# DESIGNING SOLUTIONS SOLVING PROBLEMS

Acoustic


Thermal

Annual Report and Accounts 2020

# Solving your acoustic and thermal challenges

## 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 our breadth of materials, products and manufacturing processes and a highly responsive technical support service, which is valued by customers.


www.autins.com

# Financial Overview

**Revenue**
**£21.5m**
-20.1%
FY19: £26.9m

**Adjusted gross profit[1]**
**£6.0m** (28.0%)
-20.0%
FY19: £7.5m (27.9%)

**Adjusted EBITDA[1]**
**£1.1m**
FY19: £0.0m

**Operating loss**
**-£1.3m**
FY19: -£1.6m

**Cash from Operations[2]**
**£1.5m**
FY19: -£1.0m

**Earnings per share**
**-4.35p**
FY19: -6.25p

**Net debt[3]**
**£1.9m**
FY19: £2.3m

**Final dividend**
**Nil**
FY19: Nil

# Operational Highlights

- Positive EBITDA achieved, despite significant Covid impact to revenues. Significant operational productivity and cost improvements were made, supplemented by £1.0 million of furlough and overseas equivalent income.
- H2 revenues were c.£7.0 million lower than forecast, with customers having had shutdowns and schedule reductions. We continued winning new OEM contracts throughout the year which will yield future growth.
- Adjusted gross margin remained stable at 28.0% (FY19: 27.9%) despite lower recovery of fixed operational costs from lower sales and a disrupted operating pattern in H2.
- Recurring overheads were reduced by £1.0 million in 2020. This included the recurring impact of staff redundancies and lay-offs across the group.
- Reported operating cash inflow of £1.5 million (FY19: loss £1.0 million), £0.9 million was from improved working capital (FY19: -£0.6 million) together with the impact of the adoption of IFRS16 which increased reported operating cash flows in FY20 by £0.8 million.
- Liquidity was significantly improved with a £1.5 million loan from the Midlands Engine Investment Fund (`MEIF') being secured in H1. £3.3 million additional finance facilities were secured in H2; of which £2.75 million was under the UK CBILS scheme and Germany similarly secured €0.3 million.
- Neptune total pipeline of £35.0 million (2019: £35.0 million) with £8.0 million (2019: £5.0 million) of Neptune parts in production (annualised non-Covid interrupted forecast) and additional work won but not yet in production. Neptune also generated face mask sales in H2.
- Germany had an excellent performance, and despite Covid, continued winning automotive business and secured significant growth in flooring applications. In FY20 revenues increased to £4.6 million (FY19 £4.3 million) and EBITDA was £0.4 million (FY19 £0.1 million).

1 Adjusted gross profit excludes £0.2 million exceptional inventory impairment, and a further £0.3 million of exceptional restructuring costs are excluded from EBITDA (FY19: £0.4 million). The adoption of IFRS 16 in FY20 has improved EBITDA by £1.1 million. Full details of the impact are set out in note 26 to the financial statements.
2 The adoption of IFRS16 has improved the reported Cash from Operations by £0.8 million. Full details of the impact are set out in note 26 to the financial statements
3 Cash less bank overdrafts, invoice discounting and hire purchase finance, and excluding IFRS 16 calculated lease liabilities.

## Contents

# Accelerating product development

## Who we are

c.187
Employees

3
Countries

6
Operating locations

160
Customer locations

## What we do

### We design

We use our acoustic and thermal expertise and experience to research, test and develop bespoke solutions and products for our customers. 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.

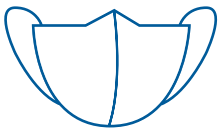
## Our specialist solutions

### Acoustic

Our range of nonwoven products are low weight and designed specifically to provide excellent acoustic absorption, making them suitable for various areas in the automotive sector, office acoustics, and in HVAC applications.

### Thermal

Battery life and performance can be extended with suitable thermal control. Autins provides nonwoven battery wraps to the automotive sector to aid thermal management in vehicles with stop-start technology. Our patented Neptune product has a low thermal conductivity and offers opportunities to the construction sector when combined with reflective foils.



£1.2m
value of PPE supplied to support Covid 19

## Our industries

### Automotive
**68**
Customers

### Other
**7**

### Flooring
**20**
Customers

## Where we operate

### UK

**Tamworth**
Materials manufacturing, assembly & conversion operation

**Nuneaton**
Group technical centre: laboratory & test site (to be vacated in 2021)

**Rugby**
Group headquarters, new product introduction centre, assembly & conversion operation

**Northampton**
Joint venture with Indica Industries (India), materials manufacturing and assembly

### Germany

**Dusseldorf**
New product introduction centre, assembly & conversion operation

### Sweden

**Gothenburg**
New product introduction centre, materials manufacturing, assembly & conversion operation

> “Autins responded to the UK PPE crisis rapidly, repurposing its Neptune product (usually used for insulation in automotive applications) to create water-repellent, washable face masks.”

(https://www.greatbritaincampaign.com/inspirations)

# Responding to global needs

## 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 customers' problems stay solved.

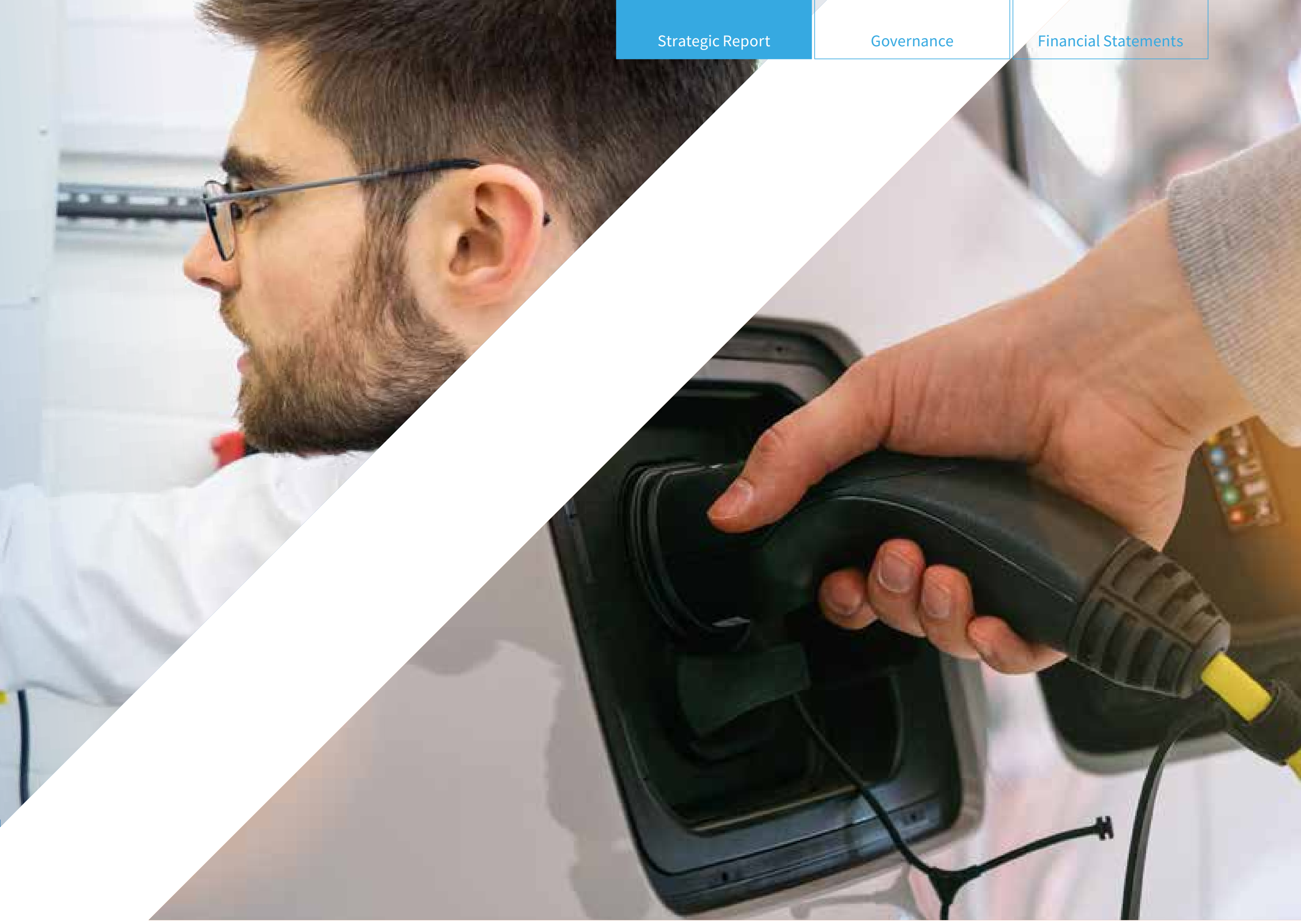
## Expertise in design

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.

**£0.3m**
invested in R&D being 1.5% of revenues (FY19 £0.4m, 1.5%)

**226**
Unique parts designed and produced for 25 OEM platforms



**“We have designed and filed a patent for an encapsulation product for EV’s, that prevents high frequency noise transmission in the passenger cabin.”**

Stefan Janzen
**Group Applications Manager**

## Our electric vehicle solution

### The problem – new sources of noise, vibration and harshness

With the removal of the internal combustion engine (‘ICE’) and therefore engine noise, there is an expectation of a quieter drive in electric vehicles. In practice the removal of one major noise source uncovers a range of different noise, vibration and harshness challenges across the vehicle. Particularly troublesome are continuous high frequency noises causing irritation to passengers.

### The solution – an Autins’ patented encapsulation product

Autins has designed and filed a patent for a new product which specifically encapsulates high frequency noise sources preventing transmission to the passenger cabin and outside environment. Typically, heavy materials are placed around noise sources, even though heavy products are not desirable. Autins’ solution uses our acoustic and materials knowledge to achieve a lightweight alternative providing a superior performance. It is ‘tuned’ to maximise absorption and minimise weight for targeted frequency ranges. This is a lighter higher performing improvement for car designers.

Over
**25%**
estimated share of all cars that will be electric by 2030

# Responding to global needs

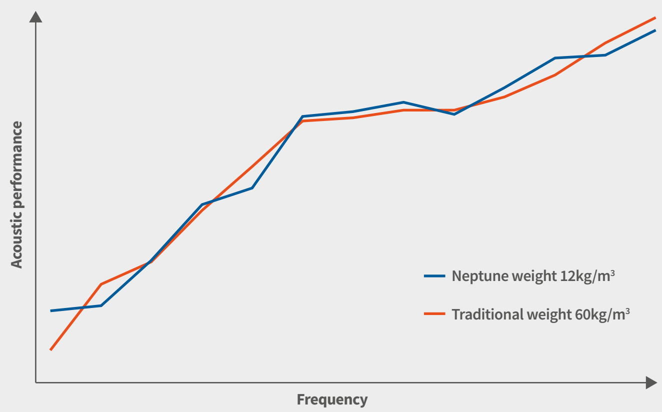
# SOLVING PROBLEMS

## Market-leading technology

Close collaboration shortens development times and increases the chance of creating balanced solutions in terms of finding the optimum weight, performance and cost. We use state-of-the-art predictive software to model acoustic performance when we are trying to solve a customer problem or develop a new product.

Modelling acoustic performance can be a simple method to tune product performance, for example making small theoretical adjustments to reach a specific customer target. We then work together with our suppliers and manufacturing teams to make the required product a reality, saving time and avoiding costly trial and error.

**Neptune 80% lighter than traditional decoupling treatments**




**50+**
materials modelled

> "At first we looked at replicating what others do in terms of face masks, but we couldn't source the standard material. Capacity was sold out everywhere. We always knew Neptune had filtration properties, now we had the opportunity to develop a product."

**Dr Kathy Beresford**
Group R&D Manager

### Product development and innovation

Our dedication to product development 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 to create competitive advantage and generate premium margins.

## Using our skills and Neptune technology in a crisis

### The problem – High-quality PPE shortage

As global demand for PPE soared in 2020 traditionally reliable sources were unable to keep up. Governments were faced with a shortage of high-quality PPE and a barrage of substandard materials. This led to a desire and requirement to onshore manufacturing of vital supplies to ensure reliable sources closer to home.

### The solution – Neptune's filtration properties

With one of the only melt-blown material lines in the UK, Autins pivoted to help ease the shortage of face masks. In less than four weeks we designed, developed and received our first orders of a technical product into a market about which we previously knew nothing. Over the following months Autins supplied over one hundred thousand face masks to local markets.

**4 weeks**
to full production of face masks to support the Covid crisis

# Identifying opportunities for future growth

## Automotive


**Establishment in industry:** Exploratory Progress Matured

### Automotive market

**All automotive markets have been affected by the global Coronavirus pandemic, suffering widespread plant closures. Whilst economists hope for a 'V' shaped recovery, we cannot rely on that happening and so we are striving to make market share gains and outpace the market recovery.**

Our customers have emerged from the pandemic determined to find new ways to reduce their costs, consider new material solutions that have better performance and economic cost savings. Neptune exactly meets this requirement, being up to 40% lighter, offering the same performance and material cost savings.

Autins has increased its share of wallet with current customers, won new customers in automotive and are continuing to work on significant new projects.

Consumers want more comfort in their cars and (pre-Covid interruption) the projected increase in global demand for automotive noise, vibration and harshness ('NVH') materials was set to grow from $10.8 billion in 2019 to $15.7 billion by 2026, a CAGR of 6.4% between 2020 and 2026. Therefore we expect demand for NVH materials to grow and the rapid move to electric vehicles will not affect this trend, because EV's need as much NVH treatment as combustion engines. In 2020, UK car sales dropped by 29%, however demand for specialist sports vehicles increased by 7%. Autins sales are biased towards luxury vehicles, with a high proportion going for export into markets such as China.

### Commercial vehicles

Autins products are ideal for commercial vehicles, which shares many of the same challenges and requirements as automobiles. Customers in this arena rely on SMEs to supply many of their parts, since they are typically producing smaller volumes, but over a longer period.

Often this market follows different economic cycles to automotive, as demonstrated this year when commercial vehicles were in high demand delivering goods throughout the pandemic and home delivery services came of age.

Strong customers in the commercial vehicle market are located close to our operations in Sweden, central Europe and the UK and this year we have seen good progress winning contracts in this area securing new business with Blatchfords and Scania.

### Electric vehicle growth

**Autins Group has continued to see an increase in EV enquiries and has received orders for multiple new vehicles. The content value of NVH in electric vehicles is similar to that needed in combustion engines, although the solutions needed are more bespoke and this is where Autins' technical expertise is highly valued by OEM engineering design teams.**

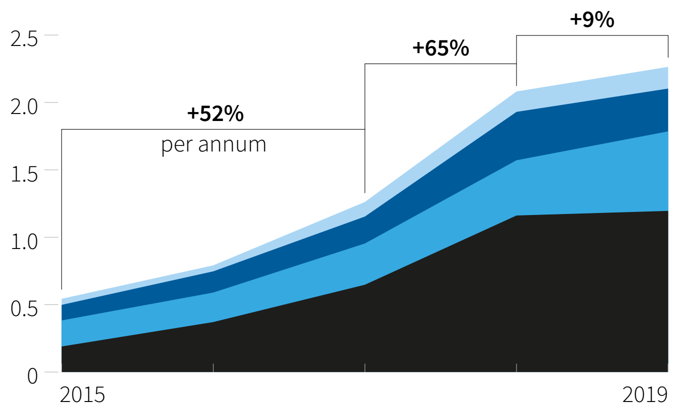
Electric vehicles represent only 7% of all cars sold today, but this is forecast to increase to anywhere between 25% and 50% of car sales by 2030. In April the UK's best selling cars were the EV Tesla Model 3 and Jaguar I-Pace. With car manufacturers and governments alike accelerating their plans to transition to more electric based vehicles, Autins is well positioned to benefit and become an important specialist supplier of acoustic and thermal solutions in the electric vehicle space.

(https://www2.deloitte.com/uk/en/insights/focus/future-of-mobility/electric-vehicle-trends-2030.html)

Electric vehicles are a focus area and specialism of Autins.

(https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/mckinsey-electric-vehicle-index-europe-cushions-a-global-plunge-in-ev-sales#)

**Global electric-light-vehicle sales by region,** million units



# Non-automotive

## Non-automotive market

**Autins has a history of supplying acoustic and thermal solutions into a wide variety of non-automotive segments. The only non-auto market which has consistently grown year on year is the German flooring business which has a dedicated technical commercial flooring team.**

In order to accelerate our non-automotive sales in new segments in the UK, an additional dedicated technical sales resource has been employed post year end.

### Flooring

- Our target market are the producers of floor coverings, especially LVT and other elastic floorings, as these are the fastest growing markets
- Our business model is based on high volumes and not selling to end customers, distributors, or DIY markets, which are the customers of our customers. This is highly appreciated by the flooring industry
- We offer specific customised solutions to improve footfall sound reduction, whilst maintaining a fully secure flooring solution
- This is not a standard portfolio, as every single floor covering has specific requirements. In contrast to other underlay producers that offer standard 'off the shelf' products, we offer a true consultancy, design and make service solution, which generates good margins
- We have over 20 years of experience in the flooring market and a profound knowledge of materials, acoustics, and market trends, which is well known to decision-makers in the market

### Office pods and garden offices

- Office pods are increasingly popular in large companies that created huge open planned spaces and now realise they need quiet spaces and privacy to concentrate, with attractive aesthetics.
- They need to function well and must be very space-efficient, so walls need acoustic treatment and Neptune, being >40% more effective than alternative materials, means walls can be thinner for the same acoustic performance
- There are many companies manufacturing office pods across Europe, which have until now received limited acoustic upgrades and this represents a relatively untapped opportunity for Autins
- The office pod designers know furniture and design, but need acoustic expertise, which Autins can provide
- The garden office concept is an emerging trend driven by more home working because of Covid. The same principles apply and Neptune is a good solution for these designers.

### Others

- Autins has supplied acoustic or thermal solutions (including Neptune) into a variety of applications over the years to reduce the noise in MRI scanners, portable dialysis machines and the HVAC building market
- The new Business Development Manager will systematically evaluate these and other markets, to identify which of these opportunistic sales can be converted into strategic growth segments

# Business agility during the Covid crisis

"I am proud of the leadership and business agility that the Group has shown to navigate through the past few months. From a low point in April, when there were widespread plant shutdowns throughout our core customer base, we have seen recovering sales demand in the final quarter."

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; and
- Acoustic and thermal problems solver.

Neptune customers
**+13**
to 43 customers

Cash from operations
**+£1.5m**
improved from -£1.0m to +£1.5m[1]

1. The adoption of IFRS16 has improved the reported Cash from Operations by £0.8 million. Full details of are set out in note 26 to the financial statements

### People

2020 has been unprecedented. The global Covid pandemic has significantly affected all geographies of our operations in a way that was unimaginable as we began the financial year. I must begin this review with a sincere "thank you" to all of Autins' staff who have collectively reacted so well to events and helped to mitigate the consequences of the pandemic on the business. Our staff have shown critical, key qualities in the past few months. I have seen decisive leadership across the Group, enhanced communication (despite workspace restrictions), a willingness to adapt to change and great resilience (especially from our many staff who had the uncertainty of being on furlough). Adversity shines a spotlight on the true calibre of an organisation. I am truly grateful to all our staff for their understanding, co-operation, support, patience and ingenuity over the past months. We have a great team at Autins and that bodes well for our future!

In January 2020, we welcomed Kamran Munir to the Group as Chief Financial Officer. Kamran has provided additional expertise at cost control and operational financial management. He has already proved to be a valuable addition to the executive team, ensuring heightened financial discipline and securing additional liquidity during the year.

In light of market conditions, the Board unanimously agreed to take a 20% reduction in salary for the second half of the year both to conserve cash and to align itself with our wider workforce. At the peak, we had over 90% of employees across the Group on furlough.

### Financial performance

Group sales for the year were £21.5 million, 20% down on FY19. This was the result of extended and unforeseen shutdowns at the production plants of our key OEM automotive customers from the end of March, as a consequence of the global Covid pandemic. However, sales did start to recover in the final quarter of the year, although they remained below pre-Covid expectations.

Our German subsidiary continued to gather momentum during the period with overall sales of £4.6 million (FY19: £4.3 million). This represents a very strong performance in light of the market conditions exceeding prior year for both revenue and EBITDA.

Our focus on operational improvement continued throughout the period in difficult circumstances. This was evidenced by our adjusted gross margin remaining consistent at 28.0% (FY19: 27.9%) despite lower volumes and a disrupted operating pattern. This resulted in reported EBITDA of £1.1 million (2019 £nil), primarily reflecting the impact of the adoption of IFRS 16, and enabled the Group to report £1.5 million of operating cash reported in the year.

The operating loss for the Group was £1.3 million for the year (FY19: loss £1.6 million).

The Board has continued to focus on increasing the Group's liquidity and cash balances during the year. In January, we agreed a £1.5 million Midlands Engine Investment Fund loan which has been fully drawn down. In addition, by July, the Group secured CBILS (or other territory equivalents) loans of £3.0 million. These loans have significantly improved the Group's liquidity and working capital position.

## Strategy

Despite the uncertainty created from the Covid pandemic, our overall strategy remains intact. We remain committed to becoming a leading noise, vibration and harshness ('NVH') specialist to European automotive markets, focusing on the new NVH challenges arising from the move to electric and hybrid vehicles. Our proprietary Neptune, melt-blown material continues to provide opportunities to supply new customers due to its specific acoustic and thermal performance and its lighter weight. In the year, we have increased the number of Neptune material and component customers by 45% to 42, with 27 in UK, 11 in Germany and 4 in Sweden.

We also continue to focus on diversifying our NVH expertise to non-automotive markets. We were successful in the year in securing supply of our flooring products to Unilin and IVC, subsidiaries of the world's largest flooring manufacturer, Mohawk. Our initiatives to accelerate non-automotive sales were interrupted by market conditions in the mid-part of the year, but increased in momentum towards the end of the year.

We have reviewed our Environmental, Social and Governance framework during the year and are committed to the strategic importance of continuous improvement in these areas. We have introduced further effective measurements to challenge ourselves to minimise the environmental impact of our business.

## Corporate governance

The Board is committed to robust corporate governance and risk management to ensure the delivery of our strategic ambitions and the financial health of the Group. We apply the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code').

The Board undertook an annual review of performance in September. This was a useful exercise to understand how the Board can further develop as a team and highlight areas of governance that can be improved to assist the Group to manage its risks and adapt to change.

## Dividend

In light of the impact that the Covid pandemic has had on this year's performance, no final dividend is proposed.

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

## Outlook

The Group will continue to focus on operational improvement, cash conservation, sales growth and diversification of customers and markets. Notwithstanding the ongoing uncertainty surrounding Covid, the Group has improved its liquidity position, and the Board anticipates recovery in sales volumes and profitability for the Group from FY20 levels, due to the full year effect of new customer wins and continued strategic progression and a reduced negative impact from the Covid pandemic. However, there remains a heightened level of forward-looking risk until there is more certainty of the impact of the ongoing effects of the Covid pandemic, with scope for further lockdowns, and the transitional effects of the recently announced Brexit deal. Further details of how the Group complies with the principles of the QCA Code can be found on pages 42 to 45 of this report.

**Adam Attwood**
**Chairman**

# Delivering operational improvements and accelerating diversification

**"This really was a year of two halves, with H1 trending on track to meet our full year expectations in the core auto business; and H2 proving that Autins has the agility to adapt to sudden changes in the macro-economy."**

Neptune sales
**+60%**
annualised new revenue (non-Covid)

Non-UK sales
**25.4%**
up from 22.5% in 2019

Gareth Kaminski-Cook
**Chief Executive Officer**

**Our materials and solutions contribute to a quieter, safer, cleaner and more energy-efficient world.**

Autins is an industry-leading designer, manufacturer and supplier of acoustic, filtration and thermal management solutions. We apply our expertise in material technologies to solve complex and challenging problems to create better and more comfortable environments in a wide range of industry applications including automotive, flooring, office furniture and commercial vehicles. We manufacture a range of technical materials, including our own patented material, Neptune, in our facilities in the UK, Germany and Sweden, making us a truly European business.

Despite the unprecedented challenges faced this year we have still delivered on many of the performance targets we set ourselves a year ago. Although our financial performance has been impacted by these challenges, this really was a year of two halves: with H1 trending on track to meet our full year expectations in the core automotive business; and H2 proving that Autins has the agility to adapt to sudden changes in its business model and macro-economic circumstances requiring significant operational and financial adjustments, as well as securing government support funds. We continue to win new Neptune business showing it is a winning technology. This all bodes well for 2021.

## First half 2020

Last year I wrote that management would focus on three areas: margin improvement, growing the customer base and leveraging our unique Neptune technology to expand the business.

In December 2019, I was pleased to announce the appointment of Kamran Munir as Group CFO. By the half year Kamran's impact was already being felt, with operational efficiency improvements consistently delivering a gross margin above 30% and management actions to further reduce overheads flowing through to the bottom line. In the half year we had successfully secured contracts with new customers across a number of important target industries including automotive, commercial vehicles and office pods and our Neptune revenues had increased by £1.6 million to £6.5 million on an annualised run rate, based on respective customer expectations.

## Second half year 2020

The second half of the year was dominated by the Coronavirus pandemic. The impact on the business was immediate with sales to automotive clients coming to an abrupt halt following the widespread shut down of car plants for the period from the end of March until early July. Despite the majority of our staff, more than 90% at the high point, being furloughed throughout this period, the Covid pandemic has had a large negative financial impact caused by estimated lost revenue of c.£7.0 million against internal forecasts.

Autins responded quickly to protect cash and pivoted the business to develop new solutions; in particular, the development and production of face masks using our Neptune melt-blown technology and the production of foam components for face visors. Sales of the Autins' face mask grew rapidly during the summer PPE shortage, peaking in June. Autins was also selected to supply cut foam parts to a visor manufacturer as part of an NHS contract. We began supplying within one week of the enquiry and subsequently supplied over 7 million parts.

We are proud of how we rapidly leveraged Autins' skills and equipment to supply essential PPE during a global crisis and generate a new stream of cash into the business. However, this is a highly competitive market with an entrenched existing supply chain and therefore we anticipate that PPE will only provide very limited ongoing sales opportunities for the Group.

Automotive production recovered from July onwards. By year end, the UK and Sweden were at c.70% pre-Covid levels, whilst Germany was above 85%. Following a review of staffing requirements, the Company implemented a restructuring process in August resulting in a headcount reduction of c.10%.

We have secured government-backed financial support in the UK, Germany and Sweden, which has given the Group the funding it needs to protect the business whilst the core markets recover.

All these actions were testament to the good leadership, agility and creativity throughout the Company and confirms the versatility of Neptune in new markets. With this in mind, we have since recruited a New Business Development Manager for the UK, who will bring focus

## Review of the year

| | Oct ⋯⋯ Dec | Jan ⋯⋯ Mar |
|---|---|---|
| **H1** | • Nine new auto contracts won.<br>• Kamran Munir appointed CFO on 1 January 2020.<br>• Operational cost and efficiency improvement targets of £2 million p.a. 85% achieved.<br>• £0.5 million Q2 20 vs Q1 20 EBITDA improvement.<br>• Gross margins improved by 3.8% to 30.9%. | • Cash management improved. Stock and debtors > £1 million.<br>• Secured £1.5 million of long-term Midlands Engine Investment Fund ('MEIF') funding to support growth and working capital.<br>• Net debt kept consistent, with trade creditors back to terms<br>• Plants shutdown 24 March. |
| | **Apr ⋯⋯ Jun** | **Jul ⋯⋯ Sep** |
| **H2** | • c.90% of staff furloughed as UK auto demand reduced due to key customer shutdowns.<br>• Mask production starts April (30k per week at peak in June).<br>• Foam parts production for visors starts June (800k per week). | • CBILS awarded and received beginning July.<br>• Flooring contract win of £1.2 million to Mohawk Group August.<br>• Begin supply to Mini (BMW Group) September. |

and expertise to sustain and accelerate our growth into new markets and new industry segments.

During the summer, our German business won its biggest ever flooring Decibex contract, to supply into the world's largest flooring manufacturer, Mohawk Group. In Sweden, via our tier partners we were awarded work with truck manufacturer Scania – and with Volvo for their new Polestar and XC90 models. In the UK we were awarded the contract to supply Grupo Antolin with Neptune product for the Mini, part of the BMW Group, and have since started making and delivering these parts for running production.

The German business managed to surpass all of its original budget targets for the year, with new contracts for Neptune, and in flooring with the Decibex product range, more than offsetting the market declines in automotive.

This year we are reporting more fully on our approach and performance regarding ESG (Environment, Social and Governance). We are an international business operating in the global community and will take our responsibility to be a good corporate citizen seriously.

In a year that has tested the agility and resilience of leadership, Autins has shown that it can adapt quickly to protect cash and find new sources of revenue. Whilst Covid continues to create uncertainty, the announcement of the Brexit deal has helped to ensure EU trading stability continues. Sales recovery will be accelerated by recent wins in both the automotive and non-automotive markets, which will drive better returns from the improved cost structure, as volumes are able to recover.

The strategy, therefore, does not change. We will leverage Neptune to win market share in automotive, leverage our acoustic, filtration and thermal expertise to accelerate growth in non-auto markets and drive down our operational costs.

**Gareth Kaminski-Cook**
**Chief Executive Officer**

# Adding value responsibly

## 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 help make the world a more comfortable and quieter place to live, work and thrive, by reducing noise, and thermal energy waste.

We will do this by providing specialist acoustic and thermal solutions to our customers.

## Our business model

### Innovative technology

**Range of materials:**
- Nonwoven 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 programme management

### Continuous innovation and exceptional service

- Listening to our customers
- Rigorous NPI process
- State-of-the-art development laboratories
- Fast
- Responsive
- Customer-focused
- Creative culture

### Underpinned by our values

Teamwork | Accountability

## Our strategy

### Strategic pillars

**Expand sales in non-automotive sectors**
- Leverage our wide range of material technology and acoustics and thermal competence to win business in new markets

**Accelerate sales in automotive**
- Expand our automotive customer base across Europe, by leveraging the uniqueness of Neptune and our NVH (Noise, Vibration and Harshness) expertise and our technical expertise to win new customers

**Deliver best in class quality, service and cost**

## Creating value for our stakeholders

- **Employees**
  By striving to create a larger, more profitable company, we aim to create an exciting future where more people are employed doing work that is motivating. Our staff can expect to work in a safe place where people will be treated fairly and with respect. Our teams will be challenged and constantly learn, so that we can empower them to be part of something important.

- **Customers**
  We have a unique product offering, due to our breadth of materials, products and manufacturing processes and a highly responsive technical support service, which we believe is highly valued by our customers.

- **Shareholders**
  Autins must provide a positive return for our investors, who have entrusted management to deliver profitable growth. Management is totally committed to delivering superior returns and will work tirelessly to fulfil the full potential of the Autins Group.

- **Suppliers**
  Our suppliers should share in the benefit of Autins' success, which will be founded on delivering exceptional service to our customers, proving our reliability, complete supply chain transparency and a willingness to align as partners.

- **Regulators**
  Autins will observe complete transparency in all dealings with the relevant regulators and in fulfilling its obligations of governance.

- **Communities**
  Autins proactively engages with its local communities as part of its approach to Social Responsibility. This includes being aware of our impact on and taking a responsible approach to the environment, the communities we work within and governance compliance.

See page 23 for more information on our values

**Expertise** | **Creativity** | **Agility** | **Passion**

## Progress in 2020

**£2.5 million new wins in non-automotive**
- German flooring business doubles with a €1.2 million win.
- Autins wins its first commercial contracts to supply Blatchford in UK and Scania in Sweden.
- Autins adds another office pod customer, Spacestor.
- Autins sales of face masks and foam parts for face visors above 7 million pieces and £1 million.
- Dedicated technical sales added in UK for 2021.

**29% more business (annualised value) won than prior year**
- Won £10 million new life cycle business despite Covid.
- 50% conversion rate remains strong.
- Neptune sales grew 80% to £11.9 million.
- Enquiry pipeline is over £40 million.

**Sustainable operating cost and overhead improvements**
- Gross margin remained steady despite significant revenue drop in H2.
- Underlying Gross margin cost improvements, offset in FY20 by lower volumes.
- Overheads reduced by £1.0 million.

## Current focus

**Growth, Growth and Growth**
We will continue to identify additional operational cost and overhead improvements, but the first priority now is to grow the volumes going through our plants so that we can derive full benefit from the cost improvements.

Specifically, we aim to:
- Continue delivering exceptional quality and customer service to all customers.
- Substantially grow our non-auto business in the UK.
- Build on the positive momentum which our German business has created during 2020 in both auto and non-auto.
- Expand the customer base in Sweden.
- Promote Neptune as a premium technology, which offers VAVE cost-saving opportunities for our customers.

# Leveraging our regional presence

## Germany

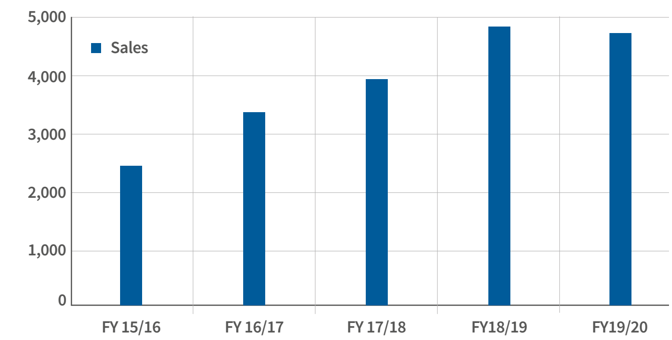
### Broadening the business base

**Since the establishment of our operations in Germany we have strived to maintain a balance between the industries we serve.**

This year's shutdowns and slow recovery of the world's automotive markets due to Covid has shown us how important this strategy is. Our business in the flooring and construction industry has shown significantly more resistance to the downturn than other industries.

Our specialist flooring sales and technical teams in Germany have secured significant new business for the Group.

**Growth in Germany**




German flooring set to grow

**100%**

**(full effect of wins for 2021 based on customer expectations)**

Enquiry pipeline

**c.£15m+**

**Doubled the enquiry pipeline during the year**

# €4.3m

new contracts won in Germany

**“The result of many years of hard work building a reputation with and solving the problems of the world’s leading flooring manufacturers has borne significant fruit this year, when we needed it most.”**

Josh Kimberling
**Group Sales Director**

# Leveraging our regional presence

**£1.2m**

PPE revenue

## UK

### Innovation during a storm

**As the Covid pandemic ripped through the world, a global shortage for PPE ensued. The call went out for British-made PPE. Autins responded to the crisis rapidly, repurposing our Neptune material usually used for automotive insulation to create water-repellent, washable face masks and retooling our production processes to produce other PPE items.**

After closing our factories in line with customers in March, production began again on Good Friday (April 3) to produce thousands of Neptune based face coverings per week. Successfully passing BSI (the UK's national standards body) testing for face coverings illustrated our commitment to only provide high-quality, reliable products and subsequently created the opportunity for Autins to supply the UK's leading PPE distributors. In addition, we were approached to supply foam parts to a Visor manufacturer. We quickly geared up to supply 800k foam parts per week and eventually supplied over 7 million parts in support of the NHS until the contract ended.

Autins received national recognition for our response to the Coronavirus pandemic by being named as one of the faces of the UK Government's 'GREAT Inspirations' campaign. We are proud to have been able to use our expertise and creativity to help during a time of national crisis, but anticipate that PPE will only provide very limited ongoing sales opportunities for the Group.

**7.4m**

**visor parts produced and distributed**


# Sweden

**Nominated by Volvo on EVs**

**Our Swedish plant is ideally located to supply Volvo cars and their Swedish supply base. It is also well positioned to supply a range of commercial vehicle manufacturers including Penta, Scania, Volvo Trucks and Buses. This year we have made significant progress in both automotive and commercial vehicle markets.**

Autins has secured contracts for parts on the next generation of electric Volvo cars where Neptune is the material of choice due to its high acoustic absorption and lightweight characteristics.

Additionally, we have won commercial vehicle contracts in Sweden and have other follow-on projects in the pipeline. The Swedish team delivered a significant improvement to financial performance despite the Covid pandemic.

**25**
**new parts won**

# Our commitment to ESG

## Our future is about sustainable growth

- Autins recognises that ESG should be a central commitment of the business to support decarbonisation/a better environment, promote our social responsibilities and ensure fairness and promote diversity.
- We also recognise that it is becoming a more important area for our investors.
- During the year we have therefore developed a range of measures to help quantify, measure and improve our ESG performance.
- We have decided to adopt the finnCap 15 point model of measurement, because it provides a clear framework and relevant sector measures against which we can monitor our performance.

### Monitoring Strategy for ESG:

**i.** Measure, monitor and manage continuous improvement of the key environmental datapoints (energy, $CO_2$, water and waste).
**ii.** Aim to reduce turnover of the permanent staff in the UK.
**iii.** Roll out the finnCap methodology to include our German and Swedish operations.
**iv.** Expand the ESG monitoring to include Sweden and Germany.

## Environmental

Current measurements of our carbon footprint including, but not limited to, all energy consumption in offices, warehouses, transportation of goods and business travel, shows a reduced **total carbon emission of 3.5%** (or cost equivalent) year-on-year and a **4.0% of kg$CO_2$e** reduction per million of revenue. During financial year 2020/21, Management will strategically review how the water and energy consumption can be reduced. A capital project is already being implemented to convert all UK factory lighting to energy-efficient LED lights.

- Raw material off-cuts returned to supplier for reuse
- All internal waste streams recycled
- Year-on-year reduction in waste of over 50%

| Individual components: | Units | Company Value | All Markets Median |
|---|---|---|---|
| **Performance: Quartile 4 to all markets – note Q1 best** | | | |
| Energy consumption | mWh/£m | 166 | 42 |
| $CO_2$ production | tonnes/£m | 58 | 39 |
| Water consumption | m3/£m | 228 | 88 |
| Waste production | tonnes/£m | 11 | 2 |
| Has an environmental or sustainability policy? | yes/no | yes | 64% |

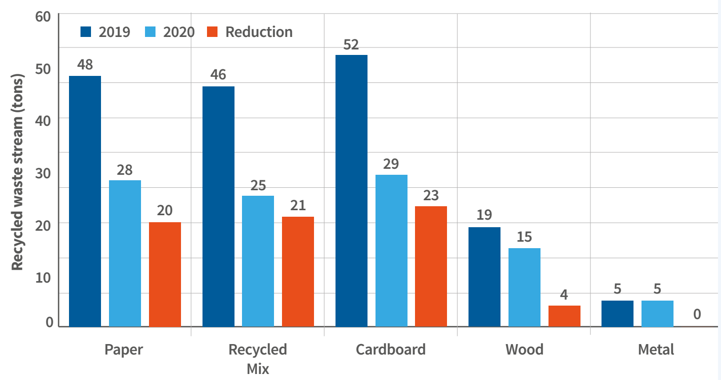
## Case study

### Supporting our environment

Our products and solutions are fundamentally environmentally friendly. For example, Neptune uses up to 40% less polymer than alternative products and our heavy layer material is 100% recycled. **Our Purpose, as a company, is to reduce noise and energy pollution.**

Across our factories we aim to use **renewable energy sources and technologies** that limit impact on the environment and our carbon footprint. Through waste segregation and the use of recyclable materials we have created reusable waste streams in partnership with external partners. Metrics of usage are monitored against targets to reduce waste and resources.

**-46% reduction in waste in the UK in the year**



## Social

Autins Group is very proud of its safety record, the quality of our products and services, and the integrity in the way we do business with all our partners and stakeholders. The way in which we do business is underpinned by a core set of company values and a code of business ethics, which are set out within our Annual Corporate Responsibility Report.

Staff turnover rate in the UK is too high, driven by high turnover in manufacturing. The whole manufacturing organisation has been reviewed, people reassessed, and prudent changes made to raise the calibre of supervisor and team leaders. The expectation is this will increase followership and staff retention.

| Individual components: | Units | Company Value (UK only) | Actual or Estimate | Market Median |
|---|---|---|---|---|
| **Performance: Quartile 3 to all markets– note Q1 is best** | | | | |
| Employee turnover rate | % | 20% | Actual | 14% |
| Has discrimination policy? | yes/no | yes | | 68% |
| Has community outreach policy? | yes/no | yes | | 39% |
| Has ethics policy? | yes/no | yes | | 76% |

## Case study

### Investing in our communities

We are committed to promoting a better understanding of careers in engineering and manufacturing, by engaging with students at events such as careers fairs at local schools, and TeenTech, the organisation formed to help young people understand the real opportunities available in the contemporary STEM workplace.


Our people continue to be involved in raising money for both local and national charities. Staff have raised funds for Macmillan Cancer Support and at Christmas support the KidsOut Christmas Tree appeal that provides toys for children living in local refuge homes.

We continue 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.

## Governance

The Autins Board is committed to maintaining the highest possible standards of Corporate Governance as set out in detail in the Investor section of the company website under the heading 'Governance'.

www.autins.co.uk/investors/governance/

| Individual components: | Units | Company Value (UK only) | Market Median |
|---|---|---|---|
| **Performance: Quartile 1 to all markets** | | | |
| % women on Board | % | 0% | 12% |
| % independent Directors on Board | % | 60% | 45% |
| CEO pay as multiple of UK median | | 8.0 | 12.5 |
| Is CEO and Chairman role split? | yes/no | yes | 95% |
| Adheres to QCA Code for Corporate Governance? | yes/no | yes | 95% |

## Case study

### Enhancing our corporate governance

During the second half of the financial year under report, the full Board undertook a full QCA Board Effectiveness Review, which resulted in identified improvement actions. The full Board has also recently completed external formal anti-bribery training, along with company management and staff.

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

Gareth Kaminski-Cook
**Chief Executive Officer**

## Our Covid response and our values

Gareth Kaminski-Cook explains below how these values were 'lived' during Covid.

### Our values

**Teamwork**
Maintained full engagement of all leadership through daily face-to-face Zoom calls, weekly telephone contact with furloughed staff and biweekly letters and video apps to all Autins staff from all the Leadership team, including the Chairman.

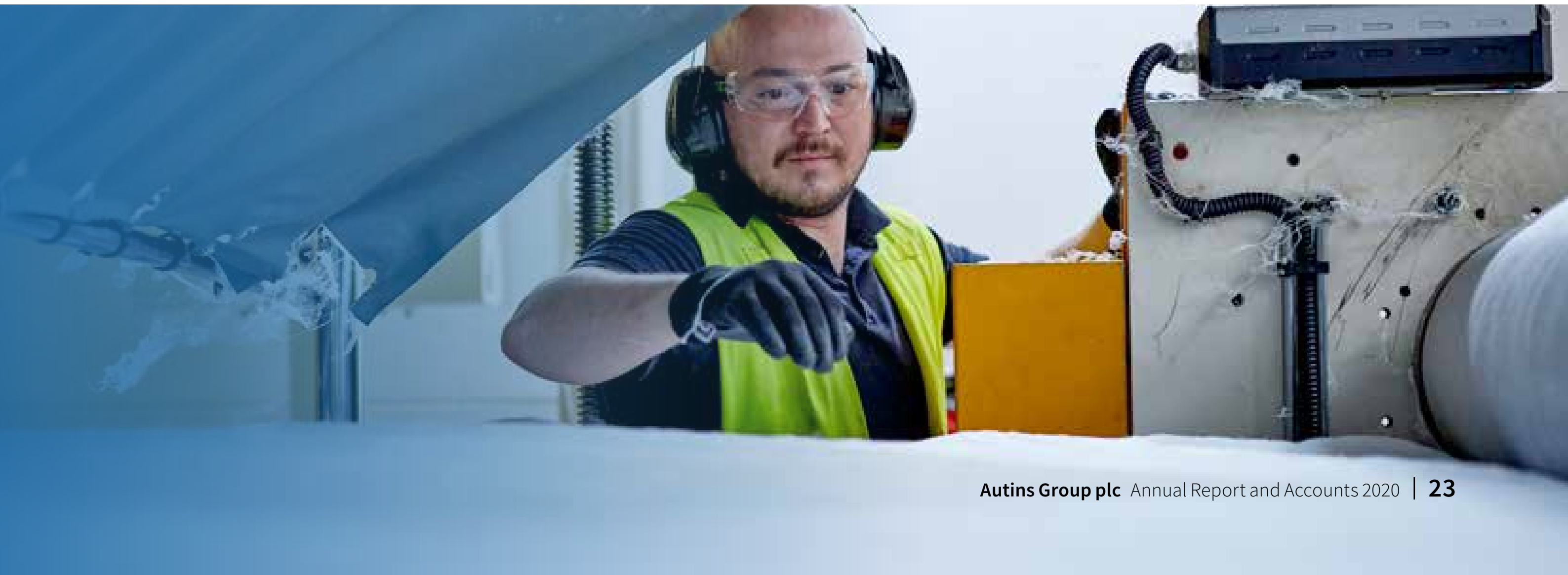
**Accountability**
We protected the Company's cash position by maximising furlough income, minimising cash out, obtaining CBILS and generating new revenue of over £1 million in PPE. We continued to win new business in our core businesses – c.£10 million (based on annualised, non-Covid interrupted, customer expectations) across automotive, flooring and commercial vehicles.

**Expertise**
Three weeks to understand, design, develop, make and find customers for a range of face masks for the public – using our own Neptune technology, equipment and people. One week to supply foam parts to a customer supplying an NHS contract – 7 million made in three months.

**Agility and creativity**
Within 3 weeks we were able to develop and launch a BSI approved face covering. The speed of decision-making from Board through to shop floor was possible because of inherent material expertise, commercial acumen, trust and effective communication.

**Passion**
The Autins team loves doing what we do – during Covid our purpose became about survival, protecting the jobs of our staff and temporarily providing PPE, which was in short supply. Passion makes a difference and this year our team made a real difference and in so doing protected the Group for all our stakeholders.


Living the Autins values has helped us cope well during the Covid crisis. We will continue to adhere to these values to maximise engagement and motivation of our people to deliver value to our customers and shareholders.



# OUR STAKEHOLDERS

**The Board believes that to maximise value and success in the long-term it must engage and consult with its stakeholders in order to develop effective and mutually beneficial relationships with them and, ultimately, to make better business decisions.**

You can find our Business model and Strategy on page 14 and see how well we are executing on the strategy on pages 11, 16 and 17.

### S172 Statement

As required by s172 of the Companies Act 2006, a director of a company must act in the way he considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In so doing, the director must have regards amongst other matters to the:

- Likely consequences of any decision in the long-term
- Interests of the company's employees
- Need to foster the company's business relationships with suppliers, customers and others
- Impact of the company's actions on the community and environment
- Desirability of the company maintaining a reputation for high standards of business conduct
- Need to act fairly between members of the company

| Our stakeholders | Material topics |
|---|---|
| **Employees**<br>By striving to create a larger, more profitable Group, we aim to create an exciting future where more people are employed doing work that is motivating. Our staff can expect to work in a safe place where people will be treated fairly and with respect. Our teams will be challenged and constantly learn, so that we can empower them to be part of something important. | • Live our values everyday;<br>• Our success is built on the engagement and motivation of our employees;<br>• Understand how each person contributes to the Group strategy and adds value;<br>• Expect to be challenged and be given the opportunity to learn and develop;<br>• Expect to be listened to, trusted and empowered; and<br>• Aim to minimise turnover of staff and increase the average term of service. |
| **Customers**<br>We have a unique product offering, due to our breadth of materials, products and manufacturing processes and a highly responsive technical support service, which we believe is highly valued by our customers. | • If customers win, we win;<br>• We develop solutions, so we need to build trusted partnerships;<br>• Bring new technology and innovation;<br>• Show how we provide more value than the cost of using our products and services; and<br>• We must be agile to create value in a fast-changing world. |
| **Shareholders**<br>Autins must provide a positive return for our investors, who have entrusted management to deliver profitable growth. Management is totally committed to delivering superior returns and will work tirelessly to fulfil the full potential of the Autins Group. | • Financial and operational performance;<br>• Business strategy and model;<br>• Leadership;<br>• Capital allocation;<br>• Dividend; and<br>• Governance. |
| **Suppliers**<br>Our suppliers should share in the benefit of Autins' success, which will be founded on delivering exceptional service to our customers, proving our reliability, complete supply chain transparency and a willingness to align as partners. | • Competitive offering and innovation;<br>• Reliability and responsiveness;<br>• Compliance with anti-bribery and corruption laws; and<br>• Prepared to be a supply chain partner. |
| **Regulators**<br>Autins will observe complete transparency in all dealings with the relevant regulators and in fulfilling its obligations of governance. | • Compliance with all relevant legislation;<br>• Openness and transparency; and<br>• Avoiding conflicts of interest. |
| **Communities**<br>Autins proactively engages with its local communities as part of its approach to Social Responsibility. This includes being aware of our impact on and taking a responsible approach to the environment, the communities we work within and governance compliance. | • Engage with local and national social enterprises, charities and school fairs;<br>• Supporting industry to improve awareness of opportunities for students and apprentices; and<br>• Proactive involvement in industry associations. |

## How does the Board ensure delivery of the strategic objectives for our shareholders?

- We encourage everyone to try and live the values;
- Regular communication with structured, cascaded verbal communication, CEO and Leadership briefings, written and on the video Autins app, 'all hands' meetings;
- Biannual employee survey, followed by feedback and employee-led improvement action plans; and
- Twice yearly staff appraisals.

- Regular engagement through Commercial teams;
- Peer-to-peer communication from CEO and functional leaders with customers' Finance, Engineering, R&D and Quality departments; and
- Visits to Autins' factories including audits of facilities and total management competence.

- Twice yearly results roadshows, meeting on any governance matters, our AGM, our RNS, our website and via contact through our advisers; and
- Since Covid all communication has been via phone, Zoom or Teams.

- Daily engagement through purchasing team;
- Strategic face-to-face meetings between leadership to develop partnerships and alignment;
- Discuss respective strategies, priorities and development opportunities;
- Always seek to resolve any matters of concern proactively and quickly; and
- Proactively seek help in a structured and transparent way – e.g. during the Covid crisis we agreed 'delayed payment' plans.

- Generally we engage with regulators through our advisers to clarify understanding as and when needed; and
- We contribute to input for online surveys as they arise.

- Direct contact with local organisations and agencies as required, supported by communication on social media; and
- Productive membership of selected industry bodies e.g. Make UK.

## How does the Board balance focus between short and long-term objectives?

### Policy Deployment:

- Policy Deployment (PD) is the methodology we use to execute strategy and is designed to retain focus on meeting long-term objectives. PD ensures that the Board can continuously challenge all elements of the strategy; and
- A Policy Deployment methodology is used to break the five-year strategic objectives into one-year objectives and plans.

### Board meetings:

- Executive reports highlight progress, gaps and actions to achieve annual budget and PD stretch targets, using KPIs aligned to the strategy;
- Part of every Board meeting is allocated to review specific areas of risk and strategic progress outside of the standard executive reports. The Board also encourages members of the ALT to present, at least once a year, the key developments in their specific areas of the business. This provides the Board with a wider vision of the business and an opportunity to test how governance measures are being adopted throughout the organisation;
- Standard items of Governance are covered in every meeting and a review of Board effectiveness is conducted using the NVQ guidelines; and
- The Board also maintains a cadence to review strategic items ranging from organisational development and the risk register, to regional growth and technology evaluations.

### Strategy development:

- A formal, structured review of the strategy is conducted once a year. The Board and members of the Senior Leadership Team review all drivers that might affect the opportunities and risks for the Group and thereby identify any need to change either the strategy or the execution plan; and
- The broader environment is continuously being monitored and the culture is in place to respond rapidly if a new opportunity or threat is spotted, as evidenced during 2020 when the Group pivoted in response to Covid and turned the threat of closure into a sales opportunity to make PPE.

# Key Board decisions

Board and Committee activities are organised throughout the year to address the matters reserved for the Board. An overview of the Board's principal decisions during the year; including how the Board has taken into account the factors set out in Section 172 of the Companies Act 2006 ("the Act"), is set out below.

| Decision | Actions taken | Key stakeholder groups considered |
| --- | --- | --- |
| Dealing with the Covid pandemic | • Regularly reviewed the challenges presented by the Covid pandemic and government announcements on social distancing and safety.<br>• Detailed considerations as to how we could continue to operate safely on sites and in offices, and travel and accommodation issues for our workers.<br>• Initiated actions to obtain government support in the form of furlough monies and CBILS loans to provide the Group with sufficient cash and facility headroom to withstand potential Covid downside scenarios.<br>• Initiated PPE product development and support revenue initiatives. | • The safety of our workforce remained a primary driver during this period, together with their and the Group's financial security.<br>• The Board recognised the trade-offs of managing the financial security of the Group, servicing customers and the impact of furloughing staff.<br>• The Board ensured clear communication took place, through safe platforms to all employees regularly.<br>• The Board recognised the importance of engaging wider stakeholders. The Group engaged with the supply chain, key customers, and the local business community to ensure support and agreement for key actions.<br>• The Board is conscious that the actions of the Group during the Covid period will have an ongoing impact on future stakeholder relationships.<br>• The UK public, our staff, and key workers that needed PPE. We assisted with the provision of face masks and part cutting for foam based face visors. This gave support to a key NHS contract provider and subcontract work to small local suppliers. |
| Funding and cash headroom adequacy for balance sheet strengthening, for growth and downturn management. | • Applied for and secured UK CBILS, and overseas equivalent, loan funding to the value of £3.0 million.<br>• £2.25 million of the £3.0 million are term loans greater than 5 years.<br>• Applied for and secured MEIF growth loan funding of £1.5 million. | • The Board considered the impact on the equity and value position of the shareholders, against medium term trading and growth prospects.<br>• The consideration included assessing the short to medium term cash headroom to withstand the Covid downturn, as well as ensuring that growth capital remained to support key product developments and sales growth activities. |
| Setting the annual Group budget and subsequent forecast modelling following the Covid outbreak for going concern purposes. | • Reviewed and approved Group budgets for FY20/21 and profit and cash flow forecasts for the next 24 months, all of which were updated regularly for the impact of Covid.<br>• Review and scenario modelling of future trading to support covenant compliance and the going concern assessment. | • In reviewing the budget and subsequent forecasts, the Board considered the impact on all stakeholders.<br>• Setting the budget identified key areas of focus for the Group, providing development opportunities for employees, some of which have already been implemented.<br>• The budgeting process provided key information to take decisions such as manning levels, the design of future value project streams and capital expenditure.<br>• In setting the budget the Board also gave consideration to customers and identified opportunities to develop customer relationships and improve service delivery and efficiency.<br>• Consideration was given to suppliers and ensuring their payments are made on a timely basis. |
| Restructuring including the redundancy of certain team members. | • Various roles were evaluated and actioned for redundancy. | • The Board considered the impact on the wider workforce and in particular those directly impacted by the restructure.<br>• Whilst the decision to restructure the Group was considered necessary to improve the Group cost structure, the Board recognises the negative impact the process had on employees. The Board ensured that the redundancy process was done fairly and transparently, with experienced human resources expertise supporting the process. Employees impacted in the process were treated ethically, respectfully and fairly. |

## Directors' Section 172 statement

The Board of Directors consider that they, both individually and collectively, have acted in a way that would be most likely to promote the success of the Company for the benefits of its members as a whole (having regard to the stakeholders and matters set out in Section 172(1)(a-f) of the Act) in the decisions they have taken during the year ended 30 September 2020.

In making this statement the Directors considered the longer-term needs of stakeholders and the environment and have taken into account the following:-

- the likely consequences of any decisions in the long term;
- the interest of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

# Strengthening the business core and (em)bracing the Covid storm

**"I am delighted to have joined the Autins team. We have strengthened the business core using high impact cross-functional techniques. Operational capacity has been increased at lower cost and better productivity, enabling improved volume margins. Overheads have been reduced £1m. Cash and working capital are significantly improved. Innovation remains instrumental in both products and processes, as we strive for growth against a backdrop of tough fundamentals."**

Kamran Munir
**Chief Financial Officer**

**£5.6 million Group cash headroom as at 30 September 2020. Positive EBITDA for FY20. Operating cash inflow of £1.5 million. Continuing OEM contract wins. Restructured balance sheet and improved funding position with lower net debt.**

The Group's primary focus in H1 was to continue new contract growth and simultaneously improve the cost structure by more than £2.0 million p.a. As reported for H1, the latter was achieved through volume related improvements in materials, labour productivity, and reduction in overheads of £1.0 million including restructuring staff positions. Underlying working capital improvements in stocks and debtors of more than £1.0 million were also realised. Significant new Automotive OEM contracts continued to be won in the UK and Germany, and £1.5 million of long-term MEIF funding was also secured.

In H2 our diversification journey continued. Significant growth in non-automotive applications was achieved. New PPE products achieved £1.2 million of revenues and new flooring sales at a rate of £1.8 million p.a. were also secured. Critical actions were also needed to work through Covid trading conditions. Approximately £1.0 million (UK £0.7 million) of furlough, and overseas equivalent, income was received. Long-term CBILS, and overseas equivalent, loans of £3.0 million were successfully obtained. Over the full year, reported operating cash-flow for the Group was £1.5 million and net debt, excluding lease liabilities under IFRS16, was improved by £0.4 million.

## Revenue

During H1 revenue was £13.2 million (H1 19: £13.6 million). New automotive contracts were secured and significant additional customer tooling was sold that will drive future growth. We had additional growth in Sweden and Germany, and growth in non-automotive markets. This was offset by a reduction in volumes from our key customer consistent with the status of the overall automotive market. There was a small initial adverse impact in March 2020, as volumes started to drop in line with Covid trading patterns from our key customers.

H2 saw significant disruption. Our key customer had substantive shutdowns and volume reduction for the majority of the April to August 2020 period. Other key OEMs followed a similar pattern that impacted production and sales in UK and Sweden.

The German business had less disruption with automotive reductions being much less than UK and Sweden. With new automotive business wins coupled with non-automotive growth in flooring products, Germany exceeded budget and was ahead of prior year revenues at £4.6 million (FY19: £4.3 million).

New PPE products were developed and sold in H2 20. This realised £1.2 million of short-term revenues in the UK at positive margins. The new flooring business was secured at a rate of £1.8 million per annum. With Covid trading conditions impacting the Group, H2 revenues were £7.0 million lower than forecast and H2 revenues at £8.3 million (H2 19: £13.1 million).

We continued with our strategy to diversify across market sectors and reduce reliance on our key customer. Non-automotive revenues in FY20 were 14.4% of Group sales at £3.1 million (FY19: 7.4% and £2.0 million). In the year, we continued winning more OEM contracts and also had stronger non-automotive sales than before. This will give an improved combined position as and when OEM production volumes recover.

## Gross margin

Automotive and primary business gross margins improved to 28.0% (FY19: 27.9%). This was the net result of 3.8% growth in margins to 30.9% as reported pre-Covid in H1 combined with the significant reduction in volumes in H2 as a result of the Covid pandemic. The H1 improvements were achieved through significant improvements in materials costs, labour productivity improvements and cost downs in production running categories. Materials costs improvements in H1 include better sourcing and utilisation of materials, but also additional use and direct sale of our own manufactured Neptune material which improved volume overhead absorption for our Tamworth facility.

As reported in H1, in total these actions combined were showing through an improved rate of more than £1.0 million per annum. In H2 further cost reductions continued, however, these were offset by production absorption losses in our main business segments as revenues were severely impacted as described above by the Covid trading environment.

There was also some small erosion from certain material price increases and associated adverse sourcing and import duty impacts related to material types also used in global PPE applications that were subject to global supply constraints. Whilst the total value of this was less than £0.1 million, this still equates to an H2 erosion of 1.2%. Margins in Germany improved from 24% to 28% year over year, albeit growth in Germany's sales are dilutive to the Group's total gross margin percentage. Gross margins in Sweden improved to be above 40%, increasing from 36% in FY19.

In H2 new PPE products were sold at superior margins. This derived primarily from our ability to further utilise our own produced Neptune material. This gave us a 'speed to market' and associated flexibility advantage in our commercial proposition and further improved Neptune production absorption. NHS-destined PPE component revenues were derived on a materials free issue basis utilising existing Group equipment including that from our Swedish facility which gave a significant marginal absorption advantage. Combined, the PPE revenues resulted in a 1.7% full year gross margin improvement. All of the above factors combined yielded a net gross margin of 28.0%, being a narrow improvement over FY19.

Future improvements from automation and improved site layouts are expected to deliver further savings during FY21. Projects to achieve this are already in progress. Capital investment has been budgeted and can be achieved within expected operating cash flows.

The Group should continue to have further success in securing component contracts using Neptune materials, which will improve gross margin from volume absorption. Neptune, being a melt-blown and nonwoven material was used in our PPE and non-automotive products. Our core strategy remains to grow these volumes. In addition the Group continues to optimise existing and future component and materials requirements, both with existing suppliers and newly identified ones that should help improve sourcing leverage.

## EBITDA and operating profit

FY20 EBITDA was £1.1 million (FY19: £0.0 million) after adjusting for exceptional and non-recurring costs as noted below, with an adjusted operating loss of £0.6 million (FY19: loss of £0.8 million) also allowing for the amortisation and impairments relating to intangible assets described below. The reported statutory operating loss was £1.3 million (FY19: £1.6 million).

The adjusted measures are stated after excluding items that management consider to be a result of significant one-off events, including the restructuring costs associated with the detailed review of operations, following the new CFO appointment, which included employee severance costs and the planned scrapping of inventory to enable improved floor space utilisation and so reduce premises costs. Exceptional costs relating to restructuring were £0.3 million, and exceptional inventory impairments were £0.2 million. Management information used in running the Group is measured with a focus on the underlying operational 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 are used to help illustrate underlying business performance and are informative to users of the accounts.

FY20 EBITDA also benefits from £1.0 million of IFRS16 adjustments, as compared to FY19. Without the benefit of IFRS16 reporting the adjusted EBITDA would be narrowly positive at £0.04 million. The Directors also note that £1.0 million of employment costs were met by income from the government job retention scheme in the Covid disrupted periods, and their overseas equivalents in Sweden and Germany.

## Exceptional and adjusting items

As noted above, the Group incurred an exceptional cost of sales of £0.16 million (2019: £nil) and exceptional administrative costs of £0.29 million as a result of a change of Chief Financial Officer (FY19: £0.43 million included other restructuring changes). The former Chief Financial Officer, James Larner, left on 31 December 2019, and Kamran Munir was appointed from 1 January 2020.

To be consistent with analysts' measure of the Group's performance amortisation of £0.2 million (FY19: £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 £0.0 million (FY19: £0.1 million) have been excluded from adjusted operating profit. The adjusted operating loss, allowing for exceptional costs and amortisation, would be £0.65 million (FY19: £0.8 million).

## 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 30% to £2.1 million (FY19: £2.9 million). H1 20 revenues were £1.5 million (H1 19: £1.5 million), and significant revenue reduction resulted in H2 as call-offs for existing parts were reduced in the Covid trading period. Strong margin and overhead cost control actions were taken by management, and £0.05 million of UK furlough income was received, helping to generate a profit after tax of £0.2 million (FY19: £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 Krona 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. The Group has taken steps to mitigate this risk by establishing alternative sources for non-patented product which could then also be transacted in Euro. The Group also has Euro-based purchases for materials and production, including equipment. As Euro sales are expected to increase from our German business, this would allow us to manage relative balances in British Pounds, Euros and US Dollars.

The Group continues to benefit from natural hedging, arising from its structure and trading balances, which means 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 Neptune grows 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

Finance expense increased to £0.5 million (FY19: £0.2 million) as a result of the adoption of IFRS 16 and the inclusion of £0.3 million of financing charges previously presented in operating lease expenses. Improvements resulted from a deliberate strategy to optimise working capital, primarily in stocks and debtors and to reduce Invoice Financing (IF) facility draw-down reliance, yet simultaneously improving the payment cycle to trade creditors. Short-term overdrafts were also repaid in the UK January 2020 with a £0.85 million reduction across the Group. The IF facility was repaid in August 2020, and was not in use as at September 2020. Negotiations with our Neptune Partner Iksung also meant that our direct open credit with them was extended for all of FY20, allowing the bank trade finance facility to be fully repaid. The Group secured a five-year MEIF £1.5 million loan, at a coupon rate of 7.5% in the year which was fully drawn down by February 2020. CBILS loan funding of £2.75 million was also received in July 2020 at net £zero cash interest cost for the first 12-month period. The accounting for this, results in recognition of the interest waived of £0.1 million as a form of grant income with an equal expense over the year to July 2021. Car and equipment finance leases reduced in FY20 as some agreements completed during the year, with no renewal, which reduced interest costs. Accordingly, the net finance expense significantly reduced in H2 to c.£70k, compared with c.£120k in H1.

An analysis of the net finance expense is presented in note 8 on page 79.

### Taxation

The effective tax rate in the year was below that expected based on current UK corporation tax levels. Given the quantum of losses compared to expected profitability in the next two years, the Group has not recognised the majority of current year losses as a deferred taxation asset. The balance sheet asset has been reviewed and is 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, improve processes and develop new products. The Covid trading pattern and significant disruption to revenues has meant that larger net losses prevail than were previously expected. Accordingly, the Group has revised its strategy and will now utilise the additional losses to obtain actual R&D tax credit refunds to optimise the cash position. A revised R&D claim for the year ended September 2018 was submitted in FY20 and a repayment of £0.1 million has subsequently been received. Similarly the claim for the year ended September 2019 will be revised and submitted on this basis. Although at a lower level than 2019, R&D has continued and this, together with recognition and use of available brought forward losses when profitability increases, will mean that the effective tax rate will remain below the UK statutory level for the short to medium term with an unrecognised deferred tax asset of £0.77 million in the UK (2019: £0.30 million).

The Group's overseas subsidiaries continue to have brought forward 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 fully recognised the remaining losses in Germany as a deferred tax asset and a degree of those in Sweden. The Group has a further £0.03 million (FY19: £0.13 million) unrecognised tax asset in respect of Swedish tax losses.

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 (FY19: £0.13 million) unrecognised tax asset in respect of European losses.

### Earnings per share

Loss per share was 4.35 pence (FY19: loss per share 6.25 pence) reflecting the loss in the year. The weighted average number of shares was 39,600,984 in the year (FY19: 17,500,000). 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 80.

### Dividends

The Board are not proposing a final dividend for the current year (FY19: £nil) and no interim dividend (FY19: no interim dividend) was paid.

### Net cash/(debt) and working capital

The Group ended the year with net debt of £1.9 million (FY19: £2.3 million) excluding the IFRS16 calculated lease liabilities of £5.8 million as disclosed in the reconciliation of movements in cash and financing liabilities on page 65.

The Group secured a £1.5 million five-year term loan from MEIF in H1. £2.75 million of UK CBILS loan funding was received into the Group in July 2020. Of this £0.75 million is a one-year bullet loan repayable by 30 June 2021 and a further £2.0 million is a six-year term loan with no repayments until July 2021. There is no interest payable for the first 12 months on either loan. Germany secured local equivalent Government support loan of €300,000 that is repayable over 10 years with an interest cost of 1.03% p.a.

The Group has £0.3 million (FY19: £0.5 million) of Hire Purchase agreements in the UK. Long-term asset backed bank loans in Sweden were substantively repaid in FY20 (FY19: £0.1 million). There were no new hire purchase agreements in the year and £0.1 million (FY19: £0.1 million) of the new short-term trade import facility was utilised for Neptune materials purchases but had been fully repaid at the year-end.

The Group has focused on working capital optimisation in the year; this has already been partially described above. Collection of trade debtors improved in the year with a reduction of overdue balances from additional focus and applied resource. Bad debt or credit note provision charge in the year was at £0.0 million (FY19: £0.2 million). Some of the prior year provision has been retained against residual overdue invoices which the Group continues to resolve.

Trade creditors have reduced significantly in the year with payments being made to terms, usually on a weekly cycle. Stocks were reduced during H1, but then increased in H2 as we held additional buffer stocks to help ensure supply continuity against the Covid backdrop which disrupted smooth production flow. New PPE items resulted in additional stocks of c.£0.2 million.

## Going concern

The Board has concluded, on the basis of current and forecast trading and related expected cash flows and available sources of finance, that it remains appropriate to prepare these financial statements on the basis of a Going Concern.

The Group received cash financing inflows of £4.55 million in the year, of which £3.5 million are long-term loans, and the short-term overdraft balance was reduced by £0.85 million. Invoice discounting liabilities of £3.7 million were repaid, but the facility remains fully available at up to £6.0 million against relevant trade receivables in addition to an unutilised £0.3 million import loan facility. Despite the Covid trading backdrop, the Group reported positive operating cash flows of £1.5 million.

Whilst the operating cash flows benefit from a combination of improved working capital and cost management, they are also impacted by the pandemic driven decrease in revenue and associated net investment in working capital together with the change to the treatment of operating lease costs on transition to IFRS16. In addition to the increased focus on working capital management, the Group has also already made annualised savings of some £1.0 million in overhead costs and improved operational efficiency, with continuing programmes in place to make additional improvements.

At the year end there was £5.6 million of available cash and facility headroom, with £1.1 million of the loans repayable within 1 year, of which £0.75 million is the UK CBILS bullet loan repayable in June 2021.

In undertaking their assessment of the future prospects for the Group, the Directors have prepared trading and cash flow forecasts for the period to 30 September 2022. These take into consideration the current and expected future impacts of the Covid pandemic, diversification of the customer and product ranges and also have regard to the committed business and enquiry levels from existing customers. The Directors have also considered the impact of current and future demand levels for new vehicles, the migration to EV's and publicly available forward looking market information regarding market sizes and dynamics. These forecasts have been compared, together with considering a range of material but plausible sensitivities, to the available bank facilities and the related covenant requirements.

The loan repayments and interest costs are expected to be adequately covered by operating cash generation over the period and the Group has significant liquidity headroom within its facilities to accommodate all reasonably foreseeable cash flow requirements in the event of changes to its demand as a result of Covid, Brexit or other economic factors, with flexibility also available to favourably manage the cost base in respect of operating costs, should the need arise.

The most sensitive factor impacting the forecast period, and the continued availability of the current facilities, is the EBITDA covenant in the UK in relation to the £2.0 million CBILS long term loan. Prior to the CBILS loans being secured, sensitised forecasts were reviewed with the bank and used as a basis for establishing the covenants, which apply to both of the CBILS loans. At the year-end actual UK trading results were approximately £1.4 million ahead of the base forecasts at the EBITDA level. In the next financial year, achievement of the minimum required UK EBITDA, without significant further unplanned cost or efficiency improvements, is predicated on minimum revenue levels of £19.2 million. This compares with UK revenues of £16.8 million in FY20 and £21.3 million in FY19. As commented upon elsewhere in this Annual Report, significant new contracts have been won since FY19 and, accordingly, the Board are confident the EBITDA target will be met, especially having regard to further additional mitigating actions which remain available to the Group.

The Board continues to review the Group's banking and funding arrangements with a view to ensuring that they remain appropriate for the planned growth within mainland Europe and to allow for the more volatile demand pattern in the current economic environment.

## 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 further 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 2020 (both existing and generated in the year) by reference to discounted cash flow 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 (FY19: £0.2 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 on an ongoing basis in FY21 in support of further operational gains.

Research and development costs of £0.13 million (FY19: £0.15 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 a range of projects designed to further enhance the Group's current materials and product ranges and improve production capabilities to derive volume or cost reduction benefits.

## Financial risk management

Details of our financial risk management policies are disclosed in note 3 on page 74.

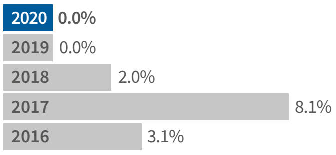
**Kamran Munir**
**Chief Financial Officer**

## 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 FY20)

***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. Given this consistent good performance, management focus daily on minimising any minor incident and during 2020 has also applied great attention to ensuring that all facilities and behaviour are Covid safe.

***Focus***

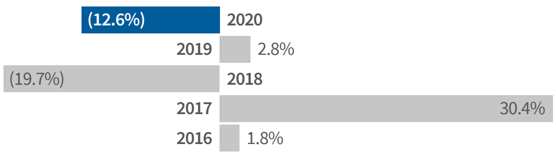
Safety

## 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***

Performance reflects the impact of Covid on reduced volumes and revenue.

***Focus***

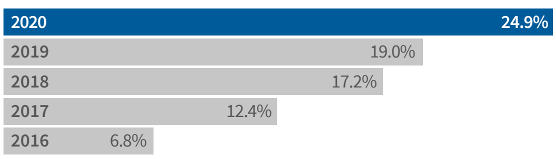
Diversification

## 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: 35% over 3-5 years)

***Comment***

Whilst full year's sales for the Group declined due to Covid by £5.4 million, sales outside of the UK grew by £1.6 million to £6.7 million and now represent 24.9% of Group revenue compared with 19.0% in the previous year. The Group strategic target for revenue outside UK is 35% of Group turnover.

***Focus***

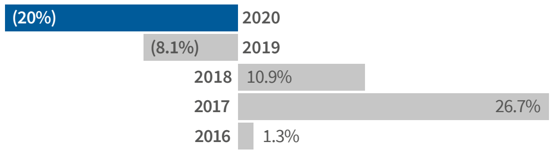
Diversification

## 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 new order intake and pipeline development both increased in the year, absolute revenues fell in the Covid period with significant reductions in call offs for Sweden and the UK, and from the Group's largest customer. Tooling sales also decreased. However, sales from the German entity grew by £0.3 million.

***Focus***

Growth

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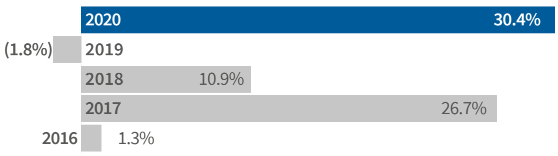
## EPS growth (%)

***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***

Performance reflects losses made in the year.

***Focus***

Growth

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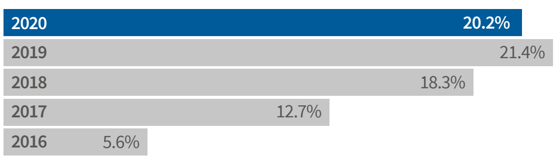
## New product & customer sales as a % of Group revenue (%)

***KPI Definition***

New product and customer sales are measured as the combined revenue generated from new 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***

The percentage of revenue from new customers or new products won in the last 3 years remained stable at 20%. New wins during the year had minimal positive impact as Covid suppressed sales related to the new wins which would otherwise have benefited H2.

***Focus***

Innovation

# RISK MANAGEMENT

**The Autins Board considers risk management a strategic imperative that will help to ensure delivery of our long term goals. Whilst risk management is a daily management process for control of Health and Safety, quality and customer service, the company also undertakes a formal review twice a year to identify risks and opportunities for delivery of the strategic objectives.**

## Approach to risk management

Every function and country reviews their risks and confirm actions to mitigate the identified risks. The Leadership team then review all these risks and creates a prioritised risk register across the Group, based on the potential impact and likelihood of the risk happening, which is monitored and managed on a regular frequency in the Leadership Team meetings. Finally the Board formally reviews the Risk Register ahead of half and full year results to ensure that a balanced and appropriate attention has been given to the safety of our employees and products, our reputation, or risks that could lead to breaches of laws and regulations or endanger the future existence of the Group.

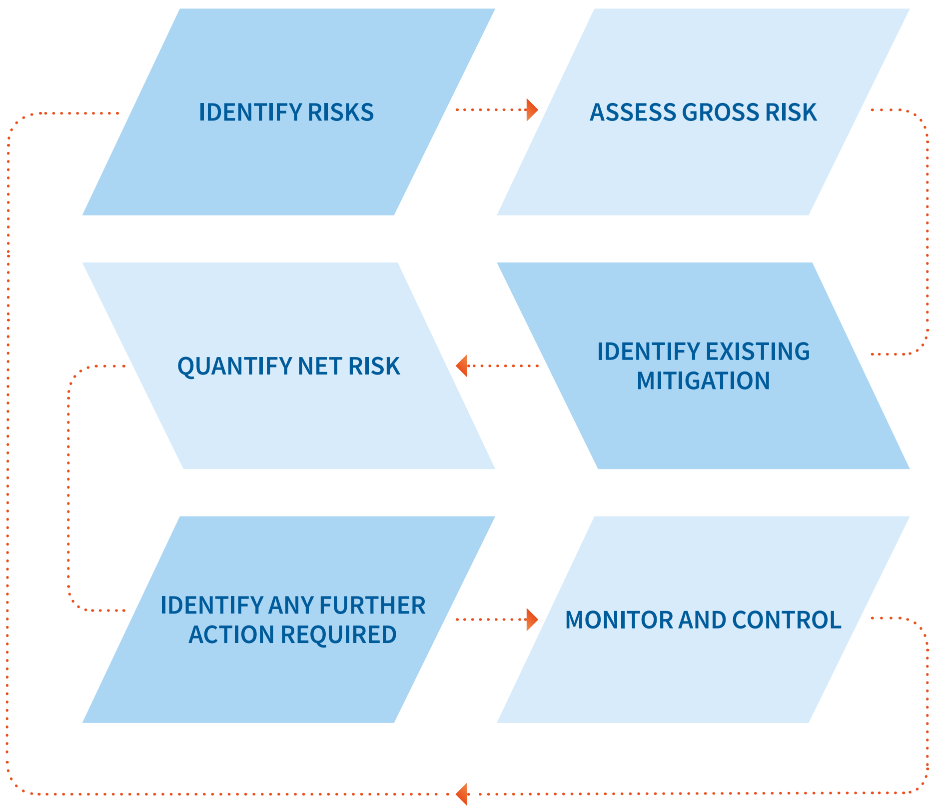
## Risk Management Process

The risk management process is set out in the Group Risk Register Guidance Documentation. Risk registers are created each functional area in each country and subsequently one for the Group

- Identify the key risks
- Describe each risk and how it could affect the business
- Score the Likelihood and Impact (financial, reputation etc.) to give a severity rating
- Prioritise the risks and identify which ones will receive the highest attention
- Ascribe an owner of the risk to oversee the mitigation plan and execution
- Monitor progress on each action by date and an overall status

Update since 2019

- Our principal risks are reported, taking into account the mitigation plans
- The majority of risks are long term in nature and in general do not change significantly in the short-term
- Brexit and further waves of Covid 19 are the most imminent risks and receiving due attention. We believe both are being managed well



| 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. This is essentially to increase market share with our USP's and Neptune product, across all automotive applications and European markets. In addition to widening applications of Neptune into non-automotive areas.<br><br>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.<br><br>The Covid trading backdrop adds additional uncertainties. | 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.<br><br>Our values have been deployed across all layers of the organisation to help create alignment from all staff around our strategic aims.<br><br>Executive and leadership team key KPIs and policy deployment are cascaded throughout the organisation creating direct alignment of goals and to allow identification of underperformance and allow actions to be taken to address and improve results.<br><br>Additional cost and cash management actions may be required to offset any sales deviations.<br><br>Maximise government Covid support opportunities available to us, including the job retention scheme and CBILS loans. |
| **High Dependence on automotive sector and market cycles** | The Group's revenues are primarily derived from the automotive sector.<br><br>Demand for passenger cars could be materially affected by changes in government policy, including tax regimes, environmental standards and incentives.<br><br>The continued and expected growth in alternative fuel and electric vehicles may change the 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.<br><br>We believe that there are adjacent sectors to which our knowledge, materials and process capability are transferable and have started to explore those sectors.<br><br>Our R&D and operational teams continue to work on improving our processes, materials and applications to address the changing demands both within automotive and target growth sectors.<br><br>We have demonstrated our ability to diversify with our sustained automotive market share growth, acoustic flooring in Europe, and building and industrial applications to secure new revenues. The Group has also had success in new flooring products in FY20.<br><br>We continue to develop knowledge and seek additional approvals for Neptune, our class-leading automotive material, to facilitate further growth in both automotive and non-automotive markets. |
| **Dependence on key customers** | More than half of the Group's revenues continue to be derived from one key customer. In addition, both European sites also have high customer sales concentration.<br><br>The Group's income and each 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.<br><br>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.<br><br>Management continues to be focused on strengthening customer relationships, and, for our key customers, we ensure that multiple contact points are maintained.<br><br>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.<br><br>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.<br><br>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 |
|---|---|---|
| **Loan servicing and covenant compliance, finance and working capital management** | The Group has a primary UK bank with secondary funders in the UK and Europe. The current structure includes CBILS short and long-term loans with HSBC, and a long-term MEIF loan with prevailing covenants.<br><br>Working capital funding is primarily provided by a flexible Invoice Financing (IF) facility. A Trade purchases facility has also been renewed by HSBC.<br><br>Material short-term demand reductions (such as that experienced in the Covid trading environment in FY20) would have an immediate impact on this facility's headroom.<br><br>It is also likely that this headroom reduction would be magnified by short-term inventory fluctuations within the supply chain and an unwind of trade payables from the lower demand. | Our annual budgeting and in-year reforecasting processes model the effect of certain contingencies and their effect on working capital.<br><br>The equity raise completed in the prior year and FY20 loan arrangements have provided the Group with significant financial headroom.<br><br>Short-term overdrafts have been reduced and the term loans provide greater surety in a period of variable market demand. The Trade and IF facilities are flexible to manage working capital fluctuations. Stocks and debtors combined are more tightly managed than before.<br><br>Long-term asset-backed finance products are used for capital investments.<br><br>Our supply chain management and relationships were tested in this Covid period. We were able to achieve co-operative favourable outcomes to manage stock fluctuations, ensure supply continuity, and agree flexible payment structures that reduced financial risk. |
| **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.<br><br>The automotive sector has undergone a period of sustained growth, especially within the UK, which has reduced the availability of certain skills and experienced personnel.<br><br>Risk is elevated with greater key staff reliance after having made recent redundancies. The Covid environment though, has increased available talent pool. | 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. This was enhanced further in FY20 to help secure retention in key roles.<br><br>We have continued to progress staff development to ensure staff skills remain relevant and reviewed appropriate succession planning. We support apprenticeships and internal progression, and support those seeking professional qualifications where appropriate.<br><br>A collegiate, motivating and dynamic workplace provides a good environment for staff retention. |
| **Dependence on relationship with IKSung, and supply interruption** | 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.<br><br>There is therefore risk of a potentially significant adverse impact on our ability to serve customers were this relationship to deteriorate or breakdown, or supply was interrupted for other reasons. | Alternative suppliers have been secured for all non-patented materials within Neptune to allow risk mitigation.<br><br>The Group has proactively 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.<br><br>The licensing agreement conveys the right to source the proprietary fibre directly from the manufacturer (a large third party material producer) in the event of IKSung being unable to do so. Alternative emergency supply sources have been identified.<br><br>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 of Neptune. |

| Risk | Description and potential impact | Mitigation |
|---|---|---|
| **Major failure of Neptune line** | The Group's Neptune production line is the only such facility in Europe.<br>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.<br>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.<br>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. We have also engaged industry experts who can advise offset guidance. |
| **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. We continue to file our own applications-based patents, such as encapsulation. |
| **The impact of the EU referendum (Brexit)** | The form of the announced Brexit deal has significantly reduced the overall risk and uncertainty that was prevailing for the Group prior to its announcement.<br>Potential implications for automotive manufacturers that related to currency fluctuation and tariffs with corresponding impact on the cost and availability of raw materials and labour have been largely eliminated.<br>Residual risks include the additional transit time needed for customs and cross border procedures, and any associated delivery delays, albeit these are expected to be transitory. Systems and master data changes are needed for cross border customers and suppliers.<br>Brexit related labour availability issues are relevant to our business as we have a significant proportion of European worker, but again the risk is considered low in the current economic climate with labour being available in the local market. | The location, design and manufacturing capacity of all our operational facilities are constructed to meet local market demands, in territory. We have plans to invest in further capacity in Europe as the need arises.<br>We have invested in relationships with supply chain partners in the year to establish safety stocks whilst also developing secondary local suppliers to negate cross border trading risks.<br>We had previously developed cross border manufacturing transition plans, had the need arisen.<br>The Group seeks to position itself as an employer of choice whilst recognising that the market is competitive has taken steps to engage staff in the year to better understand needs and motivations and support retention.<br>Systems master data has been updated to facilitate automatic and / or simplified documentation needed for EU post Brexit trading compliance. |

| Risk | Description and potential impact | Mitigation |
|---|---|---|
| **IT systems and software and cyber-security** | 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.<br><br>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.<br><br>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 latter could also be impacted by cyber-security issues, for example if data transfer or integrity was impacted. | 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.<br><br>Specialist third party IT support and improvement are employed with multi-layer data backup and storage. Regular updates for malware, security and virus protection are installed.<br><br>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.<br><br>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.<br><br>Key financial controls, cash management and critical assets are managed with a restricted list of executives and qualified/trained personnel with an appropriate segregation of duties. |
| **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.<br><br>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.<br><br>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.<br><br>The Board may implement a hedging strategy to limit or mitigate risk when it believes that the level of transactional risk is sufficiently significant to have potential for material impacts on the Group's results. |
| **The Covid pandemic** | Along with many other businesses, the pandemic has had far reaching impacts on the business and, where relevant to previously reported risks, the responses are incorporated above.<br><br>The future evolution of the pandemic, and associated Government responses, remains a key focus for the management team to ensure the impact of further Covid waves on our supply chain, customer demand and our people is monitored and timely, appropriate action is taken. | Continue applying all current Covid policies, with real time discussions ongoing with our key customers and suppliers.<br><br>Our employee contracts allow us to flex the hours worked with reduced pay if demand patterns change.<br><br>Strong health and safety processes prevail with respect to Covid control and mitigation throughout our facilities. |

The Strategic Report was approved by the Board on 19 January 2021 and signed by order of the Board by the Chairman.

**Adam Attwood**
**Chairman**

# 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 applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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. 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 focusing 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 seven years working in local government in varied roles conducting educational data analysis, modelling and interpretation alongside performance and project management. Kathy joined the Autins Group in June 2015 to lead research, development and innovation and to establish the Group's technical facilities. In 2020, Kathy took ownership of the customer projects team at Autins and now leads both product and programme management.

## Stefan Janzen
**Group Applications Manager**

Stefan has more than 20 years' experience in automotive and general acoustic products and solutions starting at HP Pelzer Group as a Research and Development Engineer and joined Autins GmbH as Research and Development Manager in late 2013. Stefan has a degree in Biology from Westfälische Wilhelms University in Münster, Germany and his current role in Autins is Group Applications Manager.

## Matthias Migl
**Managing Director, Autins GmbH**

Matthias has 25 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. Prior to joining Autins in November 2016 to oversee sales and marketing, he was Commercial Director of Flow-Mon Ltd, growing the business's global sales of manufactured process control products; he has worked in both the US and Germany for Robert Bosch in the sales and marketing of automotive electronics, having account management responsibilities for major OEMs in the US and Europe.

## Kamran Munir
**Chief Financial Officer and Company Secretary**

Kamran is a highly experienced strategic and operational CFO, with a 20-year background of large corporate and VC roles in manufacturing, aerospace and technology companies. Prior to Autins, Kamran worked for Precision Castparts Corp, as Finance Director for Special Metals Limited and more recently European Finance Director for Timet Division, driving integration, culture change and improvements in profitability and value. Kamran was also European Financial Controller for SPX Corporation, and CEO of Spectral Fusion Technologies. On a voluntary basis he remains CFO for the Coventry Refugee & Migrant Centre, as well as being the founding trustee and CEO of The Open Hearts, Open Minds Foundation, which focuses on the relief of poverty and sickness and the advancement of education. Kamran holds the ACA qualification, and is a graduate from the University of Cambridge (MA).

## 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 and trustee roles in the private, public and third sectors.

## 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 and has 30 years of international business experience in market-leading industrial organisations across several business sectors, having worked previously for Low & Bonar, Saint-Gobain, Rexam, BPB and Danaher. He has a deep understanding of the manufacture and application of technical material-based solutions in relevant industrial sectors including automotive, flooring 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 was a Non-Executive Director and Remuneration Committee Chairman of Renold plc from 2010 until his resignation in November 2019 and was Chairman of Hydro International plc from 2014 to 2016. He was appointed Chairman of Trackwise Plc in July 2018.

## 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 and 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.

## Mark White
**UK Operations Manager**

Mark joined Autins in April 2019 from Jaguar Land Rover 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.

## Liz Northwood
**UK Human Resources Manager**

Liz has over 25 years' experience of people management from both the financial and public sector. She joined Autins in February 2013 to set up the Human Resources Department. She now also leads the training function in the UK. Liz was involved with the factory move for Autins back in 2014 and in several restructures along with recruitment of many of the current team. Prior to working for Autins, Liz worked for NatWest bank in operational and systems improvement. She has also worked for the Careers Service within administration and centre re-organisations.

The Group has adopted the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies (the 'QCA Code') since 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 this Annual Report 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 page 14 of this report.

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 40 to 41) 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% 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 has adopted the finnCap Environmental, Social and Governance (`ESG') framework (as recommended by the QCA) to measure and improve its ESG policies 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 Group's commitment to stakeholder engagement is set out on pages 24 to 26. The Group's commitment to effective ESG governance is set out on pages 20 to 22.

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.

The Group continues to promote Autins Values, as set of six principles designed to influence the way we work together, drive performance and inform our response to stakeholder needs and the Group's responsibilities to them. Management launched a bi-annual Group Employee Engagement Survey in 2019 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. The next review is due in quarter 2, 2021.

### 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 advisers, 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.

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 delivery of the 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 KPIs, 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 34 to 38 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. During the Covid pandemic, increased remote home working was supported by suitable IT and digital communication technologies adopted to aid continuous and efficient communication.

#### 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 the day-to-day management and leadership of the Group. This includes guiding the leadership team (details of whom are on pages 40 to 41), 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 online audio and web conferencing platforms, whichever provides the most efficient, timely, or safe solution at a given time. Board meetings have been held regularly via teleconference since the start of lockdown measures in March 2020. It is envisaged that this will remain the case until lockdown restrictions are appropriately eased.

Details of Directors' attendance at scheduled Board and Committee meetings during the year can be found on page 46 within the Directors' 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 40 to 41.

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. This review was completed in September 2020 and a number of actions have been adopted to ensure continued improvement in the functioning of the Board.

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 is 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.

Autins operates its core Values that 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 seeks 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 whistleblowing 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 reapproval 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 and is chaired by Neil MacDonald.

The Committee's role is described within the Audit Committee Report set on page 52.

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.
- Confirming 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 comprises the three non-executive directors and 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. The Committee, in conjunction with the Chief Executive, reviews annually the succession planning strategy for the senior leadership team.

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 Directors' 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 roadshows and events both at the Group's and investor's premises.

The Group's website has been designed 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 Investors' 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. During 2020 increased use of social media platforms has been promoted including LinkedIn and Facebook, primarily to promote success stories.

This governance statement was last reviewed and updated on 19 January 2021.

The Directors present their report and the audited financial statements for the Group for the year ended 30 September 2020 in accordance with section 415 of the Companies Act 2006. Particulars of important events affecting the Group, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 27 which is incorporated into this report by reference.

The Directors' statement on Corporate Governance is set out on pages 42 to 45. This report should be read in conjunction with information concerning Directors' remuneration and employee share schemes in the Remuneration report on pages 50 to 51, 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 primarily to the automotive industry. The Company is an investment holding company. The Directors are not aware, at the date of this report, of any likely changes in the Group's activities in the next year.

## Results and dividends

The results for the year are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 58 to 59. 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;
- Ian Griffiths;
- Gareth Kaminski-Cook;
- James Larner (resigned 31 December 2019);
- Kamran Munir (appointed 1 January 2020); and
- Neil MacDonald.

## Corporate Governance

The Directors' statement regarding corporate governance can be found on pages 42 to 45. The Company is a member of the Quoted Company Alliance ('QCA') and has adopted the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code) (the 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 40 to 41.

The Board has formally delegated certain duties and responsibilities to the Audit, Remuneration and Nomination Committees. These committees seek advice from the Company's advisers as the need arises and operated throughout the year. Their roles and membership are stated on page 45 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 | |
|---|---|---|---|---|---|---|---|---|
| Director | Number | Attended | Number | Attended | Number | Attended | Number | Attended |
| Adam Attwood | 10 | 10 | 4 | 4 | – | – | 2 | 2 |
| Ian Griffiths | 10 | 10 | 4 | 4 | 3 | 3 | 2 | 2 |
| Gareth Kaminski-Cook | 10 | 10 | – | – | – | – | – | – |
| James Larner (resigned 31 December 2019) | 2* | 2 | – | – | – | – | – | – |
| Kamran Munir | 8* | 8 | – | – | | | | |
| Neil MacDonald | 10 | 9 | 4 | 4 | 3 | 3 | 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 Group's auditor, BDO LLP did not undertake any non-audit work in the year.

## 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 was formally elected at the AGM in February 2020.

## 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 2020 were as follows:

| | **2p ordinary shares at 30 September 2020** | **% of issued ordinary share capital** | 2p ordinary shares at 1 October 2019 | % of issued ordinary share capital |
|---|---|---|---|---|
| Adam Attwood | **600,000** | **1.52** | 600,000 | 1.52 |
| Ian Griffiths | **14,311** | **0.04** | 14,311 | 0.04 |
| Gareth Kaminski-Cook | **180,228** | **0.46** | 180,228 | 0.46 |
| James Larner | **25,000** | **0.06** | 25,000 | 0.06 |
| Kamran Munir | **–** | **–** | – | – |
| Neil MacDonald | **125,000** | **0.32** | 125,000 | 0.32 |

## Share capital

Full details of the Company's authorised and issued share capital are set out in note 20 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 30 September 2020** | % voting rights as at 30 September 2020 | **Number of voting rights as at 30 September 2019** | % voting rights as at 30 September 2019 |
|---|---|---|---|---|
| Schroders | **8,647,127** | 21.84% | **8,707,702** | 21.99% |
| Fleming Family & Partners (formerly held under Cavendish Asset Management) | **7,850,338** | 19.82% | **–** | – |
| Premier Miton Group (formerly Miton Group plc) | **4,530,156** | 11.44% | **6,176,361** | 15.60% |
| 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% |
| Unicorn Asset Management | **1,769,806** | 4.47% | **1,769,806** | 4.47% |
| Jarvis Securities | **1,607,923** | 4.06% | **1,618,220** | 4.09% |
| Toscafund | **1,340,300** | 3.38% | **1,590,300** | 4.02% |
| Kevin Westwood | **1,275,000** | 3.22% | **2,025,000** | 5.11% |
| Karen Holdback | **1,275,000** | 3.22% | **2,025,000** | 5.11% |

## 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 74 to 75 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 and 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. During the year a patent was applied for relating to an encapsulation acoustic product and, in response to the Covid crisis, the team developed a face mask to meet a UK shortage for face covering in the UK.

The high level of success in the year led 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.

During 2020 an increased level of attention was given to knowledge and awareness around mental health in the workplace, which included external training for the Group H&S Manager and UK HR Manager.

In response to the Covid pandemic, risk assessments and Covid safe working practice policies were prepared for all sites and implemented rigorously. Travel was minimised and social distancing and adoption of PPE was made mandatory.

## Charitable and political donations in the year
The Company did not make any political or charitable donations during the year.

## Going concern
Going concern has been discussed within the Financial Review on page 31.

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

## Audit information
The Directors who were in office on the date of approval of the Directors' Report have confirmed that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware. Each of the Directors has confirmed they have taken all the reasonable steps that 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 11am on 12 March 2021 at the Company's main offices at Central Point One, Central Park Drive, Rugby, Warwickshire, CV23 0WE.

The Directors' Report has been approved by the Board of Directors on 19 January 2021.

By order of the Board.

**Kamran Munir**
**Company Secretary**
19 January 2021

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 directors 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 outperformance, 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.

## Directors' interests – interests in shares

| | **2p ordinary shares at 30 September 2020** | **% of issued ordinary share capital** | 2p ordinary shares at 1 October 2019 | % of issued ordinary share capital |
|---|---|---|---|---|
| Adam Attwood | **600,000** | **1.52** | 600,000 | 1.52 |
| Ian Griffiths | **14,311** | **0.04** | 14,311 | 0.04 |
| Gareth Kaminski-Cook | **180,228** | **0.46** | 180,228 | 0.46 |
| James Larner (resigned 31 December 2019) | **25,000** | **0.06** | 25,000 | 0.06 |
| Kamran Munir (appointed 1 January 2020) | **–** | **–** | – | – |
| Neil MacDonald | **125,000** | **0.32** | 125,000 | 0.32 |

## Directors' interests – interests in share options (unaudited)

Details of options held by Directors who were in office at 30 September 2020 are set out below. The Company's option schemes are set out in more detail in notes 21 and 24 to the financial statements.

| | Date of grant | Number | Exercise price | Expiry date |
|---|---|---|---|---|
| Kamran Munir | – | – | – | – |
| 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 16.5 pence. The range of market prices during the year was 7.5 pence to 22 pence.

## Contracts of service

The executive directors, Gareth Kaminski-Cook and Kamran Munir, each have a service agreement containing one year's and six months' notice respectively, and claw back and malus clauses with regard to any paid or unpaid bonuses.

The non-executive directors, Adam Attwood, Ian Griffiths and Neil MacDonald, have a service agreement with a three-month notice period.

## Salaries and benefits

The Remuneration Committee meets at least twice per year in order to consider, 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 they 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 2020 | Salary £000 | Benefits £000 | Pension £000 | Compensation for loss of office £'000 | **Total FY20 £000** | Total FY19 £000 |
|---|---|---|---|---|---|---|
| G Kaminski-Cook | 230 | 25 | 10 | – | **265** | 296 |
| J Larner | 41 | 4 | 3 | 105 | **153** | 164 |
| K Munir | 116 | 4 | 10 | – | **130** | – |
| A Attwood | 54 | – | – | – | **54** | 60 |
| I Griffiths | 41 | – | – | – | **41** | 51 |
| N MacDonald | 41 | – | – | – | **41** | 9 |
| | 523 | 33 | 23 | 105 | **684** | 580 |

By order of the Board.

**Ian Griffiths**
**Non-Executive Director and Chair of the Remuneration Committee**
19 January 2021

## Members of the Audit Committee

The Committee currently consists of all serving non-executive directors. The Committee was chaired by Neil MacDonald during the year.

The Board is satisfied that as Chair of the Committee in the period, Neil MacDonald had relevant and recent financial experience as well as being a Chartered Accountant who has 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. There were also several informal meetings with the external auditors.

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 normal 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 FY20 audit plan and audit engagement letter;
- Review of the interim results and associated presentation for investors; and
- Meetings with the auditor with and without management present.

In addition the Committee spent time on the following:
- Reviewing the terms and conditions of the loan from MEIF and the associated forecasts and covenants;
- Reviewing the terms and conditions of the CBILS loan from HSBC and the associated forecasts and covenants; and
- Reviewing revised forecasts and projections necessitated by the Covid situation.

## Role of the auditor

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

The Committee therefore monitors the provision of any non-audit services by the external auditor (if any). During the year no non-audit services have been provided to the Company by the auditor.

The Audit Committee recommends BDO LLP be reappointed 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 judgement that are routinely discussed and disclosed in its 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 43 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. In response to the Covid pandemic, a new risk has been added. Systems updates and staff training also occurred in readiness for the new Brexit deal.

## 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**
19 January 2021

## 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 2020 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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**<br>The Group has goodwill, other intangibles, property, plant and equipment and right of use assets of £18.4 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. The existence of continuing operating losses, the unprecedented and potentially unquantifiable impacts of the Covid pandemic and the Group's market value being lower than the consolidated net assets, provide further indicators that impairments may be present.<br><br>In addition, property, plant and equipment within the NVH CGU includes the Neptune production facility with a net book value of £6.0 million. This facility was completed and brought into use in 2018 and whilst volumes continue to increase, it is currently still operating below full capacity and continued to generate losses in the year ended 30 September 2020.<br><br>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 13.<br><br>We consider there to be a significant risk in relation to the achievement of the forecast future trading and cash flows used to determine the value in use supporting the carrying value of the goodwill, other intangible assets, property, plant and equipment and right of use assets in the NVH CGU and the Neptune facility within the NVH CGU.<br><br>No other CGU's have any material assets which could be subject to impairment. | We have reviewed and challenged the judgements made 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:<br>• The identification of the Cash Generating Units (CGUs) and validating the assumptions and evidence supporting the allocation of the associated revenue, costs and assets to CGUs. This included reconciling the information used in the value in use models to the underlying accounting records and the budgets and forecasts for the Group It also include considering whether the responses to the Covid pandemic impacted any of the judgements;<br>• The calculation of the discount rate used to discount the cash flows in each CGU and changes made to incorporate the new financing structure and risks in the business and sector;<br>• The assumptions used by management in their budgets and forecasts of the future trading performance and cash generation of each CGU. This included comparison with the information used to assess the going concern assumption and 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 by reference to historic evidence and other internal and third party evidence;<br>• The appropriateness of the sensitivities applied by management, with specific consideration of the impacts of the Covid pandemic and the structural changes in the automotive sector in the UK and internationally. We also reviewed the stress testing undertaken by management to assess the level of underperformance against management's forecasts required to eliminate the headroom for both the NVH CGU and the Neptune facility;<br>• We engaged our internal valuation experts, working with them to confirm the appropriateness of the models used by management to calculate the value in use for each CGU, with particular consideration of the impact of the adoption of IFRS 16, and the calculation of the discount rates; and<br>• 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, property, plant and equipment or right of use assets, 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**<br>As disclosed in Note 1, the financial review on page 31 and the principal risks and uncertainties on pages 34 to 38, the financial statements have been prepared on a going concern basis.<br><br>The Covid pandemic has had a major effect on the Group, industry and wider economy. The uncertainty created by the pandemic has increased the level of estimation and judgement involved in relation to going concern assessments and increased the risk of material uncertainties being present.<br><br>Management have prepared detailed budgets and forecasts covering the period to 30 September 2022. These include consideration of all reasonably foreseeable events and circumstances and show that the Group can continue to operate within its existing liquidity resources. Management have also performed reverse stress testing on these forecasts.<br><br>The most significant factor which underpins management's assessment relates to continued compliance with the covenants in the UK banking facilities as the failure to meet these could reduce the facilities currently available to the Group. This is primarily driven by the achievability of the UK revenue forecasts, which materially depend on the volumes of business with the major automotive manufacturers, including the Group's key customer. This was a key area of focus during our audit and going concern is accordingly considered to be a key audit matter. | We critically assessed management's trading and cash flow budgets and forecasts, which cover the period to 30 September 2022. This included challenging the key estimates and judgements and the evidence underpinning them. In doing so, we specifically considered the principal trading and cash flow assumptions, the quantum of the banking facilities used in the calculation of the available headroom and the impact of covenants on these facilities. Our challenge of the revenue assumptions included consideration of customer enquiries, current order levels and information from customers regarding expected future volumes and included information available up to the date of issuance of our report.<br><br>We tested the various scenarios and sensitivities performed by management in respect of the key assumptions underpinning the budgets and forecasts and challenged the sensitivities to ensure they reflected all reasonably foreseeable events and circumstances. We also reviewed the reverse stress testing performed by management and considered the headroom between the budgets and forecasts and the reverse stress test assumptions, together with considering the likelihood that unforeseen events and circumstances might occur resulting in the reverse stress test becoming a reality.<br><br>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 relevant in relation to Covid and the impact of the agreement reached in December 2020 in relation to trading with the EU after 1 January 2021, we have challenged management's assessment of their impacts, including consideration of external information, as part of our assessment of the trading and cash flow budgets and forecasts.<br><br>In assessing the Group's compliance with the covenants on its UK banking facilities, in addition to the procedures referred to above, we have considered the information provided to management by their major customers relating to future activity levels and the previous experience of these commitments being met. |

**Key observations**

Our observations are set out in the conclusions relating to going concern section above.

## Our application of materiality

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

## Materiality

Materiality is assessed as 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 2020 | £215,000 | Materiality based on 1% of Group turnover |
| FY 2019 | £270,000 | Materiality based on 1% of Group turnover |

At this stage of the Group's development we concluded that turnover was the most relevant basis for establishing materiality. This was based on the needs of users of the financial statements with the losses in the year reflecting the continued impact of the Neptune production facility becoming fully established.

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 £151,000 (2019: £191,000) which represents 70% (2019 – 71%) 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 £190,000 (2019: £237,000), capped by reference to Group materiality. Performance materiality for the parent company was set at £133,000 (2019: £178,000) which represents 70% (2019 – 75%) of the above materiality levels.

Our audit work on the significant components of the Group, and for determining and evaluating the specific targeted procedures on other components, was executed at levels of materiality applicable to the individual entity which were lower than Group materiality. Financial statement materiality applied to these components of the Group was in the range of £190,000 to £200,000.

## Reporting threshold

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £10,750 (2019: £12,750) as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.

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, and the parent company, Autins Group plc. Specific targeted procedures were performed on the other components that were not considered to be individually financially significant, which are Solar Nonwovens Limited and Autins GmbH. The procedures on Solar Nonwovens Limited were undertaken by the Group engagement team, with BDO Germany undertaking the work on Autins GmbH, under the direction and supervision of the Group engagement team. Our work was focused on these entities given their significance to the Group's financial position and performance.

The work over the significant components, combined with the specific targeted procedures on Solar Nonwovens Limited and Autins GmbH, gave us coverage of 92% (2019: 83%) of revenue and we performed analytical review procedures over the remaining trading entities to ensure we had the evidence needed to form our opinion on the financial statements as a whole.

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

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

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of directors
As explained more fully in the statement of directors' responsibilities, 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
19 January 2021

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 2020

| | Note | 2020 £000 | 2019 £000 |
|---|---|---|---|
| **Revenue** | 4 | **21,517** | 26,860 |
| Cost of sales excluding exceptional costs | | **(15,472)** | (19,403) |
| Exceptional cost of sales | 5 | **(164)** | – |
| Total cost of sales | | **(15,636)** | (19,403) |
| **Gross profit** | | **5,881** | 7,457 |
| Other operating income | 5 | **787** | – |
| Distribution expenses | | **(650)** | (734) |
| Administrative expenses excluding exceptional costs and amortisation | | **(6,780)** | (7,608) |
| Exceptional administrative expenses | 5 | **(292)** | (433) |
| Amortisation of acquired intangible assets | 5 | **(238)** | (237) |
| Total administrative expenses | | **(7,310)** | (8,278) |
| **Operating loss** | 5 | **(1,292)** | (1,555) |
| Finance expense | 8 | **(523)** | (192) |
| Share of post-tax profit of equity accounted joint ventures | 14 | **55** | 203 |
| **Loss before tax** | | **(1,760)** | (1,544) |
| Tax credit | 9 | **37** | 45 |
| **Loss after tax for the year** | | **(1,723)** | (1,499) |
| **Earnings per share for loss attributable to the owners of the parent during the year** | | | |
| Basic (pence) | 10 | **(4.35)p** | (6.25)p |
| Diluted (pence) | 10 | **(4.35)p** | (6.25)p |

All amounts relate to continuing operations.

The notes on pages 66 to 91 form part of these financial statements.

## Consolidated statement of comprehensive income

for the year ended 30 September 2020

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Loss after tax for the year** | **(1,723)** | (1,499) |
| **Other comprehensive income** | | |
| **Items that may be reclassified subsequently to profit or loss** | | |
| Currency translation differences | **18** | (15) |
| **Total comprehensive expense for the year** | **(1,705)** | (1,514) |

The notes on pages 66 to 91 form part of these financial statements.

## Consolidated statement of financial position

as at 30 September 2020

| | Note | 2020 £000 | 2019 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **10,082** | 10,727 |
| Right-of-use assets | 12 | **5,001** | – |
| Intangible assets | 13 | **3,322** | 3,493 |
| Investments in equity-accounted joint ventures | 14 | **147** | 217 |
| Deferred tax asset | 19 | **149** | 223 |
| **Total non-current assets** | | **18,701** | 14,660 |
| **Current assets** | | | |
| Inventories | 15 | **1,938** | 1,961 |
| Trade and other receivables | 16 | **4,339** | 6,729 |
| Cash and cash equivalents | | **2,974** | 3,132 |
| **Total current assets** | | **9,251** | 11,822 |
| **Total assets** | | **27,952** | 26,482 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **3,151** | 4,635 |
| Loans and borrowings | 18 | **1,027** | 5,143 |
| Lease liabilities | 12 | **917** | – |
| **Total current liabilities** | | **5,095** | 9,778 |
| **Non-current liabilities** | | | |
| Trade and other payables | 17 | **117** | 115 |
| Loans and borrowings | 18 | **3,847** | 301 |
| Lease liabilities | 12 | **4,970** | – |
| Deferred tax liability | 19 | **74** | 185 |
| **Total non-current liabilities** | | **9,008** | 601 |
| **Total liabilities** | | **14,103** | 10,379 |
| **Net assets** | | **13,849** | 16,103 |
| **Equity attributable to equity holders of the company** | | | |
| Share capital | 20 | **792** | 792 |
| Share premium account | 22 | **15,866** | 15,883 |
| Other reserves | 22 | **1,886** | 1,886 |
| Currency differences reserve | 22 | **(127)** | (145) |
| Profit and loss account | 22 | **(4,568)** | (2,313) |
| **Total equity** | | **13,849** | 16,103 |

The notes on pages 66 to 91 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 19 January 2021.

Kamran Munir
**Chief Financial Officer**

Autins Group plc
Registered number: 08958960

## Parent company statement of financial position
as at 30 September 2020

| | Note | 2020 £000 | 2019 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 13 | **57** | 57 |
| Investments | 14 | **16,239** | 16,239 |
| **Total non-current assets** | | **16,296** | 16,296 |
| **Current assets** | | | |
| Trade and other receivables | 16 | **10,031** | 6,076 |
| Cash and cash equivalents | | **1,390** | 3,075 |
| **Total current assets** | | **11,421** | 9,151 |
| **Total assets** | | **27,717** | 25,447 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **8,389** | 8,198 |
| Loans and borrowings | 18 | **729** | – |
| **Total current liabilities** | | **9,118** | 8,198 |
| **Non-current liabilities** | | | |
| Loans and borrowings | 18 | **3,378** | – |
| **Total non-current liabilities** | | **3,378** | – |
| **Total liabilities** | | **12,496** | 8,198 |
| **Net assets** | | **15,221** | 17,249 |
| **Equity attributable to equity holders of the company** | | | |
| Share capital | 20 | **792** | 792 |
| Share premium account | 22 | **15,866** | 15,883 |
| Other reserves | 22 | **1,886** | 1,886 |
| Profit and loss account | 22 | **(3,323)** | (1,312) |
| **Total equity** | | **15,221** | 17,249 |

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 £1,996,000 (2019: loss of £1,358,000).

The notes on pages 66 to 91 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 19 January 2021.

**Kamran Munir**
**Chief Financial Officer**

Autins Group plc
Registered number: 08958960

## Consolidated statement of changes in equity

for the year ended 30 September 2020

| | 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 2019** | **792** | **15,883** | **1,886** | **(145)** | **(2,313)** | **16,103** |
| Effect of adoption of IFRS 16 (note 1) | **–** | **–** | **–** | **–** | **(517)** | **(517)** |
| **Comprehensive income for the year** | | | | | | |
| Loss for the year | **–** | **–** | **–** | **–** | **(1,723)** | **(1,723)** |
| Other comprehensive income | **–** | **–** | **–** | **18** | **–** | **18** |
| **Total comprehensive expense for the year** | **–** | **–** | **–** | **18** | **(1,723)** | **(1,705)** |
| **Contributions by and distributions to owners** | | | | | | |
| Share issue expenses (re August 2019 placing) | **–** | **(17)** | **–** | **–** | **–** | **(17)** |
| Share based payment | **–** | **–** | **–** | **–** | **(15)** | **(15)** |
| **Total contributions by and distributions to owners** | **–** | **(17)** | **–** | **–** | **(15)** | **(32)** |
| **At 30 September 2020** | **792** | **15,866** | **1,886** | **(127)** | **(4,568)** | **13,849** |

| | 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 income 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 2020

| | Share capital £000 | Share premium account £000 | Other reserves £000 | Profit and loss account £000 | Total equity £000 |
|---|---|---|---|---|---|
| **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** |
| **Comprehensive income for the year** | | | | | |
| Loss for the year and total comprehensive expense | **–** | **–** | **–** | **(1,996)** | **(1,996)** |
| **Total comprehensive expense for the year** | **–** | **–** | **–** | **(1,996)** | **(1,996)** |
| **Contributions by and distributions to owners** | | | | | |
| Share issue expenses (re August 2019 placing) | **–** | **(17)** | **–** | **–** | **(17)** |
| Share based payment | **–** | **–** | **–** | **(15)** | **(15)** |
| **Total contributions by and distributions to owners** | **–** | **(17)** | **–** | **(15)** | **(32)** |
| **At 30 September 2020** | **792** | **15,866** | **1,886** | **(3,323)** | **15,221** |

## Consolidated statement of cash flows

for the year ended 30 September 2020

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Operating activities** | | |
| Loss after tax | **(1,723)** | (1,499) |
| Adjustments for: | | |
| Income tax | **(37)** | (45) |
| Finance expense | **523** | 192 |
| Employee share based payment (credit)/charge | **(15)** | 10 |
| Non-cash element of other income | **(109)** | – |
| Depreciation of property, plant and equipment | **836** | 800 |
| Depreciation of right-of-use assets | **851** | – |
| Amortisation and impairment of intangible assets | **317** | 352 |
| Share of post-tax profit of equity accounted joint ventures | **(55)** | (203) |
| | **588** | (393) |
| Decrease in trade and other receivables | **2,296** | 249 |
| Decrease in inventories | **23** | 361 |
| Decrease in trade and other payables | **(1,426)** | (1,229) |
| | **893** | (619) |
| **Cash generated from/(used in) operations** | **1,482** | (1,012) |
| Income taxes (paid)/received | **(5)** | 15 |
| **Net cash flows from operating activities** | **1,476** | (997) |
| **Investing activities** | | |
| Purchase of property, plant and equipment | **(154)** | (232) |
| Purchase of intangible assets | **(125)** | (152) |
| Dividend received from equity-accounted for joint venture | **125** | 190 |
| **Net cash used in investing activities** | **(154)** | (194) |
| **Financing activities** | | |
| Interest paid | **(421)** | (192) |
| Issue of shares | **–** | 3,500 |
| Share issue expenses paid | **(17)** | (205) |
| Bank loans advanced | **4,523** | 127 |
| Loan issue expenses paid | **(66)** | – |
| Bank loans repaid | **(213)** | (151) |
| Payment of lease liabilities | **(549)** | – |
| Hire purchase and finance leases repaid | **(168)** | (432) |
| (Decrease)/increase in invoice discounting | **(3,716)** | 736 |
| **Net cash (used in)/generated from financing activities** | **(627)** | 3,383 |
| Net increase in cash and cash equivalents | **695** | 2,192 |
| Cash and cash equivalents at beginning of year | **2,125** | (67) |
| **Cash and cash equivalents at end of year** | **2,820** | 2,125 |

| | 2020 £000 | *2019* £000 |
|---|---|---|
| **Cash and cash equivalents comprise:** | | |
| Cash balances | **2,974** | 3,132 |
| Bank overdrafts | **(154)** | (1,007) |
| | **2,820** | 2,125 |

## Reconciliation of movements in net cash/financing liabilities

| Year ended 30 September 2020 | Opening £000 | Cash flows £000 | Non-cash movements £000 | Closing £000 |
|---|---|---|---|---|
| **Cash and cash equivalents** | | | | |
| Cash balances | 3,132 | (158) | – | 2,974 |
| Bank overdrafts | (1,007) | 853 | – | (154) |
| | 2,125 | 695 | – | 2,820 |
| **Financing liabilities** | | | | |
| Invoice discounting | (3,716) | 3,716 | – | – |
| Bank loans | (216) | (4,244) | 77 | (4,383) |
| Hire purchase liabilities | (505) | 168 | - | (337) |
| Lease liabilities | – | 549 | (6,436) | (5,887) |
| | (4,437) | 189 | (6,359) | (10,607) |
| | (2,312) | 884 | (6,359) | (7,787) |

| 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) |
| | (4,157) | (280) | – | (4,437) |
| | (4,224) | 1,912 | – | (2,312) |

## Material non cash transactions

Financing liabilities now include lease liabilities, primarily in respect of property leases, following the adoption of IFRS 16. These were previously only disclosed in operating lease commitments and the discounted liability at the transition date of 1 October 2019 of £6,422,000 is shown in non-cash movements above together with a £14,000 foreign exchange movement.

## 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. Supply is primarily to the automotive industry, but there has been growth into flooring, office pods and PPE applications. 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 and International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006. The following FRS 101 disclosure exemptions have been taken in respect of the parent company only information:

- IAS 7 Statement of cash flows;
- IFRS 7 Financial instruments disclosures;
- 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 cash flows and available sources of finance, that it remains appropriate to prepare these financial statements on the basis of a Going Concern.

The Group received financing inflows of £4.55 million in the year, of which £3.5 million are long term loans, and the short term overdraft balance was reduced by £0.85 million. Invoice discounting liabilities of £3.7 million were repaid but the facility remains fully available at up to £6 million against relevant trade receivables in addition to an unutilised £0.3 million import loan facility. Despite the Covid trading backdrop, the Group reported positive operating cash flows of £1.5 million. Whilst the operating cash flows benefit from a combination of improved working capital and cost management, they are also impacted by the pandemic driven decrease in revenue and associated net investment in working capital together with the change to the treatment of operating lease costs on transition to IFRS16. In addition to the increased focus on working capital management, the Group has also already made annualised savings of some £1.0 million in overhead costs and improved operational efficiency, with continuing programmes in place to make additional improvements.

At the year end there was £5.6 million of available cash and facility headroom, with £1.1 million of the loans repayable within 1 year, of which £0.75 million is the UK CBILS bullet loan repayable in June 2021.

In undertaking their assessment of the future prospects for the Group, the Directors have prepared trading and cash flow forecasts for the period to 30 September 2022. These take into consideration the current and expected future impacts of the Covid pandemic, diversification of the customer and product ranges and also have regard to the committed business and enquiry levels from existing customers. The Directors have also considered the impact of current and future demand levels for new vehicles, the migration to EV's and publically available forward looking market information regarding market sizes and dynamics. These forecasts have been compared, together with considering a range of material but plausible sensitivities, to the available bank facilities and the related covenant requirements.

The loan repayments and interest costs are expected to be adequately covered by operating cash generation over the period and the Group has significant liquidity headroom within its facilities to accommodate all reasonably foreseeable cash flow requirements in the event of changes to its demand as a result of Covid, Brexit or other economic factors, with flexibility also available to favourably manage the cost base in respect of operating costs, should the need arise.

The most sensitive factor impacting the forecast period, and the continued availability of the current facilities, is the EBITDA covenant in the UK in relation to the £2 million CBILS long term loan. Prior to the CBILS loans being secured, sensitised forecasts were reviewed with the bank and used as a basis for establishing the covenants, which apply to both of the CBILS loans. At the year-end actual UK trading results were approximately £1.4 million ahead of the base forecasts at the EBITDA level. In the next financial year, achievement of the minimum required UK EBITDA, without significant further unplanned cost or efficiency improvements, is predicated on minimum revenue levels of £19.2 million. This compares with UK revenues of £16.8 million in FY20 and £21.3 million in FY19. As commented upon elsewhere in this Annual Report, significant new contracts have been won since FY19 and, accordingly, the Board are confident the EBITDA target will be met, especially having regard to further additional mitigating actions which remain available to the Group.

The Board continues to review the Group's banking and funding arrangements with a view to ensuring that they remain appropriate for the planned growth within mainland Europe and to allow for the more volatile demand pattern in the current economic environment.

### Composition of the Group
A list of the subsidiary undertakings and joint ventures is given in note 14 to the financial statements.

### Changes in accounting policies
These financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 for periods beginning on or after 1 October 2019 and the following new standards have been adopted in these financial statements.

### New accounting standards applicable to the year
The Group has adopted the following new standard as of 1 October 2019 in these financial statements:

International Financial Reporting Standard ("IFRS 16") Leases. IFRS 16 is effective for accounting periods beginning on or after 1 January 2019 and impacts the group results for the year ending 30 September 2020. It sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17 Leases and IFRIC 4 determining whether an arrangement contains a lease. Instead of recognising an operating expense for operating lease payments, the Group instead recognises and presents right of use assets and lease liabilities in accordance with the accounting policy set out below.

On transition to IFRS 16 at 1 October 2019, the Group has adopted the modified retrospective approach applying certain practical expedients, excluding leases with duration of less than one year and applying the same discount rate to leases with similar characteristics. The net present value of the future lease payments at this date is recognised as an opening transition liability of £6.42 million with the right-of-use assets recorded as £5.84 million, measured primarily by reference to the net present value at the inception of each lease, depreciated to the date of transition. This resulted in a £0.52 million charge taken directly to retained earnings at 1 October 2019 under the modified approach, reflecting the difference between the finance charges arising in the initial years of the lease terms prior to the transition date determined using an effective interest rate of 5% and the straight line depreciation of the assets. Prepaid rent and lease incentive accruals previously recognised are removed and incorporated in the calculation of the IFRS 16 balances. Depreciation of £0.85 million has been charged in respect of the assets in the year and finance charges of £0.31 million incurred compared with £1.08 million of operating lease rentals that would have been charged under the previous basis, an increase of £0.08 million in the total charges included in the income statement (see tables in note 26 for details of the full impact on the financial statements). The comparatives for the year ended 30 September 2019 have not been adjusted and are presented in accordance with IAS17.

### New accounting standards applicable to future periods
There are no new standards, interpretations and amendments which are not yet effective in these financial statements, expected to have a material effect on the Group's future financial statements. After Brexit, the UK will continue to apply International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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

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

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

### Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable 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.

## 1. Accounting policies continued

### 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 and represents the residual amount remaining after taking account of the fair values attributed to the identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are also made to align the accounting policies of acquired businesses with those of the Group. This is applied either on initial acquisition or where control is gained over a previously equity accounted interest in an entity. A fair value is measured for the entire holding on taking control and in respect of all assets and liabilities resulting in a gain or loss on a previously held and equity accounted investment.

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

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

### Impairment of non-financial assets

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

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

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

### Intangible assets acquired as part of a business combination

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

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

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

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

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

### Property, plant and equipment

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

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

| | |
|---|---|
| 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.

### Right-of-use assets

Until the end of the September 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 October 2019, under IFRS 16, leases are recognised as right-of-use assets, presented as a separate category in the statement of financial position, and with a corresponding lease liability from the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured at the present value of the lease payments and payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal, presented as a separate category within liabilities, and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs. Depreciation is charged on a straight line basis over the period of the lease and assets are subject to impairment reviews where circumstances indicate their value may not be recoverable or if they are not being utilised.

### 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 assets

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;
- The method by which probable future economic benefits will be generated is known;
- There are adequate technical, financial and other resources required to complete the development;
- There are reliable measures that can identify the expenditure directly attributable to the project during its development.

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

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

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

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

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

## 1. Accounting policies continued

### Revenue based grants

Revenue based grants, including those related to government coronavirus job and business support schemes, 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 liabilities

Hire purchase agreements where the Group has substantially all the risks and rewards of ownership and retains the asset at the end of the payment term are classified as hire purchase liabilities within loans and borrowings. Assets are capitalised at the agreement's commencement at the lower of the fair value of the related asset and the present value of the minimum lease payments.

Each payment is allocated between the liability and finance charges. The remaining future rental obligations, net of finance charges, are included in hire purchase obligations in current or non-current liabilities. 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 hire purchase contracts is depreciated over the useful life of the asset.

### 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 leases

From 1 October 2019 IFRS 16 was applied with additional right-of-use-assets and related liabilities recognised as set out in the policy above. Payments associated with short-term leases of property, plant and equipment and leases of low-value assets continue to be recognised on a straight-line basis as an expense. Short-term leases are leases with a lease term of 12 months or less. Until 1 October 2019, 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 were charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives was recognised as a reduction of the rental expense over the lease term on a straight-line basis.

### Employee benefit costs

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

### Share based payment

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

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

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

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

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

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

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

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

### 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.

### 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, lease liabilities 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.

## 1. Accounting policies continued

### 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 and right-of-use assets (Notes 11 and 12)**

***Judgement***

Depreciation commences once an asset is considered to be capable of operating in the manner intended and to the specification set by management when ordering the equipment. Judgement is applied based on testing of the equipment and trial products which impacts the commencement and charge in a period. Depreciation on right-of-use property assets commences from the start of the lease.

***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 method 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.

In respect of right-of-use leased assets a key estimate is the incremental borrowing rate used to discount the total cash flows and derive both the opening asset value and lease liability as well as the consequential depreciation and financing charges. Assessment of the rate, particularly for property, takes account of the group's borrowing rates, financial position and factors specific to leases, including property yields. If the rate applied had been 1% lower at 4%, it would have increased the transition asset by £350,000, the transition liability by £280,000 and reduced the debit to retained earnings by £70,000. The depreciation charge for the year ended 30 September 2020 would have been £35,000 higher and financing charges £48,000 lower with a net £13,000 impact on the profit and loss account.

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

***Other intangible assets (Note 13)***

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

***Estimate***

Both initial valuations and subsequent impairment tests for intangible assets are based on risk adjusted future cash flows discounted using appropriate discount rates. These future cash flows will be based on forecasts for the individual assets or, where the specific cash flows cannot be separately identified, the CGU to which the assets are attributable which include estimated factors and are inherently judgemental. Future events could cause the assumptions to change which could have an adverse effect on the future results of the Group.

***Judgement***

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

***Trade receivables (Note 16)***

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
- Fixed and floating rate bank loans
- Floating rate overdrafts
- Fixed rate hire purchase agreements
- Fixed rate lease liabilities
- Floating rate invoice discounting facilities

### Group financial instruments by category

#### *Financial assets*

| | Financial assets at amortised cost | |
|---|---|---|
| | **2020 £000** | 2019 £000 |
| Cash and cash equivalents | **2,974** | 3,132 |
| Trade and other receivables | **4,078** | 6,193 |
| Total financial assets | **7,052** | 9,325 |

#### *Financial liabilities*

| | Financial liabilities at amortised cost | |
|---|---|---|
| | **2020 £000** | 2019 £000 |
| Trade and other payables | **2,620** | 4,044 |
| Borrowings | **4,874** | 5,444 |
| Lease liabilities | **5,887** | – |
| Total financial liabilities | **13,381** | 9,488 |

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 the current 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 2020 the Group has net trade receivables of £3,925,000 (2019: £5,709,000).

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 16. Having assessed the recoverability of past due invoices, including consideration of time elapsed and associated commercial documents, the directors have made provision, using the Expected Credit Loss methodology, of £144,000 at 30 September 2020 (2019: £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. Cash and cash equivalents at the year end were £2.8 million (2019: £2.1 million). There was an unutilised invoice discounting facility at 30 September 2020 of up to £6 million subject to eligible receivables, and an unutilised £0.3 million import loan facility (2019: £6 million discounting facility with £3.7 million utilised, a £1.25 million overdraft and £0.6 million import loan facility) together with the existing undrawn hire purchase facilities of £0.4 million (2019: up to £0.5 million) for capex. The parent company has drawn down new term loan facilities of £3.5 million and a short term Coronavirus Business Interruption Loan ('CBIL') of £0.75 million during the year in order to improve the overall liquidity and has loaned this to subsidiary companies where required for their working capital requirements.

The tables below set out the maturities of the Group's financial liabilities, including interest payments:

| At 30 September 2020 | Up to 1 year £000 | 1 to 2 years £000 | 2 to 5 years £000 | Over 5 years £000 |
|---|---|---|---|---|
| Overdrafts | 154 | – | – | – |
| Trade and other payables | 2,620 | – | – | – |
| Bank loans | 835 | 983 | 2,574 | 572 |
| Hire purchase liabilities | 167 | 105 | 87 | - |
| Lease liabilities | 1,192 | 925 | 2,106 | 2,993 |
| **Total** | **4,968** | **2,013** | **4,767** | **3,565** |

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

### Foreign exchange risk

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

The majority of the Group's financial assets are held in Sterling but movements in the exchange rate of the Euro, the US Dollar and the Swedish Krona against Sterling have an impact on both the result for the year and equity. The Group considers its most significant exposure is to movements in the Euro, although 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 at 30 September 2020.

### Interest rate risk

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

The Group is exposed to cash flow interest rate risk on its 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 Bank of England base rate, ranging from 1.75% to 3.99%.

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Invoice discounting | – | 3,716 |
| Overdrafts | 154 | 121 |
| CBIL term loan | 1,913 | – |
| Import goods bank loan facility | – | 127 |
| Asset backed bank loans | 3 | 89 |
| Total floating rate debt | 2,070 | 4,053 |

## 3. Financial instruments – risk management continued

### Interest rate risk continued

Borrowings under asset finance/hire purchase arrangements are at a fixed interest rate over their term, a fixed rate of 7.5% applies to the £1.5 million MEIF growth funding loan and 1.03% to a German bank loan of £0.3 million both advanced in the year. A fixed rate of interest of 4.5% applied to the UK overdraft facility which was repaid in the year. Lease liabilities have been derived by applying an incremental borrowing rate of 5%.

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 £20,000.

### 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

| | **2020 £000** | *2019* £000 |
|---|---|---|
| Revenue, recognised at a point in time, arises from: | | |
| Sales of components | **20,192** | 25,411 |
| Sales of tooling | **1,325** | 1,449 |
| | **21,517** | 26,860 |

### 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 together with PPE in the current year, as they individually do not have a significant impact on the Group result. These segments have no material 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, personal protective equipment ('PPE') and office equipment products, are included within the others segment.

### *Segmental analysis for the year ended 30 September 2020*

| | Automotive NVH £000 | Others £000 | 2020 Total £000 |
|---|---|---|---|
| Group's revenue per consolidated statement of comprehensive income | **18,446** | **3,071** | **21,517** |
| Depreciation | **1,600** | **–** | |
| Amortisation | **301** | **16** | |
| **Segment operating (loss)/profit** | **(1,504)** | **212** | **(1,292)** |
| Finance expense | | | **(524)** |
| Share of post-tax profit of equity accounted joint ventures | | | **55** |
| **Group loss before tax** | | | **(1,761)** |
| Additions to non-current assets | **279** | **–** | **279** |
| Reportable segment assets | **27,805** | **–** | **27,805** |
| Investment in joint ventures | | | **147** |
| Reportable segment assets/total Group assets | | **–** | **27,952** |
| Reportable segment liabilities/total Group liabilities | **14,103** | **–** | **14,103** |

### *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 | | |
| Amortisation and impairment | 280 | 72 | |
| **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 |

Revenues from one customer in 2020 totals £10,895,000 (2019: £15,187,000). This customer purchases goods from Autins 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*

| | 2020 £000 | 2019 £000 |
|---|---|---|
| United Kingdom | **16,063** | 20,826 |
| Sweden | **322** | 989 |
| Germany | **3,197** | 3,707 |
| Other European | **1,913** | 1,291 |
| Rest of the World | **22** | 47 |
| | **21,517** | 26,860 |

The only material non-current assets in any location outside of the United Kingdom are £899,000 (2019: £937,000) of fixed assets and £551,000 (2019: £581,000) of goodwill in respect of the Swedish subsidiary. £775,000 of cash balances were held in Germany which will be partly utilised to repay intercompany debt owed to a UK group company.

## 5. Loss from operations

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

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Foreign exchange losses | **11** | 57 |
| Depreciation of property, plant and equipment | **836** | 800 |
| Depreciation of right-of-use assets | **851** | – |
| Amortisation of intangible assets | **317** | 280 |
| Impairment of intangible assets | **–** | 72 |
| Cost of inventory sold | **14,573** | 18,454 |
| Impairment of trade receivables | **17** | – |
| Government job retention scheme income | **(672)** | – |
| Other government assistance and grants | **(115)** | – |
| Employee benefit expenses (see note 6) | **6,822** | 7,479 |
| Lease payments (2020 short term leases only) | **120** | 1,338 |
| Auditors' remuneration: | | |
| Fees for audit of the Group | **85** | 60 |
| Additional fees in respect of prior year audit | **–** | 40 |
| Exceptional inventory provisions | **164** | – |
| Exceptional restructuring costs in respect of: | | |
| Restructuring programme, inc severance costs | **132** | 364 |
| Legal and professional fees | **–** | 69 |
| Change of Chief Financial Officer | **160** | – |
| | **292** | 433 |

### Current year exceptional costs

### Overhead and operational restructuring programme

Following a detailed operational review initiated by the change of Chief Financial Officer and in preparation for the rationalisation of the UK premises, the Group reviewed its inventory and identified £164,000, primarily in respect of materials that were being held for development or aftermarket service purposes, which are to be scrapped to allow floor space rationalisation and an associated reduction in future premises costs.

The Group also incurred exceptional administrative costs of £160,000 in the year in respect of the change of CFO, including recruitment fees and compensation costs. As part of the operational review initiated by the new CFO and in response to Covid, which necessitated further operational changes and cost reductions, the Group incurred a further £132,000 of severance related costs.

### Prior year exceptional costs

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.

## 6. Staff costs

| | Group 2020 £000 | Group 2019 £000 | Company 2020 £000 | Company 2019 £000 |
|---|---|---|---|---|
| Wages and salaries | **5,932** | 6,440 | **1,287** | 1,332 |
| Social security costs | **754** | 879 | **148** | 162 |
| Share based payment | **(15)** | 10 | **(15)** | 10 |
| Other pension costs | **151** | 150 | **44** | 41 |
| | **6,822** | 7,479 | **1,464** | 1,545 |

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

| | 2020 Number | 2019 Number | 2020 Number | 2019 Number |
|---|---|---|---|---|
| Directors | **5** | 5 | **5** | 5 |
| Administrative and development | **60** | 68 | **13** | 13 |
| Production | **147** | 153 | **–** | – |
| | **212** | 226 | **18** | 18 |

Group key personnel are considered to be the directors and senior management team of Autins Group plc and Autins 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 2020** | Salary £000 | Benefits £000 | Pension £000 | Compensation £'000 | Total £000 |
|---|---|---|---|---|---|
| A Attwood | **54** | **–** | **–** | **–** | **54** |
| G Kaminski-Cook | **230** | **25** | **10** | **–** | **265** |
| K Munir | **116** | **4** | **10** | **–** | **130** |
| J Larner | **41** | **4** | **3** | **105** | **153** |
| I Griffiths | **41** | **–** | **–** | **–** | **41** |
| N MacDonald | **41** | **–** | **–** | **–** | **41** |
| | **523** | **33** | **23** | **105** | **684** |

| Year ended 30 September 2019 | Salary £000 | Benefits £000 | Pension £000 | Compensation £'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 |

## 8. Finance expense

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Bank interest | **180** | 128 |
| Amortisation of loan issue costs | **7** | – |
| Right-of-use asset financing charges | **305** | – |
| Interest element of hire purchase agreements | **31** | 64 |
| | **523** | 192 |

## 9. Income tax

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

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Current tax expense** | | |
| Current tax on loss for the period | **–** | – |
| **Total current tax** | **–** | – |
| **Deferred tax credit** | | |
| Origination and reversal of timing differences | **(37)** | (45) |
| **Total deferred tax** | **(37)** | (45) |
| **Total tax credit** | **(37)** | (45) |

### (ii) Total tax credit

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Tax credit excluding share of tax of equity accounted for joint ventures (as stated above) | **(37)** | (45) |
| Share of tax expenses of equity accounted joint ventures | **16** | 51 |
| | **(21)** | 6 |

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:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Loss for the year | **(1,723)** | (1,499) |
| Income tax charge/(credit) (including tax on joint ventures) | **(21)** | 6 |
| Loss before income taxes | **(1,744)** | (1,493) |
| Expected tax credit based on corporation tax rate of 19% in 2020 (2019: 19%) | **(331)** | (284) |
| Expenses not deductible for tax purposes | **3** | 18 |
| Enhanced R&D tax relief | **(19)** | (9) |
| Impact of different tax rates | **63** | 10 |
| Tax losses not recognised | **263** | 271 |
| **Total tax including joint ventures** | **(21)** | 6 |

The Finance Act 2016 included legislation to reduce the main rate of corporation tax from 19% to 17% from 1 April 2020. A change to the main rate of corporation tax announced in the 2020 Budget was substantively enacted on 17 March 2020. The rate from 1 April 2020 remains at 19% rather than the previously enacted reduction to 17%. The rate of 19% is accordingly applied to UK deferred taxation balances at 30 September 2020 (2019: 17%).

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

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Loss used in calculating basic and diluted EPS | **(1,723)** | (1,499) |
| Number of shares | | |
| Weighted average number of £0.02 shares for the purpose of basic earnings per share ('000s) | **39,601** | 23,971 |
| Weighted average number of £0.02 shares for the purpose of diluted earnings per share ('000s) | **39,601** | 23,971 |
| Earnings per share (pence) | **(4.35)p** | (6.25)p |
| Diluted earnings per share (pence) | **(4.35)p** | (6.25)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 524,204 (2019: 633,657) 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 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 |
| Additions | 144 | 3 | 7 | 154 |
| Foreign exchange movement | 56 | – | – | 56 |
| **At 30 September 2020** | **13,650** | **181** | **572** | **14,403** |
| **Depreciation** | | | | |
| At 1 October 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 |
| Charge for year | 778 | 12 | 46 | 836 |
| Foreign exchange movement | 19 | – | – | 19 |
| **At 30 September 2020** | **3,991** | **56** | **274** | **4,321** |
| **Net book value** | | | | |
| **At 30 September 2020** | **9,659** | **125** | **298** | **10,082** |
| At 30 September 2019 | 10,256 | 134 | 337 | 10,727 |
| At 30 September 2018 | 10,756 | 147 | 379 | 11,282 |

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

| | Plant and machinery £000 | Leasehold improvements £000 | Fixtures and fittings £000 | Total £000 |
|---|---|---|---|---|
| **At 30 September 2020** | **612** | **–** | **–** | **612** |
| At 30 September 2019 | 1,530 | – | – | 1,530 |

Depreciation of £55,000 was charged on these assets in the year (2019: £137,000).

The Neptune plant and equipment represents £5.0 million (2019: £5.0 million) of the net book value. The Directors, having prepared both a discounted cash flow assessment for the NVH segment within which the goodwill is allocated (note13) and the Neptune facility as a standalone cash generating unit, are satisfied that the carrying values remain appropriate. Whilst losses continued in the current year, with results materially impacted by the Covid pandemic, these were reduced and £1.6 million of revenue was earned in this unpredictable economic environment. The cost actions already taken and prevailing margins mean that the overall carrying value of the Neptune plant and equipment is supported at an annual revenue level of £4 million, with our current annualised sales volumes already at this value. Latest sales enquiry levels and actual conversion into orders indicate that even a slow recovery provides opportunities to exceed £5 million sales per annum. Accordingly, the achievement of profitable trading is expected in the foreseeable future.

The Company has no fixed assets.

## 12. Right-of-use assets

The right-of-use assets are as follows:

| Group | Property £'000 | Plant and machinery £'000 | Total £000 |
|---|---|---|---|
| On transition at 1 October 2019 | 5,651 | 187 | 5,838 |
| Foreign exchange movements | 14 | – | 14 |
| Depreciation charge for the year | (777) | (74) | (851) |
| **At 30 September 2020** | **4,888** | **113** | **5,001** |

The lease liabilities relating to these are:

| Group | £000 |
|---|---|
| On transition at 1 October 2019 | 6,422 |
| Foreign exchange movements | 14 |
| Lease payments | (854) |
| Financing charge for the year | 305 |
| **At 30 September 2020** | **5,887** |
| **Current** | **917** |
| **Non-current** | **4,970** |

## 13. Intangible assets

| Group | Goodwill £000 | Development costs £000 | Customer relationships £000 | Tooling intellectual property £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 October 2018 | 2,218 | 714 | 1,079 | 830 | 4,841 |
| Additions | – | 152 | – | – | 152 |
| Reclassification to tangible | – | (52) | – | – | (52) |
| Foreign currency differences | (22) | – | – | – | (22) |
| **At 30 September 2019** | 2,196 | 814 | 1,079 | 830 | 4,919 |
| Additions | – | 125 | – | – | 125 |
| Foreign currency differences | 21 | – | – | – | 21 |
| **At 30 September 2020** | **2,217** | **939** | **1,079** | **830** | **5,065** |
| **Amortisation and impairment** | | | | | |
| At 1 October 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 |
| Charge for the year | – | 79 | 155 | 83 | 317 |
| **At 30 September 2020** | **–** | **221** | **989** | **533** | **1,743** |
| **Net book value** | | | | | |
| **At 30 September 2020** | **2,217** | **718** | **90** | **297** | **3,322** |
| At 30 September 2019 | 2,196 | 672 | 245 | 380 | 3,493 |
| At 30 September 2018 | 2,218 | 687 | 399 | 463 | 3,767 |

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 of the automotive NVH segment.

The recoverable amount of that cash generating unit has been determined on a value-in-use basis. Value-in-use calculations for the cash generating unit are based on projected three-year (2019: three-year) discounted cash flows, together with a terminal value which assumes a 1% (2019: 1%) long term growth rate. The cash flows have been discounted at pre-tax rates of 11.2% (2019: 11.8%) reflecting the Group's weighted average cost of capital adjusted for country-specific tax rates and risks.

Whilst acknowledging the loss in the current year, the Directors have reviewed a range of reasonably foreseeable trading forecasts for future periods, as described further under "going concern" in note 1. The key assumption which underpins these forecasts relates to the rate of revenue growth and reflects trading experience, as adjusted for the expected recovery from the Covid pandemic. Prior to Covid, in H1, we had secured new contracts with strong growth potential and also restructured the cost base, improving operational efficiency and eliminating approximately £1 million from the recurring cost base. Accordingly, with revenue expected to recover in FY21 and with the continued diversification of the customer and product ranges driving subsequent growth, combined with the streamlined cost base and improved operating efficiencies which have already been achieved, a return to profitability and cash generation is expected in the foreseeable future. Recurring revenues from automotive NVH need to recover to a level of some £25 million a year, lower than is projected, in order to support the carrying value of the goodwill. These revenues were at £25 million in FY19 including the impact of shut down periods at the major customer and £27 million in FY18.

The Company had a closing net book value of £50,000 (2019: £50,000) for goodwill and £7,000 (2019: £7,000) for development costs in intangible assets.

## 14. Fixed asset investments

| Company | Investments in subsidiaries £000 |
|---|---|
| **Cost and net book value** | |
| **At 30 September 2019 and 2020** | 16,239 |

The Directors have considered the carrying value of the investments and consider that this remains supported by the projections and impairment tests referred to in notes 11 and 13 in respect of the trading prospects and value in use of the subsidiaries.

The subsidiaries of the Company, which have all been included in the consolidated financial statements based on their results to 30 September 2020, are as follows:

| Name | Principal activity | 30 September 2020 and 2019 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 has agreed 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 2020 and 2019 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.

## 14. Fixed asset investments continued

| Group | Interest in joint ventures £000 |
|---|---|
| **Cost and 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** |
| Share of profit for the year | **55** |
| Dividend paid by JV | **(125)** |
| **Net book value at 30 September 2020** | **147** |

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

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Profit before tax | **71** | 254 |
| Taxation | **(16)** | (51) |
| Profit after tax | **55** | 203 |

Summarised aggregated financial information in relation to the joint ventures is presented below and includes the impact of IFRS16 transition in 2020 with the addition of right-of-use assets and lease liabilities:

| As at 30 September | 2020 £000 | 2019 £000 |
|---|---|---|
| Current assets | **1,097** | 1,120 |
| Non-current assets | **335** | 67 |
| Current liabilities | **(653)** | (735) |
| Non-current liabilities | **(485)** | (18) |
| Included in the above amounts are: | | |
| Cash and cash equivalents | **373** | 98 |
| Current financial liabilities (excluding trade payables) | **(352)** | (241) |
| Non-current financial liabilities (excluding trade payables) | **(475)** | (18) |
| Net assets (100%) | **294** | 434 |
| Group share of net assets | **147** | 217 |

| Year ended 30 September | 2020 £'000 | 2019 £000 |
|---|---|---|
| Revenues | **2,104** | 2,933 |
| Profit after tax | **110** | 406 |
| Total comprehensive income (100%) | **110** | 406 |
| Group share of total comprehensive income | **55** | 203 |
| Included in the above amounts are: | | |
| Depreciation and amortisation | **38** | 66 |
| Right-of-use asset depreciation | **81** | – |
| Interest expense | **16** | 1 |
| Income tax expense | **30** | 103 |

## 15. Inventories

| Group | 2020 £000 | 2019 £000 |
|---|---|---|
| Raw materials | **1,525** | 1,562 |
| Work in progress | **47** | 73 |
| Finished goods | **366** | 326 |
| | **1,938** | 1,961 |

Inventory is stated net of impairment provisions of £331,000 (2019: £nil) with £164,000 of the £331,000 being regarded as an exceptional cost. The Company has no inventories.

## 16. Trade and other receivables

| | **Group 2020 £000** | Group 2019 £000 | **Company 2020 £000** | Company 2019 £000 |
|---|---|---|---|---|
| Trade receivables | **4,069** | 5,927 | **–** | – |
| Provisions for impairment | **(144)** | (218) | **–** | – |
| Trade receivables net | **3,925** | 5,709 | **–** | – |
| Amounts owed by subsidiaries | **–** | – | **10,012** | 5,987 |
| Amount owed by equity-accounted joint venture controlled entities | **10** | 94 | **10** | 22 |
| Tooling contract balances | **53** | 276 | **–** | – |
| Other receivables | **90** | 114 | **–** | – |
| **Total financial assets other than cash and cash equivalents classified as loans and Receivables** | **4,078** | 6,193 | **10,022** | 6,009 |
| Corporation tax debtor | **29** | 24 | **–** | – |
| Prepayments | **232** | 512 | **9** | 67 |
| **Total trade and other receivables** | **4,339** | 6,729 | **10,031** | 6,076 |
| The analysis of trade receivables is as follows: | | | | |
| Not yet due gross amount | **4,286** | 5,429 | **–** | – |
| Past due gross amount | **217** | 498 | **–** | – |
| Past due impairment loss allowance | **(144)** | (218) | **–** | – |
| | **3,925** | 5,709 | **–** | – |

With the exception of one customer which accounts for 53% (2019: 63%) 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 £17,000 (2019: £nil) has been charged in respect of specific trade receivables for the year ended 30 September 2020. 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 2020 were £nil (2019: £3,716,000). 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** | **2020 £000** | 2019 £000 |
|---|---|---|
| At 1 October | **218** | 218 |
| Charged in year | **17** | – |
| Receivables written off in year | **(91)** | – |
| At 30 September | **144** | 218 |

The movement in the tooling contract assets balances are as follows:

| | **2020 £000** | 2019 £000 |
|---|---|---|
| Brought forward at 1 October | **276** | 231 |
| Additions during the year | **790** | 1,029 |
| Recognised as cost of sales in the year | **(1,013)** | (984) |
| Assets as at 30 September | **53** | 276 |
| Revenue yet to be recognised on tooling contract balances | **68** | 435 |

## 17. Trade and other payables

| | Group 2020 £000 | Group 2019 £000 | Company 2020 £000 | Company 2019 £000 |
|---|---|---|---|---|
| **Current** | | | | |
| Trade payables | **1,366** | 2,696 | **166** | 189 |
| Amounts owed to subsidiaries | **–** | – | **7,850** | 7,879 |
| Amount owed to equity-accounted joint venture controlled entities | **410** | 696 | **–** | – |
| Accruals | **844** | 652 | **203** | 6 |
| **Total financial liabilities, excluding borrowings, classified as financial liabilities measured at amortised cost** | **2,620** | 4,044 | **8,219** | 8,074 |
| Social security and other taxes | **525** | 583 | **170** | 124 |
| Deferred income | **6** | 8 | **–** | – |
| **Total current trade and other payables** | **3,151** | 4,635 | **8,389** | 8,198 |
| **Non-current liabilities** | | | | |
| Deferred income | **117** | 115 | **–** | – |

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

## 18. Borrowings

| | Group 2020 £000 | Group 2019 £000 | Company 2020 £000 | Company 2019 £000 |
|---|---|---|---|---|
| Bank loans and overdrafts | **4,596** | 1,223 | **4,166** | – |
| Unamortised issue costs | **(59)** | – | **(59)** | – |
| Hire purchase liabilities | **337** | 505 | **–** | – |
| Invoice discounting | **–** | 3,716 | **–** | – |
| **Total borrowings** | **4,874** | 5,444 | **4,107** | – |
| Bank overdrafts | **154** | 1,007 | **–** | – |
| Bank loans | **732** | 216 | **729** | – |
| Hire purchase liabilities | **141** | 204 | **–** | – |
| Invoice discounting | **–** | 3,716 | **–** | – |
| **Current** | **1,027** | 5,143 | **729** | – |
| Bank loans – instalments due in 2 to 5 years | **3,090** | – | **2,978** | – |
| Bank loans – instalments due in more than 5 years | **562** | – | **400** | – |
| Hire purchase liabilities due in 2 to 5 years | **196** | 301 | **–** | – |
| **Non-current** | **3,847** | 301 | **3,378** | – |

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 working capital CBIL | GBP | Secured | Repayable a year from draw down | Base rate + 3.49% | 2021 |
| Bank term CBIL | GBP | Secured | Repayable by quarterly instalments | Base rate + 3.99% | 2026 |
| MEIF term loan | GBP | Secured | Repayable by instalments | 7.50% fixed rate | 2024 |
| German bank loan | Euro | | Repayable by instalments | 1.03% fixed rate | 2030 |

The CBIL loan terms include no interest being payable for a year as part of the government assistance. This is recognised in other income with the loans stated net of this amount at draw down and a financing charge made in the income statement over the first year.

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

Advances under the Group's invoice discounting facility were secured against certain trade receivable balances. The facility of up to £6 million, subject to eligible receivables, remained in place at 30 September 2020 but with no amounts drawn down.

Details of financing facilities are also included in note 3, liquidity risk.

### Hire purchase liabilities

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

| Group | 2020 £000 | 2019 £000 |
|---|---|---|
| Less than one year | **167** | 267 |
| Between one and five years | **192** | 299 |
| Total gross payments | **359** | 566 |
| Less: interest charge allocated to future periods | **(22)** | (61) |
| Carrying amount of liability | **337** | 505 |

## 19. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2019:17%) for the UK, 21% (2019: 21%) for Sweden and 30% for Germany (2019: 30%). The movement on the deferred tax account is as shown below:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Opening balance | **(38)** | 8 |
| Total credit recognised in profit and loss | **(37)** | (45) |
| Movement in foreign exchange | **–** | (1) |
| Closing net balance | **(75)** | (38) |

| Group | 2020 £000 | 2019 £000 |
|---|---|---|
| Details of the deferred tax (asset) and liability are as follows: | | |
| **Deferred tax (asset)** | | |
| Accelerated capital allowances | **460** | 32 |
| Losses | **(709)** | (316) |
| Other temporary differences | **100** | 61 |
| **Closing asset** | **(149)** | (223) |
| **Deferred tax liability** | | |
| Deferred tax on intangible assets | **74** | 109 |
| On fair valued assets | **–** | 76 |
| **Closing liability** | **74** | 185 |

The Group's deferred tax balances have 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 asset recognised is £nil (2019: £nil). The company has an unrecognised deferred tax asset of approximately £540,000 (2019: £74,000) in respect of losses carried forward.

The Group has an unrecognised deferred tax asset of approximately £800,000 at 30 September 2020 (2019: £400,000) 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.

## 20. Share capital

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

| | Number | £'000 |
|---|---|---|
| At 30 September 2019 and 2020 | **39,600,984** | **792** |

## 21. 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.

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.

The performance based options are not currently expected to vest or be exercisable and a credit arises in the year as a result of an employee leaving and reversing the prior year charges on market based options.

There were 524,204 of unexpired options in place at 30 September 2020 with an average exercise price of £0.22 (2019: 633,657 and £0.22) and a remaining average exercise period of 5.3 years (2019: 6.2 years).

## 22. 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 Autins Limited (formerly 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 prior year and £205,000 of issue expenses were deducted from this balance. A further £17,000 of late costs relating to these shares was deducted from this account in the current year.

## 23. 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, property rentals with an annual rolling renewal for certain overseas properties through to 15 year terms for the principal UK manufacturing sites, which are subject to three yearly rent reviews. The total value of minimum lease payments due until the end of the leases at 30 September 2019 were as follows:

| Group | 2019<br>£000 |
|---|---|
| **Land and buildings:** | |
| Within one year | 1,071 |
| Later than one year and not later than five years | 3,046 |
| Later than five years | 3,604 |
| **Other:** | |
| Within one year | 100 |
| Later than one year and not later than five years | 122 |
| | 7,943 |

Following the adoption of IFRS 16, where appropriate, these commitments are now included in lease liabilities at 30 September 2020.

The commitments of £7.9 million at 30 September 2019, after excluding short term commitments of £0.2 million, have been discounted by £1.6 million and increased by £0.3 million following agreement in the year of a retrospective rent review effective from before the transition date, resulting in the lease liability recognised at transition of £6.4 million.

The Group had capital commitments at 30 September 2020 of £nil (2019: £nil).

The Company had no lease or capital commitments.

## 24. Related party transactions

### Share options

Directors and other key management members hold the following unexpired share options (see note 20) which are all subject to meeting EPS targets.

| At 30 September 2020 | Number |
|---|---|
| G Kaminski-Cook | **279,070** |
| Other senior management | **215,967** |
| | **495,037** |

| At 30 September 2019 | Number |
|---|---|
| J Larner | 81,395 |
| G Kaminski-Cook | 279,070 |
| Other senior management | 244,025 |
| | 604,490 |

### Transactions with related parties and key management personnel

***Group key management personnel costs***

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Group aggregate salaries and short-term benefits | **1,516** | 1,778 |
| Post-employment benefits | **40** | 36 |
| Share based payments | **(15)** | 10 |
| | **1,541** | 1,824 |

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

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Transactions: | | |
| Sales and costs recharged to joint venture | **86** | 92 |
| Purchases from joint venture | **1,775** | 2,352 |
| Balance at the year end owed to the Group | **10** | 94 |
| Balance at the year end (owed by) the Group | **(420)** | (696) |

## 25. Control

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

## 26. Impact of transition to IFRS 16

The tables below present the main statements as reported and as they would have been reported without IFRS 16, consistent with the 2019 comparatives, in order to show the impact on line items and in total.

### Impact on the Consolidated Statement of Comprehensive Income

| Year ended 30 September 2020 | As reported £000 | IFRS 16 adjustments £000 | Amounts without adoption of IFRS 16 £000 |
|---|---|---|---|
| **Revenue** | 21,517 | – | 21,517 |
| Cost of sales | (15,472) | (53) | (15,525) |
| **Gross profit** | 6,045 | (53) | 5,992 |
| Other operating income | 787 | | 787 |
| Distribution expenses | (650) | – | (650) |
| Administrative expenses | (7,474) | (171) | (7,645) |
| **Operating loss** | **(1,292)** | **(224)** | **(1,516)** |
| Finance expense | (523) | 305 | (218) |
| Share of post-tax profit of equity accounted joint ventures | 55 | – | 55 |
| **Loss before tax** | (1,760) | 81 | (1,679) |
| Tax expense | 37 | – | 37 |
| **Loss after tax for the year** | **(1,723)** | **81** | **(1,642)** |
| **Loss per share** | | | |
| Basic and diluted earnings per share | (4.35)p | 0.20p | (4.15)p |

### Impact on the Consolidated Statement of Financial Position

| As at 30 September 2020 | As reported £000 | IFRS 16 adjustments £000 | Amounts without adoption of IFRS 16 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 10,082 | – | 10,082 |
| Right-of-use assets | 5,001 | (5,001) | – |
| Intangible assets | 3,322 | – | 3,322 |
| Investments in equity-accounted joint ventures | 147 | – | 147 |
| Deferred tax asset | 149 | – | 149 |
| **Total non-current assets** | 18,701 | (5,001) | 13,700 |
| **Current assets** | | | |
| Inventories | 1,938 | – | 1,938 |
| Trade and other receivables | 4,339 | 98 | 4,437 |
| Cash in hand and at bank | 2,974 | – | 2,974 |
| **Total current assets** | 9,251 | 98 | 9,349 |
| **Total assets** | 27,952 | (4,903) | 23,049 |
| **Current liabilities** | | | |
| Trade and other payables | 3,151 | 388 | 3,539 |
| Loans and borrowings | 1,027 | – | 1,027 |
| Lease liabilities | 917 | (917) | – |
| **Total current liabilities** | 5,095 | (529) | 4,566 |
| **Non-current liabilities** | | | |
| Trade and other payables | 117 | – | 117 |
| Loans and borrowings | 3,847 | – | 3,847 |
| Lease liabilities | 4,970 | (4,970) | – |
| Deferred tax liability | 74 | – | 74 |
| **Total non-current liabilities** | 9,008 | (4,970) | 4,038 |
| **Total liabilities** | 14,103 | (5,499) | 8,604 |
| **Net assets** | 13,849 | 596 | 14,445 |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | 792 | – | 792 |
| Share premium account | 15,866 | – | 15,866 |
| Other reserves | 1,886 | – | 1,886 |
| Currency differences reserve | (127) | – | (127) |
| Retained earnings | (4,568) | 596 | (3,972) |
| **Total equity** | 13,849 | 596 | 14,445 |

## Impact on the Consolidated Statement of Cash Flows

| Year ended 30 September 2020 | As reported £000 | IFRS 16 adjustments £000 | Amounts without adoption of IFRS 16 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss after tax | (1,723) | 81 | (1,642) |
| Adjustments for: | | | |
| Income tax | (37) | – | (37) |
| Finance expense | 523 | (305) | 218 |
| Employee share-based payment (credit)/charge | (15) | – | (15) |
| Other non-cash income | (109) | – | (109) |
| Depreciation of property, plant and equipment | 836 | – | 836 |
| Depreciation of right-of-use assets | 851 | (851) | – |
| Amortisation of intangible assets | 317 | – | 317 |
| Share of post-tax profit of equity accounted joint ventures | (55) | – | (55) |
| | 588 | (1,075) | (487) |
| Decrease in trade and other receivables | 2,296 | – | 2,296 |
| Decrease in inventories | 23 | – | 23 |
| Decrease in trade and other payables | (1,426) | 221 | (1,204) |
| **Cash from operations** | 1,482 | (764) | 628 |
| Income taxes paid | (5) | – | (5) |
| **Net cash flows from operating activities** | 1,476 | (764) | 623 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | (155) | – | (155) |
| Purchase of intangible assets | (125) | – | (125) |
| Dividend received from equity accounted joint venture | 125 | – | 125 |
| **Net cash used in investing activities** | (155) | – | (155) |
| **Financing activities** | | | |
| Interest paid | (421) | 305 | (116) |
| Share issue expenses paid | (17) | – | (17) |
| Bank loans advanced | 4,523 | – | 4,523 |
| Loan issue expenses paid | (66) | – | (66) |
| Bank loan repaid | (213) | – | (213) |
| Payment of lease liabilities | (549) | 549 | – |
| Hire purchase capital payments | (168) | – | (168) |
| Decrease in invoice discounting | (3,716) | – | (3,716) |
| **Net cash (used in)/from financing activities** | (627) | 854 | 227 |
| Net increase in cash and cash equivalents | 695 | – | 695 |
| Cash and cash equivalents at beginning of period | 2,125 | – | 2,125 |
| **Cash and cash equivalents at end of year** | 2,820 | – | 2,820 |

| | |
|---|---|
| **Directors** | Adam Attwood, Non-Executive Chairman<br>Gareth Kaminski-Cook, Chief Executive Officer<br>James Larner (Resigned 31 December 2019)<br>Kamran Munir, Chief Financial Officer (Appointed 1 January 2020)<br>Neil MacDonald, Non-Executive Director<br>Ian Griffiths, Non-Executive Director |
| **Company Secretary** | Kamran Munir |
| **Registered Office** | Central Point One<br>Central Park Drive<br>Rugby<br>Warwickshire<br>CV23 0WE |
| **Telephone Number** | +44 (0)1788 578 300 |
| **Website** | www.autins.com |
| **Nominated Advisor and Broker** | N+I Singer<br>1 Bartholomew Lane<br>London<br>EC2N 2AX |
| **Solicitors to the Company** | Freeths LLP<br>1 Vine Street<br>Mayfair<br>London<br>W1J 0AH |
| **Auditors** | BDO LLP<br>Two Snowhill<br>Birmingham<br>B4 6GA |
| **Public Relations** | Newgate Communications<br>50 Basinghall Street<br>London<br>EC2V 5DE |
| **Registrars** | Link Asset Services<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent<br>BR3 4TU |

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