 2019.

IFRS 9 retains the initial fair value measurement model from IAS 39 but requires the use of one of three subsequent measurement categories, namely:

- amortised cost;
- fair value through other comprehensive income ('FVOCI'); or
- fair value through profit and loss ('FVTPL').

1. Accounting policies continued

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard also introduces an expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

The Group has conducted a review to assess the potential impact of the standard which indicates that the impact is not expected to be significant. The Group does not apply hedge accounting nor have any hedging instruments and has limited financial assets that would require subsequent measurement. In addition, the Group has experienced limited levels of credit loss historically and has a customer base that is primarily automotive OEM's and large Tier 1 automotive suppliers which would give a limited expected credit loss effect.

IFRS 16 Leases

This standard is effective for accounting periods beginning on or after 1 January 2019 and will therefore impact the Group results for the year ending 30 September 2020. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It replaces IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease.

The most significant changes are in relation to lessee accounting. Under the new standard, the concept of assessing a lease contract as either operating or financing is replaced by a single lessee accounting model.

Under this new model, substantially all lease contracts will result in a lessee acquiring a right-to-use asset and obtaining financing. The lessee will be required to recognise a corresponding asset and liability. The asset will be depreciated over the term of the lease and the interest on the financing liability will be charged over the same period.

Adopting this new standard will result in a fundamental change to the Group's statement of financial position, with right-to-use assets and accompanying financing liabilities for the Group's manufacturing sites, warehouses and offices being recognised for the first time. Based on the current leases in place it is estimated that an asset and corresponding liability of £6.0m would be accounted for as at 30 September 2019.

The income statement will also be impacted, with rent expense relating to operating leases being replaced by a straight-line depreciation charge arising from the right-to-use assets and interest charges arising from lease financing which are higher in earlier years. This would result in an increased overall charge to the income statement estimated at £0.2m for the year ended 30 September 2020 which would reverse over the period of the leases.

There are no other new standards, interpretations and amendments which are not yet effective in these financial statements, expected to have an effect on the Company's or Group's future financial statements.

Basis of consolidation

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets (both tangible and intangible), liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date.

The consolidated financial statements present the results of the Company and its subsidiaries (the 'Group') as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Any non-controlling interest in a subsidiary entity is recognised at a proportionate share of the subsidiary's net assets or liabilities. On acquisition of a non-controlling interest, the difference between the consideration paid and the non-controlling interest at that date is taken to equity reserves.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied, net of returns, discounts and rebates allowed by the Group and value added taxes.

Revenue from the sale of goods is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer, which is usually when the goods have been accepted by the customer.

The Group recognises revenue from the sale of tooling when the specific tool has passed pre-production assessment and sign off by the relevant customer engineer.

Where the costs of developing a specific automotive tooling component for a customer do not result in a product that will enter volume production, the revenue arising from cost recovery for obsolete materials, tooling and design and development work is recognised at the point of customer acceptance of the claim.

Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when a present obligation exists for a future liability relating to a past event and where the amount of the obligation can be reliably estimated.

Exceptional expenses
The Group classifies certain one-off charges or credits that have a material impact on the financial results, and which are largely non-trading or not expected to reoccur as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group.

Goodwill
Goodwill arising on acquisitions is the excess of the fair value of the cost of acquisition, over the fair value of identifiable net assets acquired. Any direct costs are written-off in the income statement. Goodwill on acquisition is recorded as an intangible fixed asset. Fair values are attributed to the identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are also made to align the accounting policies of acquired businesses with those of the Group. This is applied either on initial acquisition or where control is gained over a previously equity accounted interest in an entity. A fair value is measured for the entire holding on taking control and in respect of all assets and liabilities resulting in a gain or loss on a previously held and equity accounted investment.

Goodwill is assigned an indefinite useful economic life. Impairment reviews are performed annually, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable.

Where the goodwill calculation results in a negative amount (bargain purchase) this amount is taken to the income statement in the period in which is it derived.

Impairment of non-financial assets
Impairment tests on goodwill are undertaken annually at the financial year end. All other individual non-financial assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying value exceeds the recoverable amount of the asset or cash-generating unit. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Intangible assets acquired as part of a business combination
Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they are separable from the acquired entity or give rise to other contractual/legal rights. Amounts assigned to intangibles acquired as part of a business combination are arrived at by using an appropriate valuation technique for the asset concerned.

All intangible assets acquired through a business combination are amortised on a straight-line basis over their estimated useful lives.

The intangibles currently recognised by the Group; their useful economic lives and the methods used to determine the separable cost of the intangibles acquired in business combinations are as follows:

Intangible asset	Useful economic life	Valuation method
Tooling intellectual property	10 years	Estimated discounted cash flow of post-tax royalty earnings potential
Key customer relationships	7 years	Estimated discounted cash flow

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and impairment losses.

Property, plant and equipment
Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs, pre-production plant commissioning costs and interest incurred during the course of construction.

Depreciation is provided on all items of property, plant and equipment so as to write-off their cost, less expected residual value over the expected useful economic lives. It is provided at the following rates:

Depreciation commences once an asset is considered to be capable of operating in the manner intended and to the specification set by management when ordering the equipment.

Plant and machinery	–	5-20 years straight line
Leasehold improvements	–	Period of the lease
Fixtures and fittings	–	3-15 years straight line

1. Accounting policies continued

Profit/loss on disposal of property, plant and equipment and intangible assets

Profits and losses on the disposal of property, plant and equipment and intangible assets represent the difference between the net proceeds and net book value at the date of sale. Disposals are accounted for when the relevant transaction becomes unconditional.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and an appropriate proportion of fixed and variable overheads incurred in bringing the inventories to their present location and condition. Net realisable value being the estimated selling price less costs to complete and sell. Where necessary, provision is made to reduce cost to no more than net realisable value having regard to the nature and condition of inventory, as well as its anticipated utilisation and saleability.

Tooling for resale

Where a customer project or component is secured, the Group may be required to source and test production tooling in advance of volume production.

Tooling sourced for a customer is recognised at cost and held as an asset for resale within inventory when the Group has a documented commitment from the customer and is valued at the lower of cost and net realisable value. Where the Group has no customer commitment to meet the costs of tooling production, the costs are expensed within cost of sales as incurred.

Research and development

An internally generated intangible asset arising from development (or the development phase) of an internal project is recognised if, and only if, all of the following have been demonstrated:

- It is technically feasible to complete the development such that it will be available for use, sale or licence.
- There is an intention to complete the development.
- There is an ability to use, sell or licence the resultant asset.
- The method by which probable future economic benefits will be generated is known.
- There are adequate technical, financial and other resources required to complete the development.
- There are reliable measures that can identify the expenditure directly attributable to the project during its development.

The amount recognised is the expenditure incurred from the date when the project first meets the recognition criteria listed above. Expenses capitalised consist of employee costs incurred on development and an apportionment of appropriate overheads.

Where the above criteria are not met, development expenditure is charged to the consolidated income statement in the period in which it is incurred. The expected life of internally generated intangible assets varies based on the anticipated useful life, currently ranging from five to ten years.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and impairment losses.

Amortisation is charged on a straight-line basis over the estimated period in which the intangible asset has economic benefit from the commencement of the related product sales and is reported within administrative expenses in the consolidated statement of comprehensive income.

Research expenditure is recognised as an expense in the period in which it is incurred.

Revenue-based grants

Revenue-based grants are recognised as income based on the specific terms related to them as follows:

- A grant is recognised in other operating income when the grant proceeds are received (or receivable) provided that the terms of the grant do not impose future performance-related conditions.
- If the terms of a grant do impose performance-related conditions then the grant is only recognised in income when the performance-related conditions are met.
- Any grants that are received before the revenue recognition criteria are met are recognised within deferred income in the statement of financial position as an other creditor within liabilities.

Capital grants

Grants received relating to tangible fixed assets are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned.

Foreign currencies

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their 'functional currency') are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated income statement.

Translation of the results of overseas businesses
The results of overseas subsidiaries and joint ventures are translated into the Group's presentational currency of sterling each month at the weighted average exchange rate for the month. The weighted average exchange rate is used, as it is considered to approximate the actual exchange rates on the date of the transactions. The assets and liabilities of such undertakings are translated at the year-end exchange rate. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in a separate equity reserve.

Hire purchase and leasing commitments
Hire purchase agreements or leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The remaining future rental obligations, net of finance charges, are included in finance lease liabilities in current or non-current liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Borrowing costs
Borrowings are recognised initially at fair value, net of transaction costs incurred. They are subsequently carried at amortised cost and the difference between the proceeds (net of transaction costs) and the total redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Operating lease commitments
Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an 'operating lease'), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Employee benefit costs
The Group operates a defined contribution pension scheme. Contributions payable to the pension scheme are charged to the consolidated statement of comprehensive income in the period to which they relate.

Share-based payment
The Group operates an equity-settled share-based compensation plan in which the Group receives services from Directors and certain employees as consideration for share options. The fair value of the services is recognised as an expense, determined by reference to the fair value of the options granted.

Invoice discounting
The Group has an agreement with HSBC whereby its trade receivables are discounted, with recourse after 120 days. On the basis that the benefits and risks attaching to the debts remained with the Group, the gross debts are included as an asset within trade receivables (net of any provisions and discounts) and the proceeds received are included within current liabilities as short-term borrowings under invoice discounting facilities. The net cash advances or repayments are presented as financing cash flows.

Charges and interest are recognised in the finance expense in the consolidated statement of comprehensive income as they accrue.

Investments in subsidiaries
Investments in subsidiaries are stated at cost or at the fair value of shares issued as consideration less provision for any impairment.

Investments in joint ventures
A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for its interests in joint ventures using the equity method. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses, unless and only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture for those losses.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in the joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

1. Accounting policies continued

Financial assets

The Group classifies its financial assets based upon the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity or fair value through profit and loss.

The classes of financial assets are commented upon further below:

(a) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transactions costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest method, less provision for impairment.

The Group's loans and receivables comprise trade, other receivables and amounts due from Directors included within the consolidated statement of financial position.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash held at bank and bank overdrafts which are available on demand.

(c) Impairment of financial assets

Impairment provisions against financial assets are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written-off against the associated provision.

Financial liabilities

The Group classifies its financial liabilities as other financial liabilities and does not enter into any financial liabilities which are held at fair value through profit or loss. This reflects the purpose for which the liability was acquired.

Other financial liabilities comprise:

- Trade payables, amounts owed to equity accounted joint ventures, accruals, other creditors and amounts due to Directors are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.
- Bank loans, invoice discounting, loan notes and hire purchase agreements are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost ensuring the interest (effective rate) element of the borrowing is expensed over the repayment period at a constant rate.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's Ordinary Shares are classified as equity instruments.

Dividends

Dividend distributions to the Group's shareholders are recognised as a liability in the period in which the dividend becomes a committed obligation.

Final dividends are recognised when they are approved by the shareholders. Interim dividends are recognised when paid.

Taxation

Current taxes are based on the results and are calculated according to local tax rules, using tax rates enacted or substantively enacted by the date of the statement of financial position.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

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 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 and liabilities are expected to be settled or recovered.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer, Chief Financial Officer and Chairman.

The Board considers that the Group's activity constitutes one primary operating and one separable reporting segment as defined under IFRS 8. Management consider the reportable segment to be NVH. Revenue and profit before tax primarily arises from the principal activity based in the UK. All material assets are based in the UK. Management reviews the performance of the Group by reference to total results against budget.

The total profit measure is operating profit as disclosed on the face of the consolidated income statement. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Group financial statements.

2. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances and any further evidence that arises relevant to judgements taken. In the future, actual experience may differ from these estimates and assumptions. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment

Judgement

Depreciation commences once an asset is considered to be capable of operating in the manner intended and to the specification set by management when ordering the equipment. Judgement is applied based on testing of the equipment and trial product which impacts the commencement and charge in a period. As disclosed in note 11, the Group held assets of £4,720,000 (2016: £3,204,000) in respect of plant and equipment that management consider have not met this criteria.

Estimates

Property, plant and equipment are depreciated over the estimated useful lives of the assets. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are reviewed annually for continued appropriateness and events which may cause the estimate to be revised.

The carrying values are tested for impairment when there is an indication that the value of the assets might not be realisable or impaired. When carrying out impairment tests these would be based upon future cash flow forecasts and these forecasts would include management estimates for sales pricing and volumes informed by external market forecasts and experience. Future events or changes in the market could cause the assumptions to change, therefore this could have an adverse effect on the future results of the Group.

Other intangible assets

As set out in note 1, intangible assets acquired in a business combination are capitalised and amortised over their estimated useful lives which may be impacted by future events.

Estimate

Both initial valuations and subsequent impairment tests for intangible assets are based on risk adjusted future cash flows discounted using appropriate discount rates. These future cash flows will be based on forecasts which include estimated factors and are inherently judgemental. Future events could cause the assumptions to change which could have an adverse effect on the future results of the Group.

Judgement

The capitalisation of development costs is also subject to a degree of judgement in respect of the viability of new products, supported by the results of testing and customer trials, and by forecasts for the overall value and timing of sales which may be impacted by other future factors which could impact the assumptions made.

3. Financial instruments – risk management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors.

The Group is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Foreign exchange risk
- Interest rate risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Floating rate bank loans
- Fixed rate hire purchase agreements
- Floating rate invoice discounting
- Fixed rate loan notes

Group financial instruments by category

Financial assets

	Loans and receivables	
	2017 £000	2016 £000
Cash and cash equivalents	**1,625**	6,449
Trade and other receivables	**6,435**	4,385
Total financial assets	**8,060**	10,834

Financial liabilities

	Financial liabilities at amortised cost	
	2017 £000	2016 £000
Trade and other payables	**5,278**	5,922
Loans and borrowings	**3,665**	3,113
Total financial liabilities	**8,943**	9,035

All financial instruments are carried at amortised cost and the carrying value of the Group's financial assets and liabilities is considered to approximate to their fair value at each reporting date. Cash and cash equivalents are held in sterling, euro, and krona and placed on deposit in UK, German and Swedish banks.

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. The Group is mainly exposed to credit risk from credit sales. At 30 September 2017 the Group has trade receivables of £6,366,000 (2016: £3,965,000).

The Group is exposed to credit risk in respect of these balances such that, if one or more customers encounter financial difficulties, this could materially and adversely affect the Group's financial results. The Group attempts to mitigate credit risk by assessing the creditworthiness of customers and closely monitoring payment history.

The ageing of debtors past due and not impaired is included in note 15. There have been no material impairments to trade or other receivables in the two years included within this financial information.

Credit risk on cash and cash equivalents is considered to be minimal as the counterparties are all substantial banks with high credit ratings.

The Directors are unaware of any factors affecting the recoverability of outstanding balances at 30 September 2017 and consequently no material provisions have been made for bad and doubtful debts.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the continued availability of its other funding facilities. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group actively manages its cash generation and maintains sufficient cash holdings to cover its immediate obligations. There was an unutilised £2.75m invoice discounting facility at 30 September 2016 which in November 2016 was replaced by a £6m discounting facility (of which £3.9m is unutilised at 30 September 2017) and up to £4.5m for asset finance.

The tables below set out the maturities of the Group's financial liabilities:

At 30 September 2017	Up to 1 year £000	1 to 2 years £000	2 to 5 years £000
Overdrafts	**180**	**–**	**–**
Trade and other payables	**5,278**	**–**	**–**
Bank loans	**174**	**141**	**90**
Hire purchase	**452**	**388**	**163**
Invoice discounting	**2,199**	**–**	**–**
Total	**8,283**	**529**	**253**

At 30 September 2016	Up to 1 year £000	1 to 2 years £000	2 to 5 years £000
Overdrafts	149	–	–
Trade and other payables	5,922	–	–
Bank loans	174	142	203
Hire purchase	455	447	550
Loan notes	270	330	630
Total	6,970	919	1,383

* The loan notes were redeemed early in November 2016 utilising Group cash balances.

Foreign exchange risk

Foreign exchange risk is the risk that movements in exchange rates adversely affect the profitability or cash flows of the business.

The majority of the Group's financial assets are held in sterling but movements in the exchange rate of the euro, the US dollar and the Swedish krona against sterling have an impact on both the result for the year and equity. The Group considers its most significant exposure is to movements in the euro, however, it is noted that there are no material net foreign currency denominated assets/liabilities in the Group other than the Swedish krona denominated goodwill in respect of Autins AB (formerly Scandins AB).

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to cash and external borrowings (including overdrafts and invoice discounting arrangements).

The Group is exposed to cash flow interest rate risk on its asset-backed loans in the Swedish subsidiary and on the floating rate invoice discounting where the cost of borrowing in all cases is calculated by a fixed margin over LIBOR.

	2017 £000	2016 £000
Invoice discounting	**2,199**	–
Asset-backed bank loans	**405**	519
Total floating rate debt	**2,604**	519

Borrowings with loan note holders and under asset finance/hire purchase arrangements are at a fixed interest rate over their term.

All borrowing is approved by the Board of Directors to ensure that it is conducted at the most competitive rates available to it.

The Group has not entered into interest rate derivatives to mitigate the interest rate risk.

Capital management

The Group's IPO in August 2016 raised cash which was used to repay prior debt finance and the Group is now principally equity financed, utilising invoice discounting facilities as required for working capital purposes and with term finance used for certain capital projects. The capital comprises all components of equity which includes share capital, retained earnings and other reserves.

3. Financial instruments – risk management continued

The Company's and Group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Company and Group consists of shareholders equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash and invoice discounting resources.

The Company and Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

4. Revenue and segmental information

Revenue analysis

	2017 £000	2016 £000
Revenue arises from:		
Sale of components	24,844	19,745
Sale of tooling	1,513	633
	26,357	20,378

Segmental information

The Group currently has one main reportable segment in each year, namely NVH which involves provision of insulation materials to reduce noise, vibration and harshness to automotive manufacturers. Turnover and operating profit are disclosed for other segments in aggregate as they individually do not have a significant impact on the Group result. These segments have no significant identifiable assets or liabilities.

Factors that management used to identify the Group's reportable segments

The Group's reportable segments are strategic business units that offer different products and services.

Measurement of operating segment profit or loss

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of operating profit/(loss). Automotive remained the only significant segment in the year although there has been investment and costs incurred in the development and commissioning of equipment which can manufacture both automotive and other products.

The Group's non-automotive revenues, including acoustic flooring and building products, are included within the others segment. Neither element is considered significant.

Segmental analysis for the year ended 30 September 2017

	Automotive NVH £000	Others £000	2016 Total £000
Group's revenue per consolidated statement of comprehensive income	24,925	1,432	26,357
Depreciation	528	–	528
Amortisation	237	–	237
Segment operating profit	19	90	109
Finance expense			(92)
Share of post-tax profit of equity accounted joint ventures			190
Group profit before tax			207
Additions to non-current assets	3,001	–	3,001
Reportable segment assets	25,835	–	25,835
Investment in joint ventures	243	–	243
Reportable segment assets/total Group assets	26,078	–	26,078
Reportable segment liabilities/total Group liabilities	10,135	–	10,135

Segmental analysis for the year ended 30 September 2016

	Automotive NVH £000	Others £000	2016 Total £000
Group's revenue per consolidated statement of comprehensive income	19,514	864	20,378
Depreciation	379	–	379
Amortisation	237	–	237
Segment operating profit	218	84	302
Finance expense			(558)
Share of post-tax profit of equity accounted joint ventures			115
Gain on existing interest on acquisition of control			327
Group profit before tax			186
Additions to non-current assets	6,511	–	6,511
Reportable segment assets	25,483	–	25,483
Investment in joint ventures	206	–	206
Reportable segment assets/total Group assets	25,689	–	25,689
Reportable segment liabilities/total Group liabilities	9,972	–	9,972

Revenues from one customer in 2017 total £16,960,000 (2016: £13,158,000). This major customer purchases goods from Automotive Insulations Limited in the United Kingdom. There are no other customers which account for more than 10% of total revenue.

External revenues by location of customers

	2017 £000	2016 £000
United Kingdom	**23,044**	18,940
Sweden	**1,002**	461
Germany	**2,260**	916
Rest of the World	**51**	61
	26,357	20,378

The only material non-current assets in any location outside of the United Kingdom are £1,157,000 (2016: £1,099,000) of fixed assets and £629,000 (2016: £574,000) of goodwill in respect of the Swedish subsidiary.

5. Profit from operations

The operating profit is stated after charging:

	2017 £000	2016 £000
Foreign exchange losses/(gains)	**3**	(89)
Depreciation	**528**	379
Amortisation of intangible assets	**237**	237
Loss/(profit) on disposal of fixed assets	**38**	(96)
Cost of inventory sold	**15,551**	12,930
Research and development	**256**	684
Revenue grant income	**(121)**	(264)
Employee benefit expenses (see note 6)	**7,063**	4,814
Lease payments	**1,426**	1,031
Auditors' remuneration:		
Fees for audit of the Group	**43**	41
Fees for taxation compliance services	**3**	9
Fees for taxation advisory services	**5**	23
Fees for other services	**6**	23
Exceptional costs in respect of:		
IPO-related expenses (net)	**92**	182
Other exceptional costs:		
Change of Chief Executive and Senior Management restructuring	**274**	-
Critical press repair costs	**184**	-
	458	-
Solar Nonwovens operating loss during the commissioning phase	**590**	261

IPO-related expenses

IPO costs spanned the prior year end as a result of the timing of the IPO. Exceptional costs therefore include a further £92,000 of IPO-related administrative expenses. Costs of £648,000 in the prior year were offset by £466,000 recharged to Director shareholders who sold shares (£182,000 net).

In addition in the prior year, auditors remuneration of £199,000 in respect of corporate finance services and £11,000 in respect of other assurance services were included in August 2016 share issue costs which were allocated between the share premium account and operating costs.

Other exceptional costs

During the year Jim Griffin resigned as CEO and was replaced by Michael Jennings resulting in £158,000 of exceptional costs. Following this change of Chief Executive a review of Group staffing was conducted to ensure it was aligned to the Group's strategic growth ambitions with a consequential further £116,000 of exceptional expense in the year. Other exceptional costs of £184,000 relate to critical press repairs that arose following the identification of structural cracks in the head of three presses within the UK (2016: £nil).

Solar Nonwovens operating loss

The ongoing start up process and commissioning of the major plant for the Neptune line resulted in an operating loss of £590,000 (2016: £261,000) from the incremental costs of the operation and the specific premises taken on for the plant.

Research and development costs

The Group strategically invested in research and development work as disclosed above and as required to deliver growth in future periods. Revenue grants of £121,000 (2016: £264,000) are in relation to government assistance on research projects.

6. Staff costs

	Company 2017 £000	Company 2016 £000	Group 2017 £000	Group 2016 £000
Wages and salaries	**1,169**	362	**6,090**	4,237
Social security costs	**150**	41	**835**	516
Share-based payment	**15**	10	**15**	10
Other pension costs	**35**	7	**123**	51
	1,369	420	**7,063**	4,814

The average monthly number of employees during each year was as follows:

	2017 Number	2016 Number	2017 Number	2016 Number
Directors	**5**	5	**5**	5
Administrative and development	**14**	3	**78**	60
Production	**–**	–	**111**	89
	19	8	**194**	154

Group key personnel are considered to be the Directors and Senior Management team of Autins Group plc and Automotive Insulations Limited which is the largest trading entity in the Group. The remuneration of Group key personnel is disclosed in note 24.

7. Directors' remuneration

Year ended 30 September 2017	Salary £000	Benefits £000	Pension £000	Compensation £000	Total £000
A. Attwood	**60**	**–**	**–**	**–**	**60**
M. Jennings	**185**	**–**	**6**	**–**	**191**
J. Griffin	**94**	**4**	**7**	**30**	**135**
J. Larner	**120**	**7**	**7**	**–**	**134**
T. Garthwaite	**45**	**–**	**–**	**–**	**45**
I. Griffiths	**45**	**–**	**–**	**–**	**45**
	549	**11**	**20**	**30**	**610**

Year ended 30 September 2016	Salary £000	Benefits £000	Pension £000	Total £000
A. Attwood	45	–	–	45
J. Griffin*	35	5	–	40
J. Larner	73	6	4	83
T. Garthwaite	26	–	–	26
I. Griffiths	23	–	–	23
K. Holdback	17	3	–	20
K. Westwood	15	5	–	20
	234	19	4	257

* J Griffin's salary under a new service contract only commenced from August 2016.

8. Finance expense

	2017 £000	2016 £000
Bank loan interest	**27**	266
Loan note interest	**11**	234
Interest element of hire purchase agreements	**54**	58
	92	558

9. Income tax

(i) Tax credit in income statement excluding share of tax of equity accounted for joint ventures

	2017 £000	2016 £000
Current tax expense		
Current tax on profits for the period	–	43
Adjustment in respect of previous periods	26	–
Total current tax	26	43
Deferred tax expense		
Origination and reversal of temporary differences	(141)	(105)
Impact of change in UK tax rate	(30)	(29)
Adjustment in respect of previous periods	(51)	(21)
Total deferred tax	(222)	(155)
	(196)	(112)

(ii) Total tax (credit)/expense

	2017 £000	2016 £000
Tax credit excluding share of tax of equity accounted for joint ventures (as stated above)	(196)	(112)
Share of tax expense of equity accounted joint ventures	47	38
	(149)	(74)

No tax arises in respect of other comprehensive income.

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to the profit for the year are as follows:

	2017 £000	2016 £000
Profit for the year	403	298
Income tax credit (including tax on joint ventures)	(149)	(74)
Profit before income taxes	254	224
Expected tax charge based on corporation tax rate of 19.5% in 2017 (2016: 20.0%)	50	45
Expenses not deductible for tax purposes	35	17
Gain on equity interest not taxable	–	(65)
Enhanced R&D tax relief	(85)	(30)
Impact of different tax rates	(52)	(33)
Tax losses not recognised	5	13
Utilisation of unrecognised losses	(77)	–
Adjustments in respect of previous periods	(25)	(21)
Total tax including joint ventures	(149)	(74)

The current rate of UK corporation tax is 19%. Changes to reduce the UK corporation tax rate to 17% from 1 April 2020 have been substantively enacted and accordingly are applied to deferred taxation balances at 30 September 2017.

The current rate of corporation tax in Sweden is 22% and the current rate of corporation tax in Germany is 30–33%. The Group's Swedish and German subsidiaries did not have taxable profits during the years under review.

10. Earnings per share

	2017 £000	2016 £000
Profit		
Profit used in calculating basic and diluted earnings per share	**403**	295
Number of shares		
Weighted average number of £0.02 shares for the purpose of basic earnings per share ('000s)	**22,101**	14,513
Weighted average number of £0.02 shares for the purpose of diluted earnings per share ('000s)	**22,101**	14,524
Earnings per share (pence)	**1.82p**	2.03p
Diluted earnings per share (pence)	**1.82p**	2.03p

Earnings per share have been calculated based on the share capital of Autins Group plc and the earnings of the Group for both years. There are options in place over 309,076 (2016: 436,152) shares that were anti-dilutive at the year end but which may dilute future earnings per share.

11. Property, plant and equipment

Group	Plant and machinery £000	Leasehold improvements £000	Fixtures and fittings £000	Total £000
COST				
At 1 October 2015	4,161	–	559	4,720
Additions	4,230	781	24	5,035
Acquisition of subsidiary	744	–	–	744
Foreign exchange movement	55	–	–	55
Disposals	(133)	–	(2)	(135)
At 30 September 2016	**9,057**	**781**	**581**	**10,419**
Additions	**2,547**	**69**	**31**	**2,647**
Reallocation	**656**	**(656)**	**–**	**–**
Foreign exchange movement	**27**	**–**	**–**	**27**
Disposals	**(87)**	**–**	**–**	**(87)**
At 30 September 2017	**12,200**	**194**	**612**	**13,006**
DEPRECIATION				
At 1 October 2015	1,219	–	57	1,276
Charge for year	300	1	78	379
Eliminated on disposal	(44)	–	–	(44)
At 30 September 2016	**1,475**	**1**	**135**	**1,611**
Charge for year	**441**	**14**	**73**	**528**
Eliminated on disposal	**(2)**	**–**	**–**	**(2)**
At 30 September 2017	**1,914**	**15**	**208**	**2,137**
NET BOOK VALUE				
At 30 September 2017	**10,286**	**179**	**404**	**10,869**
At 30 September 2016	7,582	780	446	8,808
At 30 September 2015	2,942	–	502	3,444

Net book value of assets held under hire purchase contracts are as follows:

	Plant and machinery £000	Leasehold improvements £000	Fixtures and fittings £000	Totals £000
At 30 September 2017	**1,668**	**–**	**81**	**1,749**
At 30 September 2016	1,767	–	86	1,853
At 30 September 2015	1,758	–	21	1,779

Depreciation of £104,000 was charged on these assets in the year (2016: £110,000).

Plant and machinery and leasehold improvements include assets of £4,720,000 (2016: £3,204,000) and £Nil (2016: £771,000) respectively in respect of Solar Nonwovens Limited which management considered were not yet capable of being brought into economic use, as the Directors consider that the new production plant was not manufacturing product to its full design specification before the year end.

The Company has no fixed assets.

12. Intangible assets

Group	Goodwill £000	Development costs £000	Customer relationships £000	Tooling intellectual property £000	Total £000
COST					
At 1 October 2015	1,616	–	1,079	830	3,525
Additions	552	180	–	–	732
Foreign currency differences	22	–			22
At 30 September 2016	**2,190**	**180**	**1,079**	**830**	**4,279**
Additions	**41**	**313**	**–**	**–**	**354**
Foreign currency differences	**14**	**–**	**–**	**–**	**14**
At 30 September 2017	**2,245**	**493**	**1,079**	**830**	**4,647**
AMORTISATION					
At 1 October 2015	–	–	218	118	336
Charge for the year	–	–	154	83	237
At 30 September 2016	**–**	**–**	**372**	**201**	**573**
Charge for the year	**–**	**–**	**154**	**83**	**237**
At 30 September 2017	**–**	**–**	**526**	**284**	**810**
NET BOOK VALUE					
At 30 September 2017	**2,245**	**493**	**553**	**546**	**3,837**
At 30 September 2016	2,190	180	707	629	3,706
At 30 September 2015	1,616	–	861	712	3,189

The acquisition of Autins AB (formerly Scandins AB) which occurred in 2016 included some provisional values which were finalised within 12 months of acquisition. This has resulted in an additional £41,000 of liabilities being identified and therefore an addition to goodwill of £41,000.

The Group tests goodwill for impairment annually or where there is an indication that goodwill might be impaired. The Directors have, in considering impairment of goodwill, reviewed the operating activities and structure of the Group and considers the goodwill is attributable to a single cash-generating unit related to Automotive NVH.

The recoverable amount of that cash-generating unit has been determined on a value-in-use basis. Value-in-use calculations for the cash-generating unit is based on projected five-year discounted cash flows together with a terminal value and 1% (FY2016: 1%) long-term growth rate. The cash flows have been discounted at pre-tax rates of 11.8% (FY2016: 11.8%) reflecting the Group's weighted average cost of capital adjusted for country-specific tax rates and risks. The key turnover assumption reflects current trading experience. The Directors have reviewed a range of reasonably foreseeable sensitivities which would not impair the asset and recurring operating cash flows would have to fall to £1.1m before an impairment arose.

The Company had transfers in from a fellow Group Company and a closing net book value of £50,000 for goodwill and £4,000 of additions for development costs in the year in intangible assets.

13. Fixed asset investments

Company	Investments in subsidiaries £000
COST AND NET BOOK VALUE	
At 30 September 2015	3,027
Additions in year ended 30 September 2016	13,212
At 30 September 2016 and 2017	**16,239**

The subsidiaries of the Company, which have all been included in the consolidated financial statements based on their results to 30 September 2017, are as follows:

Name	Principal activity	30 Sept 2017 and 2016 Ownership %
UK subsidiaries:		
Automotive Insulations Limited	Supply of insulating materials	**100**
Auto Insulations Limited	Dormant	**100**
Solar Nonwovens Limited	Supply of insulating materials	**100**
Autins Technical Centre Limited	Development of insulating materials	**100**
Acoustic Insulations Limited	Dormant	**100**
European subsidiaries:		
Autins GmbH (formerly RI Rheinland Insulations GmbH)	Supply of insulating materials	**100**
Autins AB (formerly Scandins AB)	Supply of insulating materials	**100**
DBX Acoustics AB	Supply of insulating materials	**100**

The Group agrees to guarantee the liabilities of Autins Technical Centre Limited, thereby allowing this Company to take exemption from an audit under Section 479A of the Companies Act 2006.

All UK companies are incorporated in England with a registered office at Central Point One, Central Park Drive, Rugby, Warwickshire, CV23 0WE.

Autins AB and DBX Acoustics AB operate in and are incorporated in Sweden with a registered office at Hamneviksvägen 12, SE-418 79 Gothenburg. Autins GmbH operates in and is incorporated in Germany with a registered office at Hilden Amtsgericht, Düsseldorf HRB 70344. They are held by Automotive Insulations Limited. Autins AB was a joint venture until 20 April 2016.

Interests in joint ventures comprise the following:

Name	Principal activity	30 Sept 2017 and 2016 Ownership %
Indica Automotive Limited	Supply of insulating materials	**50**

The joint venture is incorporated in England with a registered office at Central Point One, Central Park Drive, Rugby, Warwickshire, CV23 0WE. The Group has a 50% shareholding and joint management is exercised through the right to appoint two of the four Directors.

Group	Interest in joint ventures £000
COST AND NET BOOK VALUE	
At 30 September 2015	111
Share on acquisition of full control	(5)
Share of profit for the year	115
Dividend paid by JV	(15)
Net book value at 30 September 2016	**206**
Share of profit for the year	**190**
Dividend paid by JV	**(153)**
Net book value at 30 September 2017	**243**

The Group's share of joint venture profit in each year was as follows:

	2017 £000	2016 £000
Profit before tax	**237**	153
Taxation	**(47)**	(38)
Profit after tax	**190**	115

13. Fixed asset investments continued

Summarised aggregated financial information in relation to the joint ventures is presented below:

As at 30 September	2017 £000	2016 £000
Current assets	**1,031**	621
Non-current assets	**192**	271
Current liabilities	**(659)**	(360)
Non-current liabilities	**(78)**	(120)
Included in the above amounts are:		
Cash and cash equivalents	**46**	60
Current financial liabilities (excluding trade payables)	**(265)**	(85)
Non-current financial liabilities (excluding trade payables)	**(78)**	(60)
Net assets (100%)	**486**	412
Group share of net assets	**243**	206

Year ended 30 September	2017 £000	2016 £000
Revenues	**2,616**	2,907
Profit after tax	**380**	225
Total comprehensive income (100%)	**380**	225
Group share of total comprehensive income	**190**	115
Included in the above amounts are:		
Depreciation and amortisation	**94**	94
Interest expense	**4**	9
Income tax expense	**(94)**	(76)

14. Inventories

Group	2017 £000	2016 £000
Raw materials	**1,205**	623
Work in progress	**52**	463
Finished goods	**710**	176
Tooling stock for resale	**–**	303
	1,967	1,565

There are no material stock provisions at any period end, neither have material amounts of stock been written-off in any of the periods presented. The Company has no inventories.

15. Trade and other receivables

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Trade receivables	**6,366**	3,965	**4**	–
Amounts owed by subsidiaries undertakings	**–**	–	**7,872**	6,201
Amounts owed by equity-accounted joint ventures	**–**	–	**–**	–
Other receivables	**69**	420	**1**	315
Total financial assets other than cash and cash equivalents classified as loans and receivables	**6,435**	4,385	**7,877**	6,516
Corporation tax debtor	**174**	43	**–**	–
Prepayments	**769**	527	**156**	89
Other taxes	**–**	–	**11**	–
Total trade and other receivables	**7,378**	4,955	**8,044**	6,605
The analysis of trade receivables is as follows:				
Not yet due	**6,165**	3,906	**4**	–
Past due but not impaired	**201**	59	**–**	–
	6,366	3,965	**4**	–

There are no impairment provisions made in respect of trade debtors for the year ends reported above and no material amounts have been written-off in any of the periods presented.

The Group has financing agreements whereby certain trade debts are subject to an invoice discounting agreement which is secured against the associated trade receivables. The amounts outstanding at 30 September 2017 were £2,199,000 (FY2016: £Nil). The credit risk remained with the Group and accordingly the trade receivable and amounts drawn down under the financing arrangements are presented gross.

16. Trade and other payables

	Group 2017 £000	Group 2016 £000	**Company 2017 £000**	Company 2016 £000
Current				
Trade payables	**3,696**	3,210	**29**	393
Amounts owed to subsidiaries	**–**	–	**8,231**	10,295
Amount owed to equity-accounted joint ventures	**737**	393	**–**	–
Other creditors	**70**	402	**–**	2
Accruals	**775**	1,917	**44**	75
Total financial liabilities, excluding loans borrowings, classified as financial liabilities measured at amortised cost	**5,278**	5,922	**8,304**	10,765
Social security and other taxes	**567**	378	**58**	13
Deferred income	**6**	–	**–**	–
Total current trade and other payables	**5,851**	6,300	**8,362**	10,778
Non-current liabilities				
Deferred income	**123**	–	**–**	–

Accruals at 30 September 2016 included £1,410,000 in respect of capital equipment. No interest is payable on the amounts owed to the Company or by the Company to its subsidiaries.

17. Loans and borrowings

	Group 2017 £000	Group 2016 £000	**Company 2017 £000**	Company 2016 £000
Bank loans and overdrafts	**585**	668	**–**	–
Loan notes	**–**	1,164	**–**	1,164
Hire purchase	**881**	1,281	**–**	–
Invoice discounting	**2,199**	–	**–**	–
Total loans and borrowings	**3,665**	3,113		1,164
Bank overdrafts	**180**	149	**–**	–
Bank loans	**174**	174	**–**	–
Loan notes	**–**	270	**–**	270
Hire purchase	**394**	401	**–**	–
Invoice discounting	**2,199**	–	**–**	–
Current	**2,947**	994	**–**	270
Bank loans	**231**	345	**–**	–
Loan notes	**–**	894	**–**	894
Hire purchase	**487**	880	**–**	–
Non-current	**718**	2,119	**–**	894

Bank loans are secured by fixed and floating charges over the Group's assets.

Principal terms and the debt repayment schedule of the Group's loan and borrowings are as follows:

	Nominal currency	Conditions		Rate %	Year of maturity
Bank loans	SEK	Secured	Repayable by instalments	Base rate + 3.75%	Up to 2020
Loan notes	Sterling	Secured	Repaid November 2016	0%	2016
Bank loans A	Sterling	Secured	Repaid August 2016	LIBOR + 2.5%	2016
Bank loans B	Sterling	Secured	Repaid August 2016	LIBOR + 3.0%	2016
Bank loans C	Sterling	Unsecured	Repaid August 2016	10.0%	2019

17. Loans and borrowings continued

The secured loan notes were subordinated to the debts held by the Group's principal bankers. Interest on these loan notes was imputed on a fair value basis to the balance over the remainder of the period of repayment. On 11 November 2016, the remaining loan notes were repaid by the Company for an amount of £1,136,000 and the loan interest charge was accelerated by £121,000 in the year to 30 September 2016.

Net obligations under hire purchase contracts are denominated in sterling and secured on the assets to which they relate.

Advances under the Group's invoice discounting facility are secured against certain trade receivable balances.

Hire purchase and finance lease liabilities

The future minimum lease payments in respect of hire purchase and finance lease liabilities are as follows:

Group	**2017 £000**	2016 £000
Less than one year	**452**	455
Between one and five years	**551**	997
Total gross payments	**1,003**	1,452
Less: interest charge allocated to future periods	**(122)**	(171)
Carrying amount of liability	**881**	1,281

18. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% for the UK, 22% for Sweden and 30% for Germany. The movement on the deferred tax account is as shown below:

	2017 £000	2016 £000
Opening balance	**559**	657
On acquisition of subsidiary	**–**	57
Expensed/(credited) in income statement in respect of:		
Accelerated capital allowances	**(70)**	(49)
Losses carried forward	**(100)**	(99)
Amortisation of intangible fixed assets	**(51)**	(47)
Finance income and other timing differences	**(1)**	40
Total credit	**(222)**	(155)
Closing net balance	**337**	559

Group	**2017 £000**	2016 £000
Details of the net deferred tax (asset) and liability are as follows:		
Deferred tax (asset)		
Accelerated capital allowances	**25**	–
Losses	**(191)**	–
Other temporary differences	**7**	–
Closing asset	**(159)**	–
Deferred tax liability		
Accelerated capital allowances	**151**	246
Losses	**(14)**	(105)
Deferred tax on intangible assets	**251**	274
On fair valued assets	**71**	57
Other temporary differences	**37**	87
Closing liability	**496**	559

The Group's deferred tax liability has arisen due to the timing difference on accelerated capital allowances, recognition of intangible assets on acquisition or development costs and other short-term timing differences mainly related to the fair values of loan notes issued in consideration of the acquisition of Acoustic Insulations Limited.

The Company's deferred tax liability of £29,000 (2016: £55,000) relates primarily to the timing differences in respect of finance income arising on the loan notes.

The Group has an unrecognised deferred tax asset of approximately £135,000 at 30 September 2017 (2016: £180,000) in respect of losses carried forward in a subsidiary as it is, as yet, uncertain when these will be utilised. UK tax losses have been recognised as they are expected to be utilised against trading profits in the short term.

19. Share capital

	2017 £000	2016 £000
Allotted, issued and fully paid		
22,100,984 Ordinary Shares of £0.02 each	**442**	442

There were no shares issued in the year ended 30 September 2017. The Directors are authorised to issue further shares representing up to 10% in number of those already issued.

Movements in share capital	Nominal value £000	Number
At 1 October 2015		
255,003 Ordinary and 3 A Ordinary Shares of £1 each	255	255,003
Issues during the year		
Bonus issue	14	14,390
Additional shares on conversion into £0.02 shares		13,200,257
Placing of new shares	167	8,333,334
Issue of shares as consideration	6	298,000
Closing share capital at 30 September 2016 and 2017	**442**	**22,100,984**

20. Share-based payment *(Company and Group)*

Share options are granted to Directors and selected employees and are conditional on the employees completing three years' service. The exercise price is equal to the market price of the shares at the grant date. Options are exercisable three years from the grant date for a period of seven years, with 50% subject to achieving target growth in the share price and 50% growth in the earnings per share. 436,152 options were granted at Admission to AIM in August 2016 with an exercise price of £1.68, of which 146,429 options were forfeited when employees left in the year ended 30 September 2017 and 19,353 new options were issued with an exercise price of £2.28. There were 309,076 options in existence at 30 September 2017 with an average exercise price of £1.72 (2016: 436,152 and £1.68) and remaining average exercise period of six years (FY2016: seven years).

The fair value of the options issued last year was determined using a Log-normal Monte-Carlo stochastic model and was calculated at 49.5 pence per share and 56.2 pence per share respectively for the market-based and performance conditions with an expected vesting period of four and a half years. The main assumptions in the valuation model were a volatility of 51.8%, a dividend yield of 0.525% and an annual risk-free rate of 0.2%.

Having reviewed the incentive scheme since the year end and taken appropriate advice, it is the Remuneration Committee's intention to approve the award of FY2018 options with a single performance criteria of earnings per share growth.

21. Reserves

Retained earnings are the cumulative net profits in the consolidated statement of comprehensive income. Movements on these reserves are set out in the consolidated statement of changes in equity.

The cumulative currency differences reserve represents translation differences in respect of the net assets of overseas subsidiaries.

Other reserves of £1,391,000 arose from the difference between the fair value and nominal value of shares issued in partial satisfaction of the acquisition of 100% of the equity of Acoustic Insulations Limited in April 2014 and £495,000 from the difference between the fair value of shares issued and the existing cost of investment in order to acquire the remaining 51% of Autins AB (formerly Scandins AB) and 10% of Autins GmbH (formerly RI Rheinland Insulations GmbH) in April 2016.

The share premium account represents the amount by which the issue price of shares exceeds the nominal value of the shares less any share issue expenses.

22. Commitments

The Group leases all its office and manufacturing properties as well as a number of vehicles and forklifts used by the business. The lease terms vary from three years for vehicles and for overseas property rentals with a rolling renewal option on the property through to 15-year terms for the principal manufacturing sites, subject to three-yearly rent reviews. The total value of minimum lease payments due until the end of the leases are as follows:

Group	**2017 £000**	2016 £000
Land and buildings:		
Within one year	**1,102**	972
Later than one year and not later than five years	**3,103**	3,530
Later than five years	**4,933**	5,597
Other:		
Within one year	**93**	123
Later than one year and not later than five years	**71**	117
	9,302	10,339

There are no contingent lease payables in respect of renewal or purchase options.

The Group had capital commitments at 30 September 2017 of £296,000 (2016 : £282,000).

The Company had no lease or capital commitments.

23. Dividends

	2017 £000	2016 £000
Dividend paid on £0.02 shares at 0.8 pence per share	**177**	–
Dividends paid on £1 Ordinary Shares at 3.5 pence per share	**–**	9
	177	9

For the period from 29 April 2014 to 15 August 2016 the Group had 255,000 £1 Ordinary Shares in issue.

24. Related-party transactions

The following amounts due from/(to) Directors existed:

	2017 £000	2016 £000
J Griffin		
Opening balance	**(2)**	(180)
Amounts withdrawn from Company	**2**	100
Recharge of share sale expenses	**–**	78
Closing balance	**–**	(2)

	£000	£000
A. Attwood		
Opening balance	**18**	–
Amounts paid to Company	**(18)**	–
Recharge of share sale expenses	**–**	18
Closing balance	**–**	18

	£000	£000
K. Holdback		
Opening balance	**105**	(180)
Amounts (paid to)/withdrawn from Company	**(105)**	100
Recharge of share sale expenses	**–**	185
Closing balance	**–**	105

	£000	£000
K. Westwood		
Opening balance	**105**	(180)
Amounts (paid to)/withdrawn from Company	**(105)**	100
Recharge of share sale expenses	**–**	185
Closing balance	**–**	105

The loans did not bear interest and were repayable on demand. The Directors were recharged an amount of £466,000 relating to the costs of the listing in respect of existing shares sold of which £238,000 was offset against the loan account liabilities and £228,000 included in other debtors at 30 September 2016 and paid to the Company in the year ended 30 September 2017.

Share options

Directors and other Senior Management members hold the following share options (see note 20).

	Number of options	
	EPS target	Share price target
J. Larner	44,643	44,643
Other Senior Management	109,895	109,895
	154,538	**154,538**

130,208 share options held by J. Griffin at 30 September 2016 were forfeited on his resignation as a Director.

Transactions with related parties and key management personnel

Group key management personnel costs

	2017 £000	2016 £000
Group aggregate salaries and post-employment benefits	**1,768**	1,063

The aggregate value of transactions with related parties and entities over which they have control or significant influence were as follows. No amounts were owed at the year end.

	2017 £000	2016 £000
Salaries and wages paid to close family members on a normal commercial basis*	**8**	33
Legal and advisory fees**	**15**	18
Donations***	**1**	7
Consumables****	**–**	4

* Salaries paid to close family members are on the same terms and conditions as other employees.
** Advisory fees were paid to the EEF, of which one of the Directors was Vice Chair of the Regional Advisory Board for the period under review.
*** Donations or event sponsorship paid to a charity, RDA (Trading) Ltd in which one of the Directors held office.
**** Purchases were made on normal commercial terms from a Company controlled by a close family member of one of the Directors. The purchases related to consumable warehouse products.

Autins AB (formerly Scandins AB) is a Swedish undertaking in which the Group had joint control until acquiring a full interest on 20 April 2016.

	2017 £000	2016 £000
Transactions:		
Sales to joint venture	**–**	123
Purchases from joint venture	**–**	727
Sale of fixed assets	**–**	185

Indica Automotive Limited is a joint venture undertaking in which the Group has joint control.

	2017 £000	2016 £000
Transactions:		
Sales to joint venture	**53**	116
Purchases from joint venture	**2,396**	1,781
Balance at the year end (owed by) the Group	**(737)**	(393)

25. Control

In the opinion of the Directors there is no one ultimate controlling party.

Directors, secretary, registered office and advisors

Directors	Adam Attwood, Non-Executive Chairman Jim Griffin, Chief Executive Officer (Resigned 1 February 2017) James Larner, Chief Financial Officer Terry Garthwaite, Non-Executive Director Ian Griffiths, Non-Executive Director Michael Jennings (Appointed 6 February 2017)
Company Secretary	James Larner
Registered Office	Central Point One Central Park Drive Rugby Warwickshire CV23 0WE
Telephone Number	+44 (0)1788 578 300
Website	www.autins.co.uk
Nominated Advisor and Broker	Cantor Fitzgerald Europe One Churchill Place Canary Wharf London E14 5RB
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