Enhancing performance
automotive insulation solutions

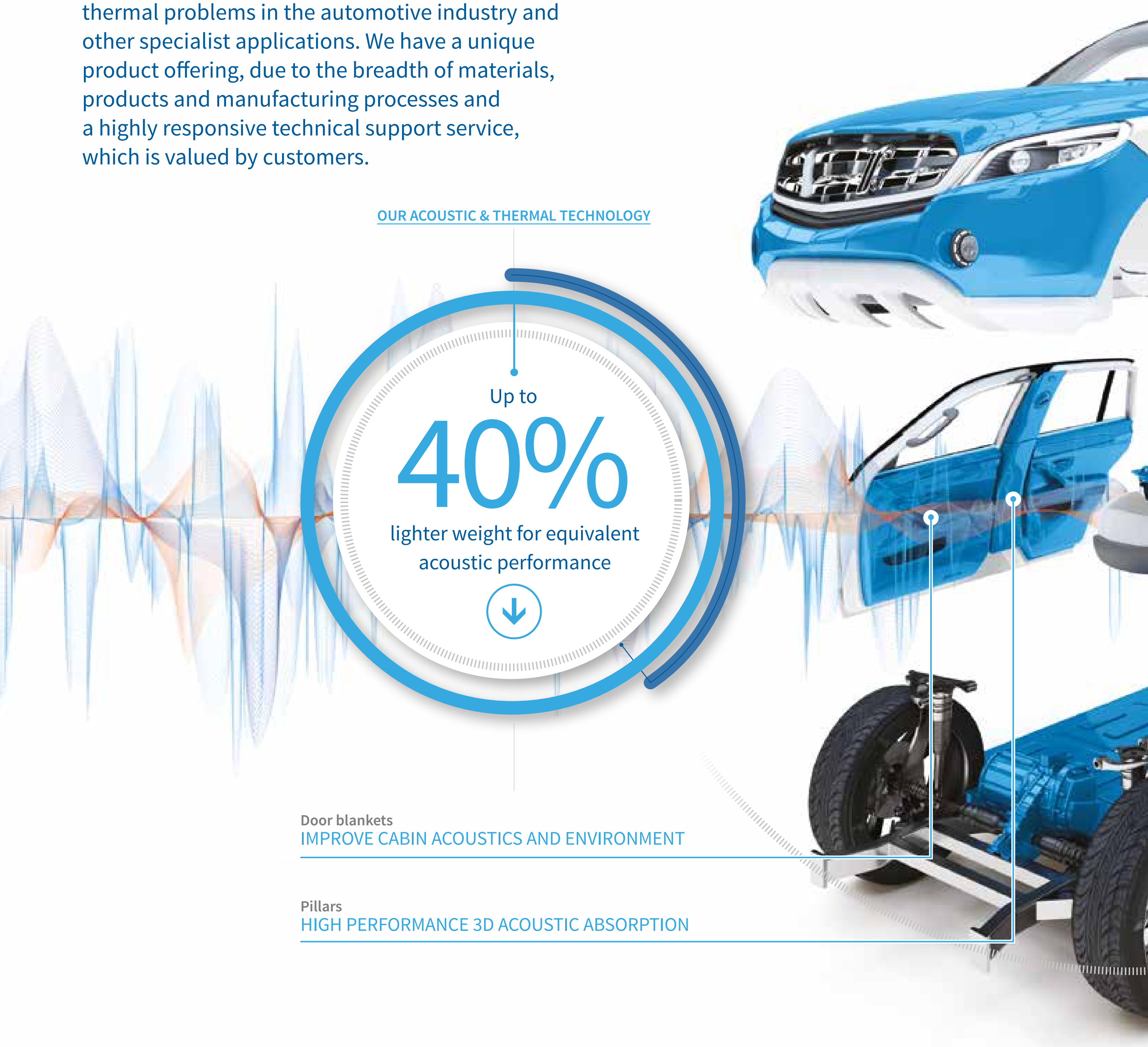
Annual Report and Accounts 2018

Autins is the leading name in **automotive insulation solutions**

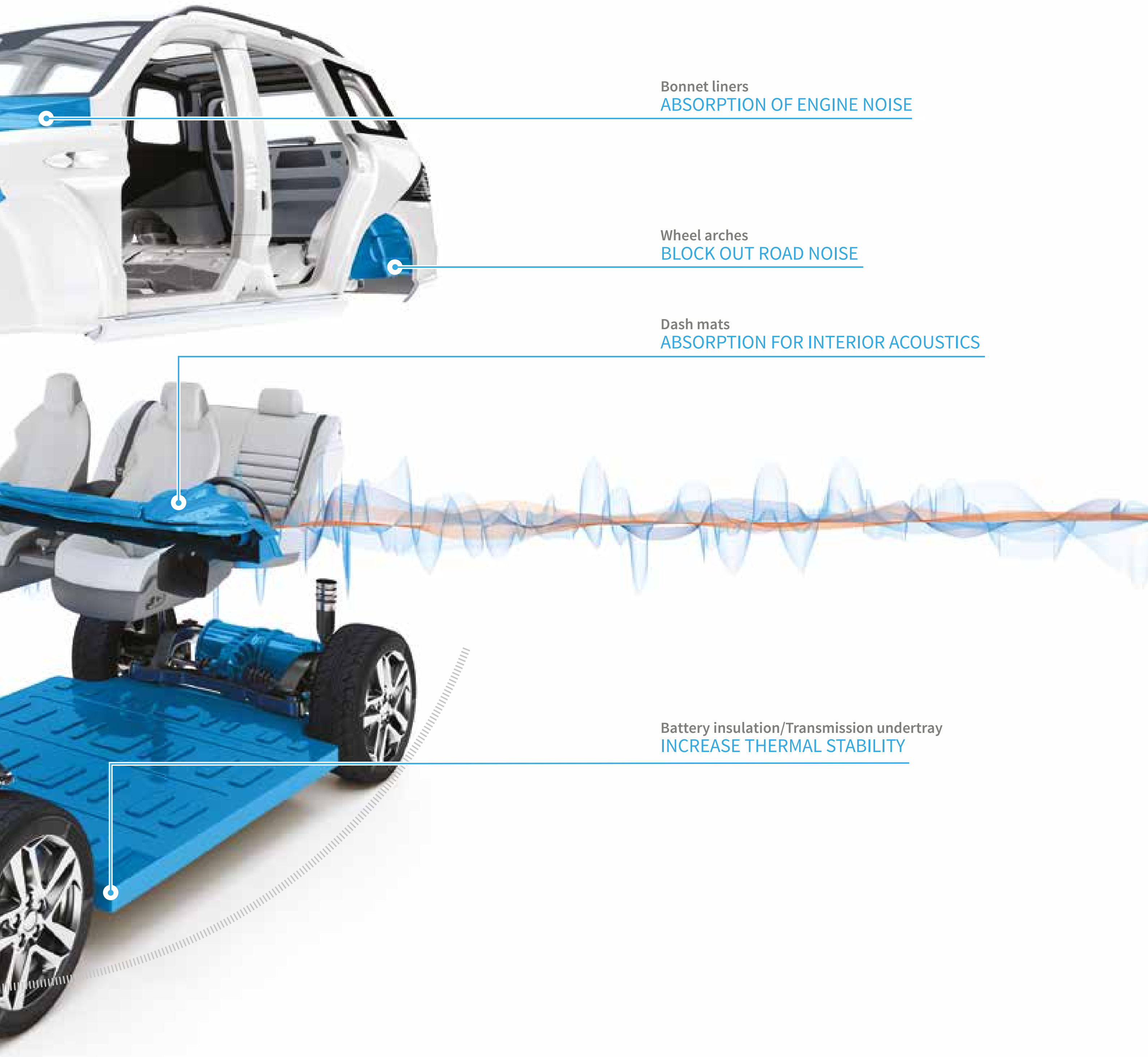
OUR PURPOSE

Autins is a specialist in solving acoustic and thermal problems in the automotive industry and other specialist applications. We have a unique product offering, due to the breadth of materials, products and manufacturing processes and a highly responsive technical support service, which is valued by customers.

OUR ACOUSTIC & THERMAL TECHNOLOGY



We thrive on creating effective partnerships with our customers to create solutions that solve problems quickly.



Highlights for 2018

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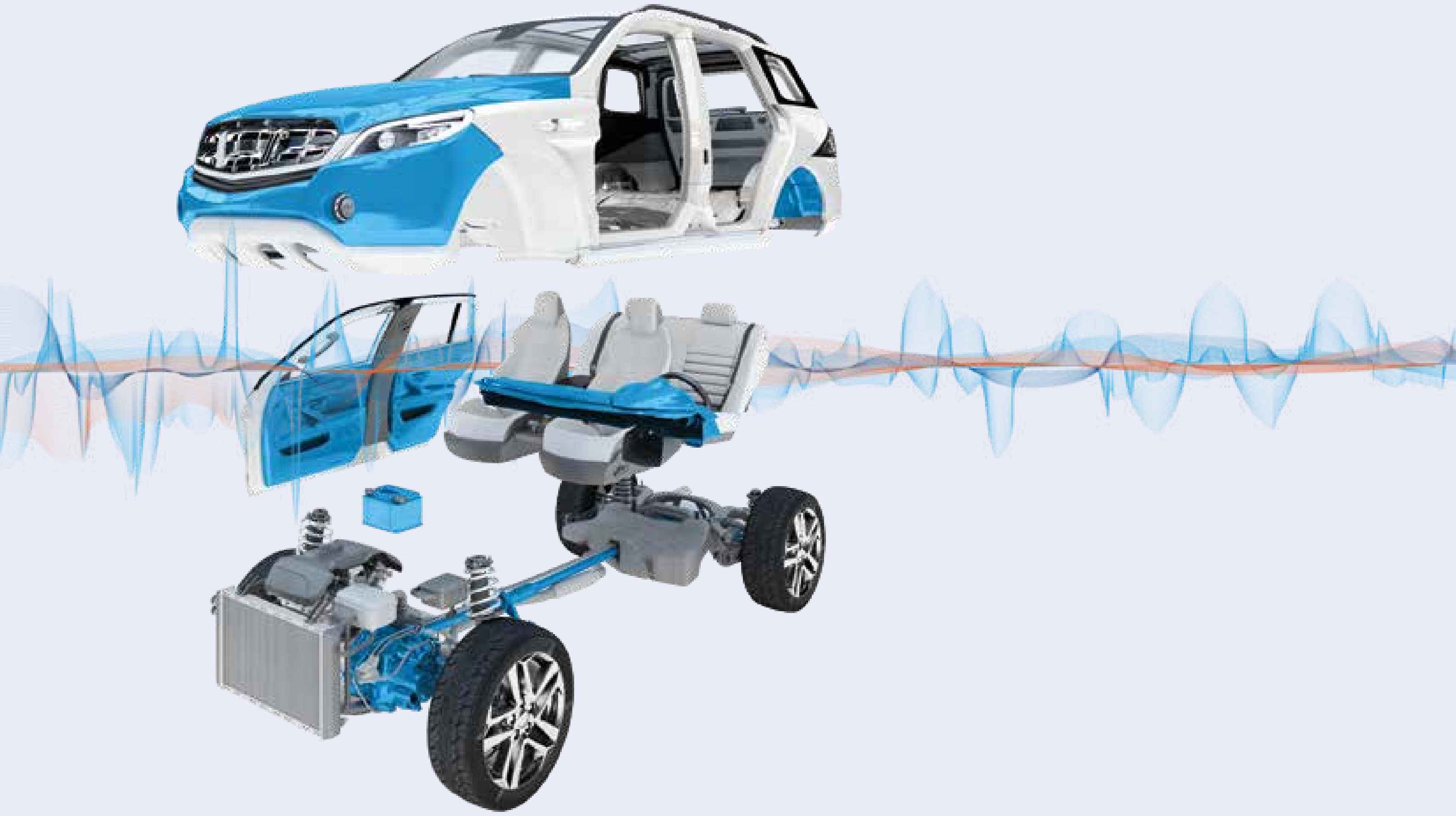
Strategic Report

WWW.AUTINS.COM

2018 was a year of significant progress for the Autins Group. Whilst the financial performance was unsatisfactory, the strategic progress was very positive. Group sales have grown 45% in the last 2 years. The customer base has diversified, expansion into Europe has accelerated, and sales into new markets continued to grow. Our unique Neptune technology has been approved by all target customers and generated a large fast-growing sales pipeline. With renewed focus on cost control and sales conversion we are confident 2019 will deliver positive results.

Gareth Kaminski-Cook
Chief Executive

See Chief Executive's statement on page 10



FINANCIAL OVERVIEW

Revenue
£29.2m
+10.9%
2017: £26.4m

Gross profit
£7.2m
-20.0%
2017: £9.0m

Adjusted EBITDA[1]
-£0.3m
2017: £2.0m Profit

Adjusted operating loss[1]
-£1.0m
2017: £1.5m Profit

Reported loss after tax
-£1.4m
2017: £0.4m Profit

Earnings per share
-6.1p
2017: 1.82p

Net debt[2]
£4.2m
2017: £2.0m

Final dividend
Nil
2017: 0.8p

1 Adjusted EBITDA excludes exceptional costs of £0.2 million (FY17: £0.5 million), additional IPO related costs of £Nil (FY17: £0.1 million) and £0.4 million (FY17: £0.6 million) of non recurring Neptune start up costs. Adjusted operating profit and loss before tax additionally excludes £0.2 million of amortisation in both years.

2 Cash less bank overdrafts, invoice discounting and hire purchase finance.

OPERATIONAL HIGHLIGHTS

- Solid top line growth with new Automotive OEM and tier customer wins, expanding European sales and strong growth in new segments, particularly flooring.
- Neptune technology continuing to be approved and adopted with significant sales pipeline growth and the start of production volumes.
- Revenue in Germany increased by 67% to £3.4 million (2017: £2.1 million) with delivery and increased share of a multiplatform part for a major European OEM and continued growth of acoustic flooring products.
- New business wins from new and existing customers including Aston Martin, Auria, Bentley, BMW, Dr Schneider, Grupo Antolin, Jaguar Land Rover, Magna, Porsche, Seat, Skoda, Toyota, Volvo, VW, and Webasto.
- Good progress from our Swedish business. Growing 38% in the year and securing additional work for future periods to reduce reliance on the UK.
- Non-automotive sales continued strong growth trend with flooring and building and industrial application sales up 47% and 66% respectively.
- Increased availability of working capital funding, within existing overall banking limits, secured after the year-end.

Our locations are close **to our customers**

Deliver to over

160

different customer locations

OUR CONNECTION TO OUR CUSTOMERS

Local manufacturing, technical support and customer service is important for our customers and a critical part of our business model. All of our locations in the UK, Germany and Sweden are able to provide full service support to customers. The businesses in each country are fully integrated for sales pipeline development, customer program management, new product introductions and R&D projects with computer aided visual management. This supports fast, accurate and efficient coordination using common practices.

Delivering technical expertise

The Technical Centre is located at MIRA in Nuneaton, the world class technology centre for the automotive industry. This gives us immediate access to thought leadership in all areas of development including electric vehicle and autonomous development.

UK
TAMWORTH
Materials' manufacturing, assembly & conversion operation

UK
NUNEATON
Group technical centre: laboratory & test site

UK
RUGBY
Group headquarters, new product introduction centre, assembly & conversion operation

UK
NORTHAMPTON
Joint venture with Indica Industries (India), materials' manufacturing and assembly

See more detail on our people on pages 26 and 27

Sweden
GOTHENBURG
New product introduction centre, materials' manufacturing, assembly & conversion operation

1.5km to Volvo

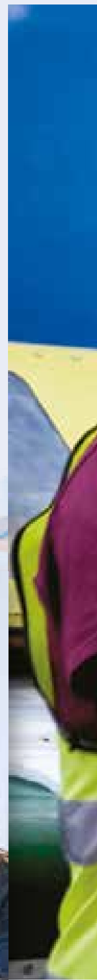
Germany
DUSSELDORF
New product introduction centre, assembly & conversion operation

20 major customers nearby

LIVING OUR VALUES EVERY DAY

- **Teamwork**
  We believe that the best teams win. Either working with customers and partners or internally, we collaborate effectively in order to win together
- **Accountability**
  We empower our teams and will do what we say and do what is needed in order to deliver the results
- **Expertise**
  We have world leading acoustic and thermal technical knowledge which is the basis of our Company's value proposition
- **Creativity**
  We solve problems, we use our initiative and leverage our expertise to deliver thoughtful solutions for our customers
- **Agility**
  We are responsive, adaptable, easy to do business with and ready to do what it takes to get it done
- **Passion**
  We are passionate about what we do – it is in our DNA. Ultimately we make spaces quieter, more efficient and more comfortable – this is what we do and this underpins all the other values

Creating specialised solutions **through trusted partnerships**



OUR TECHNICAL CAPABILITIES

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.

Working with partners

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 also work with partners in non-automotive applications where we combine our acoustic and thermal expertise with their knowledge of routes to their markets.

Providing technical solutions

Our customers trust us to develop products that will solve their specific acoustic and thermal problems. We analyse material parameters and product data both to develop Autins solutions and to drive product development and innovation. This includes bespoke acoustic testing and modelling for application specific conditions, which enables us to demonstrate and optimise product performance, promote weight reduction and cost-saving solutions.

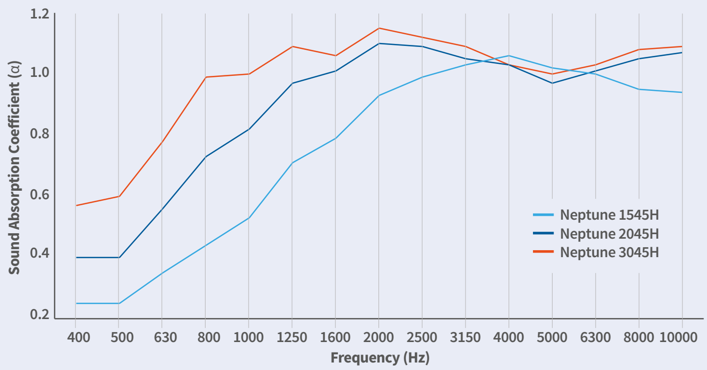
Our customers often need to solve a noise issue on a car quickly. In order to help them we have to be able to: swiftly understand their problem; provide a part which will fix the issue first time; and turn the solution into a production ready part in a short space of time.

Joshua Kimberling
Group Sales Director

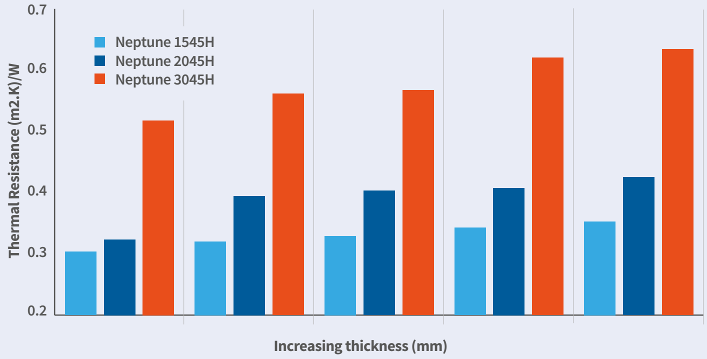
Listening to our customer needs

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

NEPTUNE - high performance acoustic absorption material



NEPTUNE - high performance thermal efficiency



"Our staff have expertise in acoustic and thermal performance and extensive knowledge within the fields of nonwovens, fibres and material testing to support customers across a wide range of specialist applications."

Dr Kathryn Beresford
Group R&D Manager

Providing technical expertise

We provide a high quality, specialist service to our customers by deploying collaborative teams to focus on all elements of a customer problem – enabling us to arrive at practical solutions quickly.

Future innovation

Our "Horizons" product development programme is focussed on next generation "needs" and aims to identify the required material, manufacturing and applications solutions.

Exciting future with **untapped opportunities**

SUPPORTING EUROPEAN EXPANSION

Many of our customers operate across Europe and need us to provide a joined up sales and technical support experience. The UK, German and Swedish operations provide that service for all the Original Equipment Manufacturers (OEMs) and Tiers across Europe, supported by a common set of processes designed to make it easy to do business with us.

MARKET DRIVERS

→ **Consumer desire for more comfort and energy efficient solutions**

→ **Directly addressable automotive market with existing range of Autins products and solutions**
- Over £700m European Noise, Vibration and Harshness (NVH) market
- Luxury vehicle growth
- Regulatory changes (emissions, pass-by noise, smaller engines)
- Light weighting
- Electric vehicle growth (more sensitive to road noise and individual noise sources)

→ **Non-automotive markets require specialist NVH solutions**

→ **New technology and material combinations**

→ **Regional sourcing of technical support and material**

THE BENEFITS WE DELIVER

→ **Lightweight**
Weight reduction of up to 40%

→ **Better acoustic performance**
Market leading materials

→ **Comfort and luxury**
Proven supplier to world leading brands

→ **Energy efficient**
Thermal insulation to increase battery efficiency

Over
£700m
addressable European market

SITE ACCREDITATIONS

→ Autins UK – Rugby
IATF 16949:2016
ISO 9001:2015
ISO 14001:2015
ISO 45001:2018
JLRQ
Formel Q
CCC Certification

→ Autins UK – Tamworth
ISO 9001:2015
IATF 16949:2016

→ Autins UK – Nuneaton
ISO 9001:2015

→ Autins AB – Sweden
ISO 9001:2015
IATF 16949:2016
ISO 14001:2015

→ Autins GmbH – Germany
ISO 9001:2015
IATF 16949:2016

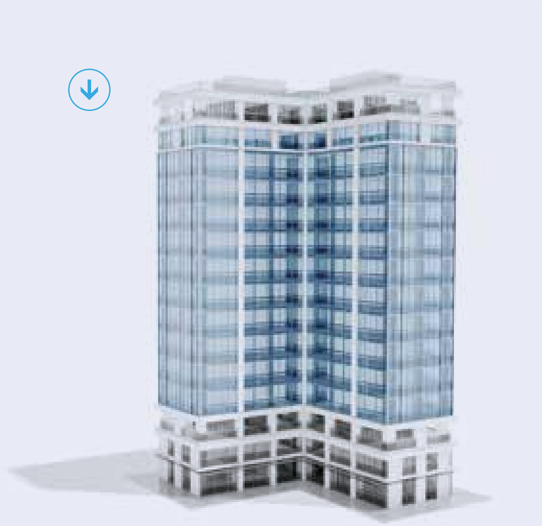
→ Dedication and expertise
to acoustic and thermal solutions

→ Passion, responsiveness and creativity
for problem solving

→ Enhanced product design
Unique tailored solutions

ELECTRIC VEHICLE GROWTH

Electric vehicle sales grew by more than 40% across Europe during 2018. Autins Group has seen a rapid increase in requests for help diagnosing sources of noise and designing solutions for concept cars and complete NVH packages.



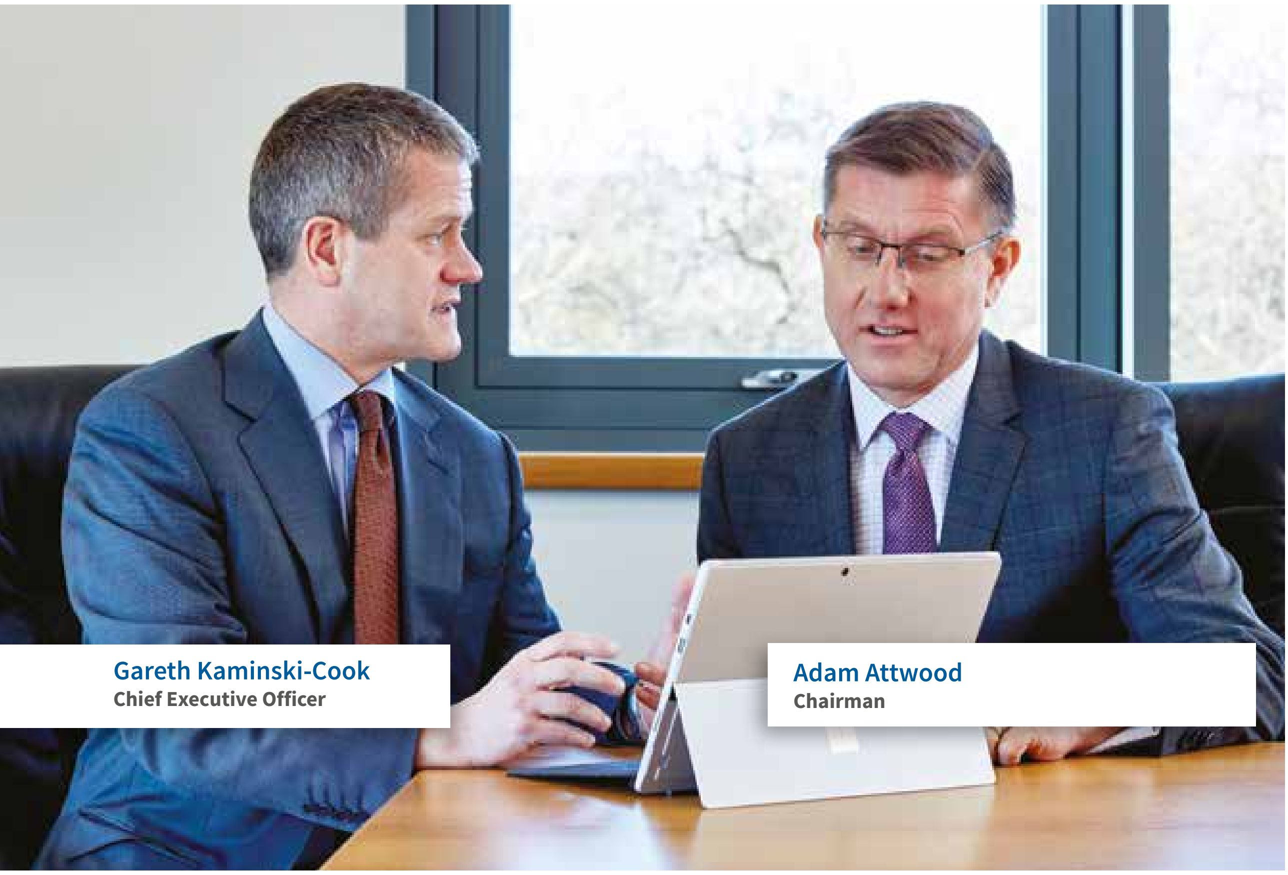
OFFICE AND INDUSTRIAL APPLICATIONS

Autins Group has supplied acoustic solutions into some niche applications for a number of years. During 2018 we were able to upgrade our solution and combined with substantial improvements in our knowledge of the supply chain we increased sales significantly whilst improving the profitability. With this improved value proposition, we are set to grow further in these specialist applications.

FLOORING

Autins provides acoustic technical solutions to major flooring manufacturers in Europe. Growth has come from continuous development and launch of new products each year. Sales focus is channelled where our local technical expertise resides, in Germany and Sweden.

Building a broad **platform for growth**



Gareth Kaminski-Cook
Chief Executive Officer

Adam Attwood
Chairman

Sales in FY18 were £29.2 million (FY17: £26.4 million), representing an increase of 10.9%. However, this overall sales figure masks contrasting fortunes in the two halves of the financial year.

FY18 started positively, with sales up 29% to £15.9 million in the first half of the year compared to the same period in the prior year.

Historically, sales in the second half of the year exceed those in the first half. However, the automotive market continued to experience increasing downward pressure in demand, through a combination of consumer uncertainty related to the sustainability of diesel engines and a global slowdown in demand (particularly in China). Furthermore, the uncertainty surrounding Brexit did little to increase confidence. As a result of these market drivers, our customers significantly lowered their initial forecasted requirements, resulting in sales in the second half of the year of £13.3 million. This was 5% down on the comparative prior year period.

- → **Specialist market applications**
- → **Market leading performance materials**
- → **Increasing OEM & Tier approvals**
- → **Established European manufacturing and technical support**
- → **Proven expertise in NVH consultancy**
- → **Focused NVH specialist supplier**

This made FY18 a challenging year operationally. Based on our customers' forecasts, we invested in people and overheads to deliver strong sales growth. Actual sales in 2018 did not support this investment, significantly reducing our profitability in the period. We have subsequently taken remedial action to reduce our costs to limit the impact, whilst also maintaining a platform able to support a growing and increasingly diversified customer base.

Nevertheless, in 2018 we demonstrated that the Group has an attractive range of performance materials, products and expertise and can win new business in the UK and Europe with automotive OEM's and Tier suppliers. In addition to the automotive sector we currently supply material for flooring and building and industrial applications, where we believe there are vey good opportunities for further growth.

2018 also saw the continuing trend to increase the level of NVH treatment in vehicles and significantly more commitment from almost all car manufacturers to electric and hybrid fuel options. Both of these trends create new acoustic challenges for OEM's that will require specialist NVH expertise and solutions for which Autins is especially well placed to provide.

Despite its challenges, there were several positive highlights in 2018:

- Full scale production of Neptune began and the sales opportunity pipeline grew significantly throughout the year. This will be transformational for Autins as we convert this to sales wins in the coming years
- After two years of evaluation, BMW designated Neptune as a superior acoustic material, creating a technical specification to recognise its higher performance
- We have won new business in Europe with VW, Porsche, Skoda and Seat (either directly or through Tier 1 suppliers)
- Our commitment to diversification of automotive sales in the UK resulted in 70% of new business wins across the Group coming from new customers including Aston Martin, Auria, Bentley, Grupo Antolin and Toyota
- Sales in Germany grew by 67%. Since 2014, the German team have grown their sales from zero to over €4 million, in aggregate, with strong traction in both their automotive and flooring sales and operations are no longer reliant on inter-company sales
- The flooring business in Europe grew by 46% to £1.4 million with customers including global manufacturers such as Gerflor, IVC and Tarkett
- Sales to building and industrial applications grew by 66% to £0.8 million

45%

OEM and growth in 2 years

"2018 is the year that the growth strategy accelerated as 17% of sales are now outside the UK, non-auto sales grew to 8% of turnover, 70% of new business in the UK was with new customers and the sales pipeline of Neptune based products took off and production began."

Key actions taken for recovery

Gareth Kaminski-Cook joined the Group on 1 October 2018 as Chief Executive. Given the challenges we have taken immediate steps to reduce costs to a level more suited to likely short-term demand and a continuous forecasting process has been established. Annualised Group labour costs were reduced by £0.85 million and changes to the operational management structure of the Group were made. A plan to deliver further significant working capital benefits was also put in place.

We have rigorously reviewed market and customer forecasts, evaluated the Group's long-term growth strategy and refocused our priorities for 2019. Organisational effectiveness has been addressed and increased focus brought on profitability, working capital, cash generation and debt levels. In order to improve control, we will focus on the basics, keep processes simple and use rigorous daily management. Finally, these priorities will be underpinned by establishing a culture with a common sense of purpose and alignment.

Values and culture to sustain long-term success

Since the IPO there has been a lot of change within the Group and there is now a need to create stability and consistent, more efficient, processes across the business.

Given the size of the Autins business, it is important that we manage the on-going changes well. We will do this by establishing alignment throughout the Group to our stated Vision and Goals, building strong teamwork and maintaining supportive processes and communication. We need to do the basics right and keep things as simple as possible.

Creating true alignment across a Group of international businesses can be a defining difference between success and failure. A shared culture or values and common behaviours are the key to better internal alignment that will drive better employee engagement and higher levels of motivation, which we firmly believe lead to better customer service.

As a first step we engaged with our employees and jointly agreed on a set of values which we see as either part of our heritage or part of our aspiration to help us defend and develop our market share and become the preferred supplier of technical solutions to our customers. The Autins Values were launched across the Group in November 2018.

- **Teamwork** – We believe that the best teams win
- **Accountability** – We will empower our people, do what we say and do what is needed
- **Expertise** – We will provide outstanding acoustic and thermal technical knowledge
- **Creativity** – We solve problems, we use our initiative
- **Agility** – We will be responsive, adaptable and be easy to do business with
- **Passion** – We will do whatever it takes to help our customers create quieter, more efficient and more comfortable spaces, because we want to make a positive difference

The market opportunity for Autins

As a Group, we consider the following characteristics to be our **key drivers for growth:**

- Recognised NVH specialist in automotive
- Market leading performance materials
- Established European manufacturing and technical support footprint
- Track record of winning new OEM and Tier 1 customers across Europe
- Growth of sales in new markets

Our Vision is to be the preferred European supplier of acoustic and thermal solutions to our customers in the automotive industry and other segments where we believe we can deliver value.

Our Strategy to deliver the Vision has three pillars.

1. Leverage our NVH expertise in automotive to win new customers.
2. Leverage our Neptune technology and technical expertise to open up new markets.
3. Build the Autins brand reputation as an NVH solution provider of choice to generate pull through demand

The directly addressable market in Europe for automotive NVH products and solutions which Autins can currently supply is in excess of £700 million.

During the last two years we have seen our strategy succeed as we have delivered 45% sales growth. We have a unique product offering, due to the range of materials, products and processes and a highly responsive technical support service, which is valued by customers.

Our people

Our people make the difference. Our employees are highly committed to the business and the Board would like to thank them all for their effort and support in what has been a very challenging period.

Michael Jennings left the business on 31st August 2018 and we would like to thank him for the work he did during his time as Chief Executive. We would also like to thank Ian Griffiths, our Non-Executive Director, for taking on the role of interim Chief Executive for the month of September 2018 prior to the arrival of Gareth Kaminski-Cook. With Gareth's arrival and following the operational changes we have made, we can now look forward to a sustained period of senior management stability, with all the benefits that this will bring.

We have increased the quality of internal communication and established more efficient cascading of information throughout the organisation. Twice a week the Chief Executive holds small cross-functional meetings with employees and we are using an employee "Autins App" to increase engagement, by sharing employee stories of sales success or examples of living the values. Employee Satisfaction Surveys have also been initiated.

With the newly agreed Values we intend to strengthen the alignment throughout the company towards one common Vision and to create an exceptional place to work. We recognise that our employees can choose where they work and we want them to feel that they have an exciting future with Autins.

Governance

The Board is committed to promoting the highest standards of corporate governance and ensuring effective communication with shareholders. The Board has adopted the new Quoted Companies Alliance (QCA) Corporate Governance Code in the year. The Group's corporate governance approach and procedures are more fully described in the Corporate Governance Statement which can be found on page 28 of this annual report.

Dividend

The Board are not proposing a final dividend for the current year. An interim dividend of £0.04 per share was paid on 4 August 2018.

Outlook

In 2019 we aim to establish a sustainable cost base, focus on profit and drive cash generation whilst accelerating delivery of our strategic growth plan. This means winning new customers, continuing our growth in Europe, and entering new markets, all supported by our unique Neptune technology. The Board is confident that 2019 will be a year where we build positive momentum.

Adam Attwood
Chairman

Gareth Kaminski-Cook
Chief Executive

6 March 2019

Meet the new **Chief Executive**

53%

growth in non-automotive sales

Q What are your first impressions on joining the business?

A The business is delivering in a number of strategic areas, notably the diversification of our customer base, geographic expansion in Germany and Sweden and sales pipeline growth of products based on the unique Neptune technology. There has also been a lot of change over a short space of time with new facilities, new technology introduction and changes of senior management. It is important that we create more stability and stick to the basics so that we can drive efficiencies.

Q What do you see as your biggest challenge in driving the growth of the business?

A Patience and focus. Current automotive market uncertainties are increasing the risk of short term volatility.

However, our sales opportunity pipeline is very strong and continues to grow, driven principally by the acceptance and specification of our Neptune product by key UK and European OEM's. We are already seeing momentum in conversion of sales opportunities which is most encouraging. However, the automotive sales cycle can be quite long and we must maintain our excellent programme management approach.

Expanding the sales growth beyond Automotive will need to be focused, but as we have seen in flooring in Europe and building and industrial applications in the UK there are market opportunities where our acoustic expertise is valued and we can deliver a commercial advantage.

Q How will you measure progress?

A Ultimately, we need to deliver profitable growth. Key to this is the growth of our Neptune products and utilisation of that facility. A growing reputation as a specialist acoustic and thermal solution provider will differentiate us from our competition, support diversification of our customer base and ultimately determine the quality of our business. We are motivated to become a successful pan-European business, serving a number of different segments.

Q What is the customer spread today and how do you see that changing in the next 12/24 months?

A Our major customer accounted for 64% of our sales in 2017. This reduced to 58% in 2018 and is targeted to reduce further in 2019. 70% of new business wins in UK in the 2nd half of 2018 have come from new customers. We expect this to continue as we convert OEM approvals into sales with new OEMs and Tiers.

Q How are the non-automotive applications developing?

A 92% of sales are into the Automotive NVH sector and 8% into interior applications, principally flooring and building and industrial applications. Growth in these new segments were 46% and 66% respectively in FY18. There is a lot of opportunity to do more here, in a focussed way.

Q What are the likely effects on Autins of the development in electric and autonomous vehicles?

A Everyone knows that electric motors are quieter, so do they need NVH treatment? Yes they do and more specialist, pin point treatment. Once you remove the white noise of a combustion engine you can hear the whine of the electric motor, the road noise through the wheel arch, transmission noise, the clicking of electronic switch gear, and so on. All these individual noise sources become annoying and require specialist treatment to identify them and provide solutions – this is exactly what Autins specialises in. We have already worked with a number of car companies on existing hybrid and electric cars and are also working on protype developments. Autonomous driving is likely to lead to even higher requirements for thermal and noise control in the vehicle and this will drive demand for specialist NVH design and solutions.

Q What do you see as the key challenges in 2019 and beyond?

A We need to deliver our forecasts, focus on working capital and continue to grow our customer base. We need to stick to the basics, keep it simple and provide outstanding quality and service, whilst continuing to innovate our product offering and building our brand as an expert in acoustic and thermal solutions.

Beyond 2019 we need to build our momentum for top and bottom line growth, continue expanding into Europe, into new segments and continuously develop new products and innovative solutions.

The addressable market value for our NVH solutions in Europe is more than £700m and we only have c.4% market share, so the opportunity remains huge. Having "local" operations in Germany and Sweden has enabled us to gain approvals for Neptune from each of our target OEMs in these regions. Now we need to remain consistent and persistent to convince engineers and buyers in these OEM's and the Tiers to use our solutions on their current and future platforms.

Adding value through **expertise, innovation and service**

OUR MISSION

To deliver superior value for our shareholders by being a trusted partner to our stakeholders and by creating a positive workplace for our employees to excel in providing first class support to our customers.

OUR VISION

To be the preferred supplier of innovative acoustic and thermal solutions to our customers in the automotive industry and other segments where we believe we can deliver value.

OUR BUSINESS MODEL

We offer

→ INNOVATIVE TECHNOLOGY

Range of materials:

- Non-Woven PET/PP including Neptune
- Thermoplastics
- PUR
- Laminates

Range of processes:

- Manufacturing
- Conversion
- Tooling and component design and testing

→ SPECIALIST TECHNICAL SUPPORT

- Acoustic and thermal experts
- Diagnosis
- Tooling and component design
- Tailored solutions
- Rigorous program management

→ CONTINUOUS QUALITY INNOVATION

- Laboratory testing
- Diagnosis
- Rigorous NPI

→ EXCEPTIONAL SERVICE

- Fast
- Responsive
- Customer focussed
- Creative culture

OUR STRATEGY

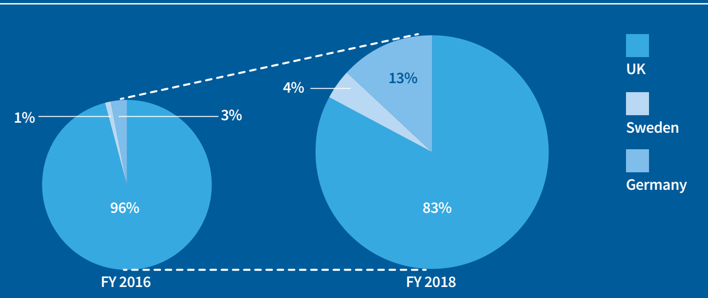
Strategic pillars	Progress in 2018	Current focus
→ **Accelerate sales in automotive** – Leverage our NVH expertise in automotive to win new customers → **Expand sales into other areas** – Leverage the Neptune technology and our technical expertise to open up new markets → **Develop Autins brand reputation** – Build Autins brand reputation as an NVH solution provider of choice to generate pull through demand	→ **Diversification of customer base** – Sales to our major customer reduced from 64% to 58% – 70% of new business wins in UK in H2 2018 were to new customers → **Geographic expansion** – Germany and Sweden have grown to 17% of total Group sales → **Segment expansion** – Sales to non-Automotive grew to £2.2m (8% of Group sales) → **Neptune technology** – Sales opportunity pipeline grew to over £30m – All target OEMs have approved Neptune with four designating it as the "preferred material"	→ **Accelerate conversion of pipeline to sales in new automotive applications** → **Promote sales of Neptune material for others to convert** → **Reduce total cost to serve our customers** → **Improved working capital control and daily management**

Accelerating sales – **European growth and market diversification**

GEOGRAPHIC EXPANSION IN EUROPE

A key part of Autins' growth strategy is to expand into Europe and grow sales into new markets beyond the core automotive NVH segment. Excluding inter-company sales our German and Swedish businesses have grown sales revenue six fold over the last three years.

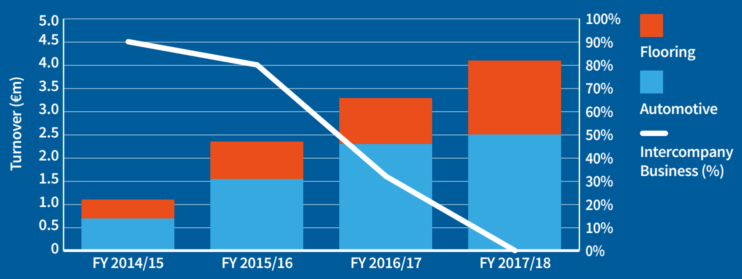
SALES TRENDS



GERMANY IN FOCUS:

The German business is the benchmark for everything Autins Group wants to achieve. New customer wins in automotive and non-automotive markets, expanding geographic sales and leveraging the range of technologies.

GERMAN SALES DEVELOPMENT



Our Neptune technology

The Neptune technology has been a major differentiating factor in winning business with new OEM's and Tiers. Every target OEM has now approved our Neptune material, with some taking up to three years of testing to not only approve the material but write unique specifications around its specific properties; recognising its superior performance over the alternatives. This has generated a fast growing sales pipeline for Neptune. A great deal of work is required to convert this to sales on car platforms, but we firmly believe this will be transformational for the whole Autins Group in the coming years.

We've built up an excellent team here in Germany. No one knew Autins here 4 years ago, now we have over 15 major automotive customers. All targeted automotive OEMs have approved or designated preferred status on Neptune – it is a real winning technology and sales are growing faster and faster. In addition we have continued to grow the sales of our acoustic flooring solutions year-on-year, supplying most of Europe's largest flooring manufacturers. We are confident we will continue to build the momentum and accelerate sales growth in these markets and in new specialist applications.

Matthias Migl
Managing Director, Autins GmbH

2018
3.5m
(2017 2.5m)
Total parts

2018
£3.4m
(2017: £2.1m)
Revenue

Our flooring applications

In flooring we have won new business with market leading companies, where they use our flooring applications team to solve technical acoustic problems. Innovation is also important for this market and the four new acoustic flooring products we have launched in the last three years help our customers to create the quietest flooring solutions, whilst driving sales and profit growth.

Customer base broadens **within challenging markets**

James Larner
Chief Financial Officer

A year of contrast, with strong initial revenue growth followed by a period of increased market uncertainty and margin pressure, especially in the UK. Growth in Europe and outside of the Automotive sector is a key positive and positions us well for the future.

Revenue

During 2018, total Group revenue grew by 11% to £29.2 million (FY17: £26.4m), with increased component sales partly offset by a reduction in tooling revenue.

Component sales increased 14% to £28.3 million (FY17: £24.8 million). We continue to expand our customer base, and direct component sales to the Group's largest customer accounted for 58% of Group revenue (FY17: 64%). The Board expects dependence on this customer to reduce further in FY19 as new diversified contracts achieve volume production.

Revenue from acoustic flooring products grew 46% to £1.4 million (FY17: £0.9 million). This growth was achieved by the German business which launched a new product and widened its customer base in the year. Sales to building and industrial applications increased £0.3 million to £0.8 million.

Tooling sales were £0.9 million (FY17: £1.5 million) with £0.2 million of tooling held for resale at the year-end (FY17: £nil). The Group's broad equipment and process capability means that the value for individual tools can vary significantly and is not directly linked to the future component revenue that they will generate. Overall tooling revenues are therefore as much affected by the type of new product secured as the quantity of tools required.

UK automotive component sales grew at a slower rate than anticipated over the full year, with sales increasing by only 5% to £23.0 million (FY17: £22.0 million). Sales to our largest customer were below expectations compared to their own and external forecasts. In contrast to previous periods, turnover was lower in the second half year than the first. This was as a result of reduced call offs against existing contracts by customers who also initiated longer and additional customer shutdowns during the year than originally planned. Whilst contracts with new and existing customers have been secured during 2018, the full impact will be felt in FY19 onwards.

The German business continued the growth trend indicated in the last financial review with external revenues increasing by 67% on the prior year to £3.4 million. New work with a major European OEM has performed well and the Board would expect further revenue growth with this OEM in the current year. Flooring sales in Germany increased to £1.3 million.

Swedish automotive revenues increased by 37.5% to £1.1 million (FY17: £0.8 million) with full year volumes on OEM platforms launched in the second half of FY17. The site continues to support the UK with the manufacture of specialist foam products and having widened its product range through R&D activity in both periods has secured new contracts whose benefit will be felt in FY19.

Gross margin

Component gross margins fell to 25.5% (FY17: 34.6%). Significant changes in customer schedules, often at short notice, produced an adverse change in product mix and affected our operational efficiency in terms of economic batch quantities, as well as supply chain and labour planning. Competitive pressures in the UK led to additional discounting on mature platforms.

Management have continued to pursue opportunities to introduce Neptune product into component revenues as well as increasing focus on operational efficiency, standardisation and flexibility to allow a more agile response to customer demand fluctuations and reduce overall costs to serve. We continuously work with our supply chain to review material costs and take steps to optimise spend.

EBITDA and operating profit

Adjusted EBITDA was a loss of £0.3 million (FY17: Profit of £2.0 million) with an adjusted operating loss of £1.0 million (FY17: profit of £1.5 million) after excluding exceptional and non-recurring costs as noted below. Management acknowledge that these measures of performance are not GAAP, nor are they intended to be, but continue to believe these adjusted measures are more indicative of the performance of the underlying business. The costs that are excluded in arriving at an adjusted measure include those that management consider to be a result of significant one-off events, start-up costs in relation to the Group's Neptune facility and differences in accounting treatments that arose on the Group's conversion to IFRS at the time of listing. Management's own performance measures are focussed on the underlying business and are reported excluding these items.

Reported EBITDA was a loss of £0.9 million (FY17: profit of £0.9 million) after charging £0.23 million (FY17: £0.55 million) of exceptional costs, and £0.4 million (FY17: £0.6 million) of non-recurring incremental start-up costs for the Neptune facility.

Exceptional and adjusting items

The Group incurred exceptional remuneration and associated costs of £0.15 million (FY17: £0.2 million) as a result of the resignation of the former Chief Executive Officer, Michael Jennings, on 15 March 2018, and subsequent appointment of Gareth Kaminski-Cook. Costs in FY17 related to the resignation of James (Jim) Griffin on 1 February 2017 and the appointment of Michael Jennings.

As a result of the change in Chief Executive and as part of overall cost reduction programmes, the Group negotiated an early termination for leased management offices at MIRA Technology park that were no longer required, incurring £0.1 million of onerous lease costs.

In FY17, further legal and professional costs of £0.1 million were settled in relation to the Group's IPO in FY16, £0.1 million of staff restructuring costs following Jim Griffin's resignation incurred and £0.2 million of costs performing critical repairs to production presses in the Group's Rugby facility. Having reviewed relevant documentation, it was ultimately decided to not pursue a claim against the original equipment manufacturer to recover the costs of these repairs.

The Neptune line achieving full operational status is a key milestone, which combined with continued approvals and a growing diversified pipeline, underpins our vision of a more balanced future state.

There was a slight delay in bringing the Group's Neptune asset into full use, with further enhancements and investments required before the production facility achieved full operational status in June 2018. Having confirmed that the line was capable of operating in the manner intended and to the specification set by management at the time of order, depreciation (using the unit of production method as detailed in our accounting policies), commenced in July 2018. As a result, in concluding the commissioning process, non-recurring start-up costs of £0.4 million (FY17: £0.6 million) were incurred in the period.

Amortisation of £0.2 million (FY17: £0.2 million) in relation to acquired intangible assets has been excluded from adjusted operating profit.

Joint ventures

As in FY17, the Group's share of joint venture activities relates solely to Indica Automotive, an acoustic foam conversion business based in Northampton.

Indica Automotive continued to be a key supplier to the Group, who remain its largest customer, but Indica Automotive has now secured external revenue streams that it expects to expand in FY19. Turnover increased by 29% to £3.3 million (FY17: £2.6 million) with a profit before tax of £0.7 million (FY17: £0.5 million). There were no exceptional costs in the year (FY17: £0.05 million).

Currency

As a result of the Group's overseas operations and certain key raw material suppliers the Group trades in currencies other than Sterling, its base currency. The Group had operational transactions conducted in US Dollar, Swedish Kronor and Euro and was also subject to currency variation in the retranslation of the results of the German and Swedish operations. With the commissioning of the Neptune line complete, the value of US Dollar transactions will increase with key raw materials imported from South Korea at an agreed US Dollar denominated unit price.

The Group's structure and trading balance are such that net currency exposure is naturally reduced and the Group's FY18 result has only been impacted in a limited way as a result of currency translations. The Neptune capital purchase stage payments of $2.2 million in FY17 meant that the US Dollar was the currency with the greatest impact on Group results in that year.

The Group held no forward currency contracting arrangements at either year-end. Transactions of a speculative nature are, and will continue to be, prohibited. We will, as part of the Neptune production ramp-up, continue to monitor the Group's exposure to the US Dollar and its impact on the Group's results and may consider a formal hedging strategy once the frequency and quantum of those purchases make such currency contracting appropriate.

Net finance expense

The Group's continued investment in the Neptune facility and processing equipment, funding for working capital and requirement to fund losses has meant an increased level of net debt over the year. As a result of this increased gearing, net finance expense increased slightly in the year despite FY17 having a non-recurring charge in relation to £1.1 million of loan notes settled for cash in November 2017.

An analysis of the net finance expense is presented in note 8 on page 60.

Taxation

The effective tax rate in the year was in line with that expected based on current UK corporation tax levels. Whilst some benefit from enhanced Research and Development ('R&D') tax relief was taken, this was offset by disallowable costs, impact of different tax rates and adjustments to prior years.

The Group's technical R&D and applications teams have continued to enhance materials and processes in the year. A defined multi-horizon development plan exists which management believe will deliver value to the Group but also keep the effective tax rate below the UK statutory level for the short to medium term.

Losses incurred in the UK in the year have been recognised as a deferred tax asset as management expect to utilise them in future periods.

As noted in FY17, the Group's overseas subsidiaries have significant taxable losses available which will, in the short term, offset expected trading profits in Sweden and Germany that are higher relative corporation tax territories than the UK. The Group recognised a tax asset of £0.2 million in FY17 in relation to these losses. Having reviewed current and expected trading recognition of these assets remain appropriate. The Group has a further £0.1 million (FY17: £0.1 million) unrecognised tax asset in respect of losses in the German subsidiary.

Earnings per share

Loss per share was 6.14 pence (FY17: Earnings per share 1.82 pence) reflecting the loss in the year. The weighted average number of shares was unchanged at 22,100,984.

Calculations of earnings per share, including the potential dilution arising from the senior management share option scheme in future periods, are presented in note 10 on page 61.

Dividends

The Board are not proposing a final dividend for the current year. An interim dividend of £0.04 per share was paid on 4 August 2018.

Net debt and working capital

The Group ended the year with net debt of £4.2 million (FY17: £2.0 million) as disclosed in the reconciliation of movements in cash and financing liabilities on page 47.

The Group has £0.9 million (FY17: £0.9 million) of Hire Purchase agreements in the UK and £0.2 million (FY17: £0.4 million) of long-term asset backed bank loans in Sweden. There were £0.5 million (FY17: £nil) new hire purchase agreements and £nil (FY17: £0.1 million) of new asset backed loans in the year.

During FY17 cash was used to settle loan notes of £1.1 million and make the final capital stage payments on the Neptune line of US$2.2 million.

Trade debtors decreased in the year despite the Group's growth, a reflection of the reduced component turnover in the final quarter compared to FY17. A provision of £0.2 million (FY17: Nil) has been made against overdue invoices which the Group continue to pursue.

Inventory was £0.6 million higher than FY17, with £0.2 million of tooling held for resale (FY17: Nil) and a £0.4 million increase in components stock. Whilst the Group was able to reduce finished components stock in response to fluctuating and reduced volume in the final quarter it was unable to adjust the inbound supply chain.

Going concern

The Board have concluded, on the basis of trading and cash flow forecasts and available sources of finance, that it remains appropriate to prepare the Group's results on the basis of a Going Concern.

Forecasts, supported by management's detailed budgets and taking account of the cost reduction exercise completed in Q1 of FY19, have been prepared for a period to September 2020 including what the Board consider to be reasonably foreseeable contingencies, risks and opportunities. These forecasts were used as the basis for confirming future funding requirements.

After the year-end the Group's primary bankers, HSBC, agreed to the Group's request to make an increased proportion of our existing funding limits available as working capital facilities in the form of an overdraft facility which will be due for review in February 2020. The Board believes that this form of funding, being fixed value in nature, is more suited to the current period of variable automotive market demand. Our existing invoice discounting facility of up to £6m is unaffected by this change. The banking facilities remain free of covenants.

Based on the detailed forecasts, and having considered the Group's revised funding capacity and expected requirements over the short and medium term, the Board have concluded that there remains sufficient funding available for the Group to continue preparing its results on a Going Concern basis.

Acquisitions, goodwill and intangible assets

There were no acquisitions made in the year, nor any adjustment to fair values attributed to previous transactions.

The Board has formally considered the carrying value of Goodwill and other Intangibles (both existing and generated in the year) at 30 September 2018 using a discounted cash flow assessment. This assessment provided sufficient headroom for the Board to conclude that the carrying value was fully recoverable.

Capital expenditure

Additions to tangible fixed assets were £1.5 million (FY17: £2.6 million) in the year. Investment continued to be focussed on production capacity in support of projected growth and included the installation of additional cut and seal equipment in both the UK and Germany as well as cutting capacity designed for Neptune's specific roll dimensions.

A further £0.3 million was invested in the Neptune production facility to bring it to full operational capacity in June. This investment represented automated process control systems and an enhanced raw material input method which supports consistency in the finished product.

Financial risk management

Details of our financial risk management policies are disclosed in note 3 on pages 55 to 57.

James Larner
Chief Financial Officer

KEY PERFORMANCE INDICATORS ('KPIs')

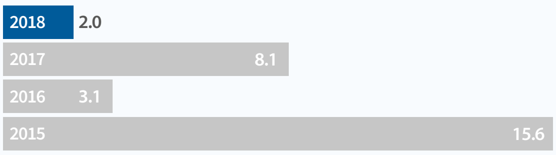
The Board have selected the following performance indicators as key to assessing the Group's progress against it's strategic goals.
They fall into the following categories:
1. Health and safety: As a manufacturing business with a growing workforce, safety is an embedded part of our culture and a critical success factor.
2. Growth and diversification: Two measures designed to assess the overall rate of sales growth and achievement of our stated strategic aim of diversification in terms of customers, sectors and geographies.
3. Profitability: Gross profit progression is key to ensure that our growth is sustainable whilst EPS growth demonstrates delivery of shareholder value.
4. Expertise and creativity: Spending on research and development supports our technical expertise and ensures our NVH solutions remain competitive and relevant in the long term.

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



(One incident would represent 2.0 for FY18)

Comment

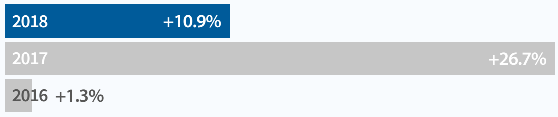
One incident at the start of the year that resulted in lost time (being more than one day away from work as a result of an incident at work). No individual required admission to hospital and there were no permanent injuries sustained.
The business has had no lost time incidents in the 15 months since October 2017.

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



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

Comment

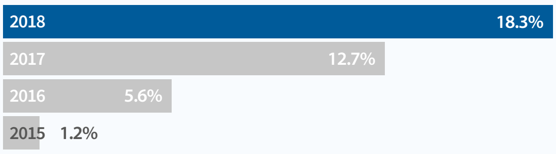
Orders and revenues grew steadily for the Group overall, but most strongly in Germany. FY18's growth was lower with a reduction in anticipated UK volumes on existing vehicle platforms and high volume vehicles approaching end of life. Non-automotive revenue increase of 53% represents 3% of all growth in the year.

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

KPI definition

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

Performance



(Target: over 10%)

Comment

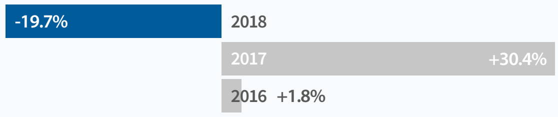
Significant growth in Germany with a major European OEM a key contributor. In addition, new contracts with major Tier 1 suppliers have, and will continue to deliver, growth for the Group.
All non-automotive sales are new to the Group in the last three years and represent 7.4% of sales in FY18. Neptune external roll sales represented 0.5% in the year.

Gross profit change (£)

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



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

Comment

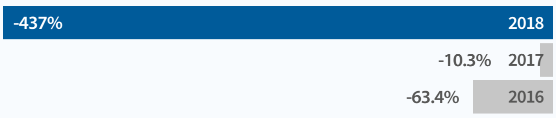
Gross profit was impacted by operational inefficiencies arising on fluctuating demand levels, but also price pressures in the UK automotive markets.

EPS change (%)

KPI definition

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

Performance



(Target: CAGR 15% over 5 years)

Comment

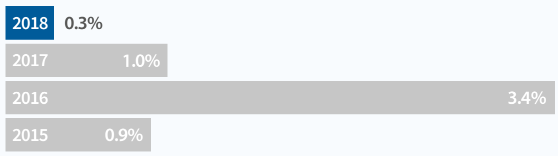
A reflection of the reduction in Gross Profit in the year and resultant loss. Unchanged weighted average shares in issue between FY18 & FY17. FY17 increased by 7.58m from FY16 as a result of new shares issued in relation to the Group's IPO.

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

KPI definition

Measures the level of expensed research and development in the year to the consolidated Group revenue.

Performance



(Target: Over 1%)

Comment

Spending on R&D continued, but with continued success most costs required capitalisation. Underlying R&D spend is c.1% before capitalisation. Capitalised R&D in FY18 was £0.2m (FY17: £0.3m, FY16: £0.2m).
R&D team utilised in new customer and new product development in the year in support of the Group's overall strategic diversification.

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 established clear functional leadership within the Group and reinforced the Leadership Team as a focal point to align management effort in support of our strategic aims. The creation and deployment of our values will help create alignment at all levels around our strategic aims. Operational plans and key KPI's have been established for the Executive and Leadership Team that are cascaded through the organisation creating direct alignment of goals and to allow identification and correction of under-performance.
Dependence on key customer	More than half of the Group's revenues are from one key customer. Additionally, both European sites also have high concentration from single customers. Our relationship with these key customers, 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 similar relationships with other customers on a timely basis, or at all, our business could be materially adversely affected.	Within our specialist area of automotive NVH our target addressable market is significant. Our opportunity for diversification and market share gain with other European OEMs provides huge potential for growth. Management focus continues to be on the strength of customer relationships, and, for our key customers, multiple contact points are maintained. We have embedded the approach of Key Customer Account Plans which outline our strategic 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. Having achieved technical acceptance for Neptune with all strategic customers we are now targeting large Tier 1 suppliers where NVH is not a core competency in order to become the NVH specialist partner. We have ensured our sales structure, performance measurement and incentives are aligned and linked to achievement of diversification of our automotive customer base in the UK and Europe, both directly with OEMs and via their Tiers.
Dependence on automotive sector and market cycles	The vast majority of the Group's revenues are derived from the automotive sector. Changes in government policy, including tax regimes, environmental standards and incentives could reduce sector demand, whilst growth in alternative fuel and electrical vehicles can affect the quantity, materials and type of NVH required to meet new standards and address differences in vehicle acoustic and thermal challenges.	Our strategy remains to diversify and grow our business in terms of customers, geographies and applications, as well as leverage our vertical integration into materials to reduce reliance on aspects of the automotive sector. Our knowledge, materials and process capability are transferable to adjacent sectors and we have started to explore those sectors. Our dedicated R&D team continue to work on improving our processes, materials and applications to meet changing demands both within automotive and target growth sectors. We have demonstrated our ability to diversify with our new product offering in the acoustic flooring market in Europe which continues to achieve double digit growth. The transferable nature of our skills and materials was key to securing new revenues within the building and industrial applications market in the UK. Neptune, as a class leading material, has applications outside of the automotive sector and we continue to develop knowledge and approvals to facilitate commercial exploitation in non-automotive markets.

Risk	Description and potential impact	Mitigation
Working capital finance structure	Our working capital funding is partly provided by an invoice financing facility that, by its nature, can provide a variable level of availability. Should revenue be materially reduced due to a short-term adjustment in demand (such as an unplanned shutdown by one of our key customers) there would be an immediate reduction in the facility's headroom. This headroom reduction would likely be magnified by a significant increase in the level of inventory within the supply chain and unwind of trade payables on the lower demand.	Within our annual budgeting and in-year reforecasting process we have modelled the effect of certain contingencies and their effect on working capital. Working with our funders we have sought to introduce more fixed value working capital facilities, such as overdrafts, that are more suited to a period of variable market demand. Long term finance products are used for core debt items such as capital investments. Management have clear targets on working capital usage, and we share our expected short term demand levels with key suppliers to allow adjustments to be made to inbound materials.
Retention of key staff in business-critical roles	As an SME, the Group has certain roles that are critical to business performance and growth and a higher level of reliance on certain individuals. As the Automotive sector has undergone a period of sustained growth, especially within the UK, the availability of certain skills and experienced personnel has reduced.	We perform regular organisational management reviews to discuss key staff and development plans as well as ensuring that our reward and remuneration packages remain competitive. Investment in training and personal development has continued to ensure staff skills remain relevant and up to date and that individuals can be developed to support succession planning. This investment includes apprenticeships and support for recognised professional qualifications in support functions.
Dependence on relationship with IkSung	IkSung are the supplier of patented ingredients required for Neptune material as well as the licensor of intellectual property rights in relation to Neptune. Were this relationship to deteriorate or breakdown, this could have a significant adverse effect on our business.	We have identified and secured relationships with suppliers capable of providing alternative and dual sources for the non-patented materials within Neptune. Our licensing agreement conveys the right to source the proprietary fibre directly from the manufacturer in certain circumstances. Our R&DP plan specifically includes projects to improve existing materials and to explore new materials that would reduce this reliance.
Major failure of Neptune line	The Group's Neptune production line is the only such facility in Europe and a major breakdown could affect our ability to maintain continuity of supply and customer growth.	The Group maintains a critical spares package and has a number of technicians who have received specialised maintenance training to allow the Group to perform preventative maintenance and repairs. The investments made during the commissioning phase included automated process control and diagnostic systems that will allow for simpler identification and resolution of faults The Group also has an ongoing technical support agreement 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 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 research and product development plan is designed to improve our existing materials and to explore new materials and applications.

Risk	Description and potential impact	Mitigation
The impact of the EU Referendum (Brexit)	There remains significant uncertainty and concern on what form Brexit will take due to the relative lack of detail and clarity provided by Government. 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. One of the greatest risks we perceive is the ability of our customers to maintain uninterrupted production through any transition period. 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 Brexit may have on the UK economy and the long term future growth of the automotive sectors' production and supply chain activities in the UK, the Group's current largest segment.	Our manufacturing operations have capacity designed to serve local markets. We have invested in further capacity within Europe in the year to meet supply chain developments in mainland Europe. We have worked with supply chain partners in the year to establish safety stocks, secondary suppliers and in certain instances more localised supply. We continue to transfer manufacture of certain components to the territory in which they are sold, reducing risk on cross border trading and allowing for better utilisation of Group capacity. Whilst recognising the competitive market, the Group seeks to position itself as an employer of choice. As the final timing and terms of Brexit are confirmed, management will continue to assess potential risks and impacts of changes in the automotive supply chain to the Group's stakeholders and take appropriate steps to minimise their impact.
IT Systems and software	The Group relies on a range of systems and software infrastructures to receive, process and plan customer orders as well as manage its supply chain. These systems include an increasing amount of EDI links to customers which add complexity and increased risk around integrity of data. Loss or interruption of access to these could disrupt customer and production scheduling.	The Group continues to invest in its IT infrastructure and seeks to both improve operational functionality and also protect sensitive and proprietary data. During the year enhancements to the Group's ERP system were made to increase functionality and stability as well as adapt to the changing demands of customer EDI linkages. Critical business continuity and disaster recovery plans have been reviewed in conjunction with our external IT support providers and improvement plans developed.
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 financial position or results of operation, as shown in the Group's accounts going forward. 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 continues to seek, where possible, to buy materials and services in the functional currency of the procuring site so as to minimise transactional risk. Banking facilities are maintained in the functional currency of local operations wherever possible. For significant future capital projects the Board would consider a hedging strategy to give certainty at the time of order placement. Speculative transactions of any kind are prohibited. 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 6 March 2019 and signed by order of the Board by the Chairman.

Adam Attwood
Chairman
6 March 2019

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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

● Board Director
● Senior Management

Gareth Kaminski-Cook
Chief Executive Officer

Gareth joined Autins in October 2018 from Low & Bonar plc, the fully listed international performance materials group, where he was Group Director of Strategy, Sales and Marketing and Global Business Director, Interiors and Transportation (a global business supplying specialist materials to the Automotive and Flooring industries).

Gareth has 25 years' experience in market-leading industrial organisations across several business sectors, having worked previously for Saint Gobain, Rexam, BPB and Danaher. He has lived and worked in Asia, the US and Europe, and has a deep understanding of the manufacture and application of specialist acoustic and thermal materials across relevant industrial markets such as Automotive and Building Products. Gareth is a former Officer in the Corps of Royal Engineers and a Civil Engineering graduate from Birmingham University.

Dr Kathryn Beresford
Group R&D Manager

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 7 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.

Joshua Kimberling
Group Sales Director

Joshua has spent his career in the sales and 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.

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.

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.

Terry 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 chair's the Group's Audit Committee.

James Larner
Chief Financial Officer and Company Secretary

James spent a significant portion of his career operating in finance and operational roles within the Tata Steel Group with particular focus on cost and working capital management, including a two-year secondment as General Manager restructuring a steel processing facility, overseeing a factory relocation and the transfer of supply chains between Tata sites across the UK. He joined Caparo Mill Products as Finance Director which again required specific focus on cost and working capital before taking up the role as UK Finance Director at Autins. James is an Accounting and Finance graduate from Birmingham University who qualified as a chartered accountant with Ernst & Young in 2001. James joined the Group Board as Chief Financial Officer in January 2016.

Ian Griffiths
Non-Executive Director

Ian was appointed to the Board in April 2016 as a Non-Executive Director and is Chairman of the 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, was appointed Chairman of Trackwise Plc in July 2018 and was Chairman of Hydro International plc which he joined as a Non-Executive Director and Chairman-elect in October 2014.

Kevin Sheldon
UK Director of Operations

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).

Stefan Janzen
Group Applications Manager

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.

Adam Attwood
Non-Executive Chairman

Adam joined the Autins' Board in January 2016 as non-executive Chairman, having previously provided strategic guidance to the Board since 2013. He has over 20 years' experience of working with growth-focussed SMEs. Originally a corporate solicitor with Norton Rose Fulbright, he moved into quoted company advisory and European M&A with Charterhouse Bank. He then progressed to direct private equity investment with ISIS Equity Partners (now known as Livingbridge) focussing on investments in the Midlands region. Adam now has a portfolio of non-executive roles with manufacturing and branded businesses with increasing focus on international expansion. Adam chairs the Group's Nominations Committee.

The Board has, since the Group's admission to AIM, recognised the importance of applying sound governance principles in the successful running of the Group and has sought to apply, or work towards, the principles contained within the UK Corporate Governance Code (2016) where appropriate.

During the year, the Board, acknowledging the changes to governance requirements for AIM quoted companies and, with reference to the size and nature of the Company and composition of the Board, formally adopted the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code). The Group remains subject to the UK City Code on Takeovers and Mergers.

The Group's statement on Corporate Governance below should be read in conjunction with relevant sections of the Company Overview, Strategic Report and Governance sections of these Annual Reports and Accounts which are cross referred from these pages and the Group's website – www.autins.com.

QCA Principle 1: Establish a strategy and business model which promote long-term value for shareholders

An overview of the Group's business model is set out on pages 14 to 15 of this report, whilst the Group's strategy is described on pages 14 to 17.

The Chief Executive is responsible for the leadership and day-to-day management of the Group. This includes, in conjunction with the Leadership team (details of whom are on pages 26 and 27, formulating and recommending the Group's strategy for Board approval and then executing the approved strategy.

Our business model is designed 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.

QCA Principle 2: Seek to understand and meet shareholders needs and expectations

The Group seeks regular dialogue with both existing and potential new shareholders, ensuring our strategy, business model and performance are clearly understood as well as to understand the needs and expectations of shareholders.

The Chief Executive and Chief Financial Officer meet regularly with investors and analysts via investor roadshows and by hosting tours of our facilities in order to provide them with updates on the Group's business and obtain feedback regarding the market's expectations of the Group.

The Board invites communication from its private investors and encourages participation by them at the Annual General Meeting (AGM). All Board members present at the AGM are available to answer questions from shareholders. Notice of the AGM is in excess of 21 clear days and the business of the meeting is conducted with separate resolutions, voted on initially by a show of hands and with the result of the voting being clearly indicated. The results of the AGM are subsequently published on the Company's corporate website and are announced through a regulatory information service. The Board will also disclose any actions to be taken as a result of resolutions, for which, votes against have been received from at least 20 per cent of independent Shareholders.

The Group has not appointed a Senior Independent Director, but will consider annually whether one should be appointed.

QCA Principle 3: Take into account wider Stakeholder and Social responsibilities and their implications for long-term success

The Group is aware of its Corporate Social Responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. These include the Group's employees, customers, suppliers, shareholders and the wider community in which we operate.

The Group's operations and working methodologies take account of the obligation to balance the needs of all of these stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of the Group for the benefit of its members as a whole. The Group endeavours to take account of feedback received from stakeholders, making amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Group's longer-term strategy.

The Group takes due account of any impact that its activities may have on the environment and seeks to minimise this impact wherever possible. Through the various procedures and systems it operates, the Group ensures full compliance with Health, Safety and Environmental legislation relevant to its activities.

In November 2018 the Group launched Autins Values which are designed to influence and inform our response to stakeholder needs and the Group's responsibilities to them. As part of this process, the Board intends to launch an annual Group Employee Engagement Survey during FY19, to address where possible, any concerns raised and ensure the alignment of interests between the Group and that of our employees.

QCA Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board members are responsible for the Group's system of Internal Control and for reviewing its effectiveness, taking guidance from the Audit Committee. The systems 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.

There is an ongoing process, led by the Chief Financial Officer and supported by the Leadership Team, for identifying, evaluating and managing the Group's significant risks. The register of significant risk is typically reviewed by the Board twice per annum and informs the principal risks and uncertainties as stated on pages 22 to 24.

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

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

On a monthly basis, management accounts in support of the Executive Directors' commentary are reviewed by the Board in order to provide effective monitoring of financial and commercial performance. At the same time the Board considers other significant strategic, organisational and compliance issues to ensure that the Group's assets are safeguarded and financial information and accounting records can be relied upon. The Board formally monitors monthly progress against its key objectives for the year using a set of Primary and Secondary KPIs – these KPIs are cascaded via the Leadership Team throughout the organisation.

A summary of the principal risks and uncertainties facing the Group, as well as mitigating actions, are set out on pages 22 to 24 of this report.

QCA Principle 5: Maintain the Board as a well-functioning, balanced team led by the Chair

Role of the Board

The Company and Group are managed by a Board of Directors chaired by Adam Attwood. The Board is ultimately responsible for taking all major strategic decisions and also addressing any significant operational matters. The day to day decisions in support of deployment of the Group's stated strategy is delegated to the Executive Directors and the Leadership Team. In addition, the Board reviews the risk profile of the Group and ensures that adequate systems of internal control are in place. The Board conducts ongoing review of the management information systems to ensure that they are capable of allowing the Board to make informed decisions to properly discharge their duties.

Delegation of responsibilities

A formal schedule of matters reserved for the Board was adopted at the time of the Group's Initial Public Offering on 22 August 2016. This schedule was extensively reviewed and revised in 2018 and approved by the Board on 1 November 2018. Matters reserved for the Board will be reviewed at least annually.

Management's delegated authorities to commit were reviewed, revised and approved by the Board in January 2019.

Board composition

The Board currently consists of two Executive Directors, a Non Executive Chairman and two Independent Non Executive Directors. Both the Non Executive Directors are considered by the Board to be independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement in accordance with the QCA Code.

The Group has not yet appointed a Senior Independent Director, but will consider annually whether one should be appointed.

The Board considers that it has sufficient members to provide the appropriate balance of skills and experience to operate effectively and control the business. No individual Board member has unconstrained powers to make decisions.

Role of Chairman and Chief Executive

The role of Chairman and Chief Executive are separate, with their roles and responsibilities clearly defined. The Chairman's main responsibility is the leadership and management of the Board and its governance. He meets regularly and separately with the Chief Executive and the Non Executive Directors to discuss matters for the Board.

The Chief Executive is responsible for the leadership and day-to-day management of the Group. This includes, in conjunction with the Leadership Team (details of whom are on pages 26 and 27), formulating and recommending the Group's strategy for Board approval and then executing the approved strategy.

The Board convenes regularly with at least 10 scheduled meetings per year. These meetings include presentations by members of the Leadership Team (to provide the Board with additional insight into their area of expertise) as well as an annual strategy meeting. Additional meetings are held in person or via teleconference where it is considered necessary to respond to any urgent change in circumstance. Details of Directors' attendance at scheduled Board and Committee meetings during the year can be found on page 32 within the Director's report.

QCA Principle 6: Ensure that between them, the Directors have the necessary up-to-date experience, skills and capabilities

The Board considers that the skills, experience and knowledge of each Director are sufficient to give them the ability to constructively challenge strategy and decision making and scrutinise performance. Their biographical details are set out on the Group's website and within this Annual Report and Accounts on page 26 and 27.

The composition of the Board remains under constant review to ensure it remains appropriate to the managerial requirements of the Group. One third of the Directors are required, in accordance with the Company's Articles of Association, to retire annually in rotation. This enables the Shareholders to decide on the election of the Company's Board.

The Board are encouraged to attend relevant training and update events that maintain or enhance relevant skills and receive updates from the Quoted Companies Alliance, the Company Secretary and external advisers, where relevant, on Corporate Governance matters.

Directors have access to independent professional advice at the Company's expense. In addition, they have access to the advice and services of the Company Secretary who is responsible to the Board for advice on Corporate Governance matters.

QCA Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

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 relevant party's attention any areas for improvement.

The Board uses the QCA Board effectiveness review to review 12 key areas of Board effectiveness. Due to impending changes of Chief Executive the effectiveness review scheduled for July 2018 was postponed. The Board will next conduct an evaluation of its own performance in the second half of FY19.

The Board has considered whether an external facilitated review would be an appropriate investment of Group resources. The Board is satisfied that its operating culture is open and dynamic enough not to warrant such a review at this time. This approach will be reviewed on an annual basis.

The effectiveness of the Board and its Committees will be kept under review in accordance with Corporate Governance best practice and at a minimum on an annual basis.

QCA Principle 8: Promote a corporate culture that is based on ethical values and behaviours

As a growth Company, we recognise that it's our people that will underpin delivery of our business model. We therefore strive to recruit, retain, engage and develop our staff in response to ever changing customer demands.

During the year, the Leadership Team, working under delegated authority of the Board conducted behavioural training workshops on Autins' culture and values in order to establish a framework which all employees could support.

These Autins Values were launched in November 2018 and are reproduced within the Chairman and Chief Executive's report on page [•]. These values will underpin the high-performance culture that is essential to delivery of our strategy.

Our culture will be built on these Autins values and they inform the expected behaviours that will be an integral part of our induction, appraisal and performance management and remuneration processes. We have already established a twice yearly Leadership Organisational Management Review which allows for peer to peer review of critical business challenges, staff performance and reward.

The Board actively promotes a positive Health and Safety culture within the business and ensures that this is reflected in all of our policies and procedures, as well as in our approach to the training and development of the people involved in our operations. Health and Safety is a standing agenda item at all Board and Leadership meetings. The Group's Health & Safety Manager has direct access to the Executive Directors should he wish to raise any urgent concerns and reports ultimately to the Chief Executive.

The Group's policies and procedures are regularly reviewed, updated and communicated to all staff via our Employee Engagement App which is available to both permanent and temporary contract employees. The App is also the Group's portal for Anti-Bribery, Corruption and Whistle-blowing policy. Any concerns raised are passed to the Chairman of the Audit Committee for independent review.

The Group maintains a share dealing code that is applicable to all staff and available for review on the Employment Engagement App. All staff are subject to a closed period from the last day of each full or half year until 48 hours after the results for that period have been published.

QCA Principle 9: Maintain Governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board has, since admission to the AIM market, maintained separate Audit, Nomination and Remuneration Committees to oversee and consider issues of policy outside main Board meetings.

Audit Committee

The Audit Committee comprises the three Non-executive Directors under the chairmanship of Terry Garthwaite.

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 two independent 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.

In carrying out these duties the Committee shall ensure the appropriateness, relevance and market practice in respect of such remuneration policy.

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.

Whilst the Committee has ultimate responsibility for reviewing the structure, size and composition of the Board and recommending any changes required, in practice the Board as a whole considers any recommendations for appointments.

Interaction with the Board and governance

During the year, the Chair of these committees provided the Board with a summary of key issues considered at the Committee meetings.

Board committees are authorised to engage the services of external advisers as they deem necessary in the furtherance of their duties at the Company's expense.

All Board committees have written Terms of Reference setting out its duties, authority, reporting responsibilities and minimum meeting frequency.

Details regarding the frequency and attendance of meetings for these committees are contained in the Director's Report.

QCA Principle 10: Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Communications with shareholders are via the Annual Report and Accounts, full-year and half-year announcements and associated presentations, periodic market announcements and trading updates (as appropriate), the AGM, one-to-one meetings and Investor road shows.

The Investors section of the Group's website is updated regularly. All Reports and Investor presentations since the Group's Initial Public Offering, together with its Admission Document, Committee Terms of Reference, Certificate of Incorporation and Articles of Association are available for download within this section.

This governance statement was last reviewed and updated on 25 February 2019.

Adam Attwood
Chairman
6 March 2019

The Directors present their report and the audited financial statements for the Group for the year ended 30 September 2018 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 27 which is incorporated into this report by reference. The Directors statement on Corporate Governance is set out on pages 28 to 31. This report should be read in conjunction with information concerning Directors' Remuneration and employee share schemes in notes 7 and 24 to the financial statements, and which is incorporated by way of cross-reference into the Directors' Report.

The principal activities of the Group is the supply of Noise Vibration and Harshness (NVH) insulating materials primarily 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 40 and 41. Following the year-end, the Directors assessed the appropriateness of the Group declaring a final dividend and concluded that no dividend would be appropriate.

Dividend Policy

The Board has taken the decision to suspend dividend payments in the short term to protect reserves during a period of general market uncertainty.

The Board will look to reinstate its progressive dividend policy as market conditions stabilise and the trading performance of the Group improves taking into account expected future capital requirements, growth opportunities available to the Group, net earnings, and gearing levels.

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;
- Ian Griffiths;
- Michael Jennings (resigned 31 August 2018);
- Gareth Kaminski-Cook (appointed 1 October 2018); and
- James Larner

Corporate governance

The Directors' statement regarding Corporate Governance can be found on pages 28 and 31. The Company is a member of the Quoted Company Alliance (QCA) and as such adopted the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code) in the year and continue to use 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 pages 26 and 27.

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 operated throughout the year. Their roles and membership are stated on page 31 as part of the Corporate Governance statement.

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	12	12	3	3	1	1	1	1
Terry Garthwaite	12	12	3	3	1	1	1	1
Ian Griffiths	12	12	3	3	1	1	1	1
Gareth Kaminski-Cook (appointed 2/10/18)	–*	–	n/a	n/a	n/a	n/a	n/a	n/a
Michael Jennings (resigned 31/8/18)	11*	11	n/a	n/a	n/a	n/a	n/a	n/a
James Larner	12	12	n/a	n/a	n/a	n/a	n/a	n/a

* 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.

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 restructuring, ixBrl tagging, 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, Adam Attwood will offer himself 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 2018 were as follows:

	2p ordinary shares at 30 September 2018	% of issued ordinary share capital	2p ordinary shares at 1 October 2017	% of issued ordinary share capital
Adam Attwood	455,428	2.06	455,428	2.06
Ian Griffiths	14,311	0.06	14,311	0.06
Terry Garthwaite	15,000	0.07	Nil	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 on page 66 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 28 February 2019	% voting rights as at 28 February 2019	Number of voting rights as at 30 September 2018	% voting rights as at 30 September 2018
Schroders	5,148,827	23.30%	5,160,367	23.35%
Miton Group plc	4,176,361	18.90%	3,496,361	15.82%
James (Jim) Griffin	1,043,838	4.73%	2,150,238	9.73%
Cavendish Asset Management	1,846,003	8.35%	1,746,003	7.90%
Karen Holdback	1,275,000	5.77%	1,275,000	5.77%
Kevin Westwood	1,275,000	5.77%	1,275,000	5.77%
Ruffer LLP	1,025,000	4.64%	1,025,000	4.64%
Unicorn Asset Management	950,000	4.30%	950,000	4.30%
Toscafund	870,300	3.94%	790,367	3.58%
Close Asset Management	–	–	770,253	3.49%

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 page 55 to 57 of the financial statements.

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.

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 standard exists 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 Chief Executive, with support from a full time Environmental, Health and Safety professional, has overall accountability for health and safety across the organisation.

Research & Development

Having invested in testing equipment and facilities in FY17 the Group has continued to commit operational expense into research and development activities. The Leadership Team developed and implemented a three horizon Research and Product Development ('R&PD') plan in FY17 designed to improve materials and processes within the Group and support development of customer solutions through the entire vehicle life cycle. This plan was maintained through FY18 with certain horizon one projects completed and follow on programmes agreed. The R&PD plan is reviewed at least twice per annum to ensure its focus continues to address customer and market problems.

Charitable and political donations in the year

The Company did not make any political donations during the year.

A donation of £5,000 (FY17: £5,000) was made to Eastwood Volunteer Bureau's (Registered Charity No: 1091495) befriending service in the year. The Group matched funds raised by staff and donated £410 to Macmillan Cancer Research. Staff time and resources were also provided to WMG Academy, a school specialising in engineering education, and Rugby Free School, a primary school near our UK Head Office.

Going concern

The Group'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 24. The Group's financial position and its cash flows are outlined in the Financial Review on pages 18 to 20.

Forecasts, supported by management's detailed budgets and taking account of the cost reduction exercise completed in Q1 of FY19, have been prepared for a period to September 2020 including what the Board consider to be reasonably foreseeable contingencies, risks and opportunities. These forecasts were used as the basis for confirming future funding requirements.

After the year-end the Group's primary bankers, HSBC, agreed to the Group's request to make an increased proportion of our existing funding limits available as working capital facilities in the form of overdraft facility which will be due for review in February 2020. The Board believe that this form of funding, being fixed value in nature, is more suited to the current period of variable automotive market demand. Our existing invoice discounting facility of up to £6m is unaffected by this change. The banking facilities remain free of covenants.

Based on the detailed forecasts the Directors, after making due and diligent enquiries and having regard to the foreseeable risks and uncertainties, have a reasonable expectation that the Group and the Company will have sufficient funding to meet its expected requirements over the short and medium term, concluding that it remains appropriate for the Group to prepare the financial statements on a Going Concern basis.

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 Director's who were in office on the date of approval of the Directors' Report have confirmed that, so far as they are aware, that 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 he ought to have taken as a Director to make himself 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 4pm on 29 March 2019 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 6 March 2019.

Signed on behalf of the Board.

James Larner
Company Secretary
6 March 2019

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

Company number: 8958960

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 2018 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in 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 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with 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 and the parent company in accordance with the ethical requirements that are relevant to our audit of 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 judgement, 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	How we addressed the matter in our audit
Accounting for the costs of establishing and the depreciation of the Neptune production facility (Solar Nonwovens) Refer to the Accounting Policies and Notes 5 and 11. During the year the group completed the commissioning of the Neptune production facility in the UK. Whilst there were limited production runs and product sales prior to July 2018, the production line was still undergoing testing and enhancements to achieve the line speed and quality requirements to enable it to satisfy the criteria such that full operational status was not considered to have been achieved up until the end of June 2018. Depreciation commenced in July 2018, using a 'units of production method' based on the total expected production capacity the facility will deliver over its estimated useful economic life. The areas of judgement, the quantum 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 those attributable to the asset and revenue expenses → The assessment of the production capacity of the facility over its useful life which are then applied to calculate the depreciation charge → Determination of when the facility was capable of operating as intended by management and therefore the commencement of depreciation → The evidence supporting the carrying value of the facility given the continued losses being incurred at the Neptune facility.	We reviewed the accounting policies adopted and considered their compliance with Accounting Standards. We tested a sample of the costs capitalised for the commissioning of the production facility to assess compliance with the accounting policy. The costs included 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. We inspected the technical analysis, based on the specifications provided by the equipment supplier, updated to reflect recent internal engineering experience and compared this with management's budgets and forecasts in order to validate the assumptions used in establishing the units of production policy. We also tested its application in the year, having regard to information provided by management relating to the date the facility was considered fully operational. We reviewed and challenged management's key assumptions used in the value in use model to support the carrying value of the asset at 30 September 2018. This included an assessment of the sales volumes which are expected to be achieved though the facility in the future, with reference to a combination of potential markets, committed production schedules, product listings with customers and current enquiries. In addition, we reviewed the appropriateness of other assumptions including expected costs, working capital requirements and the discount rate.
Going concern As disclosed in Note 1, the financial review on page 20, and the principal risks and uncertainties on page 22 the financial statements have been prepared on a going concern basis. As the Group announced to the market in late 2018, the well-publicised concerns surrounding the temporary factory shutdowns, reduction of manufacturing volumes in the UK and uncertainties surrounding the long term future plans of the group's major customer, have resulted in the losses reported in the year and required the Group to take action to reduce costs and focus on improving efficiencies subsequently. The ability to implement the necessary cost reduction and efficiency plans and achieve the forecast future customer volumes, together with securing sufficient funding to provide the facilities to support these plans was a key area of focus during our audit and accordingly this area is considered to be a key audit matter.	We critically assessed management's trading and cash flow budgets and forecasts covering the period to 30 September 2020. This included testing the key underlying estimates and judgements and, in doing so, we specifically considered key trading and cash flow assumptions and the evidence supporting the available facilities and calculation of the available headroom. We reviewed the various scenarios and sensitivities performed by management in respect of the key assumptions underpinning the forecasts and challenged the sensitivities to ensure they reflected all reasonably foreseeable circumstances. Whilst acknowledging that no audit should be expected to predict the unknowable factors or all possible future implications for a business and this is particularly the case in relation to Brexit, we have discussed the Group's assessment of its impact as part of our consideration of the trading and cash flow budgets and forecasts. We also verified the updated facilities provided by the Group's primary banker which are consistent with the amounts included in the budgets and forecasts used by management to form their conclusions on going concern.

Matter	How we addressed the matter in our audit
Recoverability of trade receivables The accounting policy and details of the estimation uncertainty are disclosed in Note 1 and Note 2 respectively. Details of trade receivables and impairment provisions are included in Note 15. There was a deterioration in the age of the trade receivables due from the Group's major customer over the course of the financial year, leading to a high proportion of overdue balances at the year end. Due to the quantum and uncertainty involved with the recoverability of these receivables this was considered to be a key audit matter.	We evaluated and tested management's assessment of the recoverability of unpaid amounts due from the Group's major customer. This included inspecting the results of detailed investigations undertaken by management and their correspondence and discussions with the customer. We tested cash received since the year end as well as reviewing credit notes issued to identify any evidence suggesting that the receivables were overstated at the year end. We critically assessed the appropriateness of the impairment and credit note provision at the year end, which necessarily included assumptions around the future resolution of amounts which still remain to be agreed.

Our application of materiality

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

Materiality

Materiality is assessed against 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. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality provides a basis for determining the nature and extent of our audit procedures.

	Group materiality	Basis for materiality
FY 2018	£295,000	Materiality based on 1% of group turnover.
FY 2017	£300,000	Materiality based on 1.25% group turnover.

At this stage of the Group's development, we concluded that turnover was a more relevant measure than the losses in the year.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality for the Group was set at £221,000 (2017: £225,000) which represents 75% (2017 – 75%) of the above materiality levels.

Materiality in respect of the audit of the parent company was set at £285,000 (2017: £290,000) using a benchmark based on net assets in both 2018 and 2017, capped by reference to Group materiality.

Reporting threshold

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £15,000 (2017: £15,000), which was set at 5% of materiality, as well as differences below these thresholds that, in our view warranted reporting on qualitative grounds.

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 two dormant entities. The Group engagement team carried out audits of the complete financial information of Autins Limited (formerly Automotive Insulations Limited), Solar Nonwovens 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.

Our audit work on each subsidiary audit was executed at levels of materiality applicable to the individual entity which were lower than Group materiality. Financial statement materiality applied to the audited subsidiaries of the Group was in the range of £180,000 to £270,000.

The work over the significant components above gave us coverage of 85% 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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 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 in greater detail in the directors' responsibilities statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

Andrew Mair (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Birmingham, United Kingdom
6 March 2019

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 2018

	Note	2018 £000	2017 £000
Revenue	4	**29,243**	26,357
Cost of sales		**(21,996)**	(17,327)
Gross profit		**7,247**	9,030
Other operating income	5	**39**	121
Distribution expenses		**(846)**	(871)
Administrative expenses excluding exceptional costs and amortisation		**(7,804)**	(7,384)
Exceptional IPO related administrative expenses	5	**–**	(92)
Amortisation of acquired intangible assets	5	**(237)**	(237)
Other exceptional operating costs	5	**(234)**	(458)
Total administrative expenses		**(8,275)**	(8,171)
Operating (loss)/profit	5	**(1,835)**	109
Finance expense	8	**(118)**	(92)
Share of post-tax profit of equity accounted joint ventures	13	**219**	190
(Loss)/profit before tax		**(1,734)**	207
Tax credit	9	**376**	196
(Loss)/profit after tax for the year		**(1,358)**	403
Earnings per share for (loss)/profit attributable to the owners of the parent during the year			
Basic (pence)	10	**(6.14)p**	1.82p
Diluted (pence)	10	**(6.14)p**	1.82p

All amounts relate to continuing operations.

The notes on pages 48 to 68 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 £000	2017 £000
(Loss)/profit after tax for the year	**(1,358)**	403
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences on foreign operations	**(27)**	(15)
Total comprehensive (expense)/income for the year	**(1,385)**	388

The notes on pages 48 to 68 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018
REGISTERED NUMBER: 08958960

	Note	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	11	**11,282**	10,869
Intangible assets	12	**3,767**	3,837
Investments in equity-accounted joint ventures	13	**204**	243
Deferred tax asset	18	**371**	159
Total non-current assets		**15,624**	15,108
Current assets			
Inventories	14	**2,553**	1,967
Trade and other receivables	15	**6,763**	7,378
Cash and cash equivalents		**91**	1,625
Total current assets		**9,407**	10,970
Total assets		**25,031**	26,078
Current liabilities			
Trade and other payables	16	**5,910**	5,851
Loans and borrowings	17	**3,713**	2,947
Total current liabilities		**9,623**	8,798
Non-current liabilities			
Trade and other payables	16	**115**	123
Loans and borrowings	17	**602**	718
Deferred tax liability	18	**379**	496
Total non-current liabilities		**1,096**	1,337
Total liabilities		**10,719**	10,135
Net assets		**14,312**	15,943
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	**(130)**	(103)
Profit and loss account	21	**(824)**	780
Total equity		**14,312**	15,943

The notes on pages 48 to 68 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 6 March 2019.

James Larner
Chief Financial Officer

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018
REGISTERED NUMBER: 08958960

	Note	2018 £000	2017 £000
Non-current assets			
Intangible assets	12	**57**	54
Investments	13	**16,239**	16,239
Total non-current assets		**16,296**	16,293
Current assets			
Trade and other receivables	15	**7,171**	8,044
Cash and cash equivalents		**1**	77
Total current assets		**7,172**	8,121
Total assets		**23,468**	24,414
Current liabilities			
Trade and other payables	16	**8,130**	8,362
Total current liabilities		**8,130**	8,362
Non-current liabilities			
Deferred tax liability	18	**36**	29
Total non-current liabilities		**36**	29
Total liabilities		**8,166**	8,391
Net assets		**15,302**	16,023
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	**36**	757
Total equity		**15,302**	16,023

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 loss for the parent Company for the year was £475,000 (2017: profit of £296,000).

The notes on pages 48 to 68 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 6 March 2019.

James Larner
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Share capital £000	Share premium account £000	Other reserves £000	Cumulative currency differences reserve £000	Profit and loss account £000	Total equity £000
At 30 September 2017	**442**	**12,938**	**1,886**	**(103)**	**780**	**15,943**
Comprehensive expense for the year						
Loss for the year	–	–	–	–	(1,358)	(1,358)
Other comprehensive expense	–	–	–	(27)	–	(27)
Total comprehensive expense for the year	–	–	–	(27)	(1,358)	(1,385)
Contributions by and distributions to owners						
Share based payment	–	–	–	–	19	19
Dividends	–	–	–	–	(265)	(265)
Total contributions by and distributions to owners	–	–	–	–	(246)	(246)
At 30 September 2018	**442**	**12,938**	**1,886**	**(130)**	**(824)**	**14,312**

	Share capital £000	Share premium account £000	Other reserves £000	Cumulative currency differences reserve £000	Retained earnings £000	Total equity £000
At 30 September 2016	442	12,938	1,886	(88)	539	15,717
Comprehensive income for the year						
Profit for the year	–	–	–	–	403	403
Other comprehensive expense	–	–	–	(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

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 2018

	Share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
At 30 September 2016	442	12,938	1,886	623	15,889
Comprehensive income for the year					
Profit for the year and total comprehensive income	–	–	–	296	296
Total comprehensive income for the year	–	–	–	296	296
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**	**757**	**16,023**
Comprehensive expense for the year					
Loss for the year and total comprehensive expense	**–**	**–**	**–**	**(475)**	**(475)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(475)**	**(475)**
Contributions by and distributions to owners					
Share based payment	**–**	**–**	**–**	**19**	**19**
Dividends	**–**	**–**	**–**	**(265)**	**(265)**
Total contributions by and distributions to owners	**–**	**–**	**–**	**(246)**	**(246)**
At 30 September 2018	**442**	**12,938**	**1,886**	**36**	**15,302**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 £000	2017 £000
Operating activities		
(Loss)/profit after tax	**(1,358)**	403
Adjustments for:		
Income tax (note 9)	**(376)**	(196)
Finance expense (note 8)	**118**	92
Employee share based payment charge	**19**	15
Depreciation of property, plant and equipment (note 5)	**649**	528
Amortisation of intangible assets (note 5)	**264**	237
Loss on sale of fixed assets (note 5)	**–**	38
Share of post-tax profit of equity accounted joint ventures	**(219)**	(190)
	(903)	927
Decrease/(increase) in trade and other receivables	**479**	(2,357)
Increase in inventories	**(586)**	(402)
Increase in trade and other payables	**53**	930
	(54)	(1,829)
Cash used in operations	**(957)**	(902)
Income taxes received/(paid)	**182**	(92)
Net cash flows from operating activities	**(775)**	(994)
Investing activities		
Purchase of property, plant and equipment	**(890)**	(3,903)
Purchase of intangible assets	**(221)**	(363)
Dividend received from equity-accounted for joint venture	**258**	153
Net cash used in investing activities	**(853)**	(4,113)
Financing activities		
Interest paid	**(118)**	(81)
Loan notes repaid	**–**	(1,175)
Bank loans repaid	**(165)**	(219)
Finance lease advances	**355**	–
Hire purchase and finance leases repaid	**(472)**	(400)
Increase in invoice discounting	**781**	2,199
Bank loans drawn	**–**	105
Dividends paid	**(265)**	(177)
Net cash from financing activities	**116**	252
Net decrease in cash and cash equivalents	**(1,512)**	(4,855)
Cash and cash equivalents at beginning of year	**1,445**	6,300
Cash and cash equivalents at end of year	**(67)**	1,445
Cash and cash equivalents comprise:		
Cash balances	**91**	1,625
Bank overdrafts	**(158)**	(180)
	(67)	1,445

Non cash transactions
The Group acquired plant and equipment at a cost of £528,000 (2017: £nil) under hire purchase agreements and at 30 September 2016 there was a capital accrual of £1,410,000 paid and included in the cash flow for the year ended 30 September 2017. These transactions have been shown net in the consolidated statement of cash flows.

Reconciliation of movements in cash/financing liabilities

Year ended 30 September 2018	Opening £000	Cash flows £000	Non-cash movements £000	Closing £000
Cash balances	**1,625**	**(1,534)**	**–**	**91**
Bank overdrafts	**(180)**	**22**	**–**	**(158)**
Cash and cash equivalents	**1,445**	**(1,512)**	**–**	**(67)**
Invoice discounting	**(2,199)**	**(781)**	**–**	**(2,980)**
Bank loans	**(405)**	**165**	**–**	**(240)**
Hire purchase liabilities	**(881)**	**472**	**(528)**	**(937)**
Financing	**(3,485)**	**(144)**	**(528)**	**(4,157)**
	(2,040)	**(1,656)**	**(528)**	**(4,224)**

Year ended 30 September 2017	Opening £000	Cash flows £000	Non-cash movements £000	Closing £000
Cash balances	6,449	(4,824)	–	1,625
Bank overdrafts	(149)	(31)	–	(180)
Cash and cash equivalents	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)	–
Financing	(2,964)	(510)	(11)	(3,485)
	3,336	(5,365)	(11)	(2,040)

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

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.

Going concern basis

The Group'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 24. The Group's financial position and its cash flows are outlined in the Financial Review on pages 18 to 20.

Forecasts, supported by management's detailed budgets and taking account of the cost reduction exercise completed in Q1 of FY19, have been prepared for a period to September 2020 including what the Board consider to be reasonably foreseeable contingencies, risks and opportunities. These forecasts were used as the basis for confirming future funding requirements.

After the year-end the Group's primary bankers, HSBC, agreed to the Group's request to make an increased proportion of our existing funding limits available as working capital facilities in the form of overdraft facility which will be due for review in February 2020. The Board believe that this form of funding, being fixed value in nature, is more suited to the current period of variable automotive market demand. Our existing invoice discounting facility of up to £6m is unaffected by this change. The banking facilities remain free of covenants.

Based on the detailed forecasts the Directors, after making due and diligent enquiries and having regard to the foreseeable risks and uncertainties, have a reasonable expectation that the Group and the Company will have sufficient funding to meet its expected requirements over the short and medium term, concluding that it remains appropriate for the Group to prepare the financial statements on a Going Concern basis.

Basis of preparation

The parent company financial statements have been prepared under applicable United Kingdom Accounting Standards (FRS101) in order to apply IFRS accounting standards. The following FRS 101 disclosure exemptions have been taken in respect of the parent company information:

- IAS 7 Statement of cash flows;
- IFRS 7 Financial instruments disclosures;
- 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 International Financial Reporting Standards ("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 2017 which impacted on the financial statements.

New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments 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 revisited its initial review conducted in FY17 to assess the impact of IFRS15. The Board's view remains that there will be limited impact on the recognition or reporting of the Group's components revenue (including the non-automotive elements).

The Board considers there to be a single performance criteria (in relation to the transfer of control to the buyer, which is usually when the goods have been accepted by the customer) and that recognition under the new standard would align to the Group's current accounting policy which recognises revenue on delivery (or collection).

Having further considered the nature and performance criteria contained within most tooling orders the Board is satisfied that for existing customer relationships there will be no change to the timing of recognition of tooling sales. The Group would therefore continue to recognise income based on the timing of pre-production assessment and sign off by the relevant engineer (whether internal or third party).

Having established that the impact is likely to be immaterial, the Group intend to adopt the cumulative effect method as at the date of initial application and will make any adjustments through opening equity.

The Board do not anticipate the use of any practical expedients in adopting IFRS15

IFRS 9 Financial Instruments

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and liabilities and replaces guidance in IAS39 relating to the subsequent classification and measurement of financial instruments.

The standard, which will require new judgements concerning asset classifications and the approach to determining credit losses, 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 ending 30 September 2019.

IFRS 9 retains the initial fair value measurement model from IAS39 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).

The basis of classification depends on the entity's business model and the contractual cashflow 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 reviewed its initial assessment of the likely impact of the standard and continues to believe that 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, whilst the Group has some overdue debt in the current year, the experienced levels of credit loss remain low and the customer base to which credit is extended continues to be automotive OEM's and large Tier 1 automotive suppliers which would give a limited expected credit loss effect.

Materially all of the Group's trade receivables do not contain a significant financing component. Management are therefore likely to adopt the simplified approach, applying the practical expedient to short term trade receivables, applying a provision matrix to estimate expected credit loss ('ECL').

The parent company has also considered the impact of the introduction of an expected credit loss model on the valuation of amounts due from Group undertakings and concluded that no material adjustments will arise.

On transition, the Group will apply the new standard retrospectively from the date of initial adoption, applying the low credit risk simplification practical expedient to trade receivables and to inter-group balances.

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 and the Board's intention to apply the modified retrospective approach and certain practical expedients, it is estimated that an asset and corresponding liability of £5.8m would be accounted for as at 30 September 2019.

The income statement will also be impacted, with the 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 will result in an increased initial overall charge to the income statement estimated at £0.2m and an increase in EBITDA of £1.2 million for the year ended 30 September 2020 which will reverse over the period of the leases.

IFRIC 23 Uncertainty over income tax positions

IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments. The Group does not expect this, or any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

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.

1. Accounting policies continued

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 components (including flooring and Neptune products) 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 of the acquisitions are expensed 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. 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 investments.

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 accrues.

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:

Plant and machinery	–	5-20 years straight line or units of production (see below)
Leasehold improvements	–	Period of the lease
Fixtures and fittings	–	3-15 years straight line

Depreciation of the Group's Neptune production line has been provided based on a fixed unit of production method since the commencement of commercial production.

The unit of production has been calculated based on the original equipment manufacturer's warranted minimum annual capacity, adjusted for management's recent experience, and managements assessment of expected life. Any re-assessment of this lifetime capacity will affect the depreciation charge prospectively.

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 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 in the statement of financial position as an other creditor within liabilities.

1. Accounting policies continued

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 full recourse after 120 days. On the basis that the benefits and risks attaching to the debts remain 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 under the facility 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.

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 and other receivables 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 due 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 entered into.

Other financial liabilities comprise:

- Trade payables, amounts owed to equity accounted joint ventures, accruals, other creditors and invoice discounting are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.
- Bank loans, invoice discounting 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.

1. Accounting policies continued

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profits 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 Automotive Noise, Vibration and Harshness (NVH). Revenue and profit before tax primarily arises from the principal activity 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 (Note 11)

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.

Estimate

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 key areas of estimation uncertainty regarding depreciation is the use of the unit of production calculation for the Neptune assets and the determination of the lifetime capacity; risk of obsolescence from technological and regulatory changes; and required future capital expenditure (refurbishment or replacement of key components). The lifetime capacity has initially been assessed using an assumed 2.7 million linear metres production per annum (based on a weighted average of the original equipment manufacturer's warranted minimum annual production capacity for each of three primary material grades produced) and fifteen years use at full line speed when refurbishment and replacement of key components would be considered likely.

As the asset was only depreciated in the final quarter, depreciation under any reasonable basis would not be materially different to that charged in the year. Management will continue to monitor the position for future periods.

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 are based upon future cash flow forecasts and these forecasts 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 (Note 12)

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 factors that are inherently judgemental. Future events could cause the assumptions to change which could have an adverse effect on the carrying value of these intangible assets.

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.

Trade receivables (Note 15)

Judgement

Trade receivables are initially recognised at invoiced value. Where specific amounts remain outstanding beyond their agreed settlement date management, having reviewed all commercial documentation, proof of delivery and credit risk of the customer, applying judgement as to the likelihood of the future settlement.

This judgement will be influenced by the passage of time and previous experience of collection of past due invoices with that customer and the Group's customer base in general.

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 and overdrafts
- Fixed rate hire purchase agreements
- Floating rate invoice discounting

Group financial instruments by category

Financial assets

	Loans and receivables	
	2018 £000	2017 £000
Cash and cash equivalents	**91**	1,625
Trade and other receivables	**6,219**	6,435
Total financial assets	**6,310**	8,060

Financial liabilities

	Financial liabilities at amortised cost	
	2018 £000	2017 £000
Trade and other payables	**5,427**	5,278
Loans and borrowings	**4,315**	3,665
Total financial liabilities	**9,742**	8,943

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 2018 the Group has trade receivables of £6,020,000 (2017: £6,366,000).

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. Having assessed the recoverability of past due invoices, including consideration of time elapsed and associated commercial documents, the directors have made provision of £218,000 for doubtful debts at 30 September 2018.

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

3. Financial instruments – risk management continued

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 invoice discounting facility at 30 September 2018 of up to £6m subject to eligible receivables (2017: £6m discounting facility) and up to £4.0m for asset finance (2017: £4.0m).

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

At 30 September 2018	Up to 1 year £000	1 to 2 years £000	2 to 5 years £000
Overdrafts	158	–	–
Trade and other payables	5,427	–	–
Bank loans	147	93	–
Hire purchase and finance leases	493	236	316
Invoice discounting	2,980	–	–
Total	**9,205**	**329**	**316**

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 and finance leases	452	388	163
Invoice discounting	2,199	–	–
Total	8,283	529	253

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.

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.

	2018 £000	2017 £000
Invoice discounting	2,980	2,199
Asset backed bank loans	240	405
Total floating rate debt	3,220	2,604

Borrowings under asset finance/hire purchase arrangements are at a fixed interest rate over their term.

The interest rates applicable to the fixed rate borrowings are equivalent to current market rates and therefore there is no material difference between their carrying value and fair value.

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 is now financed by a mixture of equity and 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.

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.

All working capital requirements are financed from existing cash, overdrafts 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

	2018 £000	2017 £000
Revenue arises from:		
Sales of components	**28,322**	24,844
Sales of tooling	**921**	1,513
	29,243	26,357

Segmental information

The Group currently has one main reportable segment in each year, namely Automotive (NVH) which involves provision of insulation materials to reduce noise, vibration and harshness to automotive manufacturing. Turnover and operating profit are disclosed for other segments in aggregate, mainly flooring sales, 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 office equipment products, are included within the others segment. Neither element is considered significant.

Segmental analysis for the year ended 30 September 2018

	Automotive NVH £000	Others £000	2018 Total £000
Group's revenue per consolidated statement of comprehensive income	**27,057**	**2,186**	**29,243**
Depreciation	**649**	**–**	**649**
Amortisation	**264**	**–**	**264**
Segment operating (loss)/profit	**(1,944)**	**109**	**(1,835)**
Finance expense			**(118)**
Share of post-tax profit of equity accounted joint ventures			**219**
Group loss before tax			**(1,734)**
Additions to non-current assets	**1,704**	**–**	**1,704**
Reportable segment assets	**24,827**	**–**	**24,827**
Investment in joint ventures	**204**	**–**	**204**
Reportable segment assets/total Group assets	**25,031**	**–**	**25,031**
Reportable segment liabilities/total Group liabilities	**10,719**	**–**	**10,719**

4. Revenue and segmental information continued

Segmental analysis for the year ended 30 September 2017

	Automotive NVH £000	Others £000	2017 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

Revenues from one customer in 2018 total £17,182,000 (2017: £16,960,000). This major customer purchases goods from Automotive Insulations Limited in the United Kingdom and there are no other customers which account for more than 10% of total revenue.

External revenues by location of customers

	2018 £000	2017 £000
United Kingdom	**24,171**	23,044
Sweden	**1,111**	1,002
Germany	**3,932**	2,260
Rest of the World	**29**	51
	29,243	26,357

The only material non-current assets in any location outside of the United Kingdom are £1,035,000 (2017: £1,157,000) of fixed assets and £596,000 (2017: £629,000) of goodwill in respect of the Swedish subsidiary.

5. (Loss)/Profit from operations

The operating (loss)/profit is stated after charging:

	2018 £000	2017 £000
Foreign exchange losses	**88**	3
Depreciation	**649**	528
Amortisation of intangible assets	**264**	237
Loss on disposal of fixed assets	**–**	38
Cost of inventory sold	**20,571**	15,551
Impairment of trade receivables	**218**	–
Research and development	**90**	256
Revenue grant income	**(39)**	(121)
Employee benefit expenses (see note 6)	**7,588**	7,063
Lease payments	**1,434**	1,426
Auditors' remuneration:		
Fees for audit of the Group	**60**	43
Fees for taxation compliance	**–**	3
Fees for taxation advisory services	**25**	5
Fees for other services	**3**	6
Exceptional costs in respect of:		
IPO related expenses (net)	**–**	92
Other exceptional costs:		
Change of Chief Executive and senior management restructuring	**159**	274
Onerous leases	**75**	–
Critical press repair costs	**–**	184
	234	458
Solar Nonwovens operating loss during the commissioning phase	**364**	590

IPO related expenses

IPO costs spanned the prior year end as a result of the timing of the IPO. Exceptional costs in the prior year therefore included a further £92,000 of IPO related administrative expenses.

Other exceptional costs

During the year Michael Jennings resigned as Chief Executive generating £159,000 of exceptional costs (2017: £158,000 relating to the resignation of Jim Griffin and £116,000 to a review of group staffing). Other exceptional costs of £75,000 related to the exit costs of withdrawing from office facilities at MIRA following a strategic review undertaken by the new CEO (2017: £184,000 of critical press repairs that arose following the identification of structural cracks in the head of three new presses within the UK).

Solar Nonwovens operating loss

The start up process and commissioning of the major plant for the Neptune line resulted in an operating loss of £364,000 (2017: loss of £590,000) 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 £39,000 (2017: £121,000) are in relation to government assistance on research projects.

6. Staff costs

	Group 2018 £000	Group 2017 £000	**Company 2018 £000**	Company 2017 £000
Wages and salaries	**6,540**	6,090	**1,341**	1,169
Social security costs	**885**	835	**163**	150
Share based payment	**19**	15	**19**	15
Other pension costs	**144**	123	**51**	35
	7,588	7,063	**1,574**	1,369

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

	2018 Number	2017 Number	**2018 Number**	2017 Number
Directors	**5**	5	**5**	5
Administrative and development	**71**	78	**14**	14
Production	**155**	111	**–**	–
	231	194	**19**	19

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 2018	**Salary £000**	**Benefits £000**	**Pension £000**	**Total £000**
A Attwood	**60**	**–**	**–**	**60**
M Jennings	**244**	**1**	**23**	**268**
J Larner	**120**	**9**	**10**	**139**
T Garthwaite	**45**	**–**	**–**	**45**
I Griffiths	**45**	**–**	**–**	**45**
	514	**10**	**33**	**557**

Year ended 30 September 2017	Salary £000	Benefits £000	Pension £000	Compensation for loss of office £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

8. Finance expense

	2018 £000	2017 £000
Interest on bank loans and invoice discounting	**59**	27
Loan note interest	**–**	11
Interest element of hire purchase agreements	**59**	54
	118	92

9. Income tax

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

	2018 £000	2017 £000
Current tax expense		
Current tax on (losses)/profits for the period	**–**	–
Adjustment in respect of previous periods	**(47)**	26
Total current tax	**(47)**	26
Deferred tax expense		
Origination and reversal of temporary differences	**(387)**	(141)
Impact of change in UK tax rate	**–**	(30)
Adjustment in respect of previous periods	**58**	(51)
Total deferred tax (note 18)	**(329)**	(222)
	(376)	(196)

(ii) Total tax credit

	2018 £000	2017 £000
Tax credit excluding share of tax of equity accounted for joint ventures (as stated above)	**(376)**	(196)
Share of tax expenses of equity accounted joint ventures	**51**	47
	(325)	(149)

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 (loss)/profit for the year are as follows:

	2018 £000	2017 £000
(Loss)/profit for the year	**(1,358)**	403
Income tax credit (including tax on joint ventures)	**(325)**	(149)
(Loss)/profit before income taxes	**(1,683)**	254
Expected tax (credit)/charge based on corporation tax rate of 19% in 2018 (2017: 19.5%)	**(320)**	50
Expenses not deductible for tax purposes	**14**	35
Enhanced R&D tax relief	**(47)**	(85)
Impact of different tax rates	**40**	(52)
Tax losses not recognised	**–**	5
Utilisation of unrecognised losses	**(23)**	(77)
Adjustments in respect of previous periods	**11**	(25)
Total tax including joint ventures	**(325)**	(149)

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 2018.

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

	2018 £000	2017 £000
(Loss)/profit used in calculating basic and diluted EPS	**(1,358)**	403
Number of shares		
Weighted average number of £0.02 shares for the purpose of basic earnings per share ('000s)	**22,101**	22,101
Weighted average number of £0.02 shares for the purpose of diluted earnings per share ('000s)	**22,101**	22,101
Earnings per share (pence)	**(6.14)p**	1.82p
Diluted earnings per share (pence)	**(6.14)p**	1.82p

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 563,690 (2017: 309,076) 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 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**
Additions	**1,098**	**11**	**19**	**1,128**
Reallocation	**27**	**(27)**	**–**	**–**
Foreign exchange movement	**(77)**	**–**	**–**	**(77)**
Disposals	**(27)**	**–**	**(72)**	**(99)**
At 30 September 2018	**13,221**	**178**	**559**	**13,958**
DEPRECIATION				
At 1 October 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**
Charge for year	**589**	**16**	**44**	**649**
Foreign exchange movement	**(11)**	**–**	**–**	**(11)**
Eliminated on disposal	**(27)**	**–**	**(72)**	**(99)**
At 30 September 2018	**2,465**	**31**	**180**	**2,676**
NET BOOK VALUE				
At 30 September 2018	**10,756**	**147**	**379**	**11,282**
At 30 September 2017	10,286	179	404	10,869
At 30 September 2016	7,582	780	446	8,808

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

	Plant and machinery £000	Leasehold Improvements £000	Fixtures and fittings £000	Totals £000
At 30 September 2018	**2,044**	**–**	**74**	**2,118**
At 30 September 2017	1,668	–	81	1,749

Depreciation of £161,000 was charged on these assets in the year (2017: £104,000).

Plant and machinery included assets at 30 September 2017 of £4,720,000 in respect of Solar Nonwovens Limited which had not been brought into economic use as the directors considered that the new production plant was not manufacturing product to its full design specification before the year end. These assets were subsequently brought into use in June 2018.

The Directors, having prepared a discounted cash flow assessment for the Neptune facility as a standalone cash generating unit, are satisfied that the carrying value remains appropriate. Whilst start-up losses continued in the current year, the cost actions already taken, together with sales enquiry levels and conversion into orders support a reasonable expectation of profitability in the foreseeable future which supports the overall carrying value.

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 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**
Additions	**–**	**221**	**–**	**–**	**221**
Foreign currency differences	**(27)**	**–**	**–**	**–**	**(27)**
At 30 September 2018	**2,218**	**714**	**1,079**	**830**	**4,841**
AMORTISATION					
At 1 October 2016	–	–	372	201	573
Charge for the year	–	–	154	83	237
At 30 September 2017	**–**	**–**	**526**	**284**	**810**
Charge for the year	**–**	**27**	**154**	**83**	**264**
At 30 September 2018	**–**	**27**	**680**	**367**	**1,074**
NET BOOK VALUE					
At 30 September 2018	**2,218**	**687**	**399**	**463**	**3,767**
At 30 September 2017	2,245	493	553	546	3,837
At 30 September 2016	2,190	180	707	629	3,706

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 are based on projected three-year (FY17: five year) discounted cash flows together with a terminal value which assumes a 1% (FY17: 1%) long term growth rate. The cash flows have been discounted at pre-tax rates of 9.8% (2017: 11.8%) reflecting the Group's weighted average cost of capital adjusted for country-specific tax rates and risks. The key revenue assumptions reflect current trading experience. The Directors, whilst acknowledging the loss in the current year, have reviewed a range of reasonably foreseeable trading forecasts for future periods. These forecasts take account of changes in operational efficiency and commercial arrangements that predict an improvement from the current year trading margins as well as the benefit of overhead cost actions already announced and enacted. Recurring operating cashflows from automotive NVH (which are separate from the Neptune trade and assets) in the terminal year would have to fall to £0.5m before an impairment arose.

The Company had a closing net book value of £50,000 (2017: £50,000 from transfers in from a fellow group company) for goodwill and £7,000 (2017: £4,000) for development costs in intangible assets from £4,000 of additions in the year and in the prior year.

13. Fixed asset investments

Company	Investments in subsidiaries £000
COST AND NET BOOK VALUE	
At 30 September 2017 and 2018	**16,239**

The subsidiaries of the Company, which have all been included in the consolidated financial statements based on their results to 30 September 2018, are as follows:

Name	Principal activity	30 Sept 2018 and 2017 Ownership %
UK subsidiaries:		
Autins Limited (formerly Automotive Insulations Limited)	Supply of insulating materials	**100**
Automotive Insulations Limited (formerly 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	Supply of insulating materials	**100**
Autins AB	Supply of insulating materials	**100**
DBX Acoustics AB	Supply of insulating materials	**100**

The Group agreed 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 Autins Limited.

Interests in joint ventures comprise the following:

Name	Principal activity	30 Sept 2018 and 2017 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 2016	206
Share of profit for the year	190
Dividend paid by JV	(153)
Net book value at 30 September 2017	**243**
Share of profit for the year	**219**
Dividend paid by JV	**(258)**
Net book value at 30 September 2018	**204**

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

	2018 £000	2017 £000
Profit before tax	**270**	237
Taxation	**(51)**	(47)
Profit after tax	**219**	190

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

As at 30 September	2018 £000	2017 £000
Current assets	**1,127**	1,031
Non-current assets	**108**	192
Current liabilities	**(792)**	(659)
Non-current liabilities	**(35)**	(78)
Included in the above amounts are:		
Cash and cash equivalents	**100**	46
Current financial liabilities (excluding trade payables)	**(334)**	(265)
Non-current financial liabilities (excluding trade payables)	**(45)**	(78)
Net assets (100%)	**408**	486
Group share of net assets	**204**	243

13. Fixed asset investments continued

Year ended 30 September	2018 £000	2017 £000
Revenues	3,382	2,616
Profit after tax	438	380
Total comprehensive income (100%)	438	380
Group share of total comprehensive income	219	190
Included in the above amounts are:		
Depreciation and amortisation	84	94
Interest expense	3	4
Income tax expense	(102)	(94)

14. Inventories

Group	2018 £000	2017 £000
Raw materials	1,731	1,205
Work in progress	92	52
Finished goods	499	710
Tooling stock for resale	231	–
	2,553	1,967

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 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Trade receivables	6,020	6,366	–	4
Amounts owed by subsidiaries undertakings	–	–	7,075	7,872
Other receivables	199	69	–	1
Total financial assets other than cash and cash equivalents classified as loans and receivables	6,219	6,435	7,075	7,877
Corporation tax debtor	39	174	–	–
Prepayments	505	769	70	156
Other taxes	–	–	26	11
Total trade and other receivables	6,763	7,378	7,171	8,044
The analysis of trade receivables is as follows:				
Not yet due	5,723	6,165	–	4
Past due but not impaired	224	201	–	–
Past due and impaired	73	–	–	–
	6,020	6,366	–	4

An impairment provision of £218,000 has been made in respect of trade debtors at 30 September 2018 (FY17: £nil). No material amounts have been written off in the current or prior period.

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 2018 were £2,980,000 (2017: £2,199,000). The credit risk remained with the Group and accordingly the trade receivable and amounts drawn down under the financing arrangements are presented gross.

The carrying value of the above financial assets is considered to approximate to their fair value.

16. Trade and other payables

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Current				
Trade payables	**4,226**	3,696	**107**	29
Amounts owed to subsidiaries	**–**	–	**7,906**	8,231
Amount owed to equity-accounted joint ventures controlled entities	**686**	737	**–**	–
Other creditors	**–**	70	**–**	–
Accruals	**515**	775	**79**	44
Total financial liabilities, excluding loans borrowings, classified as financial liabilities measured at amortised cost	**5,427**	5,278	**8,092**	8,304
Social security and other taxes	**475**	567	**38**	58
Deferred income	**8**	6	**–**	–
Total current trade and other payables	**5,910**	5,851	**8,130**	8,362
Non-current liabilities				
Deferred income	**115**	123	**–**	–

No interest is payable on the amounts owed to the company or by the company to its subsidiaries. The carrying value of the above liabilities is considered to approximate to their fair value.

17. Loans and borrowings

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Bank loans and overdrafts	**398**	585	**–**	–
Hire purchase and finance leases	**937**	881	**–**	–
Invoice discounting	**2,980**	2,199	**–**	–
Total loans and borrowings	**4,315**	3,665	**–**	
Bank overdrafts	**158**	180	**–**	–
Bank loans	**147**	174	**–**	–
Hire purchase and finance leases	**428**	394	**–**	–
Invoice discounting	**2,980**	2,199	**–**	–
Current	**3,713**	2,947	**–**	–
Bank loans	**93**	231	**–**	–
Hire purchase and finance leases	**509**	487	**–**	–
Non-current	**602**	718	**–**	–

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 loans 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

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	2018 £000	2017 £000
Less than one year	**493**	452
Between one and five years	**552**	551
Total gross payments	**1,045**	1,003
Less: interest charge allocated to future periods	**(108)**	(122)
Carrying amount of liability	**937**	881

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:

	2018 £000	2017 £000
Opening balance	**337**	559
Recognised in profit and loss	**(329)**	(222)
Closing net balance	**8**	337

Group	2018 £000	2017 £000
Details of the deferred tax (asset) and liability are as follows:		
Deferred tax (asset)		
Accelerated capital allowances	**53**	25
Losses	**(432)**	(191)
Other temporary differences	**8**	7
Closing asset	**(371)**	(159)
Deferred tax liability		
Accelerated capital allowances	**85**	151
Losses	**–**	(14)
Deferred tax on intangible assets	**184**	251
On fair valued assets	**76**	71
Other temporary differences	**34**	37
Closing liability	**379**	496

The group 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 deferred tax liability of £36,000 (2017: £29,000) 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 £130,000 at 30 September 2018 (2017: £135,000) 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

	2018 £000	2017 £000
Allotted, issued and fully paid		
22,100,984 Ordinary shares of £0.02 each	**442**	442

There were no shares issued in the years ended 30 September 2017 and 2018. The directors are authorised to issue further shares representing up to 10% in number of those already issued.

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 issued in 2016 are exercisable three years from the grant date for a period of 7 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.

The fair value of the options issued 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%.

631,972 further share options were issued in December 2017 of which 377,358 were forfeited when an employee left. These are exercisable three years from the grant date for a period of 7 years subject to achieving growth in the earnings per share. The fair value of the options issued was determined using a Log-normal Monte-Carlo stochastic model with the assumptions set out above and was calculated at 53 pence per share.

There were 563,690 options in issue at 30 September 2018 with an average exercise price of £1.54 (2017: 309,076 and £1.72) and a remaining average exercise period of 5.5 years (2017: 6 years).

21. Reserves

The profit and loss reserve is the 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 50% of Autins AB and 10% of Autins 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 3 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	**2018 £000**	2017 £000
Land and buildings:		
Within one year	**960**	1,102
Later than one year and not later than five years	**2,777**	3,103
Later than five years	**4,269**	4,933
Other:		
Within one year	**79**	93
Later than one year and not later than five years	**25**	71
	8,110	9,302

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

The Group had capital commitments at 30 September 2018 of £nil (2017: £296,000).

The Company had no lease or capital commitments.

23. Dividends

	2018 £000	2017 £000
Interim dividend paid on £0.02 shares at 0.8pence per share	**–**	177
Final dividend paid on £0.02 shares at 0.8pence per share	**177**	–
Interim dividend paid on £0.02 shares at 0.4pence per share	**88**	–
	265	177

24. Related party transactions

	2018 £000	2017 £000
A Attwood		
Opening balance	**–**	18
Amounts paid to Company	**–**	(18)
Closing balance	**–**	–

The loans did not bear interest and were repayable on demand.

24. Related party transactions continued

Share options

Directors and other key management personnel hold the following share options (see note 20).

	Number of options	
At 30 September 2018	**EPS target**	**Share price target**
J Larner	**44,643**	**44,643**
Other key management personnel	**275,358**	**64,140**
	320,001	**108,783**

	Number of options	
At 30 September 2017	EPS target	Share price target
J Larner	44,643	44,643
Other key management personnel	109,895	109,895
	154,538	154,538

Transactions with related parties and key management personnel

Group key management personnel costs

	2018 £000	2017 £000
Group aggregate salaries and post-employment benefits	**1,699**	1,768

Related party transactions

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

	2018 £000	2017 £000
Transactions:		
Sales to joint venture	**19**	53
Purchases from joint venture	**2,718**	2,396
Balance at the year end (owed by) the Group	**(686)**	(737)

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 Gareth Kaminski-Cook (Appointed 1 October 2018) James Larner, Chief Financial Officer Terry Garthwaite, Non-Executive Director Ian Griffiths, Non-Executive Director Michael Jennings (Resigned 31 August 2018)
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.com
Nominated Advisor and Broker	N+I Singer 1 Bartholomew Lane London EC2N 2AX
Solicitors to the Company	Freeths LLP 1 Vine Street Mayfair London W1J 0AH
Auditors	BDO LLP Two Snowhill Birmingham B4 6GA
Public Relations	Newgate Communications 50 Basinghall Street London EC2V 5DE
Registrars	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

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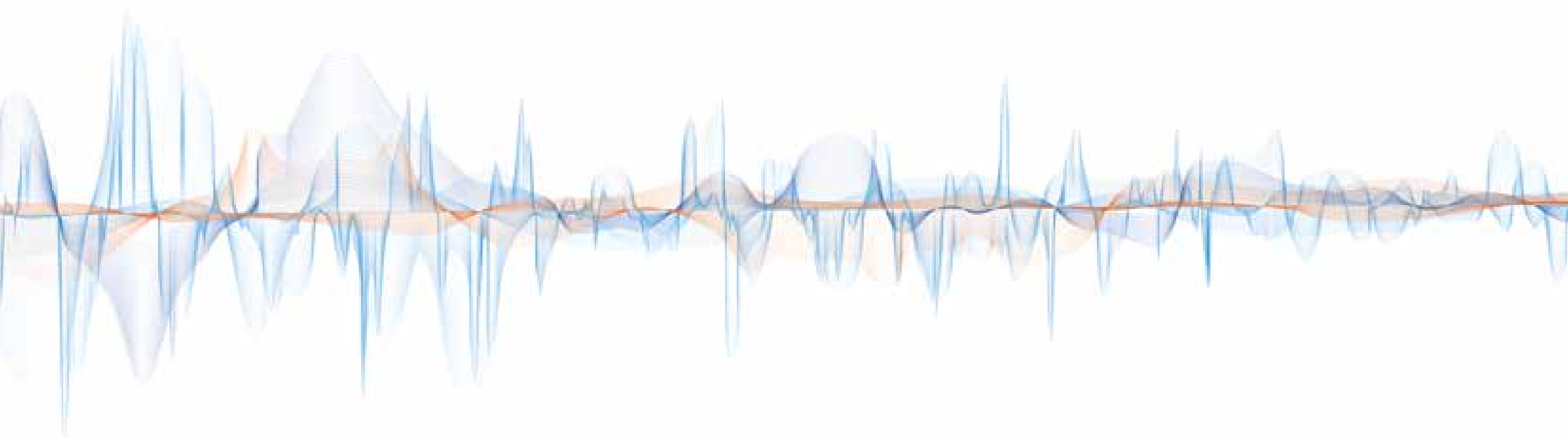

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