Autins Group plc

Interim Results for the six months ended 31 March 2017

Operational and Financial Review

Revenue

Revenue progressed with growth of 14.7% to £12.25m (H1 2016: £10.68m). Component manufacturing sales were £11.45m (H1 2016: £10.49m) with £0.40m and £0.07m arising from new external customers acquired with Scandins and DBX respectively.

As indicated in the 2016 Annual Report and Accounts, sales of tooling, which arise as a function of new programme sales increased significantly to £0.75m (H1 2016: £0.19m)

Gross margin

The Group's component gross margin increased to 34.4% with the group continuing to see benefits from investment in value-added processes introduced in 2015 as well as improved returns from flooring and the benefit of in-house manufacture of light foam with the acquisition of Scandins.

EBITDA and operating profit

The reported operating loss of £0.28m (H1 2016: Profit £0.35m) and EBITDA of £0.09m (H1 2016: £0.65m) are after charging exceptional costs of £0.57m (H1 2016: £0.12m) as detailed below.

The acquisition of Scandins and DBX AB in April 2016 has added £0.58m of recurring cost to the total Group administrative expense in the period.

Exceptional items

An additional £0.03m of exceptional legal and professional costs related to the Group's IPO were incurred in the period.

The Company acquired 100 per cent of the issued share capital of Acoustic Insulations Limited on

29 April 2014 as part of an overall refinancing package to fund strategic investments and additional

working capital to support the growth of the Group. This acquisition recognised £1.90m of intangible assets which creates an annual amortisation charge of £0.24m.

Other exceptional operating costs

The Group incurred exceptional costs in the period of £0.14m (2016: Nil) as a result of the resignation of the former Chief Executive Office, Jim Griffin on 1 February 2017.

Legal and professional costs of £0.06m (2016: Nil) in relation to the change of bank finance providers have been charged in the period.

The Group's Solar Nonwovens facility has, whilst working towards full operational status, incurred non-recurring start-up costs of £0.23m (Full year 2016: £0.09m)

Joint venture

The Group's share of joint venture activities relates solely to the profitable growth in Indica Automotive. The prior period includes pre-acquisition losses at Scandins prior to its acquisition on 20 April 2016.

Indica Automotive's turnover has increased 50% year on year to £1.27m (H1 2016: £0.85m) with a profit after tax of £0.22m (H1 2016: £0.19m). Relocating to a larger site and investing in additional management has positioned the joint venture for further growth and diversification away from the Group which remains the current largest customer.

Net finance expense

Net finance expense for the period of £0.05m (H1 2016: £0.26m) is primarily the interest element of hire purchase agreements (£0.02m) and asset backed loans (£0.02m) but also includes £0.01m of interest on loan notes that were repaid in November 2016. No new term finance has been utilised in the period.

Taxation

Tax provisioning on the loss in the period has been calculated at a blended rate taking account of the relative UK, German and Swedish headline rates and the effect of additional reliefs and non taxable items. We would expect the effective rate for full year profits to be lower than the headline rates due to enhanced R&D claims for the current and previous year and the utilisation of brought forward losses within the Group.

The Group continues to have taxable losses available within its overseas subsidiaries which will offset trading profits in higher corporation tax territories of Sweden and Germany in the short term. The Group continues to have an £0.18m (Full year 2016: £0.18m) unrecognised tax asset in respect of losses in the German subsidiary.

Dividends

The Board is proposing an interim dividend of 0.4p per share for the current year. The dividend will be paid on 4 August 2017 to shareholders on the register on 14 July 2017.

Net cash/(debt) and financing

The Group ended the period with net cash (being the net of cash and cash equivalents and the Group's loans and borrowings) of £0.4m (H1 2016: Net debt £7.3m) and cash and cash equivalents of £1.9m (H1 2016: £0.4m). During the period net cash has reduced as a result of funding working capital requirements arising from growth, further capital investment in the Group's technical and operational facilities as well as a third stage payment to the Neptune equipment supplier.

The new HSBC facilities arranged in November 2016 are currently unutilized but provide up to £6m of invoice discount and £4.5m of asset finance availability for the Group's ongoing investment in growth.

Loan notes from the acquisition of Acoustic Insulations group in 2014 were settled in the period for £1.1m of cash.

Capital expenditure

The Group spent £0.5m (H1 2016: £1.8m) in the period with investments in equipment to support it's testing facility at MIRA and further investment in the Neptune facility being the key elements.

A third stage payment of $1.1m was made in relation to the Neptune production line at the Groups' new Tamworth facility.

Operations

Our Neptune product continues to gain approval with major OEMs. This has been illustrated most clearly with first orders being awarded across 8 different vehicles and 67 different parts. These, along with other new product wins have been delivered in both the UK and our operations in Sweden and Germany. In addition, both European operations have seen continued steady double-digit growth in our non-automotive flooring business. The Group continues to invest for growth and this is most prominently seen in our continued progress in establishing both the Solar Nonwovens site in Tamworth and the Group's Technical Centre at MIRA. In both cases, we continue to establish core capabilities across the teams in terms of production processes and R&D test facilities respectively. Operationally, continued investment is planned in plant for core component manufacture to balance capacity requirements across press, drape moulding and water jet manufacturing processes. These capital expenditures will be made during the second half of the year.

Outlook

As expected our results will be significantly weighted to the second half. This is in line with our expectations to deliver solid top line growth for the full year in conjunction with improving gross margins. Beyond this and for the balance of the current year we remain focused on our wider growth plans and, in particular, our efforts to continue gaining traction with Neptune across the automotive market in Europe.

Michael Jennings
Chief Executive
13 June 2017

James Larner
CFO

Interim consolidated income statement

	Note	Unaudited Period 1/10/16 – 31/3/17 £'000	Unaudited Period 1/10/15 – 31/3/16 £'000	Audited Year Ended 30/09/16 £'000
Revenue	2	12,253	10,680	20,378
Cost of sales		(8,048)	(7,810)	(13,845)
Gross profit		4,205	2,870	6,533
Other operating income		60	137	291
Distribution and administrative expenses excluding exceptional costs		(3,970)	(2,534)	(6,009)
Exceptional IPO related expenses	4	(25)	-	(182)
Amortisation of acquired intangible assets	4	(118)	(118)	(237)
Other exceptional operating costs	4	(431)	-	(94)
Total distribution and administrative expenses		(4,544)	(2,652)	(6,522)
Operating (loss)/profit		**(279)**	**355**	**302**
Finance expense		(53)	(261)	(558)
Share of post tax profit of equity accounted joint ventures		112	80	115
Gain on existing interest on acquisition of control		-	-	327
(Loss)/profit before tax		(220)	174	186
Tax income/(expense)		61	(23)	112
(Loss)/profit after tax for the period		**(159)**	**151**	**298**
Attributable to equity holders of the parent company		(159)	154	295
Non-controlling interest		-	(3)	3
		(159)	**151**	**298**
Loss/earnings per share on the loss/profit attributable to the owners of the parent during the period				
Basic (pence)	3	*(0.72)p*	*1.14p*	*2.03p*
Diluted (pence)	3	*(0.72)p*	*1.14p*	*2.03p*

Interim consolidated statement of comprehensive income

	Unaudited Period 1/10/16 – 31/3/17 £'000	Unaudited Period 1/10/15 – 31/3/16 £'000	Audited Year Ended 30/09/16 £'000
(Loss)/profit after tax for the period	(159)	151	298
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences			
Attributable to equity holders of the parent company	1	-	(88)
Non-controlling interest	-	-	(7)
Total currency translation differences	1	-	(95)
Total comprehensive (loss)/ income for the period	(158)	151	203
Attributable to equity holders of the parent company	(158)	154	207
Non-controlling interest	-	(3)	(4)
	(158)	151	203

Interim consolidated statement of financial position

	Unaudited As at 31/3/17 £'000	Unaudited As at 31/3/16 £'000	Audited As at 30/09/16 £'000
Non-current assets			
Property, plant and equipment	9,413	5,794	8,808
Intangible assets	3,767	3,070	3,706
Investments in equity-accounted joint ventures	232	191	206
Total non-current assets	13,412	9,055	12,720
Current assets			
Inventories	1,596	1,069	1,565
Trade and other receivables	7,368	5,808	4,955
Cash and cash equivalents	2,081	424	6,449
Total current assets	11,045	7,301	12,969
Total assets	24,457	16,356	25,689
Current liabilities			
Trade and other payables	(6,775)	(5,825)	(6,300)
Loans and borrowings	(628)	(2,653)	(994)
Total current liabilities	(7,403)	(8,478)	(7,294)
Non-current liabilities			
Loans and borrowings	(1,013)	(5,108)	(2,119)
Deferred tax liability	(482)	(570)	(559)
Total non-current liabilities	(1,495)	(5,678)	(2,678)
Total liabilities	(8,898)	(14,156)	(9,972)
Net assets	15,559	2,200	15,717
Equity attributable to equity holders of the company			
Share capital	442	255	442
Share premium account	12,938	-	12,938
Other reserves	1,886	1,391	1,886
Currency differences reserve	(87)	-	(88)
Retained earnings	380	621	539
	15,559	2,267	15,717
Non-controlling interest	-	(67)	-
Total equity	15,559	2,200	15,717

Interim consolidated statement of changes in equity

	Share capital £'000	Share premium account £'000	Other reserves £'000	Cumulative currency differences reserve £'000	Retained earnings £'000	Total £'000	Non controlling interest £'000	Total equity £'000
At 1 October 2015	255	-	1,391	-	476	2,122	(64)	2,058
Comprehensive income for the period								
Profit for the period	-	-	-	-	154	154	(3)	151
Total comprehensive income for the period	-	-	-	-	154	154	(3)	151
Contributions by and distributions to owners								
Dividends	-	-	-	-	(9)	(9)	-	(9)
Total contributions by and distributions to owners	-	-	-	-	(9)	(9)	-	(9)
At 31 March 2016	255	-	1,391	-	621	2,267	(67)	2,200
At 1 October 2016	442	12,938	1,886	(88)	539	15,717	-	15,717
Comprehensive loss for the period								
Loss for the period	-	-	-	-	(159)	(159)	-	(159)
Other comprehensive income	-	-	-	1	-	1	-	1
Total comprehensive expense for the period	-	-	-	1	(159)	(158)	-	(158)
Contributions by and distributions to owners								
Dividends	-	-	-	-	-	-	-	-
At 31 March 2017	442	12,938	1,886	(87)	380	15,559	-	15,559

Interim consolidated statement of cash flows

	Unaudited 1/10/16-31/3/17 £'000	*Unaudited 1/10/15-31/3/16* £'000	*Audited Year Ended 30/09/16* £'000
Operating activities			
(Loss)/profit after tax	(159)	151	298
Adjustments for:			
Income tax expense/(credit)	(61)	23	(112)
Finance expense	53	261	558
Employee share–based payment charge	-	-	10
Depreciation of property, plant and equipment and amortisation of intangibles	368	297	616
Profit on sale of fixed assets	-	-	(96)
Gain on existing interest on acquisition of control	-	-	(327)
Share of equity-accounted for joint ventures	(112)	(80)	(115)
	89	652	832
Increase in trade and other receivables	(2,307)	(1,669)	(840)
Decrease/(increase) in inventories	(30)	323	(67)
Increase in trade and other payables	965	2,030	748
	(1,372)	684	(159)
Cash (outflow)/inflow generated from operations	(1,283)	1,336	673
Income taxes paid	(123)	(231)	(173)
Net cash (outflow)/inflow from operating activities	(1,406)	1,105	500
Investing activities			
Purchase of property, plant and equipment	(1,383)	(2,266)	(3,417)
Proceeds from sale of property, plant and equipment	-	-	187
Purchase of Intangible Assets	(139)	-	(180)
Acquisition of subsidiary (net of overdraft acquired)	-	-	(56)
Dividend received	85	-	15
Net cash used in investing activities	(1,437)	(2,266)	(3,451)
Financing activities			
Share capital issued	-	-	14,000
Share issue expenses	-	-	(895)
Interest paid	(40)	(156)	(324)
Bank loans repaid	(108)	-	(3,908)
Bank loans advanced	-	1,914	2,976
Loan notes repaid	(1,176)	(381)	(425)
Hire purchase repaid	(203)	(143)	(420)
Movement in invoice discounting	-	35	(1,893)
Repayment of directors' loans	-	(180)	(300)
Dividends paid	-	(9)	(9)
Net cash (used in)/from financing activities	(1,527)	1,080	8,802
Net (decrease)/increase in cash and cash equivalents	(4,370)	(81)	5,851
Cash and cash equivalents at beginning of period	6,300	505	505
Overdraft on acquisition	-	-	(56)
Cash and cash equivalents at end of period	1,930	424	6,300
Cash and cash equivalents comprise:			
Cash balances	2,081	424	6,449
Bank overdraft	(151)	-	(149)
	1,930	424	6,300

Notes to the interim consolidated financial information

1. Accounting policies

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

Basis of preparation
This unaudited consolidated interim financial information has been prepared in accordance with IFRS as adopted by the European Union. The principal accounting policies used in preparing the interim results are those the Group expects to apply in its financial statements for the year ended 30 September 2017 and are unchanged from those disclosed in the Annual Report for the year ended 30 September 2016.

The financial information does not contain all of the information that is required to be disclosed in a full set of IFRS financial statements. The financial information for the six months ended 31 March 2017 and 31 March 2016 is unreviewed and unaudited and does not constitute the Company's statutory financial statements for those periods.

The comparative financial information for the full year ended 30 September 2016 has, however, been derived from the audited statutory financial statements for that period. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying its report and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

The financial information in the Interim Report is presented in Sterling the Group's presentational currency.

Basis of consolidation
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.

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, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date.

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, Chief Financial Officer and Chairman.

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

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

2 Revenue and segmental information

	Unaudited Period Oct 16 – Mar 17 £'000	*Unaudited Period Oct 15 – Mar 16 £'000*	*Audited Year ended 30 Sept 2016 £'000*
Revenue arises from:			
Component Sales	11,497	10,489	19,745
Sales of Tooling	756	191	633
	12,253	10,680	20,378

Segmental information

The Group currently has one main reportable segment in each year/period, 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 as they individually do not have a significant impact on the Group result.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those applied for the Group in the 2016 annual report and accounts.

The Group evaluates performance on the basis of operating profit/ (loss).

	Automotive NVH £'000	*Others £'000*	*Oct 16 - Mar 17 Total £'000*
Group's revenue per consolidated Statement of comprehensive Income	11,720	533	12,253
Depreciation/amortisation	368	-	368
Segment operating (loss)/profit	(333)	54	(279)
Finance expense			(53)
Share of post tax profit of equity accounted joint ventures			112
Group loss before tax			(220)

	Automotive NVH £'000	*Others £'000*	*As at Mar 17 Total £'000*
Additions to non current assets	1,032	-	1,032
Reportable Segment Assets	24,225	-	24,225
Investment in joint ventures	232	-	232
Total Group assets	24,457	-	24,457
Reportable segment liabilities/Total Group liabilities	8,898	-	8,898

	Automotive NVH £'000	*Others £'000*	*Oct 15 - Mar 16 Total £'000*
Group's revenue per consolidated statement of profit or loss	10,226	454	10,680
Depreciation/amortisation	297	-	297
Segment profit	285	70	355
Finance expense			(261)
Share of post tax profit of equity accounted joint ventures			80
Group profit before tax			174

	Automotive NVH £'000	*Others £'000*	*As at Mar 16 Total £'000*
Additions to non current assets	2,528	-	2,528
Reportable segment assets	16,165	-	16,165
Investment in joint ventures	191	-	191
Total Group assets	16,356	-	16,356
Reportable segment liabilities/Total Group liabilities	14,156	-	14,156

	Automotive NVH £'000	Others £'000	Year ended Sept 16 Total £'000
Group's revenue per consolidated statement of profit or loss	19,514	864	20,378
Depreciation/amortisation	616	-	616
Segment profit	218	84	302
Finance expense			(558)
Share of post tax profit of equity accounted joint ventures			115
Gain on equity interest in joint venture			327
Group profit before tax			186

	Automotive NVH £'000	Others £'000	As at Sep 16 Total £'000
Additions to non current assets	6,511	-	6,511
Reportable segment assets	25,483	-	25,483
Investment in joint ventures	206	-	206
Total Group assets	25,689	-	25,689
Reportable segment liabilities/Total Group liabilities	9,972	-	9,972

Reporting of external revenue by location of customers is as follows:

	Unaudited Period Ended 31/3/17 £'000	*Unaudited Period Ended 31/3/16 £'000*	*Audited Year Ended 30/09/16 £'000*
United Kingdom	10,932	10,022	18,940
Germany	847	509	916
Sweden	472	132	461
Rest of the World	2	17	61
	12,253	10,680	20,378

3 Earnings per share

	Unaudited Period 1/10/16 – 31/3/17 £'000	Unaudited Period 1/10/15 – 31/3/16 £'000	Audited Year Ended 30/09/16 £'000
Loss/(profit)			
(Loss)/profit used in calculating basic and diluted EPS	(159)	154	295
Number of shares			
Weighted average number of shares for the purpose of basic earnings per share (000s)	22,101	13,470	14,513
Earnings per share (pence)	(0.72)p	1.14p	2.03p
Weighted average number of shares for the purpose of diluted earnings per share (000s)	22,101	13,470	14,524
Diluted earnings per share (pence)	(0.72)p	1.14p	2.03p

Loss/earnings per share is calculated based on the share capital of Autins Group plc and the earnings of the Group for all periods. There are options in place over 305,944 shares that are anti-dilutive at 31 March 2017 although they may dilute future earnings per share.

4 Exceptional items

	Unaudited Period 1/10/16 – 31/3/17 £'000	Unaudited Period 1/10/15 – 31/3/16 £'000	Audited Year Ended 30/09/16 £'000
Adjusted operating profit	**295**	**473**	**815**
Exceptional IPO related expenses	25	-	182
Amortisation of acquired intangible assets	118	118	237
Other exceptional operating costs			
Resignation of Chief Executive	136	-	-
Legal and professional costs for new banking facilities	61	-	-
Solar Nonwovens start-up costs	234	-	94
Reported operating (loss)/profit	**(279)**	**355**	**302**

An additional £25k of exceptional legal and professional costs related to the Group's IPO were incurred in the period.

The Company acquired 100 per cent of the issued share capital of Acoustic Insulations Limited on 29 April 2014 as part of an overall refinancing package to fund strategic investments and additional working capital to support the growth of the Group. This acquisition recognised £1,909k of intangible assets which creates an annual amortisation charge of £237k.

Other exceptional operating costs
The Group incurred exceptional costs in the period of £136k (2016: £Nil) as a result of the resignation of the former Chief Executive Office, Jim Griffin on 1 February 2017.

Legal and professional costs of £61k in relation to the change of bank finance providers have been charged in the period.

The Group's Solar Nonwovens facility has, whilst working towards full operational status, incurred non-recurring start-up costs of £234k (Full year 2016: £94k)

5 Fair value adjustment to goodwill arising on the acquisition of Scandins AB

In preparing the interim statements, the Group has, in accordance with IFRS 3 Business Combinations revisited the attributable assets and liabilities acquired on 19 April 2016. A fair value adjustment in relation to the value of inventory acquired and accruals held for legal and professional costs has resulted in an increase in goodwill arising on consolidation of £41k in the period.

6 Taxation

Taxation on the profit/(loss) before taxation and share of results of joint ventures has been provided at a rate of 20% for the six month ended 31 March 2017 which is the estimated rate of tax for the period (six months ended 31 March 2016: 20%; year ended 30 September 2016; 20%)

7 Dividend

On 7 March 2017 the Company announced a second interim dividend of 0.4 pence per share payable on 4 April 2017 to those Ordinary Shareholders on the register of members at close of business on 17 March 2017.

The Board has declared an interim Ordinary dividend at 0.4 pence per share payable on 4 August 2017 to Ordinary Shareholders on the register of members at close of business on 14 July 2017. In accordance with IAS10 “Events after the Balance Sheet Date”, this dividend has not been reflected in the interim accounts.