Driving towards a greener future

autins

Annual Report and Accounts
2022

Contents

Strategic report

Our purpose

Solving your acoustic and thermal challenges

Autins is a specialist in solving acoustic and thermal problems.

Historically, we focused on the automotive industry but we are now diversifying into other industries such as commercial vehicles, flooring, office pods and building applications. We have a unique product offering, due to the breadth of our materials, products and manufacturing processes and a highly responsive technical support service, which is valued by customers.

Financial overview for 2022

Revenue
£18.9 MILLION

-19.5%

FY21: £23.4 million

EBITDA
-£1.2 MILLION

FY21: £1.1 million profit

Cash from Operations
-£0.5 MILLION

FY21: £1.0 million inflow

Net debt[1]
£2.0 MILLION

FY21: £2.7 million

Gross profit
£4.2 MILLION

(22.4%)

-33.1%

FY21: £6.3 million (27.0%)

Operating loss
-£3.0 MILLION

FY21: -£0.7 million

Earnings per share
-6.34p

FY21: -2.74p loss

Final dividend
Nil

FY21: Nil

1 Cash less bank overdrafts, invoice discounting and hire purchase finance, excluding IFRS16 lease liabilities.

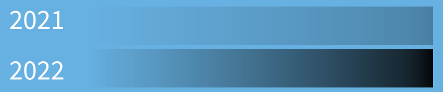
Operational Highlights

Revenues decreased by **19.5%**

to £18.9 million. This reflected ongoing supply chain issues in the automotive industry primarily related to global semi-conductor shortages

Neptune sales remained stable at **£7.1 MILLION**

(FY21: £7.1 million) despite pandemic supply chain disruption, resulting from contract wins and growth into European markets.



Gross profit decreased by **33.1%**

to £4.2 million (FY21: £6.3 million).
Gross margin reduced to 22.4% (FY21: 27.0%) The onset of the Ukraine war and global economic factors affected energy and other material prices, with labour rates also impacted. Operational and productivity improvements partially offset this.

Group EBITDA reduced in line with sales to a loss of **£1.2 MILLION**

(FY21: £1.1 million profit)

Cashflow from Operating activities was an outflow of **-£0.5 MILLION**

(FY21 inflow of £1.0 million) primarily reflecting the trading loss, being partially offset by R&D tax credit claims, with neutral working capital movement.

Operational Highlights *continued*

Flooring sales were
27.4%

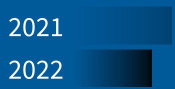
lower at £3.4 million for the year (FY21: £4.7 million). This reduction was caused by the exclusion of initial launch stock sales that benefitted FY21 and a softening of construction markets.

Germany sales were
£6.6 MILLION

(FY21 £7.6 million) and EBITDA was £0.3 million (FY21 £0.9 million) as Germany continued to generate positive EBITDA and operating cash despite also seeing a downturn in sales.

Net Debt[1] was reduced to
£2.0 MILLION

(FY21: £2.7 million) following a placing of new shares in December 2021 that raised £3.0m (gross) and which offset cash absorption during the year.



Post Period Review

The Group has taken and secured significant profit and cashflow improvement actions since the reporting date. These include contractual improvements which improve customer pricing, materials purchasing, further headcount restructuring and other cost downs. In isolation, the cumulative impact of these improvements would be to reduce the annualised run rate of net losses by in excess of £2.5m (although there are other factors which may impact on the Group's overall performance in the current year, perhaps materially so). Nonetheless, FY23 Q1 actual performance shows an unaudited EBITDA of £0.1m positive, being a marked improvement over FY22.

The Board are pleased to report that further support from both of the Group's lenders, in the form of further payment deferments until at least July 2023, and covenant waivers until March 2024 have been confirmed.

1 Cash less bank overdrafts, invoice discounting and hire purchase finance, excluding IFRS16 lease liabilities.

Who we are

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 wide range of advanced manufacturing and conversion processes which deliver truly world-class quality products and services, including the unique and patented Neptune nonwoven material manufactured in our Tamworth facility.

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 remain 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 building applications.

Thermal
A number of our materials provide thermal insulation, whether to protect passengers from the heat of an engine or to provide thermal control such as extending battery life in electric engines. Our patented Neptune product has low thermal conductivity ideal for applications in automotive and commercial vehicles and when combined with reflective foils is also suitable for the construction and the HVAC sector.

174
Employees

Automotive
97
Customers

Other markets
16
Customers

Where we operate

UK

Tamworth
Materials' manufacturing, assembly and conversion operation

Rugby
Group headquarters, Group technical centre (laboratory and test site), new product introduction centre, assembly and conversion operation

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

Sweden

Gothenburg
New product introduction centre, materials manufacturing, assembly and conversion operation

Germany

Dusseldorf
New product introduction centre, assembly and conversion operation

3 Countries

5 Operating locations

160 Customer locations

Responding to global needs

DESIGNING SOLUTIONS

Specialists in bespoke technical solutions

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

Our experienced team members are subject matter experts who can create 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 customer requirements are met.

The drive to carbon neutrality in automotive continues to gather pace and with it the need for new and innovative NVH solutions are required. As the environment within the vehicle continues to change and offer ever more options in terms of consumer engagement and refinement, we at Autins continue to focus on light-weighting and on optimal performance with respect to the consumer experience within the vehicle.

"Overall globally $3.5 trillion will be spent on low-emission vehicles and on charging and fuelling infrastructure between 2021 and 2050.

McKinsey Road Mobility Transition to Net Zero.

Shane Kirran

UK Automotive Sales Manager"

£0.3m

spent in R&D being 1.5% of revenues (FY21 £0.3 million, 1.3%)

Our electric vehicle solution

The problem – new sources of noise, vibration and harshness (NVH)

As we see car ownership models change, the emergence of autonomous solutions and growth of low-emission drive trains this will present an even greater emphasis on the user experience within the vehicle. Concepts show us cabins that are becoming workspaces, areas of entertainment or even rest. To this end the user experience will shift from an operator of a vehicle to that of a passenger or consumer of technology. So the focus is moving to refine the vehicle for the consumer. At Autins we are focused on products that will allow this refinement from day one and ensure that as the industry moves forward, we offer best in class solutions to meet the NVH requirements of the OEMs.

Experience in low-emission electric vehicles.

At Autins we have established ourselves as a solutions provider to the low-emission and EV market segment. 2022 has seen us work with concepts from autonomous electric vehicles where the cabin is designed to the consumers' preference. Also, our experience has been sought in relation to NVH on hyper car applications where performance and refinement are expected to work hand in hand. These extremes of experience will become more and more applicable as the technology and consumer requirements evolve.

Over

34%

estimated share of all cars in the UK that will be electric by 2030

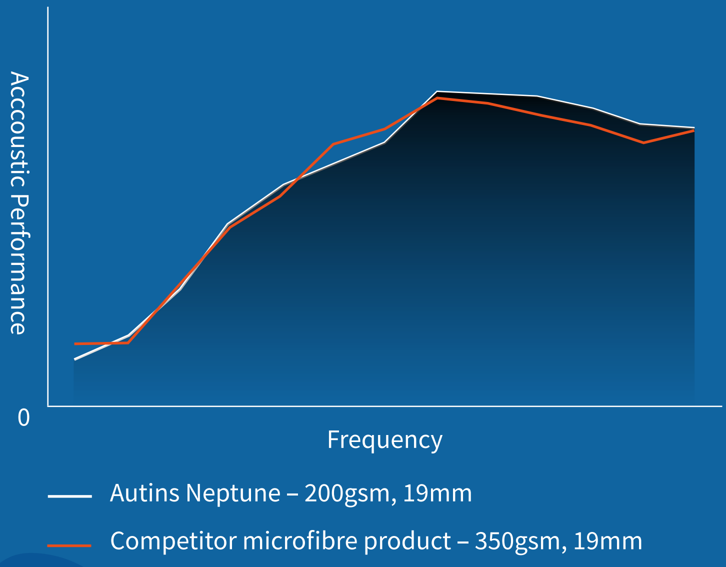
Solving Problems

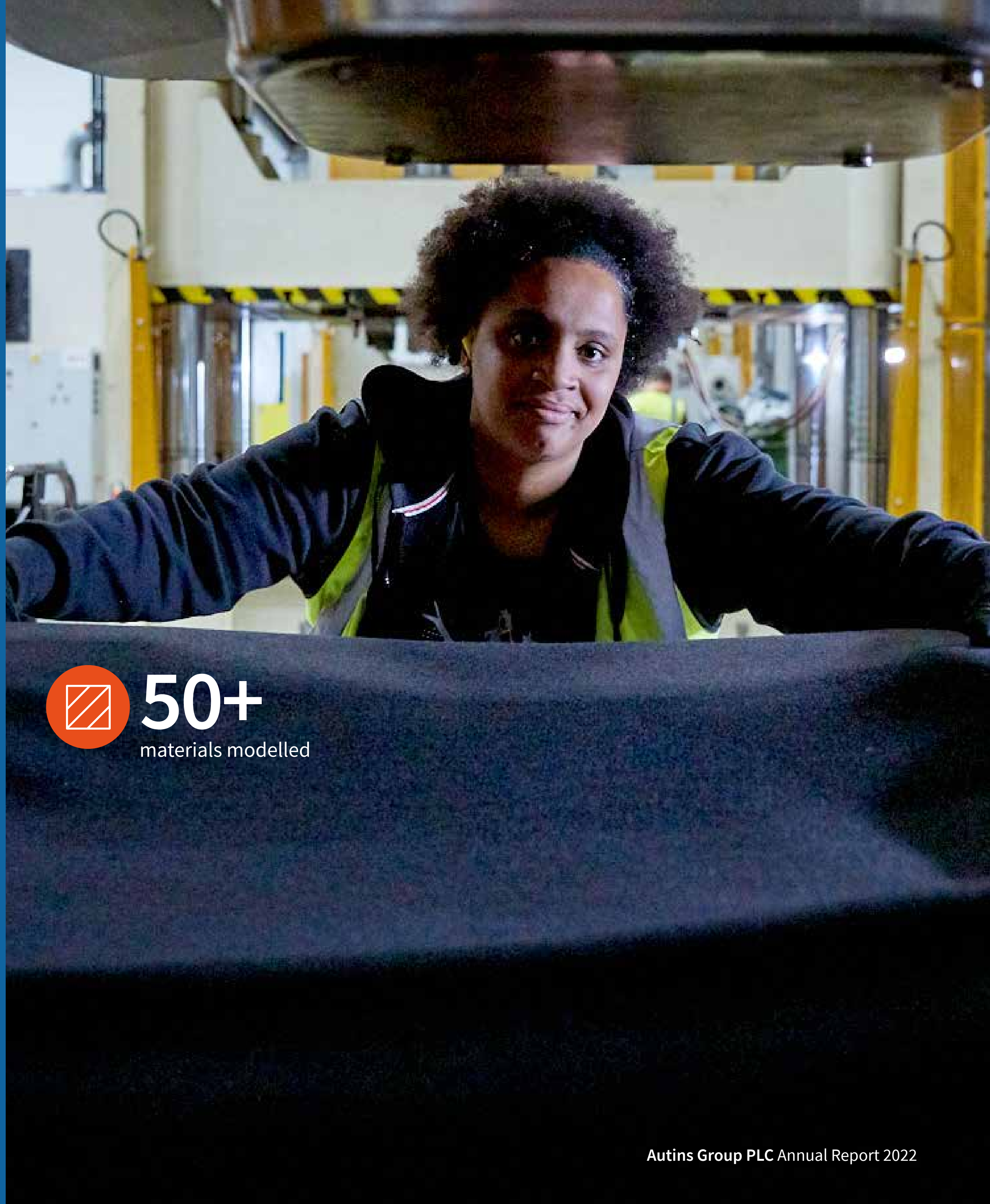
Market-leading technology

Close collaboration shortens development times and increases the chance of creating balanced solutions in terms of finding the optimum weight, performance and cost for our customers. 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.

Equivalent acoustic performance but 40% weight reduction over competitor microfibre product when using Neptune





50+
materials modelled

Identifying opportunities for future growth

Establishment in industry:

Exploratory

Progress

Matured

Automotive market

Automotive NVH (Noise, Vibration and Harshness) continues to be our core market, so the global shortage of semi-conductors has had a major impact on depressing production volumes. The consensus of industry experts is that supply constraints are set to continue limiting production through till the end of 2023. Beyond this, IHS forecasting organisation forecasts European luxury and executive auto demand to grow to c.95% of pre-covid levels by 2024.

In addition, forecasts by Fortune Business Insights continue to predict demand for automotive NVH solutions to continue growing at a CAGR c.6% through till 2028.

The materials are used for reducing noise, vibration and harshness and increasing the ride quality, safety and comfort for passengers in vehicles. Importantly, experts predict that few materials currently used for NVH solutions can be substituted by other technologies in the future. Therefore, Autins' broad range of materials and solutions positions us well to capture share within this growing market. It is our view that there is an inexorable desire to have more comfort in vehicles.

Our customers, remain determined to find new ways to reduce their costs and, therefore, to consider new material solutions that have better performance and economic cost savings. Neptune meets this requirement precisely, being up to 40% lighter for the same performance and hence offering material cost savings.

Autins continues to win new customers and applications, particularly on electric vehicles and is continuing to work on significant new projects.

Electric Vehicle Growth

During 2022 Electric vehicle sales grew 67% across Europe and in UK, traditional combustion engines now account for less than 50% of all new car sales.

Autins Group has continued to win supply of components into EVs during 2022 where Neptune is particularly suited to absorbing the frequency of noise associated with many of the sources in EVs and is lightweight and cost effective. We continue to see the content value of NVH in electric vehicles is similar to that needed in combustion engines, although the solutions needed for EVs are more bespoke, which is where Autins' technical expertise is highly valued by OEM engineering design teams.

Commercial vehicles

Autins products are ideal for commercial vehicles, which share many of the same challenges and requirements as cars. 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.

Major customers in the commercial vehicle market are located close to our operations in Sweden, Central Europe and the UK. We currently supply DAF and Scania. In these contract wins, we differentiated ourselves as our Neptune material provided not only superior acoustic performance but also outstanding thermal performance, which has become important in EVs without a hot combustion engine to warm the inner cabin. In the year, we appointed a Commercial Vehicle Business Development Manager to focus on this sector.

Non-Automotive

Autins has a history of supplying acoustic and thermal solutions into a variety of non-automotive segments. Our biggest non-auto market is the flooring business which has benefitted from having a dedicated technical commercial flooring team.

Flooring

- Our target markets 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 directly to consumers, 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.
- During the year, replacement sales were stable, although total sales were lower than prior year which had contained launch stock sales.

Workspace Solutions

- Office pods are increasingly popular in large companies that created huge open plan spaces and now realise they need quiet spaces and privacy, with attractive aesthetics and acoustics.
- These private spaces need to function well and must be very space-efficient, so walls need acoustic treatment and Neptune being up to 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.
- During the year Neptune was specified by a number of companies as a wall or ceiling solution in their pods. Future sales success therefore depends on how this nascent market matures.

Others

- Autins solutions can be applied into numerous additional applications, and we will continue to evaluate all opportunities, whilst retaining commercial focus on only the most attractive ones.

Chairman's Statement

Overview

FY22 has been a very challenging period which has seen the Group incur increased operating losses. We have worked tirelessly to adjust our operating model to provide long term sustainability and ensure that we are well placed to benefit from a future recovery of the European automotive market.

The trading environment for Autins in FY22 has been very difficult and disrupted. Automotive production continued to be constrained by the global shortage of semi-conductors. It had been anticipated that supply of semi-conductors would improve in the second half of 2022, but supply constraints remained resulting in reduced production throughout the period at our key customers. However, end-user demand has remained strong with OEMs reporting good order books.

In H2 FY22, our markets have also been subjected to high inflationary pressures both for raw materials and labour. We have responded by taking significant restructuring actions in the UK and have agreed commercial arrangements with the majority of our customers shortly after our year end, which has positively impacted gross margins and EBITDA.

Financial performance

Group sales in the second half of the year were £9.5m, 3% down on the equivalent prior year period (H2 21: £9.7m). Overall Group sales for FY22 were down 19.5% to £18.9m (FY21: £23.4m).

Automotive component sales in the UK continued to be negatively affected by semi-conductor shortages reducing the output of key OEM customers. In Germany, there was growth in automotive component sales as a result of new business wins, but overall sales reduced to £6.6m (FY21: £7.6m) due to a reduction in flooring sales. Sales in Sweden were broadly equivalent year on year.

Gross margin reduced to 22.4% (FY21: 27.0%). Gross margin was impacted partially by increased operational inefficiencies due to lower customer volumes at short notice but mainly, in the second half of the year, by increases in raw material and staff costs that could not immediately be recovered by price increases. However, as mentioned above, actions concluded after the year end have now improved gross margins.

In December 2021, the Group raised

£3.0m

(gross) of equity

The operating loss for the Group was £3.0m (FY21: loss of £0.7m). Net debt (excluding IFRS 16 debt) decreased to £2.0m (FY21: £2.7m) and cash and cash equivalents increased to £1.8m (FY21: £1.2m). This is due to a placing of new shares in December 2021 that raised £3.0m (gross) and which offset cash absorption during the year.

Post year end, the Group has also negotiated waivers of its banking covenants to March 2024 and further deferrals of capital payments until at least July 2023.

People

Our staff have yet again been fantastic. Their commitment and resilience during this difficult trading period has been inspiring and I would like to personally thank them all for their hard work during the year.

We are committed to remaining a competitive employer and have responded to changing requirements in our local labour markets, particularly at the lower pay levels, to ensure we retain talent, reward loyalty and maintain motivation in our staff. Our senior management team continue to actively engage with our entire workforce to ensure that we live our corporate "One Team" value.

When we have had to react to market conditions, we have tried to do so fairly and respectfully.

There were no salary increases for the Board in the year, reflecting the operational cost control that we have had to deliver throughout the business.

Chairman's Statement

Environmental, Social and Governance

Our commitment and investment to lower the environmental impact of our products has continued in FY22. We have developed two fully recyclable NVH products: Silentshell (an encapsulation solution for electric vehicles) was launched in 2022 and, Neptune-R a fully recyclable version of our Neptune material which delivers substantially the same levels of acoustic benefit as our existing Neptune product will be launched in the new financial year. These are major milestones for the Group and will support our customers' need to meet their environmental objectives.

We have made great progress in reducing our carbon footprint post year-end. We have changed our energy provision for our German and UK operations to 100% renewable sources. This is forecast to reduce our carbon footprint by more than 80% in FY23 and beyond. This complements the environmentally friendly energy sourcing that was already in place for our Swedish operations.

The Board remains 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 continues to operate with only two independent non-executive directors. We consider this appropriate in the short term and in keeping with the cost mitigation measures that have been applied to all staffing costs in the year.

Neil MacDonald has informed the Board that he intends to step down from the Board as soon as an appropriate successor is identified and in post. We have initiated a process to find Neil's replacement and I would very much like to thank Neil for his considered contributions at our Board meetings over the past few years.

We also remain committed to increasing the number of independent non-executive directors on the Board as soon as appropriate in the recovery cycle.

Dividend

No final dividend is proposed.

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

Outlook

The restructuring measures and commercial agreements implemented after the year end have had an immediate, positive effect and stemmed the operating losses that the Group incurred in FY22. In Q1 FY23, the Group delivered a very small unaudited EBITDA profit of £0.1m, which is a marked improvement on FY22.

However, trading conditions continue to be difficult. Automotive sales will remain subdued due to the continuing impact of a constrained supply of semi-conductors globally. Demand in our non-automotive markets has slowed due to recessionary pressures.

As a Group, we continue to invest in new product development and look forward to the positive impact that our new recyclable products will have on our business. Retail demand for cars remains good and we expect a positive recovery in automotive sales once the supply issues for semi-conductors are resolved. The Board believes that the improved operating position of the Group provides a platform to benefit from sales growth in the medium term.

Adam Attwood
Chairman

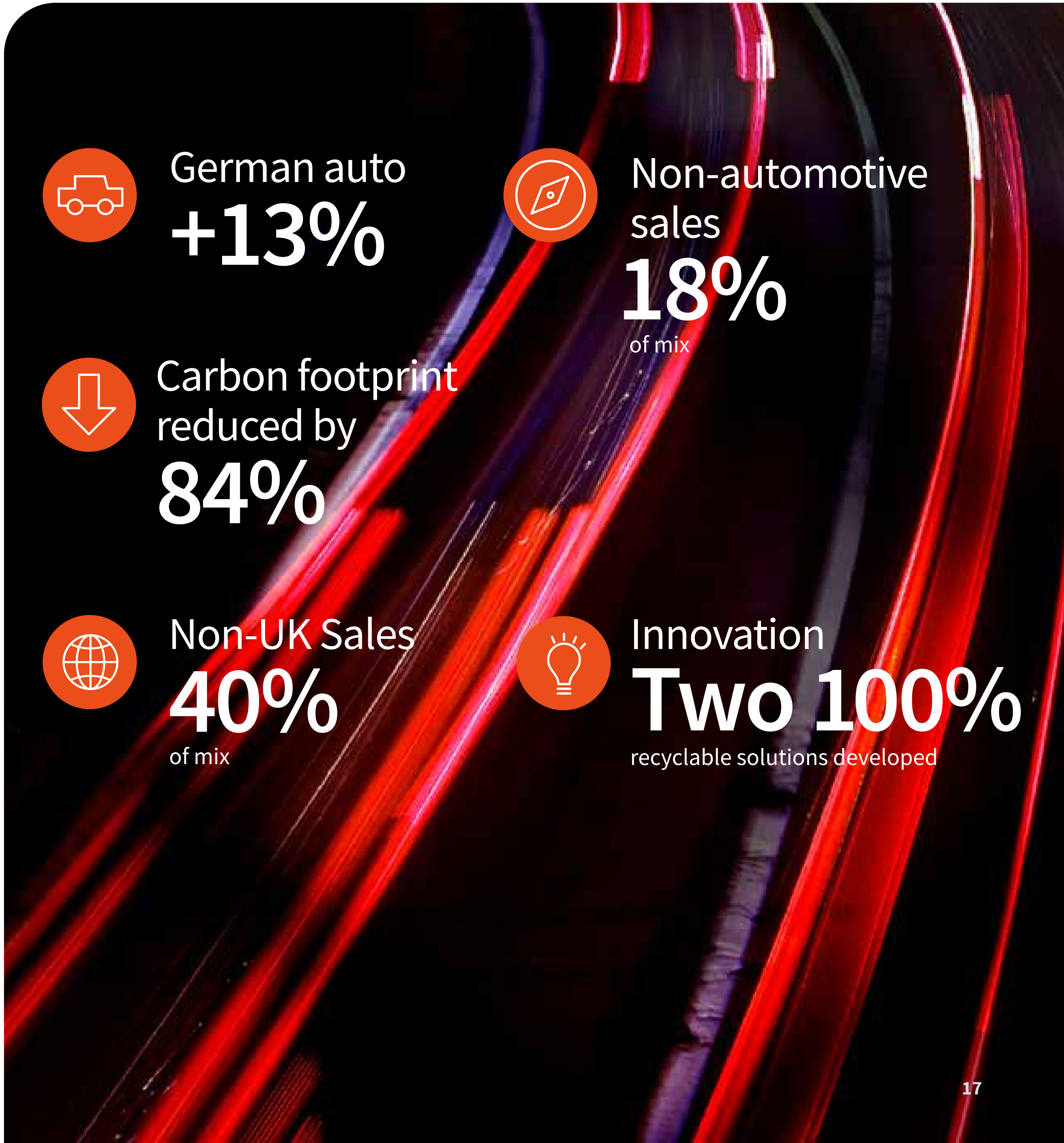
Chief Executive Officer's Review

Progress in European automotive despite difficult trading conditions

"This was a difficult year for everyone supplying the automotive industry. Semi-conductor challenges, the war in Ukraine and cost inflation all contributed to lower demand and a squeeze on margins. **However, since year end we have secured price increases and cost restructuring that have returned the business to a small EBITDA profit for Q1.**

We will continue to diversify the business by leveraging the superior properties of Neptune and our two new 100% recyclable solutions for the EV market, Neptune-R and Silentshell. With ongoing support from shareholders, underlying improvements in our operating costs and innovative new products, we look forward with confidence to capturing the benefits of a future market recovery.

Gareth Kaminski-Cook
Chief Executive Officer"



Chief Executive Officer's Review

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 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 range of industry applications including automotive, flooring, workspace solutions 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 local European partner.

Challenging market conditions reduced demand and drove inflationary cost pressures

The supply chain challenges and semi-conductor shortages which emanated from the Covid crisis only worsened during this financial year. Predictions for improved semi-conductor availability in H2 22 did not materialise and the Ukraine war put additional pressure on supply chains into the automotive sector and created a global energy crisis with associated significant energy cost inflation.

As a result, Group sales reduced by 19.5% to £18.9m. Combined with higher input cost inflation on labour, transport, materials and energy, this drove down margins and resulted in an EBITDA loss of £1.2m compared with a £1.1m profit the previous year.

Anticipating a difficult year, we approached shareholders during the first quarter and successfully gained support for an equity raise of £3m (gross) to support the business.

In addition, we have fought all year for price increases with mixed results until shortly after our year end when most of our customer base accepted sensible revisions. Post year end we continue to pursue additional increases with some more success recorded.

In late summer 2022, OEMs advised that market recovery would be unlikely to happen until the end of next year, spurring us to implement additional overhead cost reduction actions.

The combined impact of the pricing and restructuring actions described will contribute significant improvements to the underlying performance in 2023.

Germany and our Neptune technology outperform the automotive markets

It is worth noting that our Germany auto sales growth of 13%, driven by new wins, has outperformed the German auto market which, according to the European Automobile Manufacturers' Association (ACEA), declined 7% this year. Neptune sales were stable year on year and so performed relatively well as new project wins came to fruition especially on electric platforms.

Sales from the European operations accounted for 40% of the Group turnover, of which flooring accounted for half.

A modest number of automotive wins with new customers have been achieved throughout the year which will contribute to revenue in 2023.

Demand for NVH solutions forecast to grow

Whilst the modest improvement in car sales next year of 7% across Europe and 8% in UK will be a very welcome reversal of sales trends, the increasing demand for more NVH solutions in cars is most relevant to the future fortunes of Autins. Fortune Business Insights estimates, consistent with other sources, growth in NVH demand to be in the region of a 6% CAGR until 2028.

As we see car ownership models change, the emergence of autonomous solutions and growth of low-emission drive trains will present an even greater emphasis on the user experience within the vehicle. Concepts

Chief Executive Officer's Review

show us cabins that are becoming workspaces, areas of entertainment or even rest. To this end the user experience will shift from an operator of a vehicle to that of a passenger or consumer of technology. So, the focus is moving to refine the vehicle for the consumer. At Autins, we are focused on products that will allow this refinement from day one and ensure that as the industry moves forward, we offer best in class solutions to meet the NVH requirements of the OEM's and in so doing our offering is becoming ever more relevant to the future car market.

Commitment to develop 100% recyclable solutions and reducing our carbon footprint

Last year, I described how we "intend to be at the forefront of developing solutions" to meet the trend to electric vehicles and environmentally friendly products. We are now seeing a greater and more consistent desire by our customers to have "greener" products and suppliers that take ESG seriously and so I am delighted to advise that we have developed two 100% recyclable solutions.

"Silentshell" is a 100% recycled encapsulation product, designed to contain noise and heat at source for numerous application areas in electric vehicles. It is already released and is being evaluated by European automotive customers.

The second development is Neptune-R, a 100% recyclable version of Neptune which offers essentially the same levels of performance and will be launched in early 2023.

More detail on both solutions is shown on pages 25 and 26 of the Strategy in Action section of this report.

I am also pleased to confirm that at year end we have converted all energy sourcing to renewable sources which, compared to the previous year, will improve our daily carbon footprint of the Group by 84% in FY23.

Looking forward

The Autins team have again shown tremendous resilience and determination to achieve price increases in the toughest circumstances, maintain all existing contracts and customers, whilst also retaining all key staff during sensitive restructuring actions.

We will continue to diversify the business by leveraging the superior properties of Neptune and our new product developments, Neptune-R and Silentshell.

With the support from shareholders, underlying improvements in our operating costs and innovative new products, we are able to look forward with confidence to capture the benefits of a future market recovery.

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, whilst at the same time diversifying the business into attractive new segments:

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, non-automotive markets

Accelerate sales in automotive

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

Our Values

- Teamwork
- Creativity
- Accountability
- Expertise
- Agility
- Passion

Our business model

Range of materials:

- Nonwoven PET/PP including Neptune
- Thermoplastics
- PUR
- Laminates

Range of processes:

- Manufacturing
- R&D and program management
- Conversion
- Tooling and component design and testing

Specialist technical support

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

Continuous innovation and exceptional service

Continuous innovation and exceptional service

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

Deliver best in class quality, service, and cost

Creating value for our stakeholders

Employees

By striving to create an inclusive workplace where 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

Management is totally committed to execute a growth strategy and bring the business to a condition where it provides positive returns for our investors.

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.

Adding Value Responsibly

Progress in 2022

- Auto enquiry activity recovering:Won contracts to supply leading brands including Lotus, Bentley, JLR, Fisker, BMW, Mercedes
- Neptune sales remained stable despite downturn in overall sales
- Neptune based product wins accounted for 42% of project wins
- Enquiry pipeline remains strong at c.£20m, of which approximately half are enquiries for Neptune products

Price increases:

- Indexed price increases achieved throughout year in Flooring
- Contract and price improvement in automotive was minimal during the financial year, but post year end substantial improvements were ultimately concluded

Sustainable operating cost and overhead improvements

- World Class levels of quality and service
  - Customer Quality PPM 6
  - Customer delivery Service >99%
- Overheads were further reduced

Current focus

- Contract and price improvements to recover input cost inflation
- Launch of innovative fully recyclable version of Neptune
- Continued market share gains in auto
- Penetration of commercial vehicle market

German sales in automotive

13% growth

despite lower German car registrations (-7.4%), driven by previous wins

Neptune a key

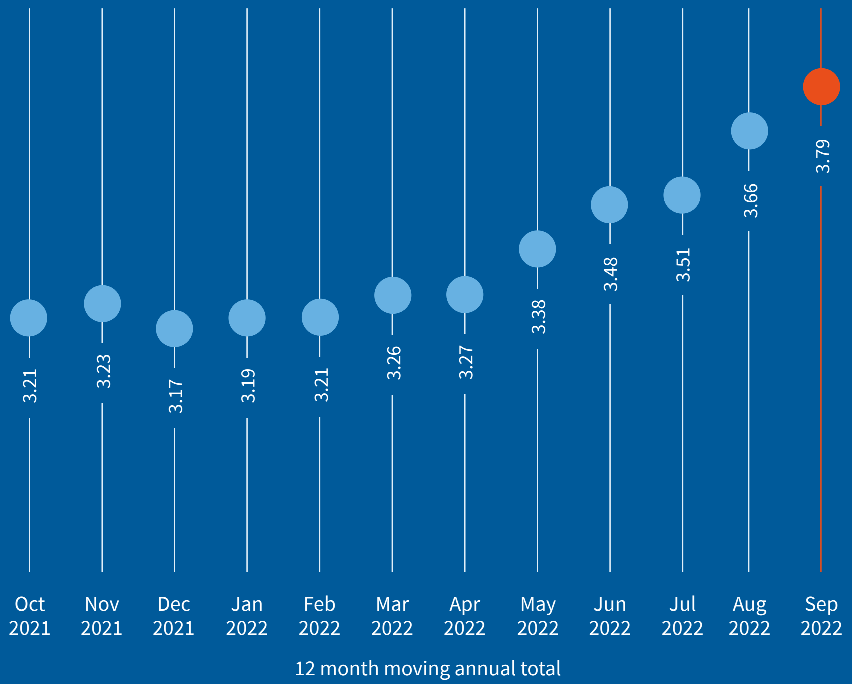
Differentiator

10 further wins

7 for EV Platforms

Strategy in action

Growth of German automotive sales outpaces the market



Projects were won with established marques and new start ups

JAGUAR PORSCHE FISKER LAND ROVER

Neptune-R

Meeting customer needs with new recyclable products

Neptune-R – Market leading performance that is 100% recyclable

In response to the desire by all of our customers to have 100% recyclable material product solutions Autins Group have developed a 100% recyclable version of Neptune called Lightyear. This material boasts the same market leading Acoustic and Thermal performance at very low weight

100%
Recyclable

Up to
30% lighter
than comparable materials for a given weight

Made on
Patented
technology equipment

Silentshell

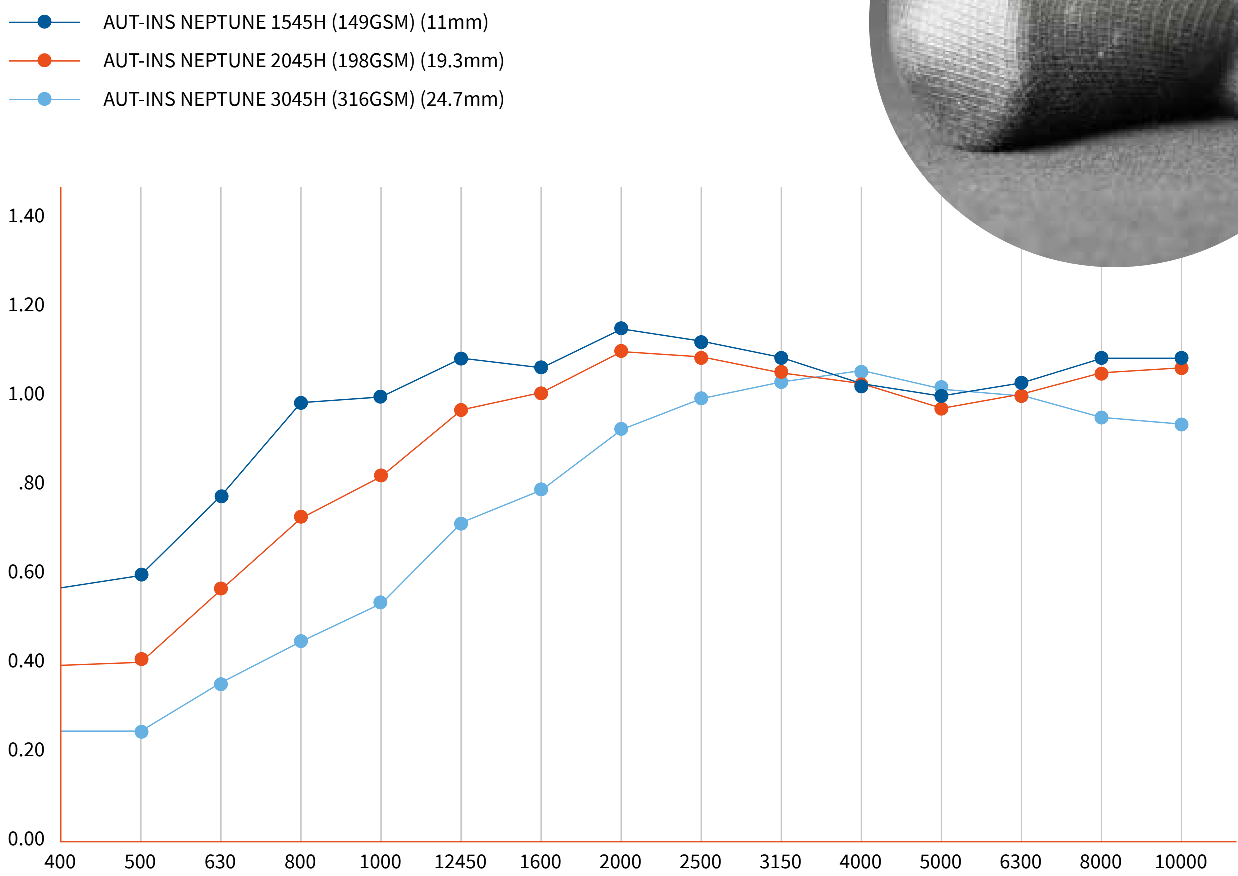
Encapsulation solutions for Electrical Vehicles

…for

- Actuators
- Air Conditioning Compressor
- Powertrain
- Gearbox
- Ventilation
- Servo System
- Locking System
- Electric Motor
- Mechatronic system
- Battery & Energy System
- Steering System
- Electric Drive
- E – Axis
- Pumps

- A flexible external “barrier” with Neptune (or Neptune-R) absorber inside
- 100% recyclable – a single material
- Low emission green product
- Exceptional performance close to source of noise
- Compact using minimum space
- Customised solutions for every noise problem

Alpha Cabin Absorption Results Comparison:



Our Commitment to ESG

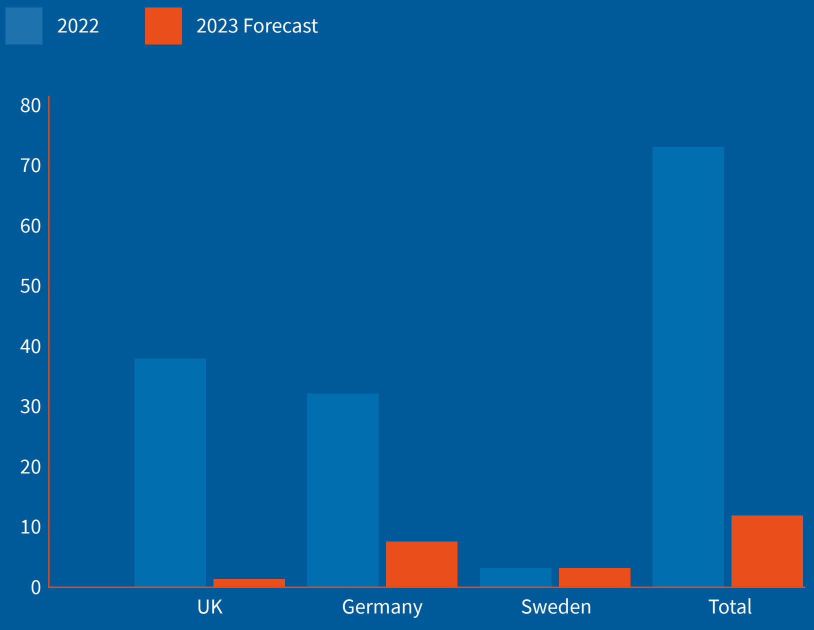
Our future is about sustainable growth

- 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 customers and 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
- Strategic priorities for ESG:
    - Measure, monitor and manage continuous improvement of the key environmental data points (energy, CO2 , water and waste)
    - Aim to reduce turnover of the permanent staff in the UK
    - Adhere to the finnCap methodology

Environmental

During the year we have negotiated for the UK and German sites to move to 100% renewable energy sourcing from October 2022, which is now delivering an 84% reduction in our carbon footprint. Sweden already had environmentally friendly energy sourcing in place.

84% Reduction in CO^2 Emissions



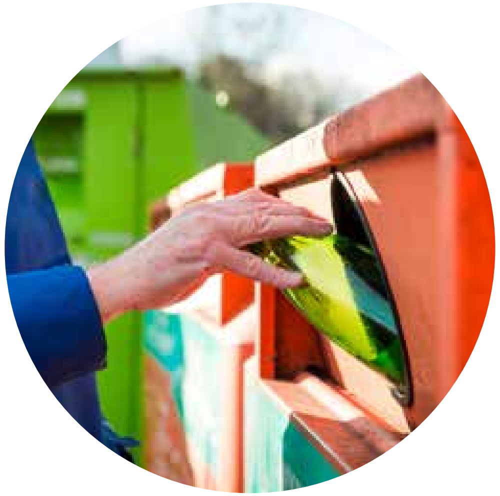
Our Commitment to ESG

Carbon footprint reduced by
84%
since October 1st 2022

In UK water usage in our factories reduced
54%
per £m of revenue

In UK, landfill waste reduced by
47%

Individual components:	Units	Company value	Sector Median
Compare very favourably across our industry			
Energy consumption	mwh/£m	194	90
CO_2 production	tonnes/£m	12	32
Water consumption	m3/£m	127	719
Waste production	tonnes/£m	13	No other company has provided data
Has an environmental or sustainability policy?	yes/no	Yes	90%



Our Commitment to ESG

Case study

Supporting our environment

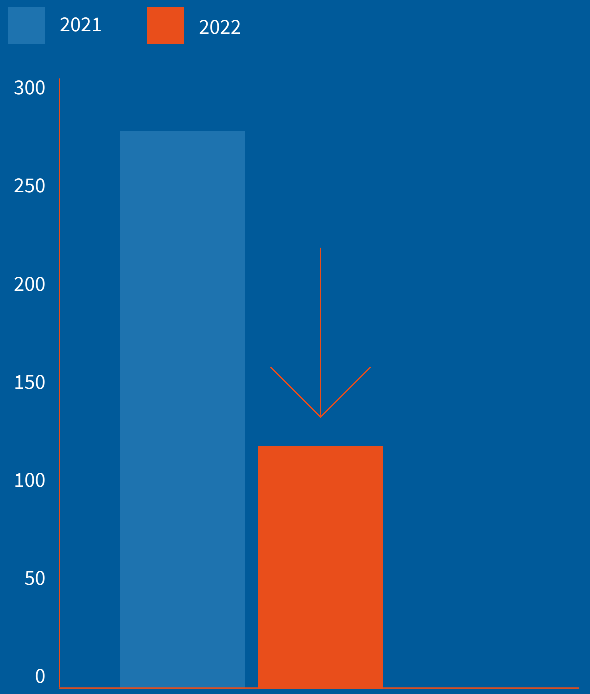
We have a strategy to convert every product to be as environmentally friendly as possible. During 2022 we launched SilentShell, an encapsulation solution to contain noise at the point of source. The product is 100% recyclable because it is made from one material, polypropylene. A patent is filed and pending for this development. The priority development due for launch in 2023 is Neptune-R a 100% recyclable version of our leading technology, Neptune.

In general, 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.

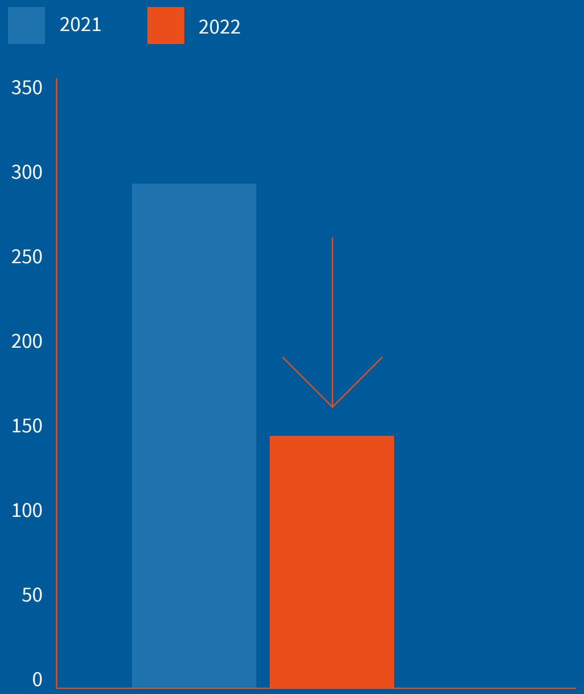
Our Purpose, as a company, is to reduce noise pollution and energy waste.
Across our factories we aim to use **renewable energy sources and technologies** and we are pleased to confirm the following significant improvements in our waste and recycling streams:

- Water usage in UK down by 54%
- Landfill waste in UK down 47% and recycled waste down 19%

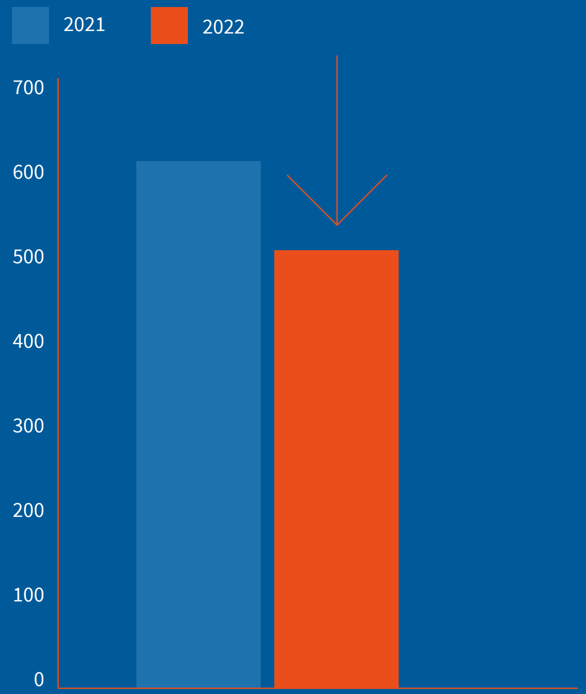
Water usage (m3) per £m in UK redcued by 54%



Landfill waste UK reduced by 47%



Recycled waste streams UK reduced by 19%



Our Commitment to ESG

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.

During 2022 we obtained government funding and successfully completed a capital project to install fans into the Tamworth site to improve working conditions and reduce air temperatures and humidity. This was the number one complaint from our workforce in staff surveys and the feedback since completion is wholly positive.

Staff turnover rate in the UK has been a target area for our attention and we are disappointed to report that staff churn did not improve this year. Initially we saw significant improvement as a result of implementing a wide range of measures including increased engagement of employees to find shared solutions and included pay increases ahead of the curve, introducing a banked hours scheme to protect monthly take home pay and give flexibility to staff, enhanced overtime so permanent staff could increase their income and so reduce dependency on temporary staff and additional unpaid options. However, the cost of living crisis has impacted the office staff churn rate and latterly redundancies have contributed to a further increase. The engagement level of supervisor level staff remains very stable. Our overseas locations benefit from strong retention, although salary inflation is a common theme everywhere.

Individual components:	Units	Company value (UK Only)	Actual or Estimate	Sector Median
Churn impacted by redundancies				
Employee turnover rate	%	34%	Actual	17%
Has discrimination policy?	yes/no	Yes		90%
Has community outreach policy?	yes/no	Yes		50%
Has ethics policy?	yes/no	Yes		70%

Our Commitment to ESG

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. We also have staff who volunteer in various homeless charities who carry out work with homeless young people and refugees, as well as carrying out school governor roles.

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 Kids Out Christmas Tree appeal that provides toys for children living in local refuge homes. Members of the senior team are also involved as Trustees of Hospices.

Case study

Enhancing our corporate governance

The Board undertakes from time to time a full QCA Board Effectiveness Reviews and formal anti-bribery training, along with company management and staff.

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)	Sector Median
Autins Group is in quartile 1 compared to sector and all markets			
% women on Board	%	0%	15%
% independent Directors on Board	%	50%	50%
CEO pay as multiple of UK median	*	8.0	9.8
Is CEO and Chairman role split	yes/no	yes	100%
Adheres to QCA Code for Corporate Governance?	yes/no	yes	90%

> 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 Values

Our values

Teamwork

In order to meet competing demands of reducing costs and perfect levels of customer service we asked our staff to become multi-skilled and work across multiple locations. This has been embraced in a perfect spirit of teamwork and cooperation. The speed of engagement and quality of collaboration is a testament to the leaders we have across the business.

Accountability

Ultimately, we must deliver the best return possible for our shareholders and stakeholders, and secure the long-term future of the business. With revenue across the business well below target levels, volatile customer demand decreasing our efficiencies and material, labour and energy inflation at historic levels, we had to pursue customer price increases and further overhead cost reductions. These are difficult to achieve without risking loss of customers and engagement of key staff. Management had the moral courage to address both of these areas and as a result expect to achieve significant benefits for the forthcoming year that challenging actions have been taken whilst retaining key staff, maintaining good morale and without losing any customers.

Expertise

By year end we are very close to launching a 100% recyclable alternative to Neptune with essentially the same performance characteristics.

Agility and Creativity

In the face of high material cost inflation, we have resourced several materials to mitigate these increases and secure supply. A key achievement has been resourcing a scrim.

Passion

The Autins team is passionate about helping our customers and delivering perfect quality on time. In a very challenging year where we have had to do more with less people, we still managed to maintain a 99.5% on -time-in-full service record and a world class quality performance level in all countries without any reportable safety incidents. We believe this matters.

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 21 and see how we are executing on the strategy on pages 20–22.

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

Our stakeholders

Employees

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.

Material topics

- Live our values everyday
- Our success is built on the engagement and motivation of our employees.
- Understand how each person contributes to the Group strategy and adds value.
- Expect to be challenged and be given the opportunity to learn and develop.
- Expect to be listened to, trusted, and empowered.
- Aim to minimise turnover of staff and increase the average term of service.

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

- If customers win, we win.
- We develop solutions, so we need to build trusted partnerships.
- Bring new technology and innovation
- Show how we provide more value, than the cost of using our products and services.
- We must be agile to create value in a fast-changing world.

Our stakeholders

Shareholders

Management is totally committed to execute a growth strategy and bring the business to a condition where it provides positive returns for our investors.

- Financial and operational performance;
- Business strategy and model;
- Leadership;
- Capital allocation;
- Dividend; and
- Governance.

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.

- Competitive offering and innovation;
- Reliability and responsiveness;
- Compliance with anti-bribery and corruption laws; and
- Prepared to be a supply chain partner.

Regulators

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

- Compliance with all relevant legislation;
- Openness and transparency; and
- Avoiding conflicts of interest.

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.

- Engage with local and national social enterprises, charities and school fairs;
- Supporting industry to improve awareness of opportunities for students and apprentices; and
- Proactive involvement in industry associations.

Our stakeholders

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 video updates posted on the Autins app, regular meetings with staff or representatives of staff;
- 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
- Communiction with Shareholders post Covid has been a mix of face-to-face and web enabled conferencing.
- 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 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 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.

Our stakeholders

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 Leadership Team 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 QCA 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.
- External experts are engaged from time to time for fresh unprejudiced opinions.

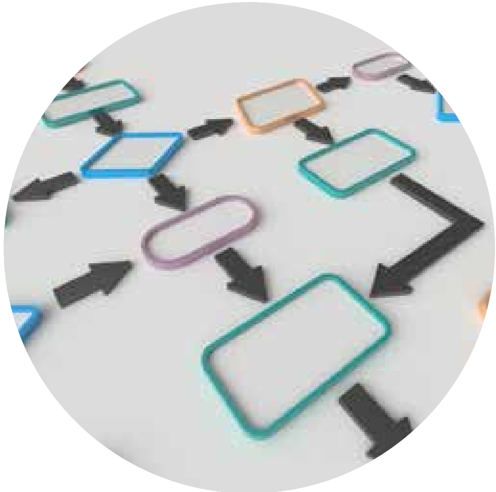
Key Board Decisions

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, semi-conductor supply chain issues, and the current geopolitical and economic dynamics.	• Regularly reviewed the challenges presented by supply chain shortages, the Covid pandemic and prevailing global political and economic circumstances. • Detailed considerations as to how we continue to operate safely on sites and in offices, and conduct needed business travel. • Continued actions in relation to government support schemes, mainly in the form of furlough monies and managing CBILS schemes, complemented with bank support activities detailed later in this report, to provide the Group with sufficient liquidity headroom to withstand downside trading scenarios. • Initiated product and process development initiatives to help improve total gross profit. • Initiated restructuring, cost reduction, contract improvement and cash management initiatives.	• The safety of our workforce remained a primary driver during this period, together with their and the Group's financial security. • The Board recognised the trade-offs of managing the financial security of the Group, servicing customers and the impact of affecting staff shift patterns. • The Board ensured clear communication took place, through safe platforms to all employees regularly. • The Board recognised the importance of engaging wider stakeholders. The Group engaged with its bankers, its supply chain, key customers, in determining its key actions. • The Board is conscious that the actions of the Group during these challenging periods will have an ongoing impact on future stakeholder relationships.

Key Board Decisions

Decision	Actions taken	Key stakeholder groups considered
Funding and cash headroom adequacy, balance sheet strengthening, both for growth and provision of a market recovery buffer.	• December 2021, secured a £3.0 million equity fund raise, primarily through the existing shareholder base. • Banking covenant waivers extended until March 2024. • Loan capital repayments deferred until July 2023.	• The Board decided that given the uncertainty on timing of recovery from the semi-conductor supply crisis that it was in the best interests of all stakeholders to strengthen the balance sheet to protect the business and support ongoing strategic activity. • Our Lenders also supported us with extended payment plans.



Key Board Decisions

Decision	Actions taken	Key stakeholder groups considered
Setting the annual Group budget and subsequent forecast modelling within the pandemic and disrupted supply chain environment, against the backdrop of global geo-political challenges which also added to cost inflation.	• Reviewed and approved Group budgets for FY23/24 and profit and cash flow forecasts for the 24 months commencing 1st October 2022. • Review and scenario modelling of future trading to support liquidity, banking compliance and the going concern assessments.	• In reviewing the budget and subsequent forecasts, the Board considered the impact on all stakeholders. • Setting the budget identified key areas of focus for the Group, providing development opportunities for employees, some of which have already been implemented. • The budgeting process reviewed key information that make decisions related to manning levels, the design of future value project streams, contract negotiation and capital expenditure. • In setting the budget the Board also gave consideration to customers and identified opportunities to develop customer relationships and improve service delivery and efficiency. • Considxeration was given to suppliers and ensuring their payments are made on a timely basis.

Key Board Decisions

Decision	Actions taken	Key stakeholder groups considered
Restructuring including the redundancy of certain team members	• The ongoing impact of the semi-conductor crisis, end of furlough scheme and uncertainty on timing of recovery meant the UK and Swedish businesses undertook further redundancies at the end of the year, • Various roles were evaluated and actioned for redundancy. • Productivity improvement remained critical and cross area skill training is also being used.	• The Board considered the impact on the wider workforce and in particular those directly impacted by the restructure. • Whilst the actions to improve the Group cost structure were considered necessary, the Board recognises the negative impact the process can have on employees. The Board ensured that the redundancy process was completed 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 2021.

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.

Financial Review

Rebuilding the future business platform against challenging global fundamentals

Key highlights and challenges of FY22

- £3m (gross) equity fundraise completed in December 2021.
- Revenues reduced in line with automotive industry dynamics.
- Ukraine war and global economic factors affected energy, materials, other input costs adding to ongoing supply chain disruption.
- Tight labour market with rates under continuous pressure.
- The dual impact of lower revenues and rising costs, created challenging trading circumstances impacting both EBITDA and cashflow.

Key actions to rebuild the future platform

- Customer contractual improvements concluded.
- Further cost and workforce restructuring.
- Materials improvement projects.
- In isolation, completed actions have annualised improvement run rate profitability in excess of £2.5m.
- Labour productivity managed to largely offset labour rate increases.
- Banked hours scheme used to optimise employee pay stability and flexible production working patterns.
- Working capital held steady, and cashflow improvement actions taken.
- Lender confidence and support validated with covenant waivers extended until March 2024, and further payment deferments until July 2023.
- Continued investment in equipment for operational performance gains.
- Post reporting date trading performance significantly improved:
    - FY23 Q1 EBITDA near to breakeven at £0.1m profit
    - FY23 Q1 Cash headroom was £3.5m (September 2022 : £3.7m)

Trading £000	H1	H2	FY22	FY21
Revenue	9,392	9,481	18,873	23,431
Gross Profit	2,353	1,882	4,235	6,328
Gross Margin %	25.1%	19.9%	22.4%	27.0%
EBITDA	(350)	(800)	(1,150)	1,094
Operating Cashflow	(361)	(174)	(535)	994

Debt and Cash Headroom £m	H1	H2	FY22	FY21
Net Debt	1.0	2.0	2.0	2.7
Cash Headroom*	5.1	3.5	3.5	2.9
Loans and Borrowings			(3.8)	(4.0)

Financial Review

Revenues decreased by 19.5% to £18.9m year on year as automotive sector supply disruption worsened. EBITDA decreased in line with sales to a loss of £1.2m for FY22. The Ukraine war and global economic dynamics added inflationary pressure to input costs, mainly in the areas of materials, energy and labour. This in turn further eroded profitability and cashflow in H2 FY22, despite Group revenues being marginally higher than H1 FY22. Furlough claims had effectively ceased in FY22 being £0.02m, compared with FY21 at £0.65m. The equity placing in December 2021, improved net debt to £2.0m at the year end, which was lower than the FY21 closing value of £2.7m. There was only a small repayment of debt during FY22 because repayment waivers were in effect for most of the year. Group cash headroom at the end of FY22, including the undrawn invoice finance facility was £3.7m.

A number of restructuring and profit improvement actions were planned and commenced during H2 FY22 and were substantively completed post year end. This includes workforce restructuring, cost reduction including material improvements and contractual improvements, including price increases. A banked hours system has been running since October 2021 to help optimise labour efficiency and worker pay stability despite demand volatility. This has proven to be successful and its use has been extended to help cover customer shutdown periods. The combined impact of completed actions has an annualised improvement run rate profitability in excess of £2.5m (before considering other material factors that may impact the Group's overall performance in FY23, perhaps materially so), and this has improved post year end trading significantly.

Although Groupwide sales do remain narrowly behind internal forecasts, gross profit, cost management, EBITDA and cashflow performance are in line with forecasts reviewed with our two major lenders. FY23 Q1 EBITDA, prepared on a consistent basis, was a small profit of £0.1m. Cash headroom reduced slightly to £3.5m at the end of December 2022 (September 2022: £3.7m) reflecting the near breakeven EBITDA and some minimal capital expenditure in equipment intended to improve operating performance. The Group continues to hold strategic buffer stocks to help guard against supply disruption and also smooth factory production against short term demand call off volatility.

Post year end, we have obtained further banking support from both of our major lenders, with covenant waivers extended until March 2024 and capital payment deferments extended until at least July 2023.

Revenue

Automotive revenues remained disrupted throughout FY22, with the UK and Sweden being the most impacted. In the UK, although month to month volatility remained prevalent, the rolling 3 month average remained at around £1m per month, except for the month of September 2022 where there was a sharp unexpected shortfall in semi-conductor supply at a key customer. As noted above, there has been some revenue improvement and stability since the year end. During the year tooling revenues also declined in line with OEM new product activity. UK non-automotive revenues, mainly in office pods, also began to level off despite some initial promise as customers re-thought their home and office working patterns following the pandemic restriction changes.

Sweden revenues remained consistent at £1.1m (FY21: £1.1m), with some new product wins offsetting some declining products. Germany continued to see contract growth in its automotive business at £3.2m (FY21: £2.8m). Flooring revenues in Germany reduced to £3.4m (FY21: £4.7m), albeit some of this reflected less requirement for launch stocks.

Underlying Neptune production and revenues remained stable. UK external sales were lower in line with general market trends, however new customer wins in Germany meant that overall volumes slightly increased, with external sales values at component level forming an increased proportion of total Group revenues.

Financial Review

Gross margin

Automotive margins declined across the group to 22.4% (FY21: 27.0%). This was the net result of a combination of factors including long term competitive and fixed pricing within automotive contracts, against a backdrop of adverse cost inflation. Materials, inbound transport and energy costs were impacted by prevailing global economic factors. This had knock-on consequences for labour rates at a time when the labour market was already tight given the general reduction in worker availability after Brexit. Volume reductions further exacerbated this by reducing the absorption of fixed production overheads, albeit there was very limited partial offset from continuous operational efficiency actions, including those in Neptune manufacturing processes.

UK automotive margins declined by an average of 6.4% in FY22 from the combined impact of low volumes and input costs continually increasing over the financial year. As noted above, furlough was significant in FY21 at £0.65m, which equated to 5.8% of gross margin, for the UK. Labour productivity improvements and the use of a flexible banked hours labour management approach did have a favourable impact and largely offset labour rate increases. Sweden managed to successfully maintain gross margin, despite volume reductions, through ongoing cost reduction initiatives.

German automotive sales increased 13% despite tough industry conditions, driven by overall contract growth. However, the new contracts were predicated on aggressive fixed pricing, which diluted margins in favour of higher total gross profit. Increased input costs further worsened this position. Gross margins on German flooring applications are consistent with mainstream automotive margins. However, given that the follow-on costs are primarily sales commissions with very few additional operational costs to serve, the net EBITDA margins from flooring remain significantly additive.

During the year, the Group initiated a number of price and contractual improvement actions, and post year end had made significant progress (as noted above), with further discussions ongoing. Combined with further materials improvements and restructuring actions this improved gross margins by c.7% in Q1 FY23, making them much closer to pre-pandemic levels. This has been pivotal in rebuilding the trading platform for the future.

EBITDA and operating profit

FY22 EBITDA fell significantly to a loss of £1.2m (FY21: EBITDA profit £1.1m). EBITDA is stated on a consistent IFRS16 basis. The reported statutory operating loss was £3.0m (FY21: operating loss of £0.7m), representing a worsening of £2.3m. A detailed review of fixed assets in the prevailing economic and lower volume trading environment resulted in £0.2m of additional depreciation being charged against plant and machinery.

UK EBITDA decreased to a loss of £1.7m (FY21: £0.0m). Germany EBITDA was £0.3m profit (FY21: £0.9m). Sweden revenues were consistent with the prior year and yielded a consistent EBITDA of £0.2m (FY21: £0.2m profit). These stated measures exclude the impact of management recharges into Europe and apply Group plc costs entirely against the UK entities only, this is consistent with prior years.

As noted above, there was a significant reduction in UK furlough income. There were no other significant financial support grants during the year, except a modest contribution of £0.02m to energy saving LED lighting (FY21: £nil).

The Board acknowledges 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.

Financial Review

Exceptional items and prior year adjustment

There were no exceptional costs charged in FY22 (FY21: £nil). To be consistent with analysts, measure of the Group's performance, amortisation of £0.2m (FY21: £0.2m) in relation to acquired intangible assets recognised as a result of the Group's conversion to IFRS at IPO (having previously been held as non-amortising goodwill) should be excluded to provide an adjusted operating profit. Accordingly, the adjusted operating loss, allowing such amortisation, would be £2.8m (FY21: loss £0.5m).

During the year, a detailed review of intercompany account reconciliations stemming back several years was conducted by the Company. This has led to some of the historic balances being written off, including a prior year adjustment as per note 23.

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 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 29% to £1.7m (FY21: £2.4m), given an equivalent impact on them from semi-conductor supply constraints reducing their end customer demand. Further margin and overhead cost control actions were taken by management, albeit sales overheads were increased to expand the sales organisation for future growth; and new contracts were won which helped offset the base contract reductions. The EBITDA for the year was a loss of £0.04m (FY21: EBITDA profit of £0.23m).

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 alternative currencies. The Group also has Euro based purchases for materials and production, including equipment. As Euro sales continued to proportionately increase from our German business, this allowed us to self 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 FY22 and FY21 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 will consider implementing a formal hedging strategy.

Net finance expense

The finance expense remained consistent at £0.5m (FY21: £0.5m), and under IFRS 16 includes £0.3m of financing charges derived primarily from property rental expenses. Bank interest at £0.2m (FY21: £0.2m) is derived almost entirely from the CBILS and MEIF term loans. The Group's MEIF term loan is at a coupon rate of 7.5% and remained fully drawn during FY22, with no capital repayments having been made under agreed extension terms. The CBILS 6 year term loan had a balance of £1.9m outstanding at 30 September 2022 (FY21: £2.0m), and was converted to a fixed interest rate of 4.69% with effect from 8th October 2022 (FY21: 3.99% above base rate).

The primary UK invoice financing facility was largely undrawn during FY22. Our strategy to optimise working capital, includes special focus on debtor collections

Financial Review

coupled with maintaining a timely payment cycle to trade creditors. Inventory continued to be rationalised where possible; however, the investment in c.£0.5m of strategic buffer stocks continues primarily for Far East raw materials supplies and some finished goods buffer stocks to satisfy short cycle customer demand. Sweden periodically used its modest overdraft facilities during FY22, ending the year with no borrowings (FY21: £0.02m). Our key Far East suppliers continued to extend direct open credit to the Group throughout FY22, and so trade finance was not required. Car and equipment finance leases further reduced in FY22, as payments were made to term agreements with no renewals, which reduced interest costs slightly to £0.02m (FY21: £0.02m).

An analysis of the net finance expense is presented in note 8 on page 120.

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 tax asset. The balance sheet asset has been reviewed and, although considered to be supportable based on the Group's expected future trading, has been adjusted to £zero for prudence.

The Group's technical and R&D teams have, as in prior years, continued to enhance materials applications, improve processes and develop new products. The post pandemic automotive industry dynamics and ongoing semi-conductor supply chain disruption mean that significant net losses continue to remain available. Accordingly, the Group strategy remains to utilise losses to obtain actual R&D tax credit cash refunds to maximise liquidity. An R&D tax credit claim will be submitted for FY22 in the usual course. R&D claims for the years ended September 2019 and September 2020 were submitted in FY21 as shown per note 9 in the accounts with initial repayment having been received on time. This latter claim was resubmitted with an optimised loss position yielding a further £0.25m of cash refund during FY22. The R&D tax credit claim for FY21 was also submitted and cash refund received to the value of £0.06m. R&D activities continue 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 £0.95m in the UK (FY21: £0.95m).

The Group's German subsidiary has largely utilised its historical tax losses during FY22, which may result in a degree of tax at a higher rate on future profits in Germany, whilst brought forward taxable losses available in Sweden will, in the short term, at least partially offset their expected trading profits. The Group has a further £0.06m (FY21: £0.03m) unrecognised tax asset in respect of Swedish tax losses.

Earnings per share

Loss per share was 6.34 pence (FY21: Loss per share 2.74 pence) reflecting the increased loss in the year. The weighted average number of shares was 51,683,793 in the year (FY20: 39,600,984) allowing for the new issue of ordinary shares in the December 2021 equity placing. Calculations of earnings per share and the potential dilution arising from the senior management share option scheme in future periods are presented in note 10 on page 122.

Dividends

The Board are not proposing a final dividend for the current year (FY21: £nil) and no interim dividend was paid (FY21: £nil).

Net debt and working capital

The Group ended the year with net debt of £2.0m (FY21: £2.7m) excluding the IFRS16 calculated lease liabilities of £5.5m (FY21: £5.6m) as disclosed in the reconciliation of movements in cash and financing liabilities on page 104.

No additional borrowing facilities were obtained or utilised during the year. Of the CBILS loan £0.1m was repaid during the year with a balance of £1.9m outstanding at the year end. Hire Purchase liabilities were reduced to £0.1m (FY21: £0.2m). Accordingly, total debt was reduced by £0.2m.

Financial Review

The Group has continued to optimise working capital during the year, which has been described above. Special focus remains on timely collection of trade debtors and timely payment of trade creditors. Far East purchases are obtained on open credit terms from the respective suppliers. The Group continues to hold c.£0.5m of strategic buffer stocks.

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.

As we reported in the prior year annual report and accounts, the Group completed an equity placing with gross proceeds of £3.0m (£2.8m net) in December 2021, primarily with the participation and support of its existing shareholders. In addition, dual lender support was obtained in the form of loan repayment deferments until January 2023 and covenant waivers until March 2023. These related to the outstanding UK CBILS and MEIF term loans.

Given the challenging trading circumstances experienced in FY22, the Group has taken a series of actions which in isolation (as noted above), have significantly improved EDITDA (and so cashflow) in excess of c.£2.5m per annum. Having held further discussions and presented updated forward forecasts, incorporating significantly improved actual performance, the Group has successfully obtained further banking support confirmations from its two primary lenders. Covenant waivers are now extended until March 2024 and there is further easement on the timing of capital repayments until at least July 2023.

As at 27 January 2023, shortly before the reporting date, the prevailing cash headroom for the Group was in excess of £3.5m (January 2022: £5.0m, September 2022: £3.7m). This includes undrawn balances on the UK invoice financing facility which has in excess of £2.5m available, with its operational limit currently agreed at £3.5m against relevant trade receivables. Group net debt at the end of FY23 Q1 was £2.7m (September 2022: £2.0m), and actual Group bank cash was £1.1m (September 2022: £1.8m). Our transactional banking and invoice financing facilities with our primary lender have an annual review date that is currently in March of every year. These are critical to our cash headroom position and the Board expects the facilities to be renewed on near to similar terms.

Whilst Groupwide sales do remain narrowly behind FY23 management forecasts, margins, costs are favourable; accordingly, EBITDA and cashflow performance are in line with forecasts reviewed with both major lenders. FY23 Q1 actual EBITDA was narrowly positive at £0.1m, representing a significant improvement over FY22.

In undertaking their assessment of the future prospects for the Group, the Directors have prepared trading and cash flow forecasts for the period to 31 March 2024 for the purpose of assessing the going concern basis of preparation, with further forecasts going out to 30 September 2024. These take into consideration the current and expected future impacts from industry conditions, reduced customer demand, semi-conductor supply recovery timelines and also have regard to the committed business and general enquiry levels from existing customers. The Directors have also considered the impact of current and future demand levels for new vehicles, the migration to EVs 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 downside sensitivities, to the available bank facilities and the related covenant requirements. Notwithstanding the agreed deferments, the residual loan repayments and interest costs are expected to be adequately covered by the combination of operating cash generation over the forecast period and the Group's prevailing liquidity headroom derived from its currently available facilities. These should accommodate all reasonably foreseeable cash flow requirements in the event of further changes with further flexibility also available to reduce operating costs, should the need arise or flex payment structures to manage the cash position.

The most sensitive factor impacting the forecast period, and the continued availability of the current facilities, is ensuring that liquidity remains reliably

Financial Review

positive for the Group, albeit the Board has set a minimum liquidity target of £0.4m. In the next financial year, achievement of this minimum required UK (and Group) liquidity target, without significant further unplanned cost or efficiency improvements, is predicated on minimum UK revenue levels (prior to price increases) of £11.0m in FY23 and £13.4m in FY24. These revenue levels compare with UK revenues of £11.8m in FY22, £14.3m in FY21, £16.8m in FY20 and £21.3m in FY19. New business continues to be won and, accordingly, the Board are confident that the sales and liquidity targets can be met.

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.

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 a 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 2022 (both existing and generated in the year) by reference to discounted cashflow forecasts for separately identifiable cash generating units. These forecasts consider Board approved budgets, and medium-term IHS industry data where appropriate considering an assessment of likely future revenue growth.

Having considered the assumptions, headroom and a range of reasonable sensitivities the Board are able to conclude that the carrying values remain recoverable.

Capital expenditure

Additions to tangible fixed assets were £0.2m (FY21: £0.4m) in the year with no significant single items 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 performance is ongoing and the Board expects expenditure to be incurred on an ongoing basis in FY22 in support of further operational gains.

Research and development costs of £0.11m (FY21: £0.03m) 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 113.

Kamran Munir
Chief Financial Officer
30 January 2023

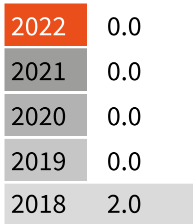
Key Performance Indicators (KPIs)

Lost Time Injury Frequency Rate (‘LTIFR’)

KPI Definition

LTIFR is calculated as the number of lost time injuries leading to more than one day off work, divided by one million and multiplied by the number of hours worked.

Performance



(One incident would represent 2.0 for FY21)

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).

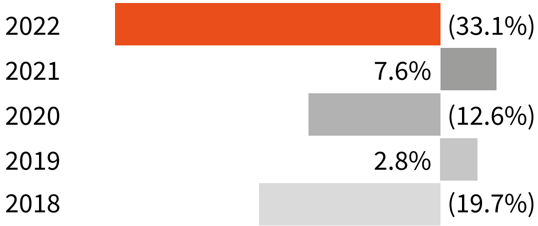
The business has had no lost time incidents since October 2017. Given this consistent good performance, management focus daily on minimising any minor incident and over the last two years have given more attention to increasing awareness of mental stress in the workplace.

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.

Performance



(Target: CAGR 15–20% over 3–5 years)

Comment

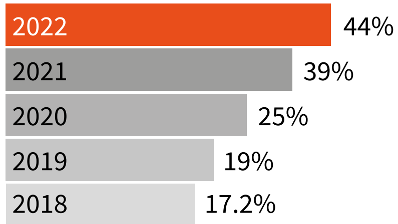
Gross profit reduced, due to a 19.5% fall in revenue due to ongoing supply chain issues in the automotive industry, primarily global semi-conductor shortages and inflationary cost pressures which reduced gross margin from 27.0% to 22.4%.

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

Sales in Europe declined by £1.5m, driven mainly by a reduction in German flooring sales. The regional mix remains somewhat exaggerated by UK automotive sales decline relating to semi-conductor shortages.

Key Performance Indicators (KPIs)

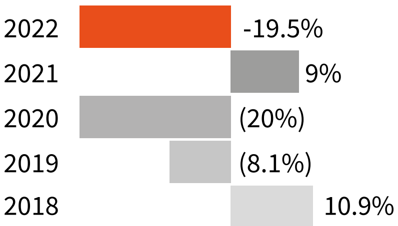
Organic revenue growth (%)

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

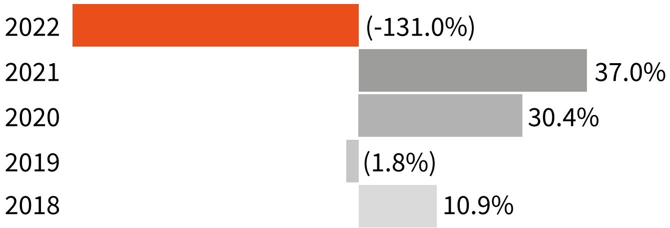
The negative impact of semi-conductor shortages in the automotive industry and weaker flooring sales caused revenue to decline by 19.5%.

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

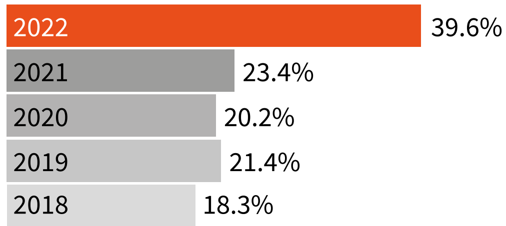
The deterioration results from increased losses.

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

KPI Definition

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

Performance



(Target: over 10%)

Comment

This KPI grew by 16.2% points to 39.6%. Neptune sales were stable year on year and accounted for 14.2% of the increase, bolstered by £423k of new sales to DAF and then additional new customers accounted for 2% of the increase.

Principal Risks and Uncertainties

Risk	Description and potential impact	Mitigation
Supply chain challenges caused by a succession of global events including Brexit, Covid and the Ukraine war which have caused material shortages (e.g. semi-conductors), material cost inflation, labour shortages and inflation and a global energy crisis	Brexit, Covid and the Ukraine war have each in turn contributed to material shortages (e.g. semi-conductors), material, labour and energy cost inflation, due to labour shortages, container shortages, under-capacity and a global energy crisis. As a result, demand for our products is reduced and margins are squeezed. Our automotive customers have reduced demand significantly on all of their suppliers because they cannot complete their own car production. The construction markets have also seen a down turn as a global recession gathers pace, which reduces demand for our flooring and office pod products.	Price increase actions with all customers is a priority action and good progress has been made towards the end of the year, with further opportunities being chased. Overhead restructuring actions have been taken in UK and Sweden. Innovation to drive market share gains and revenue growth is critical to long term profitable growth, hence the launch of Silentshell and Neptune-R. The company has a track record of hedging its energy requirements to help reduce uncertainty and volatility. The next 24 months of energy requirements have been mostly hedged.

Principal Risks and Uncertainties

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. 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.	Our values have been deployed across all layers of the organisation to help create alignment from all staff around our strategic aims. Executive and leadership team key KPIs and policy deployment are cascaded throughout the organisation creating direct alignment of goals to allow identification of under-performance and allow actions to be taken to address and improve results. Additional cost and cash management actions may be required to offset any sales deviations. Avail the business of any relevant grants and government funding – examples include a grant to fund the installation of a ventilation system in our Tamworth site and also access to R&D tax rebates.

Principal Risks and Uncertainties

Risk	Description and potential impact	Mitigation
High dependence on automotive sector and market cycles.	The Group's revenues are primarily derived from the automotive sector. Demand for passenger cars could be materially affected by changes in government policy, including tax regimes, environmental standards and incentives. The continued and expected growth in alternative fuel and electric vehicles may change 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. We believe that there are adjacent sectors to which our knowledge, materials and process capability are transferable and continue to explore those sectors. 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 – for example Silentshell and Neptune-R. We have demonstrated our ability to grow our customer base across Europe and into new applications. 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.

Principal Risks and Uncertainties

Risk	Description and potential impact	Mitigation
Dependence on key customers	More than half of the Group's revenues continue to be derived from one customer. In addition, both European sites also have high customer sales concentration. The Group's income and individual site's profitability could be materially adversely affected by changes to our relationship with these key customers, including a decision to diversify or change how, or from whom, they source the components that we currently provide, an inability to agree on mutually acceptable pricing or a significant dispute with the Group. Should the commercial relationship with one of our key customers terminate for any reason, or if one of these customers significantly reduces its current or forecast business with us and we are unable to enter similar relationships with other customers on a timely basis, or at all, our business could be materially adversely affected.	Progress has been made so that 40% of sales are now from our German and Swedish operations combined and 20% of sales are to non-auto markets. The target addressable market within our specialist area of automotive NVH is significant and therefore provides huge potential opportunity for diversification and market share gain with other European OEMs. Management continues to be focused on strengthening customer relationships, and, for our key customers we strive to have multiple contact points. Key Customer Account Plans that outline our strategic development activities have been deployed. These plans also document roles and responsibilities of all Group functions in their support of customer relationships. We are targeting smaller OEMs and Tiers who have need for our specialist NVH resources and wish to access our unique Neptune technology. We continue to grow our customer base in each of the markets we serve.

Principal Risks and Uncertainties

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 long-term loans with HSBC, and a long term MEIF loan with prevailing covenants. Working capital funding is primarily provided by a flexible invoice financing (IF) facility. Material short-term demand fluctuations (such as that experienced in the pandemic trading environment in both FY20 and FY21) would have an immediate impact on the IF facility headroom. It is also likely that this headroom volatility would be magnified by short- term inventory fluctuations within the supply chain and an unwind of trade payables from lower demand.	Our annual budgeting and in-year reforecasting processes model the effect of certain contingencies and their effect on working capital. The equity raise completed in December 2021 provided the Group with additional financial headroom. Both of our long-term lenders have supported covenant and payment easement as noted above, for both of the outstanding term loans. Short-term borrowings have been reduced and the term loans provide greater surety in a period of variable market demand. The IF facility is flexible to manage working capital fluctuations. Stocks and debtors combined are more tightly managed than before, and the facility was largely undrawn during FY22. Long-term asset backed finance products are used for capital investments. Our supply chain management and relationships have been tested over the pandemic period. We have been able to achieve co-operative favourable outcomes to manage stock fluctuations, ensure supply continuity, and agree flexible payment structures that reduced financial risk.

Principal Risks and Uncertainties

Risk	Description and potential impact	Mitigation
Retention of key staff in business-critical roles	As an SME, the Group inevitably has certain roles that are business critical and a higher level of reliance on certain individuals for key external relationships and growth. The automotive sector had undergone a period of sustained growth, especially within the UK, which has reduced the availability of certain skills and experienced personnel. Risk is elevated with greater key staff reliance after having made recent redundancies. This risk is compounded by low national unemployment levels and high wage inflation.	Management conduct regular reviews to discuss key staff and development plans as well as ensuring that our reward and remuneration packages remain competitive against benchmark levels in the region. We have continued to 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. A collegiate, motivating and dynamic workplace culture provides a good environment for staff retention. Our staff survey feedback remains positive and has improved over the 2 last years.

Principal Risks and Uncertainties

Risk	Description and potential impact	Mitigation
Dependence on relationship with IKSung, and supply interruption	The licensor of the intellectual property rights related to Neptune, IKSung, are the supplier of patented and non-patented ingredients used in manufacture of the patented materials. There is therefore risk of a potentially significant adverse impact on our ability to serve customers were this relationship to deteriorate or breakdown, or supply was interrupted for other reasons.	Alternative suppliers have been secured for all non-patented materials within Neptune to allow risk mitigation. 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. The licensing agreement conveys the right to source the proprietary fibre directly from the manufacturer (a large 3rd party material producer) in the event of IKSung being unable to do so. Alternative emergency supply sources have been identified. 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. We have collaborative relationships with other Neptune manufacturers.

Principal Risks and Uncertainties

Risk	Description and potential impact	Mitigation
Major failure of Neptune line	The Group's Neptune production line is the only such facility in Europe. An extended breakdown could affect our ability to maintain continuity of supply to existing customers which could in turn affect the rate of enquiry growth and conversion.	Investments made during the extended installation and commissioning phase included automated process control and diagnostic systems not employed by IKSung that allow for more effective identification and resolution of faults. In addition, the Group received and maintains a critical spares package for the line and has a number of specialist engineers who have received maintenance training on the line. The Group has a schedule of preventative maintenance and repairs in addition to the extensive clean down and inspection completed at the end of each production run. The Group also has an ongoing technical support agreement with IKSung for major machine failures and a back-to-back agreement is held which would allow material to be imported to support demand. We have also engaged industry experts who can advise offset guidance.

Principal Risks and Uncertainties

Risk	Description and potential impact	Mitigation
Risk of competing materials to Neptune	The commercialisation or competitiveness of Neptune could be impeded by technological advances in existing or potential substitute materials which could cause a reduction in demand.	Our specialist R&D technicians have focused projects designed to improve both Neptune, including Neptune-R (100% recyclable) and our other existing materials and to explore new materials applications. We continue to file our own applications based patents, such as encapsulation. We have also improved our own manufacturing processes to improve Neptune's competitiveness. Technical feedback in new customer applications also remains strong against other tested materials.
Ongoing impacts following (Brexit)	Transport cost challenges have prevailed since the transition. Residual risks include additional time and costs needed for customs and cross border procedures. Labour availability issues remain relevant to our business as there was a significant proportion of European workers in the local workforce, many of whom did leave to return to the EU.	The location, design and manufacturing capacity of all our operational facilities are constructed to meet local market demands in their territory. We will continue to invest in further capacity in Europe as the need arises. We have continued to invest in relationships with supply chain partners to establish safety stocks, whilst also developing secondary local suppliers to negate cross border trading costs and risks. The Group seeks to position itself as an employer of choice whilst recognising that the market is competitive and has taken steps to engage staff in the year to better understand needs and motivations and support retention. Systems master data has been updated to facilitate automatic and / or simplified documentation needed for EU post Brexit trading compliance, and this is working effectively.

Principal Risks and Uncertainties

Risk	Description and potential impact	Mitigation
IT systems, 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. Recent trends in automotive OEM system design and the Group's increasing customer base necessitates an increasing amount of EDI linkages which add complexity and increased risk around integrity of data. Interruption of access or loss of these systems could negatively affect the Group's ability to produce, despatch and invoice customers as well as interrupt the smooth running of its own supply chain. The latter could also be impacted by cyber-security issues, for example if data transfer or integrity was impacted. In line with media reports, we have also experienced a higher frequency of general virus and malware attacks, and we plan to safeguard against this.	The Group has invested in its IT infrastructure in order to both improve operational functionality and also protect sensitive and proprietary data from cyber-attacks. The Group has developed an IT security training programme in the year to update staff understanding of the changing risks associated with cyber-security, profiling and phishing Specialist 3rd party IT support consultants are employed, with the use of multi-layer data backup and storage. Regular updates for malware, security, and virus protection are installed. We plan to increase the scope of our actions in this area, and transition to more updated software versions to increase overall protection as required. The Group upgraded all of its PC's to using Office 365 with enhanced security during the year. The Group continues to monitor its IT requirements and may, in future periods, invest further in ERP systems to support diversification, growth and business efficiency. Critical business continuity and disaster recovery plans are reviewed in conjunction with our external IT support providers and, based on testing of these plans, improvements are developed and deployed. 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.

Principal Risks and Uncertainties

Risk	Description and potential impact	Mitigation
Currency and foreign exchange	A growing proportion of the Group's business is carried out in currencies other than Sterling. The Group's financial position or results of operations may be impacted to the extent that there are fluctuations in exchange rates. The Group does not currently, but may, engage in foreign currency hedging transactions to mitigate potential foreign currency exposure. The Directors cannot predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on the business, operating results or financial condition of the Group.	The Group maintains banking facilities in the functional currency of overseas operations and continues to seek, where possible, to buy materials and services locally to the procuring site so as to minimise transactional risk. The Board would consider, for significant future capital projects, a hedging strategy to give certainty at the time of order placement. Speculative transactions of any kind remain prohibited. The Board may implement a hedging strategy to limit or mitigate risk when it believes that the level of transactional risks are sufficiently significant to have potential for material impacts on the Group's results.

The Strategic Report was approved by the Board on 30 January 2023 and signed by order of the Board by the Chairman.

Adam Attwood
Chairman
30 January 2023

Statement of Directors' Responsibilities

IN RESPECT OF THE ANNUAL REPORT AND ACCOUNT

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 for Companies, 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 that 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.

Governance

Board of Directors and Senior Management

Adam Attwood

Non-Executive Chairman

Adam joined the Autins' Board in January 2016 as Non-Executive Chairman. 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 Alaa Memari

Group R&D Manager

Alaa is an experienced material scientist with over 12 years history of working in the automotive, FMCG, thermoplastics and medical industries. He has a strong technical knowledge in textiles and polymer materials and has previously occupied roles in R&D, product development and materials and process engineering. He joined Autins in November 2020 as Neptune Manufacturing Lead focusing on understanding and improving the Neptune line and product. Since August 2022 he has been appointed Group R&D Manager working alongside Autins' leadership towards achieving the company's strategic targets and visions.

Henrik Pettersson

Managing Director, Autins AB

Henrik joined the operations team of Autins AB in 2013 and has over 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. Henrik was promoted from Operations Manager to Managing Director during 2022. He 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.

Board of Directors and Senior 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.

Shane Kirrane
UK Commercial Director

Shane has over 20 years' experience of sales management, business development and engineering experience in the automotive and niche vehicle sector. Shane started his career in NVH in the early 2000's and has a diploma in Acoustics and Noise Control Engineering. He has a range of commodity experience, having worked with a number of key Auto Tier 1's. Shane joined Autins with the intention to leverage his "roots" of NVH, and further foster already strong Autins relationships, as well as expand the capabilities and solutions Autins can offer.

Board of Directors and Senior Management

Neil MacDonald

Non-Executive Director

Neil was appointed to the Board in July 2019 as Non-Executive Director and is Chairman of the Audit and Remuneration Committees. 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. Neil holds numerous other non-executive and trustee roles in the private, public and third sectors.

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).

Board of Directors and Senior Management

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.

Phil Hall

Group Engineering Manager

Phil joined Autins in October 2022 and brings with him 30 years experience within the automotive and aerospace manufacturing sectors. Phil is a Chartered Engineer and qualified Executive Coach having managed at senior levels across a broad range of disciplines within the private sector. Phil has a track record of developing and growing the engineering capabilities of the organisation to position the business for growth and success.

Joerg Thul

Group QHSE Director and UK Operations Manager

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.

Corporate Governance Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2022

The Group has adopted the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies (the 'QCA Code') since September 2018. This is in line with the Board's stated aims of seeking to apply, or work towards, best practice for smaller quoted companies. The Group remains subject to the UK City Code on Takeovers and Mergers.

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

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

An overview of the Group's business model and strategy is set out on pages 20–22 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 66–69) 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 and also host 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 shareholders' expectations and needs with regards
the Group.

The Board recognises the importance of the Annual General Meeting ('AGM') and therefore encourages participation by all investors at the AGM. All Board members present at the AGM therefore make themselves available to answer any questions from shareholders that may arise. Notice of the AGM is in excess of 21 clear days and the business of the meeting is conducted with separate resolutions, voted on initially by a show of hands and with the result of the voting being clearly indicated.

The results of the AGM are subsequently published on the Company's corporate website and are announced through a regulatory information service. The Board will also disclose any actions to be taken as a result of resolutions, for which, votes against have been received from at least 20 per cent of independent shareholders.

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

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

The Group 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 33–37. The Group's commitment to effective ESG governance is set out on pages 27–32.

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

Corporate Governance Statement

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, a 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 Survey was re-performed during 2021 with the overall scoring having improved since 2019. The results were presented back to the employees in an open meeting.

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

The Audit Committee provides guidance; having taken feedback from management and third party advisors, to the Board with regards the effectiveness of the Group's system of Internal Control. The Group has designed and implemented systems to manage, limit and control the risk of failure to achieve business objectives. As with all systems, the Group's processes cannot eliminate all risk completely, but provide reasonable rather than absolute assurance against material loss or misstatement.

The Chief Financial Officer leads a continuous process, with support from the leadership and finance team, to identify, evaluate and manage the Group's significant risks. The Group's register of potentially material or significant risks are reviewed by the Board twice per annum.

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 KPI's, management accounts and more detailed departmental level data are cascaded via the leadership team throughout the organisation.

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

A summary of the principal risks and uncertainties facing the Group, as well as mitigating actions, are set out on pages 52–62 of this report.

Corporate Governance Statement

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, whilst overseeing that good governance is maintained across the Group.

Deployment of the Group's strategy and management of day-to-day decisions is delegated to the executive directors and the leadership team. The Board also reviews the Group's risk profile and the adequacy of the implemented systems of internal control that are in place. The management information systems continue to be evolved to adapt to changing data enquiry needs and to ensure that they are capable of facilitating informed decisions by the Board to allow them to properly discharge their duties.

Delegation of responsibilities

The Group maintains a formal schedule of matters reserved for the Board which is reviewed at least annually. A schedule of delegated authorities under which management can operate without reference to the Board exists and was last reviewed, revised and approved by the Board in January 2022.

Board composition

Since March 2021, the Board has consisted of two executive directors, a non-executive chairman and an independent non-executive director. 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 Board considers that it is appropriate in the short-term to operate with only two non-executive directors, as this is consistent with cost mitigation measures that have been applied to all staffing across the Group. The Board is committed to increasing the number of independent non-executive directors on the Board as soon as appropriate in the recovery cycle.

The Group considers annually whether a Senior Independent Director should be appointed, but has not currently chosen to do so.

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

Role of Chairman and Chief Executive

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

The Chief Executive is responsible for day-to-day management and leadership of the Group. This includes guiding the leadership team (details of whom are on pages 66–69), 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 continued to be held regularly and have resumed to be mostly face-to-face during the year.

Details of Directors' attendance at scheduled Board and Committee meetings during the year can be found on page 77 within the Director's report.

Corporate Governance Statement

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 66–69.

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. The next scheduled review is due to be completed by September 2023.

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

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

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

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

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 seek to reflect this in all of our policies and procedures, as well as in our approach to the training and development of the people involved in our operations. Health and Safety is the standing first agenda item at all Board and leadership meetings. The Group's Health & Safety Manager, who reports ultimately to the Chief Executive, has direct access to the executive directors should he wish to raise any urgent concerns.

The Group's policies and procedures are given to all new employees at induction, and are available to both permanent and temporary staff via our employee engagement app. The app is also the Group's portal for

Corporate Governence Statement

anti-bribery, corruption and whistle-blowing policy. Any concerns raised are passed directly to the Chairman of the Audit Committee for independent review. All policies and procedures are subject to a periodic review and re-approval to ensure they continue to meet their aims.

The Group's share dealing code is applicable to all staff and available for review on the employment engagement app. All staff are subject to a closed period from the last day of each full or half year until 48 hours after the results for that period have been published and require authorisation from the Company Secretary for any trading activity outside of a close period.

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

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

Audit Committee

The Audit Committee comprises the two Non-executive Directors and is chaired by Neil MacDonald.

The Committee's role is described within the Audit Committee Report set on page 74.

Remuneration Committee

The Remuneration Committee comprises the two non-executive directors and is chaired by Neil MacDonald. The Committee is responsible, within its agreed terms of reference, for the following remuneration matters:

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

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

Nomination Committee

The Nomination Committee comprises the two 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 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.

Corporate Governence Statement

Interaction with the Board and governance

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

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

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

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

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

The executive directors periodically meet with analysts and shareholders in face-to-face meetings as well as hosting investor roadshows and events both at the Group's and investors' 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 2021 we have continued to use social media platforms, including LinkedIn internal employee intranet, primarily for company wide announcements and to promote success stories.

This governance statement was last reviewed and approved on 17January 2023.

Directors Report

The Directors present their report and the audited financial statements for the Group and the Company for the year ended 30 September 2021.

In accordance with section 415 of the Companies Act 2006. Particulars of important events affecting the Group, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 3 to 26 which is incorporated into this report by reference.

The Directors' statement on corporate governance is set out on pages 70–75. This report should be read in conjunction with information concerning Directors' Remuneration and employee share schemes in the Remuneration report on pages 83 and 84, 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 page 96. 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
- Neil MacDonald
- Gareth Kaminski-Cook
- Kamran Munir

Corporate governance

The Directors' statement regarding corporate governance can be found on pages 70–75. 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 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 66–69.

The Board has formally delegated certain duties and responsibilities to the Audit, Remuneration and Nomination Committees. These committees seek advice from the Company's advisors as the need arises and operated throughout the year. Their roles and membership are stated on page 74 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:

Directors Report

	Board		Audit Committee		Remuneration Committee		Nomination Committee	
	Number	Attended	Number	Attended	Number	Attended	Number	Attended
Adam Attwood	12	12	3	3	2	2	1	1
Gareth Kaminski-Cook	12	12	3	3				
Kamran Munir	12	12	3	3				
Neil MacDonald	12	12	3	3	2	2	1	1

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.

Directors Report

Auditor independence

The Audit Committee and the Group's external auditor, Dains Audit Ltd, 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, Dains Audit Ltd 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.

Gareth Kaminski-Cook was re-elected at the AGM which took place in March 2022.

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 2022 are noted in the Directors Remuneration report set on pages 83–84.

Share capital

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

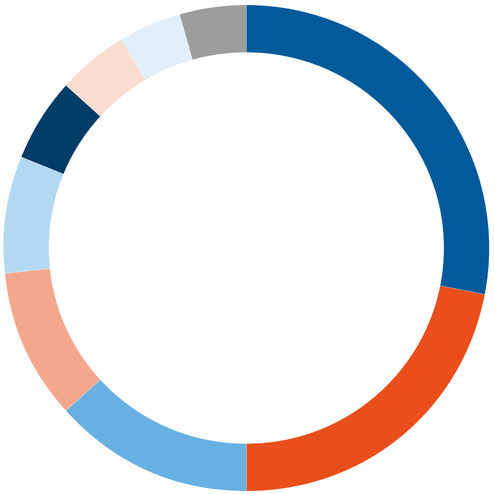
The Company has one class of ordinary share capital with a nominal value of £0.02 each. The rights and obligations attached to the ordinary shares are governed by UK law and the Company's Articles of Association.

Major interests in shares

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

Directors Report

Shareholder	Number of voting rights as at 30 September 2022	% voting rights as at 30 September 2022	Number of voting rights as at 30 September 2021	% voting rights as at 30 September 2021
Schroder Investment Management	13,252,730	24.27%	7,835,000	19.78%
Stonehage Fleming Family & Partners	10,400,000	19.05%	7,900,000	19.95%
Premier Miton Group (formerly Miton Group plc)	6,275,156	11.49%	4,530,156	11.44%
Braveheart Investment Group (UK)	4,750,000	8.70%	918,000	2.32%
Ruffer LLP	3,690,741	6.76%	2,490,741	6.29%
Unicorn Asset Management (London)	2,569,806	4.71%	1,769,806	4.47%
Toscafund	2,215,300	4.06%	1,340,300	3.38%
Kevin Westwood	2,025,000	3.71%	2,025,000	5.11%
Karen Holdback	2,025,000	3.71%	2,025,000	5.11%



Major Shareholders as at 30 September 2022

- Schroder Investment Management 24.27%
- Stonehage Fleming Family & Partners 19.05%
- Premier Miton Group (formerly Miton Group plc) 11.49%
- Braveheart Investment Group (UK) 8.70%
- Ruffer LLP 6.76%
- Unicorn Asset Management (London) 4.71%
- Toscafund 4.06%
- Kevin Westwood 3.71%
- Karen Holdback 3.71%

Directors Report

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 114–115 of the financial statements.

Future business developments

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

Research & Development

The Group has a Research and Product Development Strategy and a prioritised programme of projects which is led jointly by the UK Commercial Director and the Group R&D Manager. The Board reviews the programme twice a year and has a standing agenda item for each Board meeting to review key projects.

Strategic priority is given to environmental projects and maximising profit improvement. Notable in 2022 was the launch of the encapsulation product SilentShell for which a patent is pending; the resourcing of a new scrim for the Neptune product and; the development of Neptune-R, a fully recyclable version of Neptune expected for launch in early 2023.

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. Groupwide 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.

Since 2020 an increased level of attention has been given to knowledge and awareness around mental health in the workplace, including home working. This included external training for the Group H&S Manager and UK HR Manager.

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 pages 48–49.

Auditor

In June 2022 Dains Audit Ltd were appointed as the Group's new external auditor, to commence their work with the audit of the financial statements for 30 September 2022. Simultaneously, BDO LLP resigned by notice to the Group under section 516 of the Companies Act 2006 and has confirmed that there are no matters connected with their resignation which they consider need to be brought to the attention of the members or creditors of the Group for the purposes of section 519 of the Companies Act 2006 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 Dains Audit Ltd as auditor and authorise the Directors to agree their remuneration.

Directors Report

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 Tuesday 28 March 2023 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 30 January 2023.

By order of the Board.

Kamran Munir
Company Secretary
30 January 2023

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

Company number: 08958960

Financial statements

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 Neil MacDonald.

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 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 2022	% of issued ordinary share capital	2p ordinary shares at 1 October 2021	% of issued ordinary share capital
Adam Attwood	675,000	1.24	600,000	1.52
Ian Griffiths (resigned 12 March 2021)	-	-	14,311	0.04
Gareth Kaminski-Cook	245,228	0.45	180,228	0.46
Kamran Munir	45,000	0.08	–	–
Neil MacDonald	200,000	0.37	125,000	0.32

Directors' interests – interests in share options

Details of options held by Directors who were in office at 30 September 2022 are set out below. The Company's option schemes are set out in more detail in notes 20 and 24 to the financial statements.

	Date of Grant	Number	Exercise Price	Expiry Date
Kamran Munir	20 January 2021	1,064,189	£nil	1 October 2025
Gareth Kaminski-Cook	20 January 2021	1,459,459	£nil	1 October 2025

The market price of the Company's shares at 30 September 2022 was 14.0 pence. The range of market prices during the year was 14.0 pence to 25.5 pence per share.

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 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 it remains 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 also reimbursed for travel and other out-of-pocket expenses. Remuneration for Executive Directors also includes share options as detailed above.

Year ended 30 September 2022	Salary £000	Benefits £000	Pension £000	**Total FY22 £000**	Total FY21 £000
G Kaminski-Cook	240	20	24	**284**	286
K Munir	187	13	19	**218**	207
A Attwood	60			**60**	60
N MacDonald	45			**45**	45
	532	33	43	**608**	598

There were no salary increases to any of the Board during the year. The Board took salary payment deferrals in FY21, which ranged between 10% and 15%, for up to 7 months as part of a package of measures to assist the company's liquidity position. The aggregate value of the deferrals was approximately £53k. These amounts are included in the FY21 salary figures above and were fully paid during FY22.

By order of the Board

Neil MacDonald

Non-Executive Director and Chair of the Remuneration Committee

30 January 2023

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 formally three 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 interim results and associated presentation for investors;
- Review of the FY22 audit plan and audit engagement letter;
- Meetings with the auditor with and without management present.

In addition, during the current year, 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

Change of Auditor

In June, following a competitive tender process, the Group appointed Dains Audit Ltd as its new external auditor. BDO LLP, the previous auditor resigned and confirmed that there were no matters connected with their resignation which they considered needed to be brought to the attention of the members of creditors of the Group.

Role of the Auditor

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

The Committee 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 Dains Audit Ltd 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 judgment that are routinely discussed and disclosed in their report to the members of the Group.

Internal audit

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

Risk management and internal controls

As described on page 71 of the Corporate Governance Report, the Group has established a framework of risk management and internal control systems, policies and procedures. The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. During the year, the Committee has reviewed the framework and the Committee is satisfied that it is currently operating effectively.

Whistleblowing

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

By order of the Board

Neil MacDonald
Non-Executive Director
30 January 2023

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 2022 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 significant accounting policies.

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 2022 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted 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).

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 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 the financial statements in the UK, including the FRC's Ethical Standard, 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.

Our approach to the audit

As part of designing our audit approach, we obtained an understanding of the Group and its environment, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of six reporting units, comprising the Group's operating businesses and holding companies.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting unit in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results.

All of the Group's three significant components (Autins Group Plc, Autins Limited and Autins GmbH) were subjected to full scope audits for Group purposes by the Group engagement team. The remaining components were not significant and so were subject to analytical review procedures and specified audit procedures over certain account balances and transaction classes by the Group engagement team.

The significant components within the scope of our work accounted for 92% of group revenues and 92% of total assets.

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 the scope of our audit addressed the key audit matter
Impairment risks The Group has goodwill, other intangibles, property, plant and equipment and right of use assets of £16.7m. 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 impact of the COVID-19 pandemic, semi-conductor shortage and the Group's market capitalisation being lower than the consolidated net assets, provide indicators that impairments may be present. In addition, property, plant and equipment within the NVH CGU includes the Neptune production facility with a net book value of £4.7m. This facility was completed and brought into use in 2018 and whilst volumes continue to increase, it is currently still operating below full capacity.	We have tested the judgements made by management in undertaking the impairment tests. This included: • 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; • 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 included considering whether the responses to the COVID-19 pandemic and semi-conductor shortages impacted any of the judgements and to confirm these were appropriately modelled in the budgets and forecasts; • The recalculation of the discount rate used to discount the cash flows in each CGU and changes made to incorporate the risks in the business and sector;

Key audit matter	How the scope of our audit addressed the key audit matter
Therefore 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. No other CGU's have any assets which could be subject to material impairment. (Accounting policies (note 1), critical accounting estimates and judgements (note 2), property, plant and equipment (note 11) and intangible assets (note 13)	• Comparing the forecasts to the information used to assess the going concern assumption and challenging the robustness of the key assumptions. These assumptions included the rate of securing new customers for the Neptune facility and the assessment of conversion rates in the enquiry pipeline by reference to historic, other internal and third-party evidence; • Considering the appropriateness of the sensitivities applied by management, with specific consideration of the impacts of the COVID-19 pandemic, semi-conductor shortages and the structural changes in the automotive sector in the UK and internationally. This also includes reviewing the stress testing undertaken by management to assess the appropriateness of the assumptions applied for the relevant scenarios, assessing the level of underperformance against management's forecasts required to eliminate the headroom for both the NVH CGU and the Neptune facility and considering the level of headroom after the application of the relevant sensitivities; and • Engaging 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, and the calculation of the discount rates. • Reviewing the disclosures prepared by the Directors set out in Notes 1, 2, 11 and 13 to ensure we consider them to be appropriate.

Key observations:

Nothing has come to our attention as a result of performing the above procedures that causes us to believe that the assumptions and judgements used as inputs in the impairment considerations were inappropriately applied.

Key audit matter	How the scope of our audit addressed the key audit matter
Going concern We have determined going concern to be a key audit matter because of challenging trading circumstances, a further year of the Group reporting a trading loss and semi-conductor shortages which have had a major effect on the Group, industry, and wider economy. These matters, and the further uncertainty created by the pandemic and resulting semi-conductor supply chain impact have therefore increased the level of estimation and judgement involved in relation to going concern assessments and was a key area of focus during our audit. (Details of the Directors' going concern assessment are disclosed in note 1.)	We have tested the judgements made by management in assessing the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting. This included: • Critically assessing management's trading and cash flow budgets and forecasts, which cover the period to 30 September 2024. 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 liquidity and the impact of the confirmed bank covenants waivers and repayment holidays 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 prices and included information available up to the date of issuance of our report; • Testing 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; • Reviewing the reverse stress-testing performed by management and considering 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;

Key audit matter	How the scope of our audit addressed the key audit matter
	• Challenging management's assessment of COVID-19 and semi-conductor shortage impacts, including consideration of external information, as part of our assessment of the trading and cash flow budgets and forecasts; • Considering the information provided to management by their major customers relating to future activity levels and the previous experience of these activity levels being met; and • Reviewing the disclosure prepared by the Directors set out in Note 1 to ensure we consider it to be appropriate.

Key observations:

As a result of performing the above procedures, we have not identified any material uncertainties relating to events of conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Materiality	375	234	300	210
Basis for determining materiality	2% of Group turnover	1% of Group turnover	2.0% of Group net assets	1.5% of Group net assets
Rationale for the benchmark applied	Revenue is the key driver of the business value and is the underlying driver for management's key measure of performance.	Revenue is the key driver of the business value and is the underlying driver for management's key measure of performance.	The Parent Company does not trade so the key measure of performance is net assets.	Calculated as a percentage of Group materiality for Group reporting purposes.
Performance materiality	320	175	255	158
Basis for determining performance materiality	Set 85% of materiality after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	Set 75% of materiality after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	Set 85% of materiality after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	Set 75% of materiality after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.

Component materiality

We set materiality for each component of the Group which ranged from £200,000 to £300,000. In the audit of each component, we further applied performance materiality levels of 85% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £18,800 (2021 - £7,100). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

To evaluate the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting, we completed the following audit procedures:

- Obtained an understanding of the relevant controls relating to the Group's budgeting and forecasting process;
- Challenged the key assumptions underpinning the Group's forecasts; and
- Assessed the appropriateness of the Group's disclosure concerning the adopting of the going concern basis of account.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 and 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included, but were not limited, to compliance with the Companies Act 2006, the AIM listing rules and accounting standards.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Group through discussions with directors and other management, and from our commercial knowledge and experience of the manufacturing sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Group, including the financial reporting legislation, Companies Act 2006, the AIM listing rules, taxation legislation, anti-bribery, employment, and environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Group's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 2 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators and the Group's legal advisors.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.

Other matters which we are required to address

The financial statements for the year ended 30 September 2021 were audited by BDO LLP who expressed an unmodified opinion on those statements on 24 January 2022.

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.

MARK HARGATE
FCA (SENIOR STATUTORY AUDITOR)
For and on behalf of Dains Audit Limited

Birmingham, United Kingdom
30 January 2023

CONSOLIDATED INCOME STATEMENT
For the year ended 30 September 2022

	Note	2022 £000	2021 £000
Revenue	4	18,873	23,431
Cost of sales excluding exceptional costs		(14,638)	(17,103)
Gross profit		4,235	6,328
Other operating income	5	28	649
Distribution expenses		(501)	(604)
Administrative expenses		(6,746)	(7,063)
Operating loss	5	(2,984)	(690)
Finance expense	8	(542)	(542)
Share of post-tax (loss)/profit of equity accounted joint ventures	14	(26)	53
Loss before tax		(3,552)	(1,179)
Tax credit	9	277	95
Loss after tax for the year		(3,275)	(1,084)
Earnings per share for loss attributable to the owners of the parent during the year			
Basic (pence)	10	(6.34)p	(2.74)p
Diluted (pence)	10	(6.34)p	(2.74)p

Consolidated Statement of Comprehensive Income	2022 £000	2021 £000
Loss after tax for the year	(3,275)	(1,084)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(15)	2
Total comprehensive expense for the year	(3,290)	(1,082)

All amounts relate to continuing operations.

The notes on pages 105–137 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2022

	Note	2022 £000	2021 £000	2020 £000
Non-current assets				
Property, plant and equipment	11	8,949	9,636	10,082
Right-of-use assets	12	4,549	4,876	5,001
Intangible assets	13	2,987	3,059	3,322
Investments in equity-accounted joint ventures	14	74	120	147
Deferred tax asset	19	–	95	149
Total non-current assets		16,559	17,786	18,701
Current assets				
Inventories	15	2,669	2,433	1,938
Trade and other receivables	16	3,433	3,630	4,339
Cash and cash equivalents		1,786	1,262	2,974
Total current assets		7,888	7,325	9,251
Total assets		24,447	25,111	27,952
Current liabilities				
Trade and other payables	17	3,358	3,126	3,693
Loans and borrowings	18	860	719	1,027
Lease liabilities	12	825	842	917
Total current liabilities		5,043	4,687	5,637

	Note	2022 £000	2021 £000	2020 £000
Non-current liabilities				
Trade and other payables	17	**105**	111	117
Loans and borrowings	18	**2,907**	3,248	3,847
Lease liabilities	12	**4,627**	4,794	4,970
Deferred tax liability	19	**30**	46	74
Total non-current liabilities		**7,669**	8,199	9,008
Total liabilities		**12,712**	12,886	14,645
Net assets		**11,735**	12,225	13,307
Equity attributable to equity holders of the company				
Share capital	20	**1,092**	792	792
Share premium account	22	**18,366**	15,866	15,866
Other reserves	22	**1,886**	1,886	1,886
Currency differences reserve	22	**(140)**	(125)	(127)
Profit and loss account	22	**(9,469)**	(6,194)	5,110
Total equity		**11,735**	12,225	13,307

The notes on pages 105–137 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 30 January 2023.

KAMRAN MUNIR
Group Chief Financial Officer

Autins Group plc
Registered number: 08958960

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Note	2022 £000	2021 £000
Non-current assets			
Property, plant and equipment	11	1	2
Intangible assets	13	56	57
Investments	14	16,239	16,239
Total non-current assets		16,296	16,298
Current assets			
Trade and other receivables	16	10,911	9,359
Cash and cash equivalents		244	155
Total current assets		11,155	9,514
Total assets		27,451	25,812
Current liabilities			
Trade and other payables	17	8,980	8,354
Loans and borrowings	18	737	600
Total current liabilities		9,729	8,954
Non-current liabilities			
Loans and borrowings	18	2,628	2,855
Total non-current liabilities		2,628	2,855
Total liabilities		12,357	11,809
Net assets		15,094	14,003
Equity attributable to equity holders of the company			
Share capital	20	1,092	792
Share premium account	22	18,366	15,866
Other reserves	22	1,886	1,886
Profit and loss account	22	(6,250)	(4,541)
Total equity		15,094	14,003

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 £1,709,000 (2021: loss of £1,218,000).

The notes on pages 105–137 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 30 January 2023.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2022

	Share capital £000	Share premium account £000	Other reserves £000	Cumulative currency differences reserve £000	Profit and loss £000	Total equity £000
At 30 September 2021 (as adjusted – note 23)	792	15,866	1,886	(125)	(6,194)	12,225
Comprehensive income for the year						
Loss for the year	–	–	–	–	(3,275)	(3,275)
Other comprehensive income	–	–	–	(15)	–	(15)
Total comprehensive expense for the year	–	–	–	(15)	(3,275)	(3,290)
Contributions by owners						
Shares issued in the year (net of expenses)	300	2,500	–	–	–	2,800
At 30 September 2022	1,092	18,366	1,886	(140)	(9,469)	11,735

	Share capital £000	Share premium account £000	Other reserves £000	Cumulative currency differences reserve £000	Profit and loss £000	Total equity £000
At 30 September 2020 (as adjusted – note 23)	792	15,866	1,886	(127)	(5,110)	13,307
Comprehensive income for the year						
Loss for the year	–	–	–		(1,084)	(1,084)
Other comprehensive income	–	–	–	2	–	2
Total comprehensive expense for the year	–	–	–	2	(1,084)	(1,082)
At 30 September 2021 (as adjusted – note 23)	792	15,866	1,886	(125)	(6,194)	12,225

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 2022

	Share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 30 September 2021	792	15,866	1,886	(4,541)	14,003
Comprehensive income for the year					
Loss for the year and total comprehensive expense	–	–	–		
Total comprehensive expense for the year	–	–	–		
Contributions by owners					
Shares issued in the year (net of expenses)	300	2,500	–	–	2,800
At 30 September 2022	1,092	18,383	1,886		
At 30 September 2020	792	15,866	1,886	(3,323)	15,221
Comprehensive income for the year					
Loss for the year and total comprehensive expense	–	–	–	(1,218)	(1,218)
Total comprehensive expense for the year	–	–	–	(1,218)	(1,218)
At 30 September 2021	792	15,866	1,886	(4,541)	14,003

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 September 2022

	2022 £000	2021 £000
Operating activities		
Loss after tax	(3,275)	(1,084)
Adjustments for:		
Income tax	(277)	(95)
Finance expense	542	542
Non-cash element of other income		
Depreciation of property, plant and equipment	884	788
Depreciation of right-of-use assets	831	825
Loss on disposal of tangible fixed assets	–	25
Amortisation of intangible assets	163	282
Share of post-tax profit of equity accounted joint ventures	26	(53)
	(1,106)	1,230
Decrease in trade and other receivables	261	725
Increase in inventories	(236)	(515)
Increase/(decrease) in trade and other payables	255	(538)
	280	(328)
Cash (used in)/generated from operations	(826)	902
Income taxes received/(paid)	291	92
Net cash flows from operating activities	(535)	994
Investing activities		
Purchase of property, plant and equipment	(219)	(405)
Purchase of intangible assets	(112)	(30)
Proceeds from disposal of tangible fixed assets	–	8
Dividend received from equity-accounted for joint venture	20	80
Net cash used in investing activities	(311)	(347)

	2022 £000	2021 £000
Financing activities		
Interest paid	(527)	(380)
Proceeds from issue of shares	3,000	–
Share issue expenses paid	(200)	–
Loan issue expenses paid	(3)	–
Bank loans repaid	(108)	(753)
Principal paid on lease liabilities	(688)	(951)
Hire purchase agreements repaid	(87)	(108)
Net cash generated from/(used in) financing activities	1,387	(2,192)
Net increase/(decrease) in cash and cash equivalents	541	(1,545)
Cash and cash equivalents at beginning of year	1,238	2,820
Foreign exchange movements	7	(37)
Cash and cash equivalents at end of year	1,786	1,238

	2022 £000	2021 £000
Cash and cash equivalents comprise:		
Cash balances	1,786	1,262
Bank overdrafts	–	(24)
	1,786	1,238

Reconciliation of movements in net cash/financing liabilities

Year ended 30 September 2022	Opening £000	Cash flows £000	Non-cash movements £000	Closing £000
Cash and cash equivalents				
Cash balances	1,262	517	7	1,786
Bank overdrafts	(24)	24	–	–
	1,238	541	7	1,786
Financing liabilities				
Bank loans	(3,714)	103	(14)	(3,625)
Hire purchase liabilities	(229)	87	–	(142)
Lease liabilities	(5,636)	987	(803)	(5,452)
	(9,579)	1,176	(816)	(9,219)
	(8,341)	1,717	(809)	(7,433)

Year ended 30 September 2021	Opening £000	Cash flows £000	Non–cash movements £000	Closing £000
Cash and cash equivalents				
Cash balances	2,974	(1,675)	(37)	1,262
Bank overdrafts	(154)	130	–	(24)
	2,820	(1,545)	(37)	1,238
Financing liabilities				
Bank loans	(4,383)	753	(84)	(3,714)
Hire purchase liabilities	(337)	108	–	(229)
Lease liabilities	(5,887)	1,221	(970)	(5,636)
	(10,607)	2,082	(1,054)	(9,579)
	(7,787)	537	(1,091)	(8,341)

Material non-cash transactions

Financing liabilities include lease liabilities, primarily in respect of property leases, following the adoption of IFRS 16 from 1 October 2019. Additions of £534,000 net of foreign exchange movements of £30,000 are shown in non-cash movements together with financing charges of £299,000 (2021: £705,000 of additions net of foreign exchange movements of £5,000 together with financing charges of £270,000).

1. Accounting policies

Description of business

Autins Group is a public limited company (Plc) registered and domiciled in England and Wales and listed on AIM, a market operated by the London Stock Exchange. 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, more recently, the Group has diversified supply into other industries such as commercial vehicles, flooring, office pods and building 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 and;
- IAS 24 Key management remuneration.

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

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. A more detailed assessment of the going concern basis is given in the financial review section above on page 48.

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 2022 with no new standards adopted in these financial statements.

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 continues 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.

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, and would usually be explained in note 5.

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.

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. Amortisation is reported within administrative expenses in the consolidated statement of comprehensive income.

1. Accounting policies *continued*

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

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 and;
- There are reliable measures that can identify the expenditure directly attributable to the project during its development.

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

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

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

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

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

Revenue based grants

Revenue based grants, 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 another 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.

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). 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 which is 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, bank overdrafts, 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.

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 m 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 2022 would have been £35,000 higher and financing charges £44,000 lower with a net £9,000 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

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.

Group financial instruments by category

Financial assets

	Financial assets at amortised cost	
	2022 £000	2021 £000
Cash and cash equivalents	1,786	1,262
Trade and other receivables	3,041	2,793
Total financial assets	4,827	4,055

Financial liabilities

	Financial liabilities at amortised cost	
	2022 £000	2021 £000
Trade and other payables	3,148	2,355
Borrowings	3,767	3,967
Lease liabilities	5,452	5,636
Total financial liabilities	12,367	11,958

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 2022, the Group has net trade receivables of £2,990,000 (2021: £2,640,000).

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

The ageing of debtors past due and not impaired is included in note 15. Having assessed the recoverability of past due invoices, including consideration of time elapsed and associated commercial documents, the directors have made provision, using the Expected Credit Loss methodology, of £44,000 at 30 September 2022 (2021: £48,000) 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 £1.8m (2021: £1.3m). There was an unutilised invoice discounting facility at 30 September 2022 of up to £3.5m subject to eligible receivables, and the company had elected to terminate its import loan facility (2020: £6m discounting facility and £0.3m import loan facility) together with the existing undrawn hire purchase facilities of £0.4m (2021: £0.4m) for capex.

The parent company has drawn down on term loan facilities of £3.5m in July 2020 in order to improve the overall liquidity and has loaned this to subsidiary companies where required for their working capital requirements. Repayments of £0.1m have been made during the year, prior to payment deferments being obtained as detailed above, with an additional six month payment deferment obtained during the year.

The tables below set out the maturities of the Group's financial liabilities, including interest payments as at the year end dates:

At 30 September 2022	Up to 1 year £000	1 to 2 years £000	2 to 5 years £000	Over 5 years£000
Trade and other payables	3,148			
Bank loans	1,003	1,070	1,939	93
Hire purchase liabilities	105	54	–	–
Lease liabilities	1,073	1,017	2,455	1,880
Total	5,329	2,141	4,394	1,973
At 30 September 2021	Up to 1 year £000	1 to 2 years £000	2 to 5 years £000	Over 5 years £000
Overdrafts	24			
Trade and other payables	2,897			
Bank loans	825	1,015	2,312	125
Hire purchase liabilities	105	105	54	–
Lease liabilities	1,102	962	2,506	2,192
Total	4,953	2,082	4,872	2,317

Subsequent to the year end, term loan capital repayments have been deferred until at least July 2023.

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 2022.

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. At the year end this primarily related to the UK floating rate invoice discounting and capital asset backed loans 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%.

	2022 £000	2021 £000
Overdrafts	–	24
CBIL term bank loan	1,886	1,982
Total floating rate debt	1,886	2,006

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 £1.5m MEIF growth funding loan and 1.03% to a German bank loan of £0.3m both advanced in the prior year. The CBIL term loan was also converted to fixed rate of 4.69% during the year, which applies from October 2022. 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, term loans and invoice discounting facilities as required for working capital purposes and with hire purchase 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

	2022 £000	2021 £000
Revenue, recognised at a point in time, arises from:		
Sales of components	18,577	23,084
Sales of tooling	296	347
	18,873	23,431

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 and other non-automotive sales in the prior 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 the German subsidiary has developed and maintained acoustic flooring sales to offset some of the impact of the depressed automotive market.

The Group's non-automotive revenues, mainly acoustic flooring, is included within the others segment.

Segmental analysis for the year ended 30 September 2022

	Automotive NVH £000	Others £000	2022 Total £000
Group's revenue per consolidated statement of comprehensive income	15,271	3,602	18,873
Depreciation	1,715		
Amortisation	163		
Segment operating loss	(2,968)	(16)	(2,984)
Finance expense			(542)
Share of post-tax profit of equity accounted joint ventures			(26)
Group loss before tax			(3,552)
Additions to non-current assets	1,036	–	1,036
Reportable segment assets	24,373		24,373
Investment in joint ventures			74
Reportable segment assets/total Group assets	24,373		24,447
Reportable segment liabilities/total Group liabilities	12,712		12,712

Segmental analysis for the year ended 30 September 2021

	Automotive NVH £000	Others £000	2021 Total £000
Group's revenue per consolidated statement of comprehensive income	18,659	4,772	23,431
Depreciation	1,613	–	
Amortisation	235	47	
Segment operating (loss)/profit	(971)	281	(690)
Finance expense			(542)
Share of post-tax profit of equity accounted joint ventures			53
Group loss before tax			(1,179)
Additions to non-current assets	1,140	–	1,140
Reportable segment assets	24,991	–	24,991
Investment in joint ventures			120
Reportable segment assets/total Group assets			25,111
Reportable segment liabilities/total Group liabilities	12,886		12,886

4. Revenue and segmental information *continued*

External revenues by location of customers

	2022 £000	2021 £000
United Kingdom	10,570	13,680
Sweden	645	680
Germany	5,917	6,753
Other European	1,706	2,318
Rest of the World	35	–
	18,873	23,431

Revenues from one UK customer in 2022 total £6,673,000 and £2,287,000 of revenue arose from another European customer (2021: one customer £9,991,000 and £2,968,000 of revenue arose from another European customer). This largest 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.

The only material non-current assets in any location outside of the United Kingdom are £788,000 (2021: £900,000) of fixed assets and £519,000 (2021: £540,000) of goodwill in respect of the Swedish subsidiary. £491,000 (2021: £233,000) of cash balances were held in Germany which has been partly utilised to repay intercompany debt owed to a UK group company.

5. Loss from operations

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

	2022 £000	2021 £000
Foreign exchange (gains)/losses	(8)	105
Depreciation of property, plant and equipment	884	788
Depreciation of right-of-use assets	831	825
Amortisation of intangible assets	163	282
Cost of inventory sold	13,652	15,663
Reversal of Impairment of trade receivables	–	(83)
Government job retention scheme income	–	(649)
Other government assistance and grants	(28)	–
Research and development expenditure	12	16
Employee benefit expenses (see note 6)	6,273	6,499
Lease payments (short term leases only)	123	109
Auditors' remuneration:		
Fees for audit of the Group	69	90

6. Staff costs

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Wages and salaries	5,371	5,574	1,322	1,271
Social security costs	753	767	181	161
Other pension costs	149	158	53	45
	6,273	6,499	1,556	1,477

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

	2022 Number	2021 Number	2022 Number	2021 Number
Directors	4	4	4	4
Administrative and development	43	53	13	13
Production	117	125	–	–
	164	182	17	17

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 25.

7. Directors remuneration

Year ended 30 September 2022	Salary £000	Benefits £000	Pension £000	Total £000
A Attwood	60	–	–	60
G Kaminski-Cook	240	20	24	284
K Munir	187	13	19	218
N MacDonald	45	–	–	45
	532	33	43	608

The remuneration above includes £11,000 of benefits that had been deferred.

Year ended 30 September 2021	Salary £000	Benefits £000	Pension £000	Total £000
A Attwood	60	–	–	60
G Kaminski-Cook	240	22	24	286
K Munir	187	4	16	207
I Griffiths (resigned 12 March 2021)	20	–	–	20
N MacDonald	45	–	–	45
	552	26	40	618

Retirement benefits are accruing to 2 directors under defined contribution schemes (2021: 2).

8. Finance expense

	2022 £000	2021 £000
Bank interest	208	236
Amortisation of loan issue costs	15	14
Right-of-use asset financing charges	299	270
Interest element of hire purchase agreements	20	22
	542	542

9. Income tax

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

	2022 £000	2021 £000
Current tax expense		
Current tax on loss for the period	(108)	29
Prior year adjustments	(248)	(150)
Total current tax	(356)	(121)
Deferred tax credit		
Origination and reversal of timing differences	46	22
Prior year adjustments	33	4
Total deferred tax	79	26
Total tax credit	(277)	(95)

	2022 £000	2021 £000
(ii) Total tax credit		
Tax credit excluding share of tax of equity accounted for joint ventures (as stated above)	(277)	(95)
Share of tax (credit) of equity accounted joint ventures (2021: including £19,000 prior year adjustment)	–	(3)
	(277)	(98)

No tax arises in respect of other comprehensive income.

9. Income tax *continued*

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:

	2022 £000	2021 £000
Loss for the year	(3,275)	(1,079)
Income tax credit (including tax on joint ventures)	(277)	(99)
Loss before income taxes	(3,552)	(1,178)
Expected tax credit based on corporation tax rate of 19% in 2022 (2021: 19%)	(675)	(224)
Expenses not deductible for tax purposes	3	17
Enhanced R&D tax relief	(80)	(19)
Tax credit claimed at lower rate of 14.5%	34	–
Impact of different tax rates	–	36
Tax losses not recognised	656	257
Prior year adjustments	(215)	(165)
Total tax including joint ventures	(277)	(98)

In March 2020, the Finance Bill 2020 was substantively enacted which maintained the corporation tax rate at 19% and in May 2021 the rate was increased to 25% in the Finance Bill 2021, effective from April 2023. Deferred taxes at the balance sheet date have been measured using the enacted tax rates and the expected timing of reversals. The rate of 25% is accordingly applied to UK deferred taxation balances at 30 September 2022 (2021: 19%).

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 have to date been substantially offset by losses brought forward.

10. Earnings per share

	2022 £000	2021 £000
Loss used in calculating basic and diluted EPS	(3,275)	(1,084)
Number of shares		
Weighted average number of £0.02 shares for the purpose of basic earnings per share ('000s)	51,683	39,601
Weighted average number of £0.02 shares for the purpose of diluted earnings per share ('000s)	51,683	39,601
Earnings per share (pence)	(6.34)p	(2.74)p
Diluted earnings per share (pence)	(6.34)p	(2.74)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 2,523,648 (2021: 2,523,648) 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 2020	13,650	181	572	14,403
Additions	398	1	6	405
Foreign exchange movement	(56)	–	–	(56)
At 30 September 2021	13,915	171	571	14,657
Additions	160	28	31	219
Foreign exchange movement	(23)	–	–	(23)
At 30 September 2022	**14,052**	**199**	**602**	**14,853**
DEPRECIATION				
At 1 October 2020	3,991	56	274	4,321
Charge for year	740	12	36	788
Foreign exchange movement	(26)	–	–	(26)
Disposals	(44)	(11)	(7)	(62)
At 30 September 2021	4,661	57	303	5,021
Charge for year	831	14	39	884
Foreign exchange movement	(1)	–	–	(1)
At 30 September 2022	**5,491**	**71**	**342**	**5,904**
NET BOOK VALUE				
At 30 September 2022	**8,561**	**128**	**260**	**8,949**
At 30 September 2021	9,254	114	268	9,636
At 30 September 2020	9,659	125	298	10,082

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

	Plant and Machinery £000
At 30 September 2022	**330**
At 30 September 2021	386

In the current economic and trading environment, with sales volumes also being lower than prior years, a detailed review of fixed assets has been conducted considering remaining economic life, utilisation rates, and potential disposal values. This has resulted in £181,000 of additional depreciation being charged against plant and machinery.

Depreciation of £56,000 was charged on these assets in the year (2021: £56,000).

The Neptune plant and equipment represents £4.7m (2021: £4.8m) 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 (note 3) 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 impacted by the global economic challenges and automotive semi-conductor supply disruption noted above, these remained reduced and £2.5m of revenue was earned in this unpredictable economic environment. The cost and pricing actions already taken which help to improve margins mean that the overall carrying value of the Neptune plant and equipment is supported at an annual revenue level of £4m. This assessment is made considering material sales value only. When considering component sales margins incorporating Neptune material, the assessment is made considering material sales value only. When considering component sales margins incorporating Neptune material, the annualised sales volumes already exceed £6m. Latest sales enquiry levels and actual conversion into orders indicate that even a slow recovery means that we should continue exceeding the consolidated £6m sales per annum. Accordingly, profitable recovery is expected to continue in the foreseeable future.

The Company has fixed assets with a cost from additions to office equipment of £3,000 in the prior year, less £1,000 of depreciation in FY21 and FY22 and a net book value of £1,000 (2021: £2,000).

12. Right-of-use assets

The right-of-use assets are as follows:

Group	Property £'000	Plant and machinery £'000	Total £'000
At 1 October 2021	4,768	108	4,876
Additions	480	54	534
Foreign exchange movements	(30)	–	(30)
Depreciation charge for the year	(750)	(81)	(831)
At 30 September 2022	**4,468**	**81**	**4,549**

Group	Property £'000	Plant and machinery £'000	Total £'000
At 1 October 2020	4,888	113	5,001
Additions	612	93	705
Foreign exchange movements	(5)	–	(5)
Depreciation charge for the year	(727)	(98)	(825)
At 30 September 2021	4,768	108	4,876

12. Right-of-use assets *continued*

The lease liabilities relating to these are:

Group	£000
At 1 October 2021	5,636
Additions	534
Foreign exchange movements	(30)
Lease payments	(987)
Financing charge for the year	299
At 30 September 2022	**5,452**
Current	**825**
Payable in 2–5 Years	**2,866**
Payable after 5 Years	**1,761**

Group	£000
At 1 October 2020	5,887
Additions	705
Foreign exchange movements	(5)
Lease payments	(1,221)
Financing charge for the year	270
At 30 September 2021	5,636
Current	842
Payable in 2–5 Years	2,775
Payable after 5 Years	2,019

Note 13

The development costs relate to know-how and expertise held by the group in respect of the production and use of new materials and design of insulation products.

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 (2021: three-year) discounted cash flows, together with a terminal value which assumes a 1% (2021: 1%) long term growth rate. The cash flows have been discounted at pre-tax rates of 11.8% (2021: 11.0%) 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 and profit growth and reflects trading experience, as adjusted for the expected recovery from current industry and global economic factors. We have continued to reduce the cost base and improve operational efficiency

13. Intangible assets

Group	Goodwill £000	Development costs £000	Customer relationships £000	Tooling intellectual property £000	Total £000
COST					
At 1 October 2020	2,217	939	1,079	830	5,065
Additions	–	30	–	–	30
Foreign currency differences	(11)		–	–	(11)
At 30 September 2021	2,206	969	1,079	830	5,084
Additions	–	112	–	–	112
Disposals	–	(135)	–	–	(135)
Foreign currency differences	(21)	–	–	–	(21)
At 30 September 2022	**2,185**	**946**	**1,079**	**830**	**5,040**
AMORTISATION AND IMPAIRMENT					
At 1 October 2020	–	221	989	533	1,743
Charge for the year	–	109	90	83	282
At 30 September 2021	–	330	1,079	616	2,025
Charge for the year	–	80		83	163
Disposals	–	(135)		–	(135)
At 30 September 2022	**–**	**275**	**1,079**	**699**	**2,053**
NET BOOK VALUE					
At 30 September 2022	**2,185**	**671**	**–**	**131**	**2,987**
At 30 September 2021	2,206	639	–	214	3,059
At 30 September 2020	2,217	718	90	297	3,322

over the last 3 years. Revenue had shown some recovery in the first half of FY21 as lockdown initially eased, before being materially impacted by the semi-conductor shortage in the automotive industry. Revenue, supported by demand for new vehicles and agreed contractual improvements, including by price increases and cost reductions, is expected to show a recovery in FY23 and continue improving into FY24, aided by the continued diversification of the customer base and product range, 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 c.£30m a year, lower than is budgeted, for future years in order to support the carrying value of the goodwill. These revenues were £27m in FY18 before contractual improvements and further restructuring which, in isolation, should improve profitability by more than £2.5m per annum, as compared with FY22. The key sensitivity in the forecasts is the level of revenue. Each -1% fall in revenue would reduce the headroom from £6.7m by £0.85m.

The Company had a closing net book value of £50,000 (2020: £50,000) for goodwill and £6,000 (2020: £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 2020 and 2021	16,239

The subsidiaries of the Company, which have all been included in the consolidated financial statements based on their results to 30 September 2022, are as follows:

Name	Principal activity	30 Sept 2021 and 2020 Ownership %
UK subsidiaries:		
Autins Limited 00875424	Supply of insulating materials	100
Automotive Insulations Limited 04401421	Dormant	100
Solar Nonwovens Limited 04402041	Supply of insulating materials	100
Autins Technical Centre Limited 04423611	Development of insulating materials	100
Acoustic Insulations Limited 05898766	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

Interests in joint ventures comprise the following:

Name	Principal activity	30 Sept 2022 and 2021 Ownership %
Indica Automotive Limited	Supply of insulating materials	50

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 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.

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 2020	147
Share of profit for the year	53
Dividend paid by JV	(80)
Net book value at 30 September 2021	120
Share of loss for the year	(26)
Dividend paid by JV	(20)
Net book value at 30 September 2022	74

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

	2022 £000	2021 £000
(Loss)/profit before tax	(26)	50
Taxation	–	3
(Loss)/profit after tax	(26)	53

14. Fixed asset investments *continued*

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	2022 £000	2021 £000
Current assets	717	893
Non-current assets	242	317
Current liabilities	(464)	(445)
Non-current liabilities	(347)	(525)
Included in the above amounts are:		
Cash and cash equivalents	94	405
Current financial liabilities (excluding trade payables)	(154)	(84)
Non-current financial liabilities (excluding trade payables)	(345)	(517)
Net assets (100%)	148	240
Group share of net assets	74	120

Year ended 30 September	2022 £000	2021 £000
Revenues	1,705	2,402
(Loss)/profit after tax	(52)	106
Total comprehensive (expense)/income (100%)	(26)	106
Group share of total comprehensive income		53
Included in the above amounts are:		
Depreciation and amortisation	11	18
Right-of-use asset depreciation	65	81
Interest expense	10	20
Income tax credit	–	(3)

15. Inventories

Group	2022 £000	2021 £000
Raw materials	2,040	1,985
Work in progress	57	77
Finished goods	572	371
	2,769	2,433

Inventory is stated net of impairment provisions of £245,000 (2021: £125,000). The Company has no inventories.

16. Trade and other receivables

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Trade receivables	3,034	2,688	–	–
Provisions for impairment	(44)	(48)	–	–
Trade receivables net	2,990	2,640	–	–
Amounts owed by subsidiaries undertakings	–	–	10,738	9,158
Amount owed by equity-accounted joint venture controlled entities	15	96	10	45
Other receivables	36	57	–	14
Total financial assets other than cash and cash equivalents classified as loans and receivables	3,041	2,793	10,748	9,217
Corporation tax debtor	123	87		–
Other receivables	–	485	108	–
Prepayments	269	265	55	142
Total trade and other receivables	3,433	3,630	10,911	9,359
The analysis of trade receivables is as follows:				
Not yet due gross amount	2,615	2,549	–	–
Past due gross amount	419	139	–	–
Past due impairment loss allowance	(44)	(48)	–	–
	2,990	2,640	–	–

With the exception of one customer which accounts for 32% (2021: 44%) of the net trade receivable balance at the year end, credit risk with respect to accounts receivable is dispersed due to the number of customers. An impairment allowance of £nil has been charged (2021: £86,000 reversed and credited) in respect of specific trade receivables for the year ended 30 September 2022. 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 can be subject to an invoice discounting agreement which is secured against the associated trade receivables. The amounts outstanding at 30 September 2022 were £nil (2021: £nil).

16. Trade and other receivables *continued*

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

Group	2022 £000	2021 £000
At 1 October	48	144
Credited in year	–	(86)
Receivables written off in year	(4)	(10)
At 30 September	44	48

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

	2022 £000	2021 £000
Brought forward at 1 October	–	53
Additions during the year	204	183
Recognised as cost of sales in the year	(204)	(236)
Assets as at 30 September	–	–
Revenue yet to be recognised on tooling contract balances	–	–

17. Trade and other payables

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Current				
Trade payables	1,551	1,805	66	181
Amounts owed to subsidiaries			8,585	7,841
Amount owed to equity-accounted joint venture controlled entities	175	216	–	–
Accruals	1,422	876	291	281
Total financial liabilities, excluding loans borrowings, classified as financial liabilities measured at amortised cost	3,148	2,897	8,942	8,303
Corporation tax payable	–	29		–
Social security and other taxes	204	194	48	51
Deferred income	6	6	–	
Total current trade and other payables	3,358	3,126	8,980	8,354
Non-current liabilities				
Deferred income	105	111	–	–

No interest is payable on the amounts owed to the company or by the company to its subsidiaries except for a loan to the German subsidiary of £1.74m on which a rate of 5.0% is charged.

18. Borrowings

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Bank loans and overdrafts	3,658	3,783	3,400	3,500
Unamortised issue costs	(33)	(45)	(33)	(45)
Hire purchase liabilities	142	229	–	–
Total borrowings	3,767	3,967	3,367	3,455
Bank overdrafts	–	24		–
Bank loans	772	608	739	600
Hire purchase liabilities	88	87	–	–
Current	860	719	739	600
Bank loans – instalments due in 2 to 5 years	2,761	3,106	2,628	2,855
Bank loans – instalments due in more than 5 years	92	–	–	–
Hire purchase liabilities due in 2 to 5 years	54	142	–	–
Non-current	2,907	3,248	2,628	2,855

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

	Nominal Currency	Conditions		Rate %	Year of Maturity
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

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

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

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

Subsequent to the year end, the UK bank loan terms have been amended to defer repayments for at least a further 6 months.

18. Borrowings *continued*

Hire purchase liabilities

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

Group	2022 £000	2021 £000
Less than one year	105	105
Between one and five years	54	160
Total gross payments	159	265
Less: interest charge allocated to future periods	(17)	(36)
Carrying amount of liability	142	229

19. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2021:19%) for the UK, 21% (2021: 21%) for Sweden and 30% for Germany (2021: 30%). The movement on the deferred tax account is as shown below:

	2022 £000	2021 £000
Opening net asset	(49)	(75)
Total credit recognised in profit and loss	79	26
Closing net balance	30	(49)

Details of the deferred tax (asset) and liability are as follows:

Group	2022 £000	2021 £000
Deferred tax (asset)		
Accelerated capital allowances	855	612
Losses	(894)	(745)
Other temporary differences	39	38
Closing asset	–	(95)
Deferred tax liability		
Deferred tax on intangible assets	30	46
Closing liability	30	46

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 (2021: £nil). The company has an unrecognised deferred tax asset of approximately £1,424,000 (2021: £755,000) in respect of losses carried forward.

The Group has an unrecognised deferred tax asset of approximately £2,033,000 at 30 September 2022 (2021: £980,000) 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 2021	39,600,984	792
Issued in the year	15,000,000	300
At 30 September 2022	54,600,984	1,092

A placing of 15,000,000 £0.02 ordinary shares was made in December 2021 at 20 pence per share resulting in an increase in the nominal share capital of £300,000 and £2,500,000 in the share premium account after deducting issue expenses of £200,000.

All of the ordinary shares are non-redeemable, having voting rights and participate equally in any income or capital distributions.

21. Share based payment (company and group)

Share options are granted to directors and selected employees. All options granted prior to 2021 have lapsed.

2,858,107 share options were granted in January 2021 with an effective nil cost exercise price. These are exercisable in 3 tranches subject to meeting EBITDA targets for the 3 years ending 30 September 2023 and with 1,587,837 of them also dependent on growth in the share price. The fair value of the options issued was primarily determined using a Black Scholes model and was calculated at 20p pence per share option for the EBITDA performance only options and 15p per share option for those subject to both conditions.

334,459 options lapsed in 2021 and at 30 September 2022 following difficult trading conditions, no options are currently expected to vest. The cumulative share based payment charge is therefore nil.

There were 2,523,648 of unexpired options in place at 30 September 2022 with an average exercise price of £nil (2021: 2,523,648 and £nil) and a remaining average exercise period of 2 years (2021: 3 years).

22. Reserves

The share premium account represents the amounts subscribed for shares in excess of the nominal value, net of any directly attributable issue costs.

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 Automotive 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.

23. Prior year adjustments to reserves and trade payables

The group carried out a detailed reconciliation and review of the intercompany loan and trading balances at the year end which identified a number of differences in treatment between the UK net debtor balances and overseas subsidiary net liabilities to the UK group companies, as well as omissions in the posting of intercompany transactions in earlier years. As the total difference of £542,000 represents a material change to the 30 September 2021 and 2022 statement of financial position, a prior year adjustment has been recorded in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

This results in an increase in trade payable liabilities and in the accumulated losses in reserves of £542,000 as at both 30 September 2020 and 2021. Reported net assets of £13,849,000 and £12,767,000 have reduced to £13,307,000 and £12,225,000 respectively. There was no impact to the Income statement results for both FY22 and FY21 from making these adjustments.

24. 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 Group had capital commitments at 30 September 2022 of £nil (2021: £nil).

The Company had no lease or capital commitments.

25. Related party transactions

Share options

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

At 30 September 2021 and 2022	Number
G Kaminski-Cook	1,459,459
K Munir	1,064,189
	2,523,648

Transactions with related parties and key management personnel

Group key management personnel costs

	2022 £000	2021 £000
Group aggregate salaries and short term benefits	1,401	1,335
Post employment benefits	38	37
	1,439	1,372

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

	2022 £000	2021 £000
Transactions:		
Sales and costs recharged to joint venture	86	177
Purchases from joint venture	1,084	1,895
Balance at the year end owed to the Group	15	96
Balance at the year end (owed by) the Group	(175)	(216)

26. Control

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

Notes

Directors	**Adam Attwood**, Non-Executive Chairman **Gareth Kaminski-Cook**, Chief Executive Officer **Neil MacDonald**, Non-Executive Director **Kamran Munir,** Chief Financial Officer
Company Secretary	**Kamran Munir**
Registered Office	**Central Point One** Central Park Drive Rugby Warwickshire CV23 0WE
Telephone Number	+44(0)1788 578 300
Website	www.autins.com
Nominated Advisor and Broker	**Singer Capital Markets** 1 Bartholomew Lane London EC2N 2AX
Solicitors to the Company	**Freeths LLP** 1 Vine Street Mayfair London W1J 0AH
Auditors	**Dains Audit Ltd** 15 Colmore Row Birmingham B3 2BH
Public Relations	**Newgate Communications** 50 Basinghall Street London EC2V 5DE
Registrars	**Link Asset Services** The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

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Dusseldorf, Germany
Autins GmbH
SiemensstraBe 9a
40721 Hilden
Germany

Gothenburg, Sweden
Autins AB
Hamneviksvägen 12
41879 Goteborg
Sweden

Rugby, UK
Autins Ltd
Central Point One
Central Park Drive
Rugby
Warwickshire CV23 0WE

Tamworth, UK
Autins Ltd
Birch Coppice
Dordon
Tamworth B78 1SE

Northampton, UK
Indica Automotive
5 Weddell Way
Brackmills Industrial Estate
Northampton NN4 7HS

www.autins.com

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