THE NEXT GENERATION OF INSULATION

Annual Report and Accounts 2019

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.

Up to

40%

lighter weight for equivalent acoustic performance

MARKET LEADING PRODUCT

Neptune – Light Weight Solutions

Up to 40% lighter for the same acoustic performance versus comparative materials, Neptune is a real advantage. Using patented engineered fibres and manufacturing processes we create a lightweight ultra-fine fibre acoustic absorbing material that offers superior performance. Using Neptune throughout the vehicle can reduce its weight, without compromising acoustic performance, by over 2kg. This reduces CO_2 and fuel consumption. A benefit to car makers, drivers and the environment.

HIGHLIGHTS FOR 2019

Gareth Kaminski-Cook
Chief Executive Officer

"Despite the considerable challenges faced by the automotive industry, decisive management action ensured that 2019 was a year of recovery, repositioning and new business wins. We were successful in securing 22 new customers, achieving 14% growth in Europe and delivering a significant increase in sales of the Neptune technology."

FINANCIAL OVERVIEW

Revenue
£26.9m
-8.1%
FY18: £29.2m

Gross profit
£7.5m
+2.9%
FY18: £7.2m

Adjusted EBITDA[1]
£0.0m
FY18: -£0.3m

Adjusted operating loss[1]
-£0.8m
FY18: -£1.0m

Reported loss after tax
-£1.5m
FY18: -£1.4m

Earnings per share
-6.25p
FY18: -6.1p

Net debt[2]
£2.3m
FY18: £4.2m

Final dividend
Nil
FY18: Nil

1 Adjusted EBITDA excludes exceptional costs of £0.4 million (FY18: £0.2 million), and £nil (FY18: £0.4 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 and an impairment of £0.1 million in FY19.
2 Cash less bank overdrafts, invoice discounting and hire purchase finance.

OPERATIONAL HIGHLIGHTS

- Positive EBITDA in H2 19 as a result of improved margin and lower overheads.
- Gross margin increased to 27.8% (FY18: 24.8%) arising from labour control measures and material savings.
- Cost reduction exercise completed in full with c.£1.0 million of overhead cost removed from the business.
- Neptune pipeline grew to £35.0 million with £5.0 million (annualised) of Neptune parts in production and an additional £1.6 million p.a. won but not yet in production.
- Revenue in Germany increased by 23% to £4.3 million (FY18: £3.4 million) with further share growth of a multi-platform part for a major European OEM and continued growth of acoustic flooring products.

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WWW.AUTINS.COM

GROWING OUR CUSTOMER BASE

WHO WE ARE

c.225
Employees

3
Countries

6
Operating locations

119
2018: 97
customers served

WHAT WE DO

WE DESIGN

We use our acoustic and thermal expertise and experience to research, test and develop bespoke solutions for each customer. Innovative design is the starting point for how we differentiate ourselves.

WE MANUFACTURE

We have a very wide range of advanced manufacturing and conversion processes which delivers truly world class quality products and services.

WE SUPPORT

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

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.

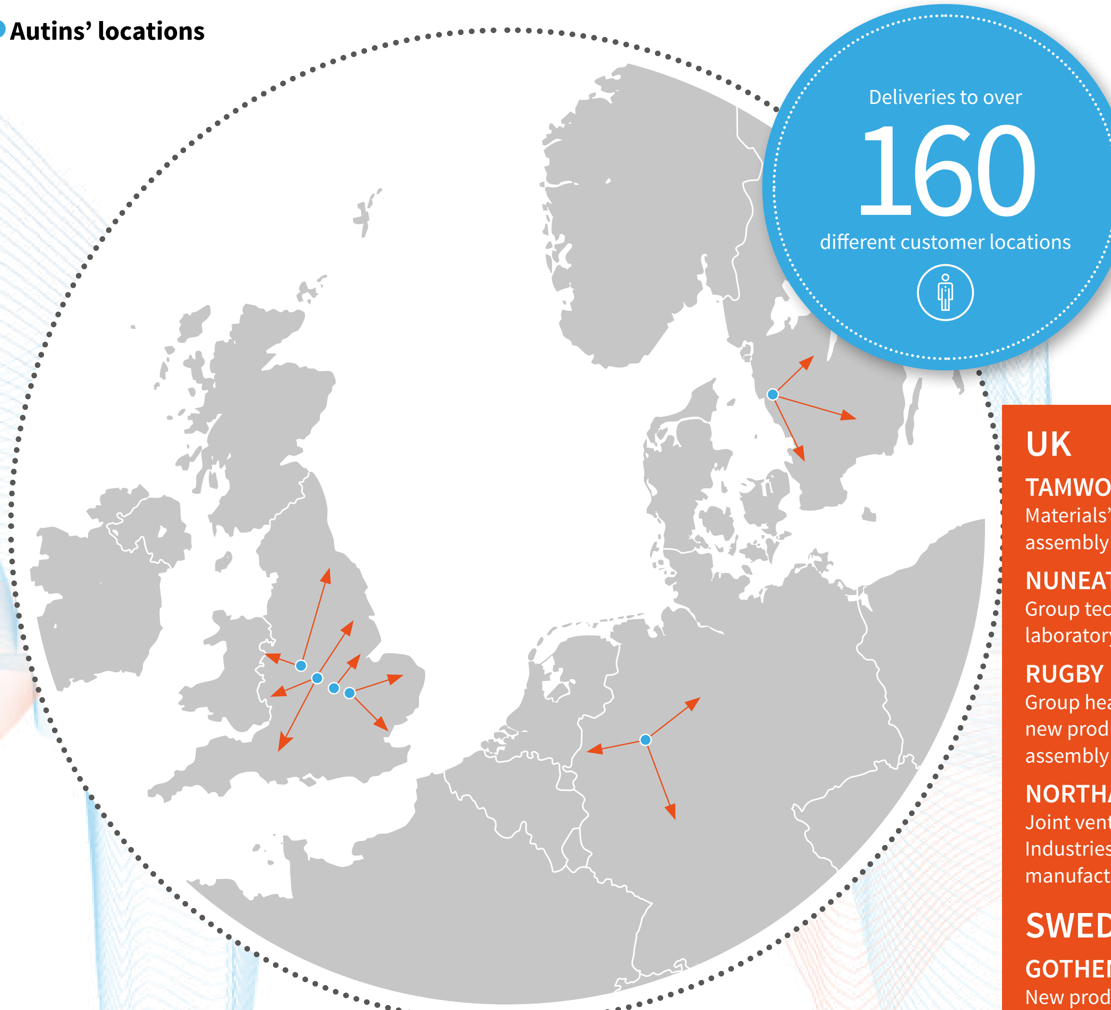
The businesses in each country are fully integrated for sales pipeline development, customer program management, new product introductions and R&D projects with computer aided visual management. This supports fast, accurate and efficient coordination using common practices.

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 and autonomous vehicle development.

WHERE WE OPERATE



Deliveries to over
160
different customer locations

UK

TAMWORTH
Materials' manufacturing, assembly & conversion operation

NUNEATON
Group technical centre: laboratory & test site

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

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

SWEDEN

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

GERMANY

DUSSELDORF
New product introduction centre, assembly & conversion operation

CUSTOMERS

AUTOMOTIVE

13
OEMs

48
Tier 1

22
Tier 2/3

97
Number of vehicle models supplied

NON-AUTOMOTIVE

32
Flooring

4
Other sector

BESPOKE SOLUTIONS – DESIGNING AND DEVELOPING SPECIALIST PRODUCTS

Specialists in bespoke technical solutions

Our customers require optimised solutions that are tailored to their specific acoustic and thermal challenges. We work closely with our customers from concept through to manufacture and product launch, providing engineering design expertise across projects of all sizes.

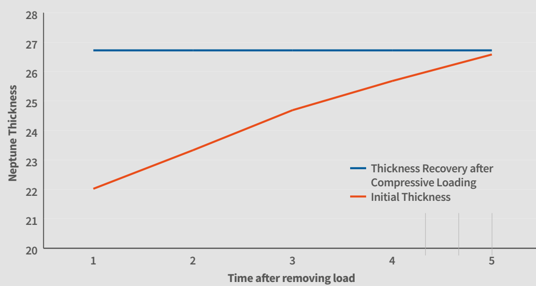
Our knowledgeable and experienced team are subject matter experts who are specialists in creating bespoke solutions. We continue to provide support after product launch to ensure our customer's problems stay solved.

Expertise in design

Design is an integral part of our core business. We offer a product design and development service that starts with effective customer conversations to understand their needs.

From prototype part supply through development and design until part delivery and approval, this service is flexible and supportive to ensure that customer requirements are met.

NEPTUNE – Thickness Recovery FY19



Joe Oxenham
Acoustic Engineer

> "Working directly with customers means that we understand exactly what they need. This ensures that projects can be completed swiftly and that we develop the right solution for that customer."

Working with partners

Our dynamic and supportive approach with all partners – both customers and suppliers – endeavours to build long term partnerships. By working together, we can offer tailor made solutions that are superior to those that might have been developed in isolation.

Jon Bell
Group Programmes Manager

"Our customers trust us to solve their problems; by gathering technical research and data, our technical staff are able to demonstrate and optimise product performance across a range of applications."

Product development and innovation

Our dedicated product development programme ensures that we continue to provide innovative and market leading solutions. Projects are identified based on future technology developments and market trends; or in collaboration with customer and supplier partners.

We analyse material parameters and product data to develop Autins' solutions and to drive product innovation. This includes bespoke acoustic testing and modelling for application specific conditions, which enables us to demonstrate and optimise product performance and promote weight reduction alongside creating competitive advantage and generating premium margins.

FORMULA ONE HYBRID PROJECT

In January 2019, Autins was approached to support development of noise, vibration and harshness ('NVH') solutions for a limited production plug-in hybrid sports car that will bring fully-fledged Formula One technology directly from the race track to the road.

Our Programme Management team, together with acousticians from the Autins Technical Centre, collaborated to design a comprehensive bespoke NVH package which included Light Foam (made in Sweden), Neptune (made in Tamworth and processed in Rugby) and additional complex foam assemblies.

The NVH solutions supplied were across the full vehicle and had to cater for high temperatures in the engine bay, tight packaging space throughout the vehicle and in some cases adhere to the back of the carbon fibre panels.

The dual power source of the V6 hybrid petrol engine and four electric motors also meant that the NVH package had to work across an extended frequency range but also be very light weight in such a performance-focused vehicle.

Our acoustic experts specified all product materials, designed components and also supplied the initial parts to support prototype builds. The production of this lightning-fast two-seater is limited to a few hundred units with a multi-million dollar price tag attached. The first vehicles – of which all have been sold – are expected to roll off the production line in 2020.

INCREASED SHARE IN A GROWING MARKET

During a challenging year for the automotive market globally our customers have been looking for opportunities to work with suppliers who can tailor solutions to their specific needs and offer higher levels of performance without adding cost. As a specialist supplier Autins has increased their share of wallet with current customers and won new customers.

Whist macroeconomic uncertainty has slowed automotive markets the global automotive noise, vibration and harshness ('NVH') materials market is projected to grow from $8.2 billion in 2018 to $11.3 billion by 2024, growing at a compound annual growth rate of 5.4% between 2019 and 2024. The passenger car segment accounts for the major share of the market.

MARKET DRIVERS

Consumer desire for more comfort and energy efficient solutions in their cars

Large, existing market for Autins' products and solutions

- Over £700 million European Noise, Vibration and Harshness ('NVH') market
- Luxury vehicle growth
- Desire for absorption and encapsulation of noise and energy requires combinations of new technologies and materials
- Electric vehicle growth (more sensitive to road noise and individual noise sources)
- Move to more environmentally friendly solutions and partners committed to carbon emission reductions

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

ENHANCED PRODUCT DESIGN
Unique tailored solutions

PASSION, RESPONSIVENESS AND CREATIVITY
for problem solving

DEDICATION AND EXPERTISE
In acoustic and thermal solutions

ENERGY EFFICIENT
Thermal insulation to increase battery efficiency

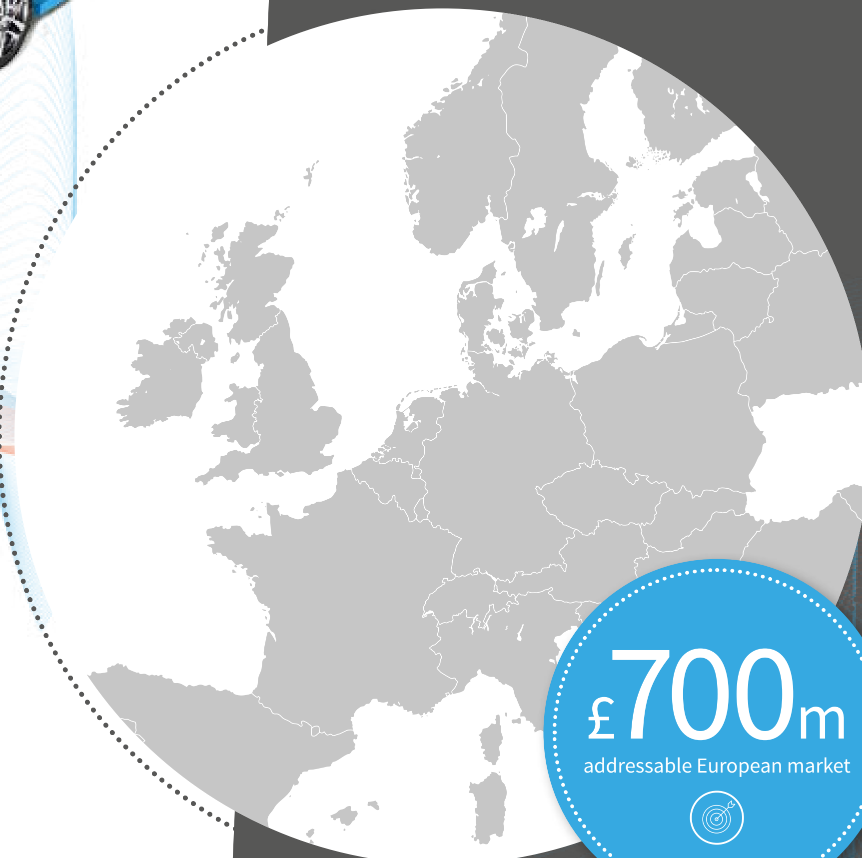
COMFORT AND LUXURY
Proven supplier to world leading brands

FUTURE OPPORTUNITIES

Electric Vehicle Growth

Electric vehicle sales grew by over 50% across Europe during Q3 of 2019 the largest growth to date. 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.

Electric Vehicles are a focus area and specialism of Autins.



Office interiors and industrial applications

Autins has supplied acoustic solutions into specialist applications for many years including construction and industrial equipment, commercial vehicles, medical devices and office furniture. The Neptune product provides additional opportunities to solve acoustic and thermal issues and going forward Autins will apply more focus and structure to finding new markets.

Flooring

Flooring manufacturers use Autins' expertise in acoustics and materials to help them achieve superior performance with their existing products, often for major multi-occupancy contract projects. This consultancy support is highly valued by the major companies such as IVC, Tarkett and Gerflor and continues to be an important and growing business for the Group.

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
IATF 16949:2016
ISO 9001:2015

Autins UK – Nuneaton
ISO 9001:2015

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

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

A YEAR OF RECOVERY AND CONTINUED STRATEGIC FOCUS

"The past year has been one of recovery and continued strategic focus for the Group. We have ended the year in a stronger position both operationally and financially and can look ahead with confidence, despite significant challenges in the automotive market."

Adam Attwood
Chairman

OUR KEY STRENGTHS

- 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
- Acoustic and thermal problems solver

Financial performance

Group sales for the year were £26.9 million, 8.1% down on 2018 and strongly influenced by the challenging trading conditions in the automotive industry. In particular, we have seen additional OEM factory shutdowns and demand affected by uncertainty over the future of diesel vehicles. Against this backdrop, it is pleasing to note that sales at our German subsidiary increased by 23% to £4.3 million.

Roll sales of our proprietary Neptune material and components more than doubled in the year. Neptune is enabling the Group to develop sales opportunities with new OEMs and their Tier 1 suppliers that over time will see us to grow our market share in the European automotive NVH market.

Our focus on operational improvement continued with gross margin increasing to 27.8% in 2019 compared to 24.8% in 2018. The second half of 2019 produced a gross margin of 29.1% compared to 22.2% in the same period in 2018. This operational improvement significantly supports and accelerates our progress to a return to profitability across the Group, as it did at EBITDA level in the second half.

Following a successful placing of new shares in August, raising net proceeds of £3.3 million, our net debt improved in 2019 to £2.3 million from £4.2 million. The additional funding enables us to support organic growth in mainland Europe, drive operational efficiency through investment in automation and support the Group's enhanced working capital commitments due to Brexit planning.

Strategy

In June 2019, the Board conducted its annual review of the Group's strategy and the key drivers in our markets. Although the automotive market is undergoing a period of significant change, this also represents a significant opportunity for the Group. Electric vehicles have significant noise, vibration and harshness ('NVH') challenges and the Group is committed to being at the forefront of providing creative, high performance and financially compelling solutions for our key OEM clients across Europe.

We are committed to becoming one of the leading European specialists in NVH solutions for electric vehicle manufacturers. Our specialist knowledge of acoustic and thermal management within the vehicle enables us to design and develop new NVH solutions specific to electric vehicles in collaboration with vehicle manufacturers and their Tier 1 suppliers. Our proprietary Neptune material is ideally suited for these applications due to its specific acoustic and thermal performance and its significantly lighter weight.

Now more than ever, automotive OEMs demand their suppliers to be flexible and deliver high levels of operational efficiency. Autins' operational focus has always been to deliver highly responsive automated manufacturing and we will continue to ensure that our products remain attractive to our customers by offering the highest levels of product performance, quality and cost effectiveness.

We are also committed to improving further the environmental impact of our product range by increasing recycled content, recycling waste more efficiently and developing ways to eliminate certain products from our production process.

People

Our staff are our most important asset. It is their energy, experience and creativity that drives the Group forward. Under the leadership of our Chief Executive, Gareth Kaminski-Cook, who joined on 1 October 2018, there is a renewed energy throughout the business, galvanized through our core values. I would like to thank all staff for their commitment and enthusiasm throughout the year.

We have strengthened our manufacturing operations leadership team during the year, and this investment has brought new focus and expertise and is translating into improved operating and financial performance.

In July, we welcomed Neil MacDonald to the Board as Non-Executive Director and Chairman of the Audit Committee. Neil replaces Terry Garthwaite, who sadly died in April and was a much respected member of the Board since the Group's listing on AIM in 2016.

Corporate governance

The Board strongly believes that robust corporate governance and risk management improves the strategic delivery and financial health of the Group. We apply the Quoted Companies Alliance Corporate Governance Code (the "QCA Code").

Further details on how the Group complies with the principles of the QCA Code can be found on pages 32 to 35 of this annual report.

Dividend

The Board continues to believe that a suspension of dividend payments remains appropriate. Accordingly, no final dividend payment is proposed.

The Board will continue to monitor net earnings, gearing levels, expected capital requirements and growth opportunities with a view to reinstating its progressive dividend policy at the appropriate time.

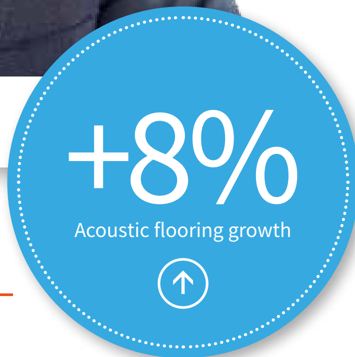
Outlook

The Group is well positioned. We will continue to focus on operational improvement, sales growth and new market development. Despite market and political uncertainties, the Board anticipates that the Group will maintain positive momentum and continue its financial recovery in 2020.

Adam Attwood
Chairman

POSITIVE MOMENTUM GENERATES OPTIMISM FOR THE FUTURE

Gareth Kaminski-Cook
Chief Executive Officer



STRATEGIC PRIORITIES

- Margin improvement
- Growing the customer base
- Leverage Neptune technology

"With a strengthened culture of teamwork and accountability we have managed to significantly improve margins throughout the year and very positive momentum is being achieved with new customer wins and growth in the Neptune business."

Autins is a specialist materials technology company, supplying acoustic and thermal solutions primarily for the automotive market. We also supply solutions for a variety of specialist niche applications including flooring and industrial. Controlling noise pollution and thermal waste is a fast growing and attractive market for which Autins' technical expertise, broad range of materials knowledge and conversion capability is perfectly suited and highly regarded.

Our strategic objectives were further refined in 2019. The Group's priorities are to optimise our technical capability, grow market share in the automotive NVH market and to leverage our unique Neptune technology to secure new customers, target new markets and build our reputation across Europe. In very challenging market conditions, the financial performance of the Group has improved particularly in the second half of the year and positive momentum is being achieved with new customer wins and growth in the Neptune business.

Margin improvement

The Board's primary focus for 2019 was to turnaround a declining financial performance by reducing overheads and improving operating margins. Despite some reduction in demand for our products, driven by uncertain market conditions, the business has managed to significantly improve margins throughout the year and deliver a small positive adjusted EBITDA for the period. Importantly, this has been achieved whilst maintaining our world class levels of quality and customer service.

There are significant opportunities to further improve profitability. The new and highly motivated operational team has a well organised and targeted plan to further improve operational efficiencies and reduce costs **which is already underway and delivering results.** With a strengthened culture of teamwork and accountability we expect to deliver improving results throughout the coming year.

Growing the customer base

Our principal strategic focus has been to secure new customers and new markets across Europe and we have continued to make excellent progress. During 2019, we successfully secured 22 new customers in several different markets, such as automotive, with both OEMs and Tier 1 suppliers, as well as in flooring and industrial applications. These new customer wins include global OEM brands and large Tier 1 suppliers.

Although the challenges faced by our major customer had a negative impact on sales, our overall share of wallet across all UK customers grew during the period. Our success in delivering increased market penetration was a direct result of the Board's long-term strategic commitment to our unique Neptune technology offering and the increasing reputation of our technical commercial team, all backed up by world class customer service and product quality.

Sales in Europe have continued to grow, up 14% year on year, with Germany forging ahead by 23%. European sales now represent 19% of the Groups revenue, compared to 17% last year.

The enquiry pipeline is very strong and continues to expand, having grown 26% to c.£45 million in the year. This combined with our strong track record of converting the pipeline in to sales, underpins our European growth strategy going forward.

Leverage Neptune technology

Our Neptune based products provide the same acoustic absorption capability as existing alternative solutions but with material and weight savings of up to 40%. The enthusiastic response we received when introducing Neptune to customers a year ago has now been translated into sales and production, whilst the enquiry pipeline value continues to grow by more than 60% year on year. The technical superiority of Neptune and the solutions it offers has strengthened our relationship with existing customers as well as opening the doors to new significant opportunities in the markets we have targeted.

The exceptional performance and lightweight properties combined with our consultative design and development capability is particularly relevant to the emerging EV market. This has resulted in Autins supplying or being specified on numerous vehicles including Jaguar Land Rover's I-Pace, Volvo's Polestar, the London Taxi made by LEVC, AMG's Project One and BMW's i8 Spyder.

Optimism for the future

We have strong, specialist capabilities and an agile business model with which to serve the fast growing automotive NVH market and other important areas where noise and thermal energy control are becoming more important.

As the automotive industry increasingly focuses on passenger experience and comfort, we are perfectly placed to help solve the new technical challenges facing designers, by offering new, innovative and green solutions to control noise and improve thermal efficiency. The Group's technical capability, broad product offering, and materials expertise means we are strongly positioned to create further value for our shareholders through continuous margin improvement, organic growth and leveraging our unique Neptune technology.

This has been a challenging year both for the Group and the industries we serve. It has also been a year of repositioning, recovery and new business wins. We are in a strong position to make the most of the opportunities ahead. The positive momentum we have already generated is encouraging and provides grounds for optimism for the future.

Gareth Kaminski-Cook
Chief Executive Officer

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.

ADDING VALUE THROUGH EXPERTISE, INNOVATION AND SERVICE

DESIGNING SOLUTIONS

OUR BUSINESS MODEL

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

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, whilst providing first class solutions and 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 STRATEGY

STRATEGIC PILLARS

Accelerate sales in automotive

- Leverage the Neptune technology and our technical expertise to win new customers

Expand sales into other areas

- Leverage our acoustic and thermal expertise to open up new markets

Develop Autins brand reputation

- Build Autins brand reputation as an NVH solution provider of choice

2.1x

Neptune production growth

CONTINUOUS QUALITY INNOVATION

- Laboratory testing
- Diagnosis
- Rigorous NPI

EXCEPTIONAL SERVICE

- Fast
- Responsive
- Customer focused
- Creative culture

SOLVING PROBLEMS

PROGRESS IN 2019

Diversification of customer base

- Sales to our major customer reduced from 58% to 57%
- 22 new customers

Geographic expansion

- Germany and Sweden have grown to 19% of total Group sales

Segment expansion

- Sales to non-automotive grew to £2.1 million (8% of Group sales)

Neptune technology

- Sales opportunity pipeline grew to over £30 million
- All target OEMs have approved Neptune with four designating it as the "preferred material"

CURRENT FOCUS

Accelerate conversion of pipeline to sales in new automotive applications

Reduce total cost to serve our customers

Improved working capital control and daily management

GROWING THE CUSTOMER BASE

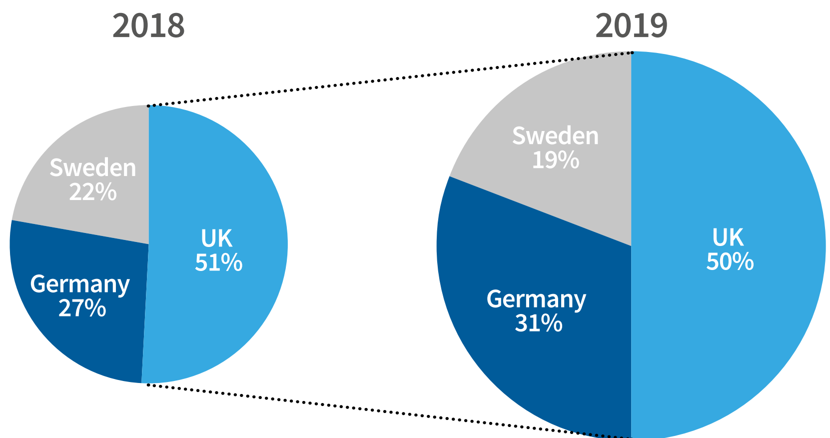
Josh Kimberling
Group Sales Director

"During 2019 we have continued to work hard to grow our customer base, forming and developing partnerships with our customers to support them from design to production. These partnerships allow us to build long lasting relations on which to build year on year."

Since the IPO in 2016, our customer base has grown from less than 50 to 119, with automotive customers representing 70% and flooring the majority of the remaining 30%.

During 2019, the customer base expanded in all three countries, with German automotive customers almost doubling. 50% of all customers are now in Europe.

We believe that our customers choose Autins because of our specialist technical competence, materials knowledge and broad range of manufacturing and conversion processes.



10

new blue chip auto customers in Germany

RETAINING AND GROWING EACH CUSTOMER

Once we have won a customer, we have a track record of delivering truly world class quality and service so that they have an exceptional experience dealing with us. This is in our DNA because of decades delivering to the automotive industry and our values of agility, creativity and passion help us to maintain this standard.

A TRUSTED PARTNER

During 2019 the value of business, per vehicle, that we supplied to our major customer grew by 15%, based on these principles of technical and service excellence.

IMPROVING PERFORMANCE IN CHALLENGING CONDITIONS

James Larner
Chief Financial Officer

The Group's primary focus in the year was to reduce costs and working capital usage whilst retaining core skills and operational capability to allow for future growth as demand in the automotive sector normalised.

Progress was made in many areas which culminated in the Group's successful equity raise in August 2019 delivering cash of £3.3 million (net of £0.2 million costs) to support future working capital and investments to facilitate growth and operational efficiency. In the near term, this funding allows for reduced utilisation of the Group's banking facilities with associated savings in interest costs.

Revenue

During 2019, reduced general automotive sector demand combined with specific pressures and model changes at the Group's largest customer, meant that total revenue decreased by 8.1% to £26.9 million (FY18: £29.2 million).

Component sales decreased 9.9% to £25.5 million (FY18: £28.3 million). We continued, in line with our overall diversification strategy, to expand our customer base, with new contracts secured for future periods. Direct component sales to the Group's largest customer accounted for 57% of Group revenue (FY18: 58%).

Revenue from acoustic flooring products grew 8% to £1.5 million (FY18: £1.4 million). As in FY18, this growth was achieved by the German business with continued development of the customer base and product range. Following a fundamental design change by a customer in building and industrial applications sector sales fell £0.3 million to £0.5 million and are expected to discontinue in FY20.

UK automotive component sales fell 15% to £19.5 million (FY18: £23.0 million) with a reduced revenue in H2 compared to H1 as a result of extended shutdowns following the original Brexit date of 29 March, certain platforms ceasing production and reductions due to facelifts and relaunches of certain other vehicles. Sales to our largest customer were again below expectations compared to initial forecasts.

The German business continued to grow with revenues increasing by 23% on the prior year to £4.3 million. We continue to target large German OEMs with Neptune being a key differentiator and has secured new work for future periods with central European Tiers who support a range of OEMs.

Swedish automotive revenues were adversely affected by reduced export sales and a significant delay to the start of production for the new contracts noted in last year's report. Revenues therefore decreased 11% to £1.0 million (FY18: £1.1 million) in the year. Management remain confident of the site's strategic importance and note that new parts with Volvo have been secured since the year-end that will be in production during FY20.

Tooling sales increased to £1.4 million (FY18: £0.9 million) reflecting the strong order intake within the year. The Group had £0.3 million (FY18: £0.2 million) of tooling held for resale at the year-end which will be converted into revenue during Q1 of FY20.

Gross margin

Component gross margins recovered to 27.8% (FY18: 25.5%) as a result of significant focus on operational efficiencies.

Management's continued focus on operational efficiency, standardisation and flexibility has allowed for an improved response to customer demand fluctuations and reduced overall costs to serve. Future improvements from automation and improved site layouts are expected to deliver savings during FY20.

The Group continues to pursue opportunities to secure component contracts using Neptune materials (either solely or in composite with other materials) which will increase utilisation of the production line and thus reduced unit costs. The Group saw significant benefits from working with its supply chain on material costs, design and utilisation in the year and continues to work with suppliers to take further steps to optimise existing and future component requirements.

EBITDA and operating profit

Adjusted EBITDA was £0.1 million (FY18: Loss of £0.3 million) with an adjusted operating loss of £0.8 million (FY18: £1.0 million) after allowing for exceptional and non-recurring costs as noted below. Reported operating loss was £1.55 million (FY18: £1.84 million).

The adjusted measures are stated after excluding items that management consider to be a result of significant one-off events, start-up costs in relation to the Group's Neptune facility, performance of the joint venture business and differences in accounting treatments that arose on the Group's conversion to IFRS at the time of listing. Management information used in running the Group is measured with a focus on the underlying performance and, as such, these items are excluded.

The Board acknowledge that these are alternative measures of performance and are not GAAP (nor are they intended to be) but believe these adjusted measures are more indicative of the performance of the underlying business and informative to users of the accounts.

Reported EBITDA was a loss of £0.9 million (FY18: loss of £0.9 million) after charging £0.43 million (FY18: £0.23 million) of exceptional costs, and £nil (FY18: £0.4 million) of non-recurring incremental start-up costs for the Neptune facility.

Exceptional and adjusting items

The Group incurred exceptional remuneration, redundancy and associated costs of £0.43 million (FY18: £nil) as a result of the overhead cost reduction programme announced in October 2018 and completed in the year, and subsequent work with the Group's banks to rebalance existing facilities into a form that was more suited for the period of variable demand expected, and subsequently experienced, during the second half of the year.

In FY18, the Group incurred exceptional remuneration and associated costs of £0.15 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 as well as £0.1 million in early termination charges on leased management offices that were no longer in use and considered onerous.

In FY18, the Group concluded the commissioning process for the Neptune production facility after incurring £0.36 million (FY19: £nil) of non-recurring start-up costs. These costs were excluded from adjusted EBITDA and operating profit in the year.

To be consistent with analysts measure of the group's performance amortisation of £0.2 million (FY18: £0.2 million) in relation to acquired intangible assets recognised as a result of the Group's conversion to IFRS at IPO (having previously being held as non amortising Goodwill) and an impairment of previously recognised development costs of £0.1 million (FY18: £nil) have been excluded from adjusted operating profit.

Joint venture

The Group's joint venture, Indica Automotive, is an acoustic foam conversion business based in Northampton that supplies components into the Group's UK operations (who remain the largest customer) as well as its own automotive customer base. The joint venture continues to leverage the access to low cost material and finished component sources provided by its other parent Indica Industries PV based in India.

Indica Automotive's turnover decreased by 13% to £2.9 million (FY18: £3.3 million) as call offs for existing parts were reduced but with strong margin and overhead cost control delivered a profit after tax of £0.4 million (FY18: £0.4 million).

Currency

The Group's overseas operations and certain key raw material suppliers require the Group to trade in currencies other than Sterling, its base currency. During the year, operational transactions were conducted in US Dollar, Swedish Kronor and Euro and the retranslation of the results of the German and Swedish operations were affected by currency fluctuations. The key raw materials for Neptune production are currently imported from South Korea with transactions conducted in US Dollars. Whilst the Group has taken steps to mitigate this risk by establishing alternative sources for non patented product (which would be transacted in Euro), the quantum of US dollar transactions is expected to increase in the near term.

The Group continues to benefit from a natural hedging arising from its structure and trading balance which mean that the Group's result in both years has only been impacted in a limited way as a result of currency translations.

The Group held no forward currency contracting arrangements at either year-end. Transactions of a speculative nature are, and will continue to be, prohibited. As part of the Neptune production ramp-up, management will continue to monitor the Group's US Dollar exposure and its impact on the Group's results. Where the frequency and quantum of purchases can support active currency management, we may implement a formal hedging strategy.

Net finance expense

Costs were increased in the year as the Group increased its utilisation of bank facilities following the losses in H2 18 and through the cost reduction programme in H1 19. In addition, contingency inventory was held in preparation for the anticipated Brexit deadline of March 2019 to ensure continuity of supply which further increased working capital borrowing.

The interest element of hire purchase agreements was stable in the year but should decrease in FY20 as a number of agreements become fully repaid.

An analysis of the net finance expense is presented in note 8 on page 69.

Taxation

The effective tax rate in the year was below that expected based on current UK corporation tax levels. Given the quantum of prior year losses recognised and expected profitability in the next two years, the Group has chosen to not recognise current year losses as a deferred taxation asset. The asset created in the prior year has been reviewed and considered to be supportable based on the Group's expected trading.

The Group's technical R&D and applications teams have, as in prior years, continued to enhance materials and processes. Following the Group's cost reduction programme in October 2018, the multi-horizon development plan developed in FY18 was refocused on items that could bring more immediate benefit to the Group with less resource applied. However, sufficient R&D has continued for management to maintain their belief that the enhanced reliefs, combined with available brought forward losses, will mean that the effective tax rate will remain below the UK statutory level for the short to medium term.

As reported previously, the Group's overseas subsidiaries continue to 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. Having reviewed recent trading performance for the European entities, the Group has increased the tax asset recognised by £0.05 million in relation to these losses. The Group has a further £0.13 million (FY18: £0.1 million) unrecognised tax asset in respect of European losses

Earnings per share

Loss per share was 6.25 pence (FY18: Loss per share 6.14 pence) reflecting the loss in the year. The weighted average number of shares increased to 23,971,000 in the year reflecting the effect of the placing of 17,500,000 new shares on 22 August 2019 (FY18: 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 70.

Dividends

The Board are not proposing a final dividend for the current year (FY18: £nil) and no interim dividend (FY18: £0.004 per share) was paid.

Net cash/(debt) and working capital

The Group ended the year with net debt of £2.3 million (FY18: £4.2 million) as disclosed in the reconciliation of movements in cash and financing liabilities on page 55 after a net £3.3 million cash injection following the equity placing in August 2019.

The Group has £0.5 million (FY18: £0.9 million) of Hire Purchase agreements in the UK and £0.1 million (FY18: £0.2 million) of long-term asset

backed bank loans in Sweden – these loans will be fully repaid in FY20. There were £nil (FY18: £0.5 million) of new hire purchase agreements in the year and £0.1 million of new short term trade import facility was utilised at the year-end in support of Neptune purchases.

The Group has focused on working capital optimisation in the year and management of materials through the entire supply chain has therefore improved. This can be clearly seen with inventory being £0.4 million lower than FY18 supporting similar revenue in the final quarter. Tooling contract balances remained unchanged at £0.2 million and represent projects that will be invoiced in early FY20.

Collection of trade debtors improved in the year with a reduction of overdue balances from additional focus and applied resource. A provision of £0.2 million (FY18: £0.2 million) has been retained against overdue invoices which the Group continues to pursue.

Trade creditors have reduced significantly in the year with the Group removing stretch agreed with suppliers ahead of the benefits arising from the cost reduction programme combined with a change in balance between employed and temporary production labour reducing amounts outstanding to temporary staff agencies at year-end.

Going concern

The Board have concluded, on the basis of current and forecast trading and related expected cashflows and available sources of finance, that it remains appropriate to prepare the Group's results on the basis of a Going Concern.

The Group received a net cash injection of £3.3 million in August 2019 as a result of an equity placing and this, combined with continued support from the Group's primary and supporting banks mean that the Group has significant headroom within it's facilities to allow for reasonably foreseeable cashflow requirements in the event of changes to its demand or cost base.

The Board continues to review the structure of the Group's banking arrangements with a view to ensuring that it remains appropriate for the planned growth within mainland Europe and to allow for the more variable demand that has become a feature of the automotive market in the last 18 months. The Group's current banking remains without covenant.

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, acknowledging that this is the second year of reported losses and that the Group's current market capitalisation is currently less than the Group's net assets, has reviewed the carrying value of Goodwill and other Intangible assets held at 30 September 2019 (both existing and generated in the year) by reference to discounted cashflow forecasts for separately identifiable cash generating units. These forecasts are based on Board approved budgets and an assessment of likely conversion from pipeline to revenue.

Having considered the assumptions, headroom and a range of reasonably foreseeable sensitivities indicated by these assessments the Board are able to conclude that the carrying values are fully recoverable.

Capital expenditure

Additions to tangible fixed assets were £0.2 million (FY18: £1.1 million) in the year with no significant single item acquired. The Group continues to benefit from investment in equipment in recent years and therefore has capacity to address current demand levels. Planning for additional investments designed to improve operational efficiency is ongoing and the Board expects expenditure to be incurred in the second half of FY20 in support of such operational gains.

Research and development costs of £0.15 million (FY18: £0.2 million) have been capitalised in the period as the Board considers they meet the Group's stated policy for recognition of internally generated assets. The costs are focused on targeted projects designed to enhance the Group's current material range and capability after changes to the in-house technical team required a review of the overall Research and Product Development plan developed in FY18. As noted in the exceptional and adjusting items section above, during the year, previously capitalised costs of £0.1 million were impaired when it became clear that, due to a change in customer design, the development was no longer commercially viable and so would fail the Group's recognition criteria.

Financial risk management

Details of our financial risk management policies are disclosed in note 3 on page 64.

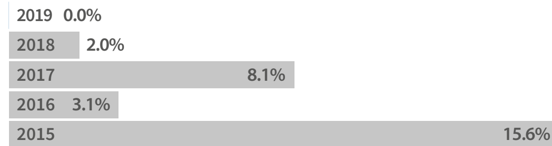
James Larner
Chief Financial Officer

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 FY19)

Comment

No incidents in the year that have resulted in lost time (being more than one day away from work as a result of an incident at work).

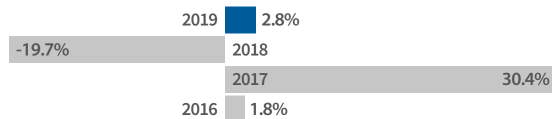
The business has had no lost time incidents since October 2017 and is now focussing on reducing medically treated incidents and high potential near misses involving Fork Lift Trucks – an area with the highest incident rate in the year.

Gross profit growth (£)

KPI Definition

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

Performance



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

Comment

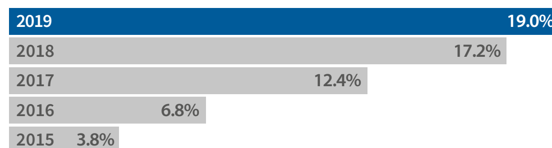
Gross profit increased despite reduced revenues with margin improved by 2.3% points due to a recovery in operational inefficiencies from strict labour controls, improved input material cost from supply chain review and improvement in commercial returns from Neptune utilisation and diversification of customer base and geography.

Non-UK revenue as a proportion of consolidated sales (%)

KPI Definition

Measure is calculated as the value of external sales for German and Swedish operations as a proportion of total revenues.

Performance



(Target: 30% by FY20)

Comment

Sales in Germany continued to grow strongly in the period with further customer sites of the large German OEM group adopting the multi-platform, cross brand component in FY19.

The relative revenue share also benefitted from a decrease in overall sales lead by UK component revenues.

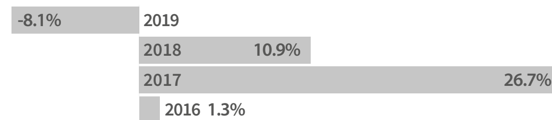
The Group remains committed to diversifying it's revenue streams across territories and customers with 30% considered the next milestone.

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

Whilst order intake and pipeline development both increased in the year, absolute revenues fell with significant reductions in call offs in the UK and from the Group's largest customer. Tooling sales increased £0.5 million in the year and sales from the German entity grew 23% to £4.3 million. Neither were sufficient to offset reduced revenues in the UK and Sweden.

EPS growth (%)

KPI Definition

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

Performance

(Target: CAGR 15% over 5 years)

Comment

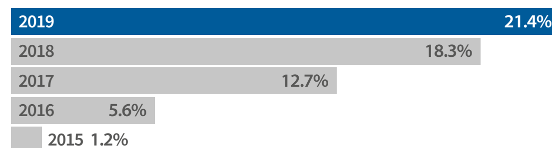
Deterioration in the year a reflection of the higher loss after tax in the period (after a much reduced taxation credit than in FY18) and an increase in the weighted average number of shares. Weighted average shares in issue increased 1.87 million from FY18 as a result of equity placing in August 2019. FY17 increased by 7.58 million from FY16 as a result of new shares issued in relation to the Group's IPO.

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

Growth in Germany with major European OEM continued. New sales representing a higher proportion of overall revenue as more established customers reduced call offs in the period. Absolute growth with new customers and products was 8%/£0.4 million.

Materially all non-automotive sales are new to the Group in the last three years and represent 7.3% of sales (FY18: 7.4%). Neptune external roll sales represented 1.1% (FY18: 0.5%) in the year.

OUR PEOPLE

We are an international business operating in the global community – we take our responsibility to be a good corporate citizen seriously.

DIVERSITY MATTERS

c.50%

of Autins employees are non-British

We are very proud of the diverse nature of our employee base. We currently employ people from 20 different nationalities from across Europe, Africa, South America, the Middle East and the Indian continent. This breadth of culture helps us to be more international and expansive in our outlook and more tolerant. We want Autins to be an attractive employer and provide a safe place to work, develop and thrive.

c.50%

of Autins employees are female

Across all our functions and in all countries, we have a balanced gender diversity, which we firmly believe inspires more creativity, better teamwork and makes Autins a better place to work. Female employees represent:

- 50% of the manufacturing workforce
- 50% of the sales team
- 50% of the technical teams – R&D, project management and engineering teams
- 60% of finance functions

LISTENING TO OUR PEOPLE

Our employees are the most valuable asset we have – they provide the expertise and service that our customers experience every day.

It is therefore critical that we have an engaged and highly motivated workforce. To this end, during 2019 we introduced Employee Satisfaction surveys and the results were analysed to identify improvement areas. The results were shared with all employees by leadership and together with each team, improvement plans were created that are owned by the teams and supported by management. During 2020, more frequent "pulse" surveys will be conducted to monitor progress to improvement.

INCLUSIVITY

COLEBRIDGE ENTERPRISES

"In 2012 we started to outsource some of our assembly work to Colebridge Enterprises, a social enterprise that provides work-based opportunities for individuals who are marginalised because of a disability, mental health issue or lack of work experience or qualifications.

Over the years this relationship has enabled the trust to support a diverse group of people back into employment, health and improved wellbeing. Long-term sustainability for this inspiring project arises from the regular income that is generated from working with organisations such as Autins Group."

Risk	Description and potential impact	Mitigation
Failing to successfully implement our growth strategies	Our future success requires an effective implementation of the growth and diversification strategies developed and refined in recent years. Failure to implement our strategies may adversely affect our reputation and prospects, whilst the execution of our strategies could place strain on our managerial, operational and financial reserves.	We have clear functional leadership within the Group and through targeted recruitment reinforced the Leadership team in the year. Management information, teams and interactions are designed to align management focus in support of our strategic aims. Our values have been deployed across all layers of the organisation to help create alignment from all staff around our strategic aims. Executive and Leadership team key KPIs and policy deployment are cascaded throughout the organisation creating direct alignment of goals and to allow identification of under-performance and allow actions to be taken to address and improve results.
Dependence on automotive sector and market cycles	The Group's revenues are primarily derived from the automotive sector. Demand for passenger cars could be materially affected by changes in government policy, including tax regimes, environmental standards and incentives. The continued and expected growth in alternative fuel and electric vehicles may change type of NVH solution required to meet new regulatory and customer standards arising from changes to vehicle acoustic and thermal challenges (from moving to alternative fuels and hybrid vehicles).	We remain committed to diversify and grow the business in terms of customers, geographies and applications, as well as leverage our vertical integration into materials to reduce the current reliance on a limited section of the European automotive sector. We believe that there are adjacent sectors to which our knowledge, materials and process capability are transferable and have started to explore those sectors. Our specialist R&D team continue to work on improving our processes, materials and applications to address the changing demands both within automotive and target growth sectors. We have demonstrated our ability to diversify with our sustained growth and new product offerings in the acoustic flooring market in Europe and have been able to transfer our skills into the building and industrial applications market to secure new revenues. We continue to develop knowledge and seek additional approvals for Neptune, our class leading automotive material, to facilitate commercial exploitation in targeted non-automotive markets to which we believe it is suited.
Dependence on key customer	More than half of the Group's revenues continue to be derived from one key customer. In addition, both European sites also have high sales concentration from a single customer or contract. The Group's income and individual site's profitability could be materially adversely affected by changes to our relationship with these key customers, including a decision to diversify or change how, or from whom, they source the components that we currently provide, an inability to agree on mutually acceptable pricing or a significant dispute with the Group. Should the commercial relationship with one of our key customers terminate for any reason, or if one of these 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.	The target addressable market within our specialist area of automotive NVH is significant and therefore provides huge potential opportunity for diversification and market share gain with other European OEMs. Management continues to be focused on strengthening customer relationships, and, for our key customers, we ensure that multiple contact points are maintained. Key Customer Account Plans that outline our strategic development activities have been deployed and are routinely reviewed by management. These plans also document roles and responsibilities of all Group functions in their support of customer relationships. We have targeted large Tier One suppliers whose core competency is not NVH in order to offer specialist NVH support. This allows us to leverage the technical acceptance for Neptune held with all strategic OEM customers. 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.

Risk	Description and potential impact	Mitigation
Working capital funding & overall finance structure	The group has a primary UK bank with secondary funders in Europe. The current structure offers limited fixed term funding, with the majority being directed at supporting working capital requirements. Working capital funding is primarily provided by an invoice financing facility that, by its nature, can provide a variable level of availability. Material short-term demand reductions (such as would arise with an unplanned shutdown by one of our key customers) would have an immediate reduction in this facility's headroom. It is also likely that this headroom reduction would be magnified by a significant increase in the level of inventory within the supply chain and unwind of trade payables on the lower demand.	Our annual budgeting and in-year reforecasting processes model the effect of certain contingencies and their effect on working capital. The equity raise completed in the year allowed the group to re-balance its funding and mix of debt and equity. We continue to work with funders to introduce more fixed value growth funding, such as overdrafts and term loans that are more suited to a period of variable market demand. Long term asset backed finance products are used for capital investments. Our supply chain management has been designed to allow key suppliers to make adjustments to inbound materials and improved manufacturing processes together with clear targets on working capital usage mean that operational management are able to closely control inventory levels.
Retention of key staff in business-critical roles	As an SME, the Group inevitably has certain roles that are business critical and a higher level of reliance on certain individuals for key external relationships and growth. The Automotive sector had undergone a period of sustained growth, especially within the UK, which has reduced the availability of certain skills and experienced personnel.	Management conduct regular reviews to discuss key staff and development plans as well as ensuring that our reward and remuneration packages remain competitive against benchmark levels in the region. We have continued to invest in training and personal development to ensure staff skills remain relevant and that individuals can be developed to support business growth and succession planning. We therefore support apprenticeships and progression for recognised professional qualifications in support functions.
Dependence on relationship with IkSung	The licensor of the intellectual property rights related to Neptune, IkSung, are the supplier of both patented and non patented ingredients used in manufacture of the patented materials. There is therefore risk of a potentially significant adverse impact on our ability to serve customers were this relationship to deteriorate or breakdown.	Alternative suppliers have been secured for all non patented materials within Neptune to allow risk mitigation. The Group has pro-actively sought to reinforce the relationship at senior levels with IkSung and discussed potential for collaboration on future projects that would enhance the existing trading arrangements. The licensing agreement conveys the right to source the proprietary fibre directly from the manufacturer (a large 3rd party material producer) in the event of IkSung being unable to do so. Research & Product Development ('R&PD') projects have been launched with a specific aim of improving the existing material and to explore new material compositions that would reduce this reliance whilst retaining (or enhancing) the competitive advantage that Neptune brings to the Group.
Major failure of Neptune line	The Group's Neptune production line is the only such facility in Europe. An extended breakdown could affect our ability to maintain continuity of supply to existing customers which could in turn affect the rate of enquiry growth and conversion.	Investments made during the extended installation and commissioning phase included automated process control and diagnostic systems not employed by IkSung that allow for more effective identification and resolution of faults. In addition, the Group received and maintains a critical spares package for the line and has a number of specialist engineers who have received tailored maintenance training with regards the line. The Group has a schedule of preventative maintenance and repairs in addition to the extensive clean down and inspection completed at the end of each production run. 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	Description and potential impact	Mitigation
Risk of competing materials to Neptune	The commercialisation or competitiveness of Neptune could be impeded by technological advances in existing or potential substitute materials which could cause a reduction in demand.	Our specialist R&D technicians have focused projects designed to improve both Neptune and our other existing materials and to explore new materials applications.
The impact of the EU referendum (Brexit)	Based on the current political environment, there remains significant uncertainty concerning the timing and form Brexit will take. Potential implications for automotive manufacturers tends to be focused around currency fluctuation and cross border business regulation and tariffs with corresponding impact on the cost and availability of raw materials and labour. Changes to cross-border trading, including tariffs and non tariff barriers, could increase both working capital requirements, by extending supply chains, and the costs of both manufacturing and sales. Uncertainty continues over the long-term impact of Brexit on the UK economy and the specific effects it will have on growth in the automotive sectors' production and supply chain activities in the UK, the Group's current largest segment.	The location, design and manufacturing capacity of all our operational facilities are constructed to meet local market demands, in territory, and we have plans to invest in further capacity within Europe in the year to meet supply chain developments in mainland Europe. We have invested in relationships with supply chain partners in the year to establish safety stocks whilst also developing secondary suppliers and in certain instances more localised supply to prevent cross border trading. We have continued to establish emergency concepts allowing for smooth transition of manufacturing between sites to both address risks of cross border trading and allow for better utilisation of Group capacity. The Group seeks to position itself as an employer of choice whilst recognising the competitive market and has taken steps to engage staff in the year to better understand needs and motivations and support retention. The Board will continue to assess potential risks and impacts of changes in the automotive supply chain and demand levels as the final timing and terms of Brexit are confirmed and take appropriate steps to minimise their impact.
IT systems and software	The Group has a range of systems and software infrastructures upon which it relies to receive, process and plan customer orders as well as manage its supply chain. Recent trends in Automotive OEM system design and the Group's increasing customer base necessitates an increasing amount of EDI linkages which add complexity and increased risk around integrity of data. Interruption of access or loss of these systems could negatively affect the Group's ability to produce, despatch and invoice customers as well as interrupt the smooth running of its own supply chain.	The Group has invested in its IT infrastructure in order to both improve operational functionality and also protect sensitive and proprietary data from cyber-attacks. The Group has developed an IT security training programme in the year to update staff understanding of the changing risks associated with cyber-security, profiling and phishing Specialist 3rd party IT support and improvement are employed with multi-layer data backup and storage. The Group continues to monitor its IT requirements and may, in future periods, invest further in ERP systems to support diversification, growth and business efficiency. Critical business continuity and disaster recovery plans are reviewed in conjunction with our external IT support providers and, based on testing of these plans, improvements are developed and deployed.
Currency and foreign exchange	A growing proportion of the Group's business is carried out in currencies other than Sterling. The Group's financial position or results of operations may be impacted to the extent that there are fluctuations in exchange rates. The Group does not currently, but 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 maintains banking facilities in the functional currency of overseas operations and continues to seek, where possible, to buy materials and services locally to the procuring site so as to minimise transactional risk. The Board would consider, for significant future capital projects, a hedging strategy to give certainty at the time of order placement. Speculative transactions of any kind remain prohibited. The Board may implement a hedging strategy to limit or mitigate risk when it believes that the level of transactional risk are sufficiently significant to have potential for material impacts on the Group's results.

The Strategic Report was approved by the Board on 11 December 2019 and signed by order of the Board by the Chairman.

Adam Attwood
Chairman
11 December 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;
- 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.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

- **Board Director**
- **Senior Management**

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 many years experience of working with growth-focused SMEs. Originally a corporate solicitor with Norton Rose Fulbright, he moved into quoted company advisory and European M&A with Charterhouse Bank. He progressed to direct private equity investment with Livingbridge Equity Partners focussing on investments in the Midlands region. Adam has a portfolio of non-executive roles with manufacturing and branded businesses. Adam chairs the Group's Nominations Committee.

Dr Kathryn Beresford
Group R&D Manager

Dr Kathy Beresford holds a PhD in Multichannel Automotive Audio from 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.

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.

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.

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.

Neil MacDonald
Non-Executive Director

Neil was appointed to the Board in July 2019 as Non-Executive Director and is Chairman of the Audit Committee. He is a Chartered Accountant with more than 30 years of experience in engineering industries. He is the former Group Finance Director of AES Engineering Limited, the international mechanical seals manufacturer; and previously Group Finance Director of the international aerospace company, Firth Rixson. He currently serves on the board of Pressure Technologies plc as Non-Executive Chairman. Neil holds numerous other non-executive roles in the public and private sector.

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. 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.

Henrik Petterson

Operations Manager, Autins AB

Henrik brings 20 years' experience in the automotive industry, progressing rapidly from operator to operational manager for Schenker Automotive's direct sequenced supply to Volvo. Henrik played a leading role in the creation, management and development of Autins' Swedish site, with a keen eye on cost, agility and automotive best practice. Since April 2019, Henrik has been the in-country manager for Autins' Swedish operations bringing in Group support to facilitate operational scaling as required. Henrik has a master's degree in Electricity and Signal Technology from the University of Borås, Sweden.

Gareth Kaminski-Cook

Chief Executive Officer

Gareth joined Autins in October 2018 from Low & Bonar plc, the 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 a deep understanding of the manufacture and application of specialist acoustic and thermal materials across relevant industrial markets including Automotive and Building Products.

Ian Griffiths

Non-Executive Director

Ian joined the Board in April 2016 as Non-Executive Director and chairs the Remuneration Committee. He brings strategic and operational international engineering sector experience, having spent nearly 30 years with GKN plc. Ian served as a Non-Executive Director of Ultra Electronics Holdings plc from 2003 to 2012. He has been a Non-Executive Director and Remuneration Committee Chairman of Renold plc since 2010, was appointed Chairman of Trackwise Plc in July 2018 and was Chairman of Hydro International plc from 2014 to 2016.

Mark White

UK Operations Manager

Mark joined Autins in April 2019 from Jaguar Landrover where he was a senior manager. Mark served over 20 years at JLR holding various management positions in the body construction, trim and final assembly sections. Mark brings a wealth of experience in lean and automotive process improvement and was part of the senior team that implemented the highly automated bodyshop for the new D7u multi vehicle platform.

Dean Trappett

Group Engineering Manager

Dean is an experienced engineering manager with a demonstrated history of working in first tier automotive companies. He has commercial and customer skills combined with 26 years process, continuous improvement & manufacturing knowledge, leading teams in both Manufacturing Engineering and New Product / Process introduction. Dean joined Autins in September 2019 to lead the group engineering role within the business.

Joerg Thul

Group QHSE Director

Joerg is an experienced quality professional with a background in engineering and a track record in creating, managing and developing the quality function within the automotive supply chain. Joerg is accomplished in the introduction, use and maintenance of core automotive quality and lean tools and has a degree in Integrated Technologies from Sheffield University.

The Group, mindful of changes to governance requirements for AIM quoted companies, and having considered 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) in September 2018. This was in line with the Board's previously stated aims of seeking to apply, or work towards, best practice for smaller quoted companies. The Group remains subject to the UK City Code on Takeovers and Mergers.

The 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 15.

Leadership and day-to-day management of the Group is the responsibility of the Chief Executive. The Executive Directors, in conjunction with the Leadership team (details of whom are on pages 30 to 31) formulate, review and recommend the Group's strategy for Board approval as part of the annual planning cycle. The Leadership team will then take ownership of specific policy deployment plans that are designed to implement and promote the approved strategy in addition to delivery of annual financial plans.

The Group's business model has been designed to deliver sustainable, long term, 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 shareholders in order to confirm that our wider investor relations plan has allowed investors to clearly understand the strategy, business model and performance.

The Executive Directors meet regularly with investors and analysts at investor roadshows and by hosting tours of our facilities in order to facilitate open communications regarding the Group's business performance (both current and expected future state) and reconfirm the Board's understanding of shareholder's expectations and needs with regards the Group.

The Board recognises the importance of the Annual General Meeting (AGM) and therefore encourages participation by all investors at the AGM. All Board members present at the AGM therefore make themselves available to answer any questions from shareholders that may arise. 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 considers 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 has spent time in the year refining its CSR policies, data recording and procedures. The Group recognises the need to maintain effective working relationships across a range of stakeholder groups including its employees, customers, suppliers, shareholders and the wider community in which it operates. The revised policy document will be deployed during FY20 and is designed to provide a focal point for the Group's CSR efforts.

The Board's primary responsibility is to promote the success of the Group for the benefit of its members as a whole, but the Board recognises its obligation to balance the Group's operations and working methodologies to take account of, and balance with, the needs of all of the wider shareholder groups. Where feedback is received from stakeholders, the Group endeavours to make appropriate amendments to working arrangements and operational plans to address this feedback whilst remaining consistent with the Group's longer-term strategies.

The Group employs a full time Environmental, Health and Safety professional who ensures that due account is taken of any impact on the environment that its activities may have and seeks to minimise this impact wherever practical and possible. The Group remains fully compliant with Health, Safety and Environmental legislation relevant to its activities and performs regular reviews of its various procedures and systems in order to maintain and enhance both compliance and the sharing of best practice.

During the year, the Group launched Autins Values, as set of six principles designed to influence and inform our response to stakeholder needs and the Group's responsibilities to them. Management launched an annual Group Employee Engagement Survey in the year to assess the implementation of these values and 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 Audit Committee provides guidance, having taken feedback from management and third party advisors, to the Board with regards the effectiveness of the Group's system of Internal Control. The Group has designed and implemented systems to manage, limit and control the risk of failure to achieve business objectives. As with all systems, the Group's processes cannot eliminate all risk completely, but provide reasonable rather than absolute assurance against material loss or misstatement.

The Chief Financial Officer leads a continuous process, with support from the Leadership and finance team, to identify, evaluate and manage the Group's significant risks. The Group's register of potentially material or significant risks are reviewed by the Board twice per annum. This register informs the principal risks and uncertainties as stated on pages 26 to 28.

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

- Quality, Environmental and Health & Safety performance.
- Monthly financial and commercial results of the business compared to forecast.
- Achievement against annual policy deployment activities that support the Board's overall strategic plans.
- Business risks and appropriate control systems improvements to manage those risks.
- Progress on performance improvement projects.
- Steps taken to embed internal control and risk management further into the Group's operations.

On a monthly basis, agreed financial and non-financial KPIs together with management accounts are reviewed by the Board to assess progress against its key objectives for the year. The Executive Directors' provide a supporting written commentary in order to highlight key areas of performance and address previously agreed areas of interest. These KPI's, management accounts and more detailed departmental level data are cascaded via the Leadership Team throughout the organisation.

The Board further considers whether any significant strategic, organisational or compliance issues have occurred (or are at risk) to ensure that the Group's assets are safeguarded and financial information and accounting records can be relied upon.

A summary of the principal risks and uncertainties facing the Group, as well as mitigating actions, are set out on pages 26 to 28 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, who are ultimately responsible for taking all major strategic decisions and also addressing any significant operational matters. Deployment of the Group's strategy and management of day to day decisions is delegated to the Executive Directors and the Leadership Team. The Board also reviews the Group's risk profile and the adequacy of the implemented systems of internal control that are in place. The management information systems continue to be evolved to adapt to changing data enquiry needs and to ensure that they are capable of facilitating informed decisions by the Board to allow them to properly discharge their duties.

Delegation of responsibilities

The Group maintains a formal schedule of matters reserved for the Board which is reviewed at least annually. A schedule of delegated authorities under which Management can operate without reference to the Board exists and was last reviewed, revised and approved by the Board in December 2019.

Board composition

The Board consisted of two Executive Directors, a Non Executive Chairman and two Independent Non Executive Directors for the majority of the year. All Non Executive Directors that served in the year were considered to be independent of management by the Board and were 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 considers annually whether a Senior Independent Director should be appointed, but has not currently chosen to do so.

The Board are satisfied that they have sufficient members and with an appropriate balance of skills and experience to allow it to operate effectively and exert control over, and provide challenge and guidance to, the business and its management team. No individual Board member has unconstrained powers to make decisions of a material nature.

Role of Chairman and Chief Executive

The Chairman and Chief Executive Board positions are separate with clearly defined individual duties and responsibilities. The Chairman is responsible for the leadership and management of the Board and its governance and as such meets regularly and separately with the Executive and Non Executive Directors to discuss matters for the Board.

The Chief Executive is responsible for day-to-day management and leadership of the Group. This includes guiding the Leadership Team (details of whom are on pages 30 to 31), in its formulation, review and confirmation of the Group strategy for Board approval and subsequent execution.

The Board convenes regularly with at least 10 scheduled meetings per year. These meetings incorporate an annual strategy day and scheduled presentations by Leadership team members to provide the Board with additional insight into their area of expertise. 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 36 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 composition has changed in the year but is still considered to have all appropriate skills, experience and knowledge sufficient to give the Board the ability to constructively challenge strategy, decision making and scrutinise business performance.

The Board's biographical details are set out on the Group's website and within this Annual Report and Accounts on page 30 to 31.

Board composition remains under review to ensure it remains appropriate to the strategic and 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.

Attendance and participation in relevant training, networking and update events are encouraged in order to create, maintain or enhance relevant skills and knowledge. Updates from the Quoted Companies Alliance and external advisers are utilised to ensure relevant knowledge of Corporate Governance matters where appropriate.

All Directors have access to the Group's (or 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

As part of his responsibilities with regards Board effectiveness and governance, the Chairman, 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 has committed to using the QCA Board effectiveness review to assess the 12 defined key areas of Board effectiveness. Due to the change of Chief Executive at the start of the period and the change in Non Executive Director in the second half year, the effectiveness review scheduled for FY19 was postponed. The Board will next conduct an evaluation of its own performance in the second half of FY20.

The Board is satisfied that its operating culture is open and dynamic enough not to warrant the use of Group resources for an externally facilitated review at this time. This approach will be reviewed on an annual basis.

The effectiveness of the Board and its Committees are reviewed on at least an annual basis but kept under review in accordance with Corporate Governance best practice.

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

As an SME, we recognise that it's our people that will underpin delivery of our business model. We therefore aim to create systems and roles that support the recruitment, retention, engagement and development of our staff in response to ever changing customer demands.

During the year Autins' core values, as proposed by the Leadership team, were approved by the Board and deployed across the business. These values seek to establish a framework which all employees can support, will govern our behaviours and underpin a high performance culture that the Board believes is required in order to deliver our strategy.

Our aim is that the Group's culture will be built on these Autins values and they will 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.

A positive Health and Safety culture is promoted within the business and the Group seek to reflect this 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 the standing first agenda item at all Board and Leadership meetings. The Group's Health & Safety Manager, who reports ultimately to the Chief Executive, has direct access to the Executive Directors should he wish to raise any urgent concerns.

The Group's policies and procedures are given to all new employees at induction, and are available to both permanent and temporary staff via our Employee Engagement App. The App is also the Group's portal for Anti-Bribery, Corruption and Whistle-blowing policy. Any concerns raised are passed directly to the Chairman of the Audit Committee for independent review. All policies and procedures are subject to a periodic review and re-approval to ensure they continue to meet their aims.

The Group's share dealing code 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 and require authorisation from the Company Secretary for any trading activity outside of a close period.

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

The Board maintains separate Audit, Nomination and Remuneration Committees whose purpose is to consider and oversee issues of policy outside main Board meetings.

Audit Committee

The Audit Committee comprises the three Non-executive Directors. It was chaired by Terry Garthwaite until April 2019 and by Neil MacDonald from July 2019.

The Committee's role includes:

- Going concern review, including sensitivity assumptions.
- Review of the financial statements, Annual Report and investor presentation.
- Consideration of the external audit report and management representation letter.
- Review of the audit plan and audit engagement letter.
- Review of the interim results and associated presentation for investors.
- Meetings with the auditor with and without management present.
- Review the Group's whistle-blowing policy and procedures.
- Review and challenge the Group's assessment of business risks and internal controls to mitigate these risks.
- Considering the appointment, fees, independence and effectiveness of the auditor, 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 and their interaction with changes in GAAP.
- Ad-hoc reviews of banking facilities and documents associated with the issue of new equity.

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

Remuneration Committee

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

- Setting and reviewing the remuneration policy for all Executive Directors.
- Confirm that remuneration payments made to Directors are consistent with approved policy.
- Ensuring that remuneration payments are in accordance with appropriate benchmarks as well as assessing changes in practice that may have future remuneration impacts.
- Overseeing incentives-based remuneration for Senior Management or other employees identified as relevant by the Committee.

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 is chaired by Adam Attwood. It has responsibility for reviewing the size, composition and structure of the Board (and its Committees) and making recommendations of any changes it believes are required for succession planning. The Committee identifies and nominates for approval by the Board of candidates to fill vacancies as and when they arise as well as reviewing the results of any Board performance evaluations and proposing corrective actions if required.

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 each Committee will provide the Board with a summary of key issues considered, and conclusions drawn, at the Committee meetings. Details regarding the frequency and attendance of meetings for these committees are contained in the Director's Report.

Written Terms of Reference have been established (and are regularly reviewed) for all Board Committees. These Terms of Reference are available on the Group's Investor website and confirm the duties, authority, reporting responsibilities and minimum meeting frequency for each Committee.

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

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

The Group communicates formally with shareholders via the Annual Report and Accounts, the full-year and half-year results announcements and associated presentations, periodic market announcements and trading updates (as appropriate) and the AGM.

The Executive Directors periodically meet with analysts and shareholders in face to face meetings as well as hosting Investor road shows and events both at the Group's and investor's premises.

The Group's website has been reviewed and redesigned to allow a more accessible platform to communicate the Group's strategy, products and processes to the wider community. A dedicated Investors section is maintained within the main site and is updated regularly. The Investor's website contains all financial reports and associated Investor presentations since the Group's Initial Public Offering, together with downloadable copies of standing data (including the terms of reference of the Board's subcommittees) that are of use to stakeholders.

This governance statement was last reviewed and updated on 11 December 2019.

The Directors present their report and the audited financial statements for the Group for the year ended 30 September 2019 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 3 to 28 which is incorporated into this report by reference. The Directors' statement on Corporate Governance is set out on pages 32 to 35. This report should be read in conjunction with information concerning Directors' Remuneration and employee share schemes in the Remuneration report on page 40, and which is incorporated by way of cross-reference into the Directors' Report.

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

Results and dividends

The results for the year are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 48 to 49. Following the year-end, the Directors assessed the appropriateness of the Group declaring a final dividend and concluded that no dividend would be appropriate.

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 (deceased 6 April 2019);
- Ian Griffiths;
- Gareth Kaminski-Cook;
- James Larner; and
- Neil MacDonald (appointed 16 July 2019)

Corporate governance

The Directors' statement regarding Corporate Governance can be found on pages 32 to 35. The Company is a member of the Quoted Company Alliance (QCA) and has chosen to adopt the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code) with effect from 27 September 2018 (and therefore for the whole of FY19). The Group has continued to use QCA resources, networking and training events to improve the knowledge and implementation of corporate governance standards through the year

Board of Directors and Board committees

Biographical details of all the Directors at the date of this report are set out on pages 30 to 31.

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 35 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	10	10	4	4	n/a	n/a	1	1
Terry Garthwaite (deceased 6 April 2019)	6*	6	1*	1	6*	6	-	-
Ian Griffiths	10	10	4	4	7	7	1	1
Gareth Kaminski-Cook	10	10	n/a	n/a	n/a	n/a	n/a	n/a
James Larner	10	10	n/a	n/a	n/a	n/a	n/a	n/a
Neil MacDonald (appointed 16 July 2019)	2*	2	2*	2	1*	1	1	1

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

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

Auditor independence

The Audit Committee and the Group's external auditor, BDO LLP, have safeguards in place to avoid the possibility that the auditor's objectivity and independence could be compromised. These safeguards include the auditor's 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 ixBrl tagging and advice and compliance support with regards the Group's long-term incentive plan.

Re-election of Directors

At every Annual General Meeting, 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 retire from office by rotation.

As announced on 16 July 2019, Neil MacDonald was appointed by the Board as a Non-Executive Director and has since served as a member of the Board and Chair of the Audit Committee. He will stand for 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 2019 were as follows:

	2p ordinary shares at 30 September 2019	% of issued ordinary share capital	2p ordinary shares at 1 October 2018	% of issued ordinary share capital
Adam Attwood	600,000	1.52	455,428	2.06
Ian Griffiths	14,311	0.04	14,311	0.06
Gareth Kaminski-Cook	180,228	0.46	Nil	n/a
James Larner	25,000	0.06	Nil	n/a
Neil MacDonald	125,000	0.32	Nil	n/a

Share capital

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

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

Major interests in shares

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

Shareholder	Number of voting rights as at 11 December 2019	% voting rights as at 11 December 2019	Number of voting rights as at 30 September 2019	% voting rights as at 30 September 2019
Schroders	8,707,702	21.99%	8,707,702	21.99%
Miton Group plc	6,176,361	15.60%	6,176,361	15.60%
Cavendish Asset Management	54,450,338	13.76%	4,450,338	11.24%
Thornbridge Investment Management	2,500,000	6.31%	2,500,000	6.31%
Ruffer LLP	2,490,741	6.29%	2,490,741	6.29%
Karen Holdback	2,025,000	5.11%	2,025,000	5.11%
Kevin Westwood	2,025,000	5.11%	2,025,000	5.11%
Unicorn Asset Management	1,769,806	4.47%	1,769,806	4.47%
Jarvis Securities	1,618,220	4.09%	1,618,220	4.09%
Toscafund	1,590,300	4.02%	1,590,300	4.02%

Financial risk management

In certain circumstances, the Group uses financial instruments to manage specific types of financial risks, including those relating to credit and foreign currency exchange. The Group's objectives and policies on financial risk management including information on liquidity, capital, credit and risk can be found on pages 64 to 66 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.

Research & Development

The Group's dedicated Research and Product Development ('R&PD) plan, first launched in FY17, was modified in the year (in response to the overall costs reduction programme) to focus on those items that could deliver enhanced value to the Group in the near term. Particular focus was paid to improving the environmental impacts of our products and developing materials and processes tailored for the evolving Electric Vehicle market.

The high level of success in the year lead to the majority of costs being recognised as intangible assets having met the Group's stated accounting policy for such expenditure.

The R&PD plan is reviewed at least twice per annum to ensure its focus continues to address customer and market problems.

Health and safety

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

The Group remains committed to providing a safe and healthy working environment for staff and contractors alike. Group wide health and safety standards and systems exist to set out, in support of a one company approach, the required range of policies and procedures designed to manage risks and promote wellbeing at all sites.

Management and the Board regularly review a range of health and safety performance measures and take appropriate steps to address any areas for concern including ensuring lessons learned from incidents that occur are shared across the Group for best practice improvements.

Charitable and political donations in the year

The Company did not make any political donations during 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 as well as in support of the KidsOut Giving Tree campaign (Registered Charity no. 1075789).

Going concern

The Company's business activities, together with risk factors which potentially affect its future development, performance or position can be found in the Strategic Report on pages 26 to 28. The Company's financial position and its cashflows are outlined in the Financial Review on pages 18 to 21.

The Board have concluded, on the basis of current and forecast trading and related expected cashflows and available sources of finance, that it remains appropriate to prepare the Group's results on the basis of a Going Concern.

The Group received a net cash injection of £3.3 million in August 2019 as a result of an equity placing and this, combined with continued support from the Group's primary and supporting banks mean that the Group has sufficient headroom within it's facilities to allow for reasonably foreseeable cashflow requirements in the event of changes to its demand or cost base.

The Board continues to review the structure of the Group's banking arrangements with a view to ensuring that it remains appropriate for the planned growth within mainland Europe and to allow for the more variable demand that has become a feature of the automotive market in the last 18 months. The Group's current banking remains without covenant.

Auditor

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

Audit information

The Directors who were in office on the date of approval of the Directors' Report have confirmed that, so far as they are aware, 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 12pm on 7 February 2020 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 11 December 2019.

By order of the Board.

James Larner
Company Secretary
11 December 2019

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

Company number: 08958960

The remuneration of the Executive Directors and certain other key management team members is subject to the approval and oversight of the Remuneration Committee which is chaired by Ian Griffiths.

The Company's remuneration policy is designed to promote the achievement of its strategic goals with regard to growth and diversification and to attract and retain staff and Directors capable of accelerating achievement of the strategic plans.

In setting the measurement of executive performance due notice is taken of the risk profile of the business and to reward progress. The committee believes that the Executive Director and leadership team should be rewarded for securing long term growth that provides for a sustained growth of investor returns.

Fixed pay is based on a market-based approach which takes into account the size of the Company, peer review of compensation packages and the experience and qualifications of the executive in question. Variable pay is designed to promote out-performance, which is both achievable, repeatable and sustainable.

Directors

The Directors who served during the year under review and up to the date of approving the Annual Report and Accounts are disclosed in the Directors Report.

At every Annual General Meeting, 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 retire from office by rotation.

As announced on 16 July 2019, Neil MacDonald was appointed by the Board as a Non-Executive Director and has since served as a member of the Board and Chair of the Audit Committee. He will stand for election at the forthcoming AGM.

Directors' Interests – Interests in shares (unaudited)

	2p ordinary shares at 30 September 2019	% of issued ordinary share capital	2p ordinary shares at 1 October 2018	% of issued ordinary share capital
Adam Attwood	600,000	1.52	455,428	2.06
Ian Griffiths	14,311	0.04	14,311	0.06
Gareth Kaminski-Cook	180,228	0.46	Nil	n/a
James Larner	25,000	0.06	Nil	n/a
Neil MacDonald	125,000	0.32	Nil	n/a

Directors' Interests – Interests in share options (unaudited)

Details of options held by Directors who were in office at 30 September 2019 are set out below. The Company's option schemes are set out in more detail in notes 20 & 24 to the financial statements.

	Date of Grant	Number	Exercise Price	Expiry Date
James Larner	29 March 2019	81,395	£0.02	29 March 2029
Gareth Kaminski-Cook	29 March 2019	279,070	£0.02	29 March 2029

The market price of the Company's shares at 30 September was 20.5 pence. The range of market prices during the year was 17 pence to 37 pence.

Contracts of service

The Executive Directors, Gareth Kaminski-Cook and James Larner, each have a service agreement containing one year's and six month's notice respectively and claw back and malus clauses with regard to any paid or unpaid bonuses. Michael Jennings had a service agreement containing one year's notice.

The Non-Executive Directors, Adam Attwood, Ian Griffiths and Neil MacDonald, have a service agreement with a three-month notice period. Terry Garthwaite's service agreement contained a three-month notice period.

Salaries and benefits

The Remuneration Committee meets at least twice per year in order to consider to review and set the remuneration packages for the Executive Directors.

Remuneration is benchmarked annually to ensure they remain comparable and competitive with companies of a similar size and complexity. Remuneration for the Executive Directors comprises basic salary, pension contributions and benefits in kind (including healthcare, company cars and life insurance). The Non-Executive Directors remuneration consists of basic salaries but are reimbursed for travel and other out of pocket expenses. Remuneration for Executive Directors also includes share options as detailed above.

Year ended 30 September 2019	Salary £000	Benefits £000	Pension £000	**Total FY19 £000**	Total FY18 £000
M Jennings	–	–	–	**–**	268
G Kaminski-Cook	259	26	11	**296**	–
J Larner	142	14	8	**164**	139
A Attwood	60	–	–	**60**	60
T Garthwaite	23	–	–	**23**	45
I Griffiths[1]	51	–	–	**51**	45
N MacDonald	9	–	–	**9**	–
	544	40	19	**603**	557

1 Ian Griffiths received additional remuneration in FY19 in recognition of a period as acting Chief Executive during the transition from Michael Jennings to Gareth Kaminski-Cook.

By order of the Board

Ian Griffiths
Non Executive Director and Chair of the Remuneration Committee
11 December 2019

Members of the Audit Committee

The Committee currently consists of all serving Non-Executive Directors. The committee was chaired by Terry Garthwaite (until 6 April) and Neil MacDonald (from 16 July) during the year.

The Board is satisfied those who served as Chairman of the Committee in the period had relevant and recent financial experience as both were Chartered Accountants who have served as Finance Director and Chair of Audit Committees in other organisations.

Meetings of the Committee may, by invitation, be attended by the Chief Executive and the Chief Financial Officer. The Committee met four times in the year.

The Committee reports the outcome of its deliberations at the subsequent Board meeting and minutes of each meeting are made available to all members of the Board.

Duties

The Audit Committee's duties are set out in its Terms of Reference, which are available on the Company's website (www.autins.com/investors) and on request from the Company Secretary.

The main items of business considered by the Audit Committee during the year included:

- Going concern review, including sensitivity assumptions,
- Review of the financial statements, Annual Report and investor presentation,
- Consideration of the external audit report and management representation letter,
- Review of the FY19 audit plan and audit engagement letter,
- Review of the interim results and associated presentation for investors,
- Meetings with the auditor with and without management present,
- Ad-hoc reviews of banking facilities and documents associated with the issue of new equity.

Role of the Auditor

The Audit Committee monitors the relationship with the Auditor, BDO LLP, to ensure that auditor independence and objectivity are maintained.

The Committee therefore monitors the provision of any non-audit services by the external auditor and during the year certain non-audit services have been placed with other appropriate providers.

The Audit Committee recommends BDO LLP are re-appointed as auditor at the next AGM.

Audit process

The Auditor prepares and presents a plan for the audit of the full year financial statements that establishes the scope, areas of special focus and audit timetable. This plan is reviewed and agreed in advance by the Audit Committee.

Following the audit of the annual financial statements the Auditor presents its findings to the Audit Committee for discussion. There were no major areas of concern highlighted by the Auditor during the year beyond those areas of significant risk and audit judgment that are routinely discussed and disclosed in their report to the members of the Group.

Internal audit

The Committee considers that, taking account of the size and structure of the Group's trading and assets, an internal audit function is not required. The Committee will keep this under review to ensure that as the Group develops and complexity increases appropriate resources are dedicated to the creation of an internal audit function.

Risk management and internal controls

As described on page 34 of the Corporate Governance Report, the Group has established a framework of risk management and internal control systems, policies and procedures. The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. During the year, the Committee has reviewed the framework and the Committee is satisfied that it is currently operating effectively.

Whistleblowing

As noted in the Corporate Governance Report, the Group has a formal whistleblowing policy which sets out the process for any employee of the Group to raise, in confidence, any concerns about possible improprieties in financial reporting or other governance matters. The Chairman of the Audit Committee acts as the independent reviewer for any claims that are raised, with any relevant matters and actions recorded at the next appropriate meeting. During the year, there have been no incidents recorded or raised for consideration.

By order of the Board

Neil MacDonald
Non-Executive Director
11 December 2019

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 2019 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 cashflows 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 2019 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 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.

Key audit matter	How we addressed the key audit matter in our audit
Impairment risks The Group has goodwill, other intangibles and property, plant and equipment of £14.2 million. In accordance with accounting standards, goodwill is not amortised but is subject to an annual impairment review through assessment of the value in use of the Automotive Noise, Vibration and Harshness ('NVH') CGU to which it is attributable. In addition, the existence of continuing operating losses and the Group's market value being lower than the consolidated net assets, provide further indicators that impairments may be present. In addition, property, plant and equipment within the NVH CGU includes the Neptune production facility with a net book value of £5.1 million which was completed and brought into use in the previous financial year. This asset is still generating losses although there is an emerging track record of securing customer orders and a significant pipeline of enquiries which management are confident will enable the site to start to generate cash and profits in 2020 and beyond. The Group's accounting policies and critical estimates and judgements are described in Notes 1 and 2 respectively. Details of the impairment considerations are included in Notes 11 and 12. We consider there to be a significant risk in relation to the achievement of the forecast future trading and cashflows used to determine the value in use supporting the carrying value of the goodwill, other intangible assets and property, plant and equipment in the NVH CGU and the Neptune facility within the NVH CGU. No other CGUs have any material assets which could be subject to impairment	We have reviewed and challenged the judgements adopted by management in undertaking the impairment tests, which comprised assessment of the value in use for the NVH CGU and the Neptune facility. These included • The identification of the Cash Generating Units (CGUs) and validating the assumptions and evidence supporting the allocation of all associated revenue, costs and assets to CGUs; • The calculation of the discount rate used to discount the cashflows in each CGU; • The assumptions used by management in their forecasts of the future trading performance and cash generation of each CGU. This included comparison with the information used to assess going concern, challenging the robustness of the key assumptions, including the rate of securing new customers for the Neptune facility and assessment of conversion rates in the enquiry pipeline; • The appropriateness of the sensitivities applied by management, including reperformance of the value in use calculations to assess the level of underperformance against management's forecasts required to eliminate the headroom for both the NVH CGU and the Neptune facility; • We used our valuation experts to confirm the appropriateness of the models used by management to calculate the value in use for each CGU and the calculation of the discount rate; and • we considered the outcomes achieved compared with the prior year forecasts to understand the reasons for the variations and challenged how the current year's budgets and forecasts incorporated this information.

Key observations

Nothing has come to our attention as a result of performing the above procedures that causes us to believe that any material misstatement is present in respect of the carrying value of goodwill, other intangible assets and property, plant and equipment, either in respect of the Neptune facility or the wider NVH CGU.

Key audit matter	How we addressed the key audit matter in our audit
Going concern As disclosed in Note 1, the financial review on pages 18 to 21 and the principal risks and uncertainties on pages 26 to 28 the financial statements have been prepared on a going concern basis. During this second year of losses, management have implemented various initiatives to reduce costs and improve margins and operating efficiency. The funding to deliver these initiatives, together with funding the losses and providing time to implement more robust working capital controls included the agreement of extensions to the existing banking facilities for the period through to February 2020, further supported by an equity issue in August 2019 which raised £3.3 million net of expenses. In support of their going concern assessment, management have prepared detailed forecasts and projections covering the period to 30 September 2021. These include consideration of all reasonably foreseeable trading events and circumstances (including an assessment of the impact of any future agreement in respect of Brexit) in determining the level of facilities the Group requires. Based upon a continuation of the existing trade loan finance and invoice discounting facilities these forecasts and projections indicate there are adequate levels of headroom. The ability to achieve the forecast customer volumes, together with renewal of the existing (or alternative) facilities, which are all currently uncommitted and "due on demand", was a key area of focus during our audit and is accordingly considered to be a key audit matter	We critically assessed management's trading and cashflow budgets and forecasts covering the period to 30 September 2021. This included testing the key estimates and judgements and, in doing so, we specifically considered the principal trading and cashflow assumptions and the evidence supporting the banking facilities used in the 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 cashflow budgets and forecasts. We also verified the current status of the 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.
Key observations Nothing has come to our attention as a result of performing the above procedures that causes us to believe that a material uncertainty exists in respect of the adoption of the going concern basis of preparation for the financial statements.	
Recoverability of trade receivables The accounting policy and details of the estimation uncertainty are disclosed in Note I and Note 2 respectively. Details of trade receivables and impairment provisions are included in Note 15. The historic issues with the Group's major customer, first reported in the previous year, remain unresolved and the impairment provision therefore remains unchanged. The continued economic uncertainty and potential impacts of Brexit on the Automotive sector, combined with the ongoing discussions over the recovery of some historic debts due from the Group's major customer from the previous financial year, increase the risk that impairment and credit note provisions against trade receivables may be understated. In addition, the introduction of IFRS 9 Financial Instruments, has introduced the requirement to recognise impairment provisions using an expected credit loss model compared to the previous policy of recognising incurred credit losses Due to the quantum of receivables and the uncertainty involved with their recoverability 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 correspondence with the customer and verifying amounts recovered or credited both during the year and since the year end. We also reviewed management's assessment of the recoverability of amounts due from other customers and tested a sample of both current and overdue debts to supporting evidence, either amounts subsequently recovered or correspondence with the customers confirming acceptance of the debts or their intentions to settle the amounts due. We challenged management's assessment of the adequacy of the provisions for impairment, having regard to the implementation of an expected credit loss model. We considered the empirical evidence and available forward looking information in support of management's assessment that no material expected credit losses are expected to arise. This included a critical assessment of the appropriateness of the impairment and credit note provisions and assessment of the appropriateness of isolating the period year issues encountered with the Group's major customer.
Key observations Nothing has come to our attention as a result of performing the above procedures that causes us to believe that any material misstatement is present in respect of the recoverability of trade receivables.	

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 2019	£270,000	Materiality based on 1% of Group turnover
FY 2018	£295,000	Materiality based on 1% 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 £191,000 (2018: £221,000) which represents 71 (2018 – 75%) of the above materiality levels. The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls, the impact of there being a number of components and locations and the level of misstatements arising in previous audits.

Materiality in respect of the audit of the parent company was set at £237,000 (2018: £285,000) using a benchmark based on 2% of net assets in both 2019 and 2018, capped by reference to Group materiality. Performance materiality for the parent company was set at £178,000 (2018: £213,000) which represents 75% (2018 – 75%) of the above materiality levels.

Our audit work on the significant components of the Group was executed at levels of materiality applicable to the individual entity which were lower than Group materiality. Financial statement materiality applied to the significant components of the Group was in the range of £132,000 to £237,000.

Reporting threshold

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £12,750 (2018: £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 the significant components of the Group which are Autins Limited, Solar Nonwovens Limited and also the parent company, Autins Group plc. Our work was focused on these entities given their significance to the Group's financial position and performance.

The work over the significant components gave us coverage of 83% (2018 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 and Accounts 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,, 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
11 December 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 2019

	Note	2019 £000	2018 £000
Revenue	4	**26,860**	29,243
Cost of sales		**(19,403)**	(21,996)
Gross profit		**7,457**	7,247
Other operating income	5	**–**	39
Distribution expenses		**(734)**	(846)
Administrative expenses excluding exceptional costs and amortisation		**(7,608)**	(7,804)
Amortisation of acquired intangible assets	5	**(237)**	(237)
Other exceptional operating costs	5	**(433)**	(234)
Total administrative expenses		**(8,278)**	(8,275)
Operating loss	5	**(1,555)**	(1,835)
Finance expense	8	**(192)**	(118)
Share of post-tax profit of equity accounted joint ventures	13	**203**	219
Loss before tax		**(1,544)**	(1,734)
Tax credit	9	**45**	376
Loss after tax for the year		**(1,499)**	(1,358)
Earnings per share for loss attributable to the owners of the parent during the year			
Basic (pence)	10	**(6.25)p**	(6.14)p
Diluted (pence)	10	**(6.25)p**	(6.14)p

All amounts relate to continuing operations.

The notes on pages 56 to 79 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	2019 £000	2018 £000
Loss after tax for the year	**(1,499)**	(1,358)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**(15)**	(27)
Total comprehensive expense for the year	**(1,514)**	(1,385)

The notes on pages 56 to 79 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

REGISTERED NUMBER: 08958960

	Note	2019 £000	2018 £000 (restated)
Non-current assets			
Property, plant and equipment	11	**10,727**	11,282
Intangible assets	12	**3,493**	3,767
Investments in equity-accounted joint ventures	13	**217**	204
Deferred tax asset	18	**223**	371
Total non-current assets		**14,660**	15,624
Current assets			
Inventories	14	**1,961**	2,322
Trade and other receivables	15	**6,729**	6,994
Cash and cash equivalents		**3,132**	91
Total current assets		**11,822**	9,407
Total assets		**26,482**	25,031
Current liabilities			
Trade and other payables	16	**4,635**	5,910
Borrowings	17	**5,143**	3,713
Total current liabilities		**9,778**	9,623
Non-current liabilities			
Trade and other payables	16	**115**	115
Borrowings	17	**301**	602
Deferred tax liability	18	**185**	379
Total non-current liabilities		**601**	1,096
Total liabilities		**10,379**	10,719
Net assets		**16,103**	14,312
Equity attributable to equity holders of the company			
Share capital	19	**792**	442
Share premium account	21	**15,883**	12,938
Other reserves	21	**1,886**	1,886
Currency differences reserve	21	**(145)**	(130)
Profit and loss account	21	**(2,313)**	(824)
Total equity		**16,103**	14,312

The notes on pages 56 to 79 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

James Larner
Chief Financial Officer

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

REGISTERED NUMBER: 08958960

	Note	2019 £000	2018 £000
Non-current assets			
Intangible assets	12	**57**	57
Investments	13	**16,239**	16,239
Total non-current assets		**16,296**	16,296
Current assets			
Trade and other receivables	15	**6,076**	7,171
Cash and cash equivalents		**3,075**	1
Total current assets		**9,151**	7,172
Total assets		**25,447**	23,468
Current liabilities			
Trade and other payables	16	**8,198**	8,130
Total current liabilities		**8,198**	8,130
Non-current liabilities			
Deferred tax liability	18	**–**	36
Total non-current liabilities		**–**	36
Total liabilities		**8,198**	8,166
Net assets		**17,249**	15,302
Equity attributable to equity holders of the company			
Share capital	19	**792**	442
Share premium account	21	**15,883**	12,938
Other reserves	21	**1,886**	1,886
Profit and loss account	21	**(1,312)**	36
Total equity		**17,249**	15,302

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 £1,358,000 (2018: loss of £475,000) after recognising an impairment on inter-group receivables of £720,000 upon adoption of IFRS 9 Financial Instruments.

The notes on pages 56 to 79 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

James Larner
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	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 income for the year						
Loss for the year	–	–	–	–	(1,358)	(1,358)
Other comprehensive income	–	–	–	(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**	**Profit and loss account £000**	**Total equity £000**
At 30 September 2018	**442**	**12,938**	**1,886**	**(130)**	**(824)**	**14,312**
Comprehensive expense for the year						
Loss for the year	**–**	**–**	**–**	**–**	**(1,499)**	**(1,499)**
Other comprehensive income	**–**	**–**	**–**	**(15)**	**–**	**(15)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(15)**	**(1,499)**	**(1,514)**
Contributions by and distributions to owners						
Shares issued	**350**	**3,150**	**–**	**–**	**–**	**3,500**
Share issue expenses	**–**	**(205)**	**–**	**–**	**–**	**(205)**
Share based payment	**–**	**–**	**–**	**–**	**10**	**10**
Total contributions by and distributions to owners	**350**	**2,945**	**–**	**–**	**10**	**3,305**
At 30 September 2019	**792**	**15,883**	**1,886**	**(145)**	**(2,313)**	**16,103**

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 2019

	Share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total equity £000
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**
Comprehensive income for the year					
Loss for the year and total comprehensive expense	**–**	**–**	**–**	**(1,358)**	**(1,358)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(1,358)**	**(1,358)**
Contributions by and distributions to owners					
Shares issued	**350**	**3,150**	**–**	**–**	**3,500**
Share issue expenses	**–**	**(205)**	**–**	**–**	**(205)**
Share based payment	**–**	**–**	**–**	**10**	**10**
Total contributions by and distributions to owners	**350**	**2,945**	**–**	**10**	**3,305**
At 30 September 2019	**792**	**15,883**	**1,886**	**(1,312)**	**17,249**

	2019 £000	2018 £000 (restated)
Operating activities		
Loss after tax	**(1,499)**	(1,358)
Adjustments for:		
Income tax	**(45)**	(376)
Finance expense	**192**	118
Employee share based payment charge	**10**	19
Depreciation of property, plant and equipment	**800**	649
Amortisation and impairment of intangible assets	**352**	264
Share of post-tax profit of equity accounted joint ventures	**(203)**	(219)
	(393)	(903)
Decrease in trade and other receivables	**249**	352
Decrease/(increase) in inventories	**361**	(459)
(Decrease)/increase in trade and other payables	**(1,229)**	53
	(619)	(54)
Cash used in operations	**(1,012)**	(957)
Income taxes received	**15**	182
Net cashflows from operating activities	**(997)**	(775)
Investing activities		
Purchase of property, plant and equipment	**(232)**	(890)
Purchase of intangible assets	**(152)**	(221)
Dividend received from equity-accounted for joint venture	**190**	258
Net cash used in investing activities	**(194)**	(853)
Financing activities		
Interest paid	**(192)**	(118)
Issue of shares	**3,500**	–
Share issue expenses paid	**(205)**	–
Bank loans advanced	**127**	–
Bank loans repaid	**(151)**	(165)
Finance lease advances	**–**	355
Hire purchase and finance leases repaid	**(432)**	(472)
Increase in invoice discounting	**736**	781
Dividends paid	**–**	(265)
Net cash from financing activities	**3,383**	116
Net increase/(decrease) in cash and cash equivalents	**2,192**	(1,512)
Cash and cash equivalents at beginning of year	**(67)**	1,445
Cash and cash equivalents at end of year	**2,125**	(67)

	2019 £000	2018 £000
Cash and cash equivalents comprise:		
Cash balances	**3,132**	91
Bank overdrafts	**(1,007)**	(158)
	2,125	(67)

Non cash transactions

The Group acquired plant and equipment at a cost of £nil (2018: £528,000) under hire purchase arrangements which has been shown net in the consolidated statement of cashflows.

Reconciliation of movements in net cash/financing liabilities

Year ended 30 September 2019	Opening £000	Cash flows £000	Non-cash movements £000	Closing £000
Cash and cash equivalents				
Cash balances	**91**	**3,041**	**–**	**3,132**
Bank overdrafts	**(158)**	**(849)**	**–**	**(1,007)**
	(67)	**2,192**	**–**	**2,125**
Financing liabilities				
Invoice discounting	**(2,980)**	**(736)**	**–**	**(3,716)**
Bank loans	**(240)**	**24**	**–**	**(216)**
Hire purchase liabilities	**(937)**	**432**	**–**	**(505)**
Financing	**(4,157)**	**(280)**	**–**	**(4,437)**
	(4,224)	**1,912**	**–**	**(2,312)**

Year ended 30 September 2018	Opening £000	Cash flows £000	Non-cash movements £000	Closing £000
Cash and cash equivalents				
Cash balances	1,625	(1,534)	–	91
Bank overdrafts	(180)	22	–	(158)
	1,445	(1,512)	–	(67)
Financing liabilities				
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)

1. Accounting policies

Description of business

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

Accounting convention and basis of preparation

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

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

- IAS 7 Statement of cashflows;
- 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.

Going concern

The Board have concluded, on the basis of current and forecast trading and related expected cashflows and available sources of finance, that it remains appropriate to prepare the Group's results on the basis of a Going Concern.

The Group received a net cash injection of £3.3 million in August 2019 as a result of an equity placing and this, combined with continued support from the Group's primary and supporting banks mean that the Group has sufficient headroom within it's facilities to allow for reasonably foreseeable cashflow requirements in the event of changes to its demand or cost base.

The Board continues to review the structure of the Group's banking arrangements with a view to ensuring that it remains appropriate for the planned growth within mainland Europe and to allow for the more variable demand that has become a feature of the automotive market in the last 18 months. The Group's current banking remains without covenant.

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 2018 and the following new standards have been adopted in these financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes principles for reporting the nature, amount and timing of revenue arising from an entity's contracts with customers. This requires a five step approach for identification of the contracts, performance obligations and transaction price, allocating the transaction price and recognising revenue when performance obligations are satisfied taking account of when control of an asset is obtained by a customer.

There has been no effect in the recognition or reporting of the Group's revenue with the point when the customer obtains control judged to be at the same point as that arising from the previous standard's principles in respect of the risks and rewards of ownership passing to the customer. However, the classification of tooling balances, which were previously reported in inventories, has changed within the statement of financial position. Having regard to the commercial terms in relation to the production and sale of tooling, IFRS 15 requires the balances to be included within contract assets and recognised within trade and other receivables. As such, the previously reported Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows have been restated to recognise the change in presentation. There is no change in the valuation of the asset or any impact on the income statement. At 30 September 2018, inventories have been reduced by £231,000 with a corresponding increase in other receivables. The movement in these balances in the periods are as follows:

	Tooling contract balances	
	2019 £000	2018 £000
Brought forward at 1 October	**231**	0
Additions during the year	**1,029**	897
Recognised as cost of sales in the year	**(984)**	(666)
Assets as at 30 September	**276**	231
Revenue yet to be recognised on tooling contract balances	**435**	350

Tooling revenue is recognised at a point in time when the obligation for it to be capable of the specified production use are satisfied which is considered to be when the specific tool has passed pre-production assessment and sign off by the relevant customer engineer. There are no long-term contracts

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. IFRS 9 retains the initial fair value measurement model from IAS39 and there has been no impact on the measurement or classification of the Group's financial instruments. However, loans and receivables will now be classified within new IFRS9 amortised cost categories – as such receivables are considered balances held to collect the cash inflows. Among other things, the standard introduced a forward-looking credit loss impairment model whereby entities need to consider and recognise impairment triggers that might occur in the future (an "expected loss" model). The Board has considered the potential impact of the introduction of IFRS9 applied retrospectively with the simplified approach adopted in respect of expected credit losses on trade receivables. The Board has determined that historic collection levels for trade debt do not suggest an expectation of loss and there is therefore no significant impact on numbers reported in the financial statements for the year ended 30 September 2019 or as previously presented.

Impairment provisions for receivables from other group companies are recognised based on a forward-looking expected credit loss model taking account of the expected manner of recovery including assessment of future cashflows. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses are recognised based on the probability of projected outcomes.

New standards, interpretations and amendments not yet effective

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 former operating lease contracts will result in a lessee acquiring and recognising a right-to-use asset and a financial 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 stated intention to apply the modified retrospective approach with the liability representing the discounted future lease payments from transition, it is estimated that an asset of £5.3 million and corresponding liability of £6 million would be accounted for as at 30 September 2019 with a debit to retained earnings of £0.7 million.

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 would result in an increased initial overall charge to the income statement estimated at £0.1 million for the year ended 30 September 2020 which would reverse over the period of the leases as finance charges decrease under the effective interest method and an increase in EBITDA of £1.2 million.

The Board has yet to conclude which of the six practical expedients are appropriate to apply at initial adoption and continue to review them in the context of the Group's operating model, assets and liabilities.

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

Basis of consolidation

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

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

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

1. Accounting policies continued

Revenue recognition

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

Revenue from the sale of goods is recognised when the customer has taken control of the goods and is able to benefit from or direct the use of the goods, which is usually when the goods have been accepted by the customer.

The Group recognises revenue from the sale of tooling when the obligation for it to be capable of the specified production use are satisfied which is considered to be when the specific tool has passed pre-production assessment and sign off by the relevant customer engineer.

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

Expenditure

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

Exceptional expenses

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

Goodwill

Goodwill arising on acquisitions is the excess of the fair value of the cost of acquisition, over the fair value of identifiable net assets acquired. Any direct costs are 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. A fair value is measured for the entire holding on taking control and in respect of all assets and liabilities resulting in a gain or loss on a previously held and equity accounted investment.

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

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

Impairment of non-financial assets

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

An impairment loss is recognised for the amount by which the carrying value exceeds the recoverable amount of the asset or cash-generating unit. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cashflow 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 cashflow of post tax royalty earnings potential
Key customer relationships	7 years	Estimated discounted cashflow

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 material 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 management's assessment of expected life. Any re-assessment of this lifetime capacity will affect the depreciation rate 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 contract balances

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 a contract asset in receivables when the Group has a documented commitment from the customer and is valued at the lower of cost and net realisable value. The cost is expensed when the revenue is recognised and 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 fifteen 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.

1. Accounting policies continued

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.

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

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

Borrowing costs

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

Operating lease commitments

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

Employee benefit costs

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

Share based payment

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

Invoice discounting

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

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 at fair value through profit and loss or through other comprehensive income.

The classes of financial assets are commented upon further below:

(a) 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 and contract balances), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest method.

The Group's receivables comprise trade and other receivables included within the consolidated statement of financial position.

The Group applies the simplified IFRS 9 approach and recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost to the extent that these are experienced and significant for assets subject to similar credit risks and ageing. The group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECL and the expected loss rates are based on a three year period adjusted where required for current and forward looking information on the group's customers. The potential default of receivables from other group companies is measured using a 12 month ECL and assessment for any significant changes in risk related to changes in underlying trading or prospects. The gross carrying amount of a financial asset is written off (either partially or in full) against the allowance to the extent that there is no realistic prospect of recovery.

(b) Cash and cash equivalents

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

1. Accounting policies continued

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 or through other comprehensive income. This reflects the purpose for which the liabilities were acquired.

Other financial liabilities comprise:

- Trade payables, amounts owed to equity accounted joint ventures, accruals and other creditors 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.

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

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

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

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

Operating segments

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

The Board considers that the Group's activity constitutes one primary operating and one separable reporting segment as defined under IFRS 8. Management consider the reportable segment to be 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)

Estimates

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

The 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. Management will continue to monitor the position for future periods.

Property, plant and equipment (Note 11) and other intangible assets (Note 12)

The carrying values of these assets are tested for impairment when there is an indication that the value of the assets might not be realisable or impaired either at an individual cash generating unit level or for the Group as a whole.

When carrying out impairment tests these would be based upon future cashflow forecasts and these forecasts would include management estimates for sales pricing and volumes informed by external market forecasts and experience. Costs to serve and attributable overhead will also include management estimates based on recent experience and expected adjustment for management actions.

In calculating the discount to be applied, management estimates are required in assessing the appropriate WACC for the Group's specific risk and adjusting for country specific risks.

There are no reasonable changes in the base rates used that would result in the value in use being less than the recoverable amount.

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.

Trade receivables (Note 15)

Estimate

Trade receivables are initially recognised at invoiced value.

Where specific amounts remain outstanding or disputed beyond their agreed settlement date management, having reviewed all commercial documentation, proof of delivery and credit risk of the customer, apply judgement as to the likelihood of the future settlement. This judgement will be influenced by the passage of time, the documentation available and previous experience of collection of past due invoices with that customer and the Group's customer base in general.

In addition, where the Group has historic experience of a rate of loss against a specific group of receivables (or where circumstances are indicative of a likely future change in the rate of estimated loss) then a change in that estimated loss rate would alter the impairment provision recognised.

3. Financial instruments – risk management

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

The Group is exposed to the following financial risks:

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

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

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

Group financial instruments by category

Financial assets

	Financial assets at amortised cost	
	2019 £000	2018 £000 restated
Cash and cash equivalents	**3,132**	91
Trade and other receivables	**6,193**	6,450
Total financial assets	**9,325**	6,541

Financial liabilities

	Financial liabilities at amortised cost	
	2019 £000	2018 £000
Trade and other payables	**4,044**	5,427
Borrowings	**5,444**	4,315
Total financial liabilities	**9,488**	9,742

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 2019 the Group has net trade receivables of £5,709,000 (2018: £6,020,000).

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 at 30 September 2019 (2018: £218,000) for doubtful debts

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

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 2019 of up to £6 million subject to eligible receivables (2018: £6 million discounting facility), a £1.25 million overdraft and £0.6 million import loan facility (2018: £nil) together with the existing hire purchase facilities of £0.5 million (2018: up to £4.5 million for capex).

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

At 30 September 2019	**Up to 1 year £000**	**1 to 2 years £000**	**2 to 5 years £000**
Overdrafts	**1,007**	**–**	**–**
Trade and other payables	**4,038**	**–**	**–**
Bank loans	**216**	**–**	**–**
Hire purchase and finance leases	**267**	**119**	**180**
Invoice discounting	**3,716**	**–**	**–**
Total	**9,244**	**119**	**180**

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

Foreign exchange risk

Foreign exchange risk is the risk that movements in exchange rates adversely affect the profitability or cashflows 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 cashflow interest rate risk on its import and capital asset backed loans and on the floating rate invoice discounting and overdrafts where the cost of borrowing in all cases is calculated by a fixed margin over LIBOR ranging from 1.75% to 3.75%.

	2019 £000	2018 £000
Invoice discounting	**3,716**	2,980
Overdrafts	**121**	158
Import goods bank loan facility	**127**	–
Asset backed bank loans	**89**	240
Total floating rate debt	**4,053**	3,378

Borrowings under asset finance/hire purchase arrangements are at a fixed interest rate over their term and a fixed rate of interest of 4.5% applies to the UK overdraft facility of £886,000 (2018: £nil).

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 and a 1% increase in base rates would impact the annual results by approximately £40,000.

3. Financial instruments – risk management continued

Capital management

The Group is 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 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

	2019 £000	2018 £000
Revenue, recognised at a point in time, arises from:		
Sales of components	**25,411**	28,322
Sales of tooling	**1,449**	921
	26,860	29,243

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 2019

	Automotive NVH £000	Others £000	2019 Total £000
Group's revenue per consolidated statement of comprehensive income	**24,841**	**2,019**	**26,860**
Depreciation	**800**	**–**	**800**
Amortisation and impairment	**280**	**72**	**352**
Segment operating (loss)/profit	**(1,584)**	**29**	**(1,555)**
Finance expense			**(192)**
Share of post-tax profit of equity accounted joint ventures			**203**
Group loss before tax			**(1,544)**
Additions to non-current assets	**384**	**–**	**384**
Reportable segment assets	**26,265**	**–**	**26,265**
Investment in joint ventures	**217**	**–**	**217**
Reportable segment assets/total Group assets	**26,482**	**–**	**26,482**
Reportable segment liabilities/total Group liabilities	**10,379**	**–**	**10,379**

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 profit 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

Revenues from one customer in 2019 total £15,187,000 (2018: £17,182,000). 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

	2019 £000	2018 £000 restated
United Kingdom	**20,826**	24,171
Sweden	**989**	1,111
Germany	**3,707**	3,069
Other European	**1,291**	863
Rest of the World	**47**	29
	26,860	29,243

The 2018 analysis has been restated to show £863,000 of sales made by the German subsidiary and previously included in Germany as other European revenue.

The only material non-current assets in any location outside of the United Kingdom are £937,000 (2018: £1,035,000) of fixed assets and £581,000 (2018:£596,000) of goodwill in respect of the Swedish subsidiary.

5. Loss from operations

The operating loss is stated after charging:

	2019 £000	2018 £000
Foreign exchange losses	**57**	88
Depreciation	**800**	649
Amortisation of intangible assets	**280**	264
Impairment of intangible assets	**72**	–
Cost of inventory sold	**18,454**	20,571
Impairment of trade receivables	**–**	218
Research and development	**–**	90
Revenue grant income	**–**	(39)
Employee benefit expenses (see note 6)	**7,479**	7,588
Lease payments	**1,338**	1,434
Auditors' remuneration:		
Fees for audit of the Group	**60**	60
Additional fees in respect of prior year audit	**40**	–
Fees for taxation advisory services	**–**	25
Fees for other services	**–**	3
Exceptional costs in respect of:		
Change of Chief Executive and senior management restructuring	**–**	159
Restructuring programme	**433**	-
Onerous leases	**–**	75
	433	234
Solar Nonwovens operating loss during the commissioning phase	**–**	364

Current year exceptional costs

Overhead and financing restructuring programme

In response to the challenging trading conditions affecting the automotive industry the Group completed a significant overhead cost out programme in the period and sought to adjust its funding arrangements to suit a period of uncertainty. This programme required a number of redundancies (with associated costs of £364,000 and additional legal and professional expenses of £69,000 associated with a review of the Group's overall banking facilities and structure resulting in exceptional charges of £433,000).

Prior year exceptional costs

During the prior year Michael Jennings resigned as CEO generating £159,000 of exceptional costs. 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.
The start up process and commissioning of the major plant for the Neptune line, completed in the year ended 30 September 2018, resulted in an operating loss of £364,000 from the incremental costs of the operation and the specific premises taken on for the plant.

Research and development costs

The Group focus for research and development work in the year was on ongoing projects where costs are capitalised and as required to deliver growth in future periods. Revenue grants of £nil (2018: £39,000) are in relation to government assistance on research projects.

6. Staff costs

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Wages and salaries	**6,440**	6,540	**1,332**	1,341
Social security costs	**879**	885	**162**	163
Share based payment	**10**	19	**10**	19
Other pension costs	**150**	144	**41**	51
	7,479	7,588	**1,545**	1,574

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

	2019 Number	2018 Number	2019 Number	2018 Number
Directors	**5**	5	**5**	5
Administrative and development	**68**	71	**13**	14
Production	**153**	155	**–**	–
	226	231	**18**	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 2019	Salary £000	Benefits £000	Pension £000	Total £000
A Attwood	**60**	**–**	**–**	**60**
G Kaminski-Cook	**259**	**26**	**11**	**296**
J Larner	**142**	**14**	**8**	**164**
T Garthwaite	**23**	**–**	**–**	**23**
I Griffiths	**51**	**–**	**–**	**51**
N MacDonald	**9**	**–**	**–**	**9**
	544	**40**	**19**	**603**

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

8. Finance expense

	2019 £000	2018 £000
Bank interest	**128**	59
Interest element of hire purchase agreements	**64**	59
	192	118

9. Income tax

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

	2019 £000	2018 £000
Current tax expense		
Current tax on loss for the period	–	–
Adjustment in respect of previous periods	–	(47)
Total current tax	–	(47)
Deferred tax expense		
Origination and reversal of timing differences	**(45)**	(387)
Adjustment in respect of previous periods	–	58
Total deferred tax	**(45)**	(329)
Total tax credit	**(45)**	(376)

(ii) Total tax credit

	2019 £000	2018 £000
Tax credit excluding share of tax of equity accounted for joint ventures (as stated above)	**(45)**	(376)
Share of tax expenses of equity accounted joint ventures	**51**	51
	6	(325)

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 for the year are as follows:

	2019 £000	2018 £000
Loss for the year	**(1,499)**	(1,358)
Income tax charge/(credit) (including tax on joint ventures)	**6**	(325)
Loss before income taxes	**(1,493)**	(1,683)
Expected tax credit based on corporation tax rate of 19% in 2019 (2018: 19%)	**(284)**	(320)
Expenses not deductible for tax purposes	**18**	14
Enhanced R&D tax relief	**(9)**	(47)
Impact of different tax rates	**10**	40
Tax losses not recognised	**271**	–
Utilisation of unrecognised losses	–	(23)
Adjustments in respect of previous periods	–	11
Total tax including joint ventures	**6**	(325)

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 2019.

The current rate of corporation tax in Sweden is 21.4% and the current rate of corporation tax in Germany is 30-33%. The Group's Swedish subsidiary did not have taxable profits during the years under review and the German subsidiary profits are offset by losses brought forward.

10. Earnings per share

	2019 £000	2018 £000
Loss used in calculating basic and diluted EPS	**(1,499)**	(1,358)
Number of shares		
Weighted average number of £0.02 shares for the purpose of basic earnings per share ('000s)	**23,971**	22,101
Weighted average number of £0.02 shares for the purpose of diluted earnings per share ('000s)	**23,971**	22,101
Earnings per share (pence)	**(6.25)p**	(6.14)p
Diluted earnings per share (pence)	**(6.25)p**	(6.14)p

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 633,657 (2018: 563,690) 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 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**
Additions	**226**	**–**	**6**	**232**
Reclass from intangible fixed assets	**52**	**–**	**–**	**52**
Foreign exchange movement	**(49)**	**–**	**–**	**(49)**
At 30 September 2019	**13,450**	**178**	**565**	**14,193**
DEPRECIATION				
At 1 October 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**
Charge for year	**739**	**13**	**48**	**800**
Foreign exchange movement	**(10)**	**–**	**–**	**(10)**
At 30 September 2019	**3,194**	**44**	**228**	**3,466**
NET BOOK VALUE				
At 30 September 2019	**10,256**	**134**	**337**	**10,727**
At 30 September 2018	10,756	147	379	11,282
At 30 September 2017	10,286	179	404	10,869

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

	Plant and Machinery £000	Leasehold Improvements £000	Fixtures and fittings £000	Totals £000
At 30 September 2019	**1,530**	**–**	**–**	**1,530**
At 30 September 2018	2,044	–	74	2,118

Depreciation of £137,000 was charged on these assets in the year (2018: £161,000).

The Neptune plant and equipment represents £4.99 million (2018: £5.2 million) of the net book value. The Directors, having prepared a discounted cashflow 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 with the overall carrying value supported with net annual cashflows at only a quarter of those forecast from Neptune product sales.

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 2018	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**
Additions	**–**	**152**	**–**	**–**	**152**
Reclass to tangible fixed assets	**–**	**(52)**	**–**	**–**	**(52)**
Foreign currency differences	**(22)**	**–**	**–**	**–**	**(22)**
At 30 September 2019	**2,196**	**814**	**1,079**	**830**	**4,919**
AMORTISATION AND IMPAIRMENT					
At 1 October 2017	–	–	526	284	810
Charge for the year	–	27	154	83	264
At 30 September 2018	**–**	**27**	**680**	**367**	**1,074**
Charge for the year	**–**	**43**	**154**	**83**	**280**
Impairment in the year	**–**	**72**	**–**	**–**	**72**
At 30 September 2019	**–**	**142**	**834**	**450**	**1,426**
NET BOOK VALUE					
At 30 September 2019	**2,196**	**672**	**245**	**380**	**3,493**
At 30 September 2018	2,218	687	399	463	3,767
At 30 September 2017	2,245	493	553	546	3,837

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 the existing established products Automotive NVH.

The recoverable amount of that cash generating unit has been determined on a value-in-use basis. Value-in-use calculations for the cash generating unit is based on projected three-year (2018: three-year) discounted cashflows together with a terminal value which assumes a 1% (2018: 1%) long term growth rate. The cashflows have been discounted at pre-tax rates of 11.8% (2018: 9.8%) reflecting the Group's weighted average cost of capital adjusted for country-specific tax rates and risks. The key revenue assumption reflects 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 newer product technology Neptune trade and assets) in the terminal year would have to fall by two thirds before an impairment arose.

The Company had a closing net book value of £50,000 (2018: £50,000 from transfers in from a fellow group company) for goodwill and £7,000 (2018: £7,000) for development costs in intangible assets.

13. Fixed asset investments

Company	Investments in subsidiaries £000
COST AND NET BOOK VALUE	
At 30 September 2018 and 2019	**16,239**

The subsidiaries of the Company, which have all been included in the consolidated financial statements based on their results to 30 September 2019, are as follows:

Name	Principal activity	30 September 2019 and 2018 Ownership %
UK subsidiaries:		
Autins Limited	Supply of insulating materials	**100**
Automotive 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 agrees to guarantee the liabilities of Solar Nonwovens Limited and Autins Technical Centre Limited, thereby allowing these companies to take the 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 September 2019 and 2018 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 2017	243
Share of profit for the year	219
Dividend paid by JV	(258)
Net book value at 30 September 2018	**204**
Share of profit for the year	**203**
Dividend paid by JV	**(190)**
Net book value at 30 September 2019	**217**

13. Fixed asset investments continued

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

	2019 £000	2018 £000
Profit before tax	**254**	270
Taxation	**(51)**	(51)
Profit after tax	**203**	219

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

As at 30 September	2019 £000	2018 £000
Current assets	**1,120**	1,127
Non-current assets	**67**	108
Current liabilities	**(735)**	(792)
Non-current liabilities	**(18)**	(35)
Included in the above amounts are:		
Cash and cash equivalents	**98**	100
Current financial liabilities (excluding trade payables)	**(241)**	(334)
Non-current financial liabilities (excluding trade payables)	**(18)**	(45)
Net assets (100%)	**434**	408
Group share of net assets	**217**	204

Year ended 30 September	2019 £'000	2018 £000
Revenues	**2,933**	3,382
Profit after tax	**406**	438
Total comprehensive income (100%)	**406**	438
Group share of total comprehensive income	**203**	219
Included in the above amounts are:		
Depreciation and amortisation	**66**	84
Interest expense	**1**	3
Income tax expense	**103**	102

14. Inventories

Group	2019 £000	2018 £000 restated
Raw materials	**1,562**	1,731
Work in progress	**73**	92
Finished goods	**326**	499
	1,961	2,322

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. Inventories have been restated to reclassify tooling contract balances to receivables.

15. Trade and other receivables

	Group 2019 £000	Group 2018 £000 restated	Company 2019 £000	Company 2018 £000
Trade receivables	**5,927**	6,238	**–**	–
Provisions for impairment	**(218)**	(218)	**–**	–
Trade receivables net	**5,709**	6,020	**–**	–
Amounts owed by subsidiaries undertakings	**–**	–	**5,987**	7,075
Amount owed by equity-accounted joint venture controlled entities	**94**	–	**22**	–
Tooling contract balances	**276**	231	**–**	–
Other receivables	**114**	199	**–**	–
Total financial assets other than cash and cash equivalents classified as loans and receivables	**6,193**	6,450	**6,009**	7,075
Corporation tax debtor	**24**	39	**–**	–
Prepayments	**512**	505	**67**	70
Other taxes		–	**–**	26
Total trade and other receivables	**6,729**	6,994	**6,076**	7,171
The analysis of trade receivables is as follows:				
Not yet due	**5,429**	5,723	**–**	–
Past due	**498**	515	**–**	–
Past due impairment loss	**(218)**	(218)	**–**	–
	5,709	6,020	**–**	–

The Company recognised an impairment on inter-group receivables of £720,000 upon adoption of IFRS9 Financial Instruments

With the exception of one large customer which accounts for 63% (2018: 60% of the net trade receivable balance at the year end, credit risk with respect to accounts receivable is dispersed due to the number of customers. An impairment allowance of £nil (2018: £218,000) has been charged in respect of specific trade receivables for the year ended 30 September 2019. The expected credit loss in respect of debt not due and past due is otherwise considered immaterial.

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 2019 were £3,716,000 (2018: £2,980,000). The credit risk remained with the Group and accordingly the trade receivable and amounts drawn down under the financing arrangements are presented gross.

The movement in the provision for trade receivables is as follows:

Group	2019 £000	2018 £000
At 1 October	**218**	–
Charged in year	**–**	218
Receivables written off in year	**–**	–
At 30 September	**218**	218

16. Trade and other payables

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Current				
Trade payables	**2,696**	4,226	**189**	107
Amounts owed to subsidiaries	**–**	–	**7,879**	7,906
Amount owed to equity-accounted joint venture controlled entities	**696**	686	**–**	–
Accruals	**652**	515	**6**	79
Total financial liabilities, excluding borrowings, classified as financial liabilities measured at amortised cost	**4,044**	5,427	**8,074**	8,092
Social security and other taxes	**583**	475	**124**	38
Deferred income	**8**	8	**–**	–
Total current trade and other payables	**4,635**	5,910	**8,198**	8,130
Non-current liabilities				
Deferred income	**115**	115	**–**	–

No interest is payable on the amounts owed to the company or by the company to its subsidiaries.

17. Borrowings

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Bank loans and overdrafts	**1,223**	398	**–**	–
Hire purchase and finance leases	**505**	937	**–**	–
Invoice discounting	**3,716**	2,980	**–**	–
Total borrowings	**5,444**	4,315	**–**	–
Bank overdrafts	**1,007**	158	**–**	–
Bank loans	**216**	147	**–**	–
Hire purchase and finance leases	**204**	428	**–**	–
Invoice discounting	**3,716**	2,980	**–**	–
Current	**5,143**	3,713	**–**	–
Bank loans	**–**	93	**–**	–
Hire purchase and finance leases	**301**	509	**–**	–
Non-current	**301**	602	**–**	–

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

Principal terms and the debt repayment schedule of the Group's bank 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
Bank import loan facility	GBP	Secured	Repayable within 150 days	Base rate + 2.25%	

Net obligations under hire purchase and finance lease 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	2019 £000	2018 £000
Less than one year	**267**	493
Between one and five years	**299**	552
Total gross payments	**566**	1,045
Less: interest charge allocated to future periods	**(61)**	(108)
Carrying amount of liability	**505**	937

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, 21% (2018: 22%) for Sweden and 30% for Germany. The movement on the deferred tax account is as shown below:

	2019 £000	2018 £000
Opening balance	**8**	337
Total credit recognised in profit and loss	**(45)**	(329)
Movement in foreign exchange	**(1)**	–
Closing net balance	**(38)**	8

Group	2019 £000	2018 £000
Details of the deferred tax (asset) and liability are as follows:		
Deferred tax (asset)		
Accelerated capital allowances	**32**	53
Losses	**(316)**	(432)
Other temporary differences	**61**	8
Closing asset	**(223)**	(371)
Deferred tax liability		
Accelerated capital allowances	**–**	85
Deferred tax on intangible assets	**109**	184
On fair valued assets	**76**	76
Other temporary differences	**–**	34
Closing liability	**185**	379

The group deferred tax has arisen primarily due to the timing differences on accelerated capital allowances, recognition of intangible assets on acquisition or development costs and tax losses carried forward.

The Company deferred tax liability of £nil (2018: £36,000) relates primarily to the timing differences in respect of finance income arising on the loan notes. The company has an unrecognised deferred tax asset of approximately £74,000 in respect of losses carried forward.

The Group has an unrecognised deferred tax asset of approximately £400,000 at 30 September 2019 (2018: £135,000) in respect of losses carried forward as it is, as yet, uncertain when these will be utilised.

Group tax losses have been recognised where there is capacity to utilise them against specific group or joint venture profits or where budgets and forecasts indicate that they can be used to offset overseas trading profits within the next two years, supported by the trend in trading results and order books in these entities.

19. Share capital

Allotted, issued and fully paid ordinary shares of £0.02 each

	Number	£000
At 30 September 2018	**22,100,984**	**442**
Issued on 23 August 2019	**17,500,000**	**350**
At 30 September 2019	**39,600,984**	**792**

A further 17,500,000 shares were issued on 23 August 2019 at 20 pence each for cash. 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 conditions in respect of 455,505 of share options issued in 2016 can no longer be met.

631,972 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 exercise price was equal to the market price of the shares at the grant date. The fair value of the options issued was determined using a Log-normal Monte-Carlo stochastic model and was calculated at 53 pence per share. The main assumptions were a volatility of 51.8%, a dividend yield of 0.525% and an annual risk free rate of 0.2%.

569,512 options were issued in March 2019 with an exercise price of £0.02 per share. 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 Black Scholes model with the assumptions set out above and was calculated at 29 pence per share.

There were 633,657 of unexpired options in place at 30 September 2019 with an average exercise price of £0.22 (2018: 563,690 and £1.54) and a remaining average exercise period of 6.2 years (2018: 5.5 years).

21. Reserves

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

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

Other reserves of £1,391,000 arose from the difference between the fair value and nominal value of shares issued in partial satisfaction of the acquisition of 100% of the equity of Acoustic Insulations Limited in April 2014 and £495,000 from the difference between the fair value of shares issued and the existing cost of investment in order to acquire the remaining 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. A share premium of £3,150,000 arose on the shares issued in the year and £205,000 of issue expenses were deducted from this balance.

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	**2019 £000**	2018 £000
Land and buildings:		
Within one year	**1,071**	960
Later than one year and not later than five years	**3,046**	2,777
Later than five years	**3,604**	4,269
Other:		
Within one year	**100**	79
Later than one year and not later than five years	**122**	25
	7,943	8,110

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

The Group had capital commitments at 30 September 2019 of £nil (2018: £nil).

The Company had no lease or capital commitments.

23. Dividends

	2019 £000	2018 £000
Final dividend paid on £0.02 shares at nil (2018: 0.8 pence per share)	–	177
Interim dividend paid on £0.02 shares at nil (2018: 0.4 pence per share)	–	88
	–	265

24. Related party transactions

Share options

Directors and other key management members hold the following unexpired share options (see note 20).The share price target options can no longer vest.

	Number of options	
At 30 September 2019	**EPS target**	**Share price target**
J Larner	**81,395**	–
G Kaminski-Cook	**279,070**	–
Other senior management	**244,025**	–
	604,490	–

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

Transactions with related parties and key management personnel

Group key management personnel costs

	2019 £000	2018 £000
Group aggregate salaries and short term benefits	**1,778**	1,651
Post employment benefits	**36**	48
Share based payments	**10**	19
	1,824	1,718

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

	2019 £000	2018 £000
Transactions:		
Sales and costs recharged to joint venture	**92**	19
Purchases from joint venture	**2,352**	2,718
Balance at the year end owed to the Group	**94**	–
Balance at the year end (owed by) the Group	**(696)**	(686)

25. Control

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

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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