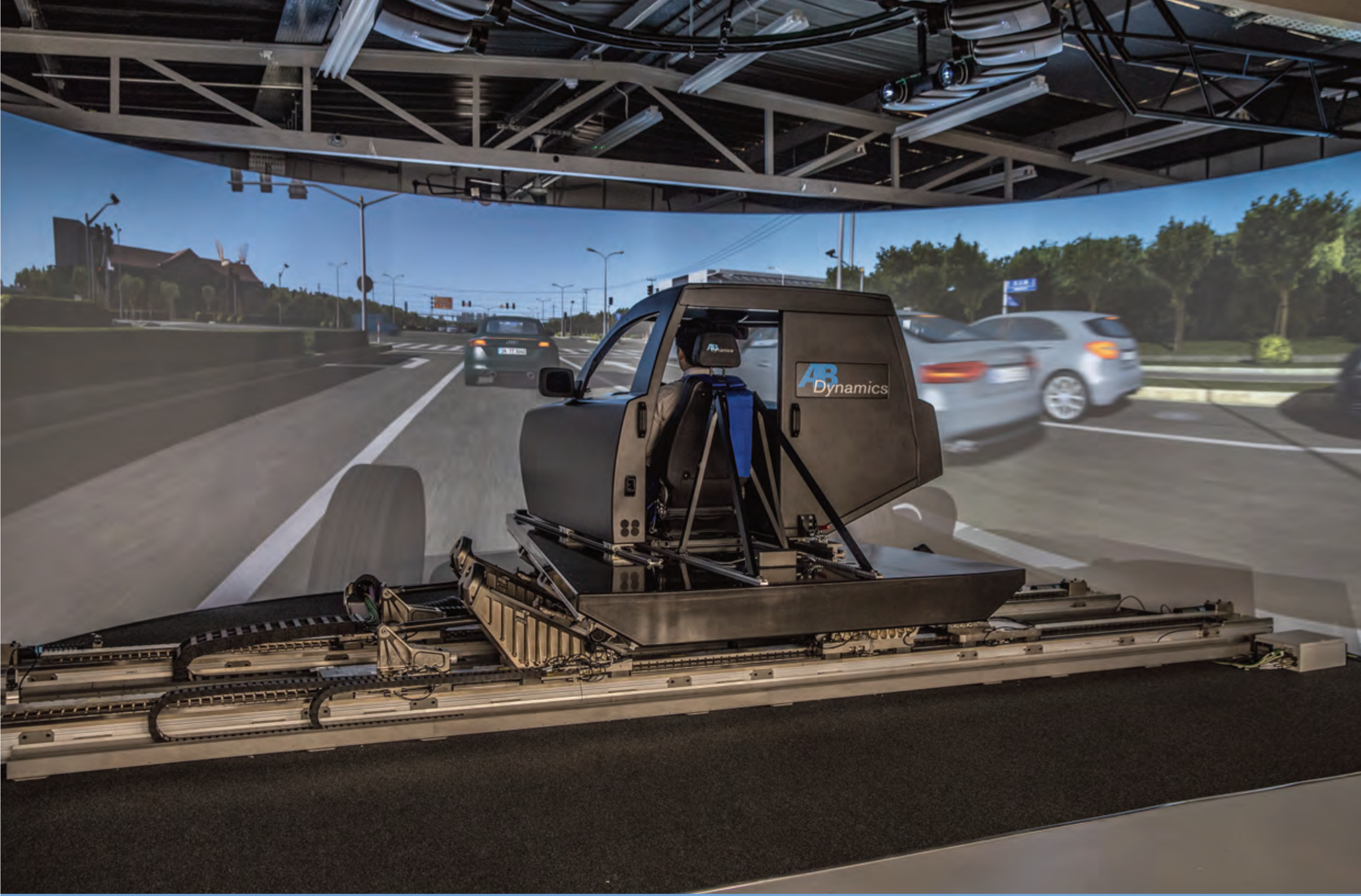


AB Dynamics plc

2018 Annual Report & Accounts

For the year ended 31 August 2018

Company Registration No. 08393914

Table of contents

Image on cover: Advanced Driving Simulator.

Officers and professional advisers

DIRECTORS

Anthony Best, Non-Executive Chairman and Interim Chief Executive Officer
Dr James Mathew Routh, Chief Executive Officer – Appointed 1 October 2018
Timothy John Rogers, Chief Executive Officer – Resigned 28 February 2018
Robert Andrew Leonard Hart, Chief Financial Officer
Matthew Hubbard, Chief Operations Officer
Graham Dudley Eves, Non-Executive Director
Frederick Bryan Smart, Non-Executive Director
Richard Hickinbotham, Non-Executive Director

SECRETARY

Robert Andrew Leonard Hart

REGISTERED OFFICE
AB Dynamics Plc
Middleton Drive
Bradford-on-Avon
Wiltshire
BA15 1GB

Registered number: 08393914 (England and Wales)

INDEPENDENT AUDITOR
Crowe U.K. LLP
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

NOMINATED ADVISER
Cairn Financial Advisers LLP
Cheyne House
62-63 Cheapside
London
EC2V 6AX

BROKER
Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
London
E14 5RB

BANKERS
Bank of Scotland

LEGAL ADVISER
Pinsent Masons LLP
30 Crown Place
Earl Street
London
EC2A 4ES

REGISTRARS
Share Registrars Ltd
The Courtyard
17 West Street
Farnham
Surrey
GU9 7DR

PUBLIC RELATIONS ADVISER
IFC Advisory Limited
24 Cornhill
London
EC3V 3ND

Chairman's Statement

Results Overview

I am very pleased to report that the Group has delivered another record year of revenue and adjusted profit that reflects the increased demand for our advanced test and measurement equipment. The development of new Advanced Driver Assistance Systems ('ADAS') technologies and standards and the drive towards semi-and fully-autonomous vehicles continues to provide a supportive market backdrop for the Group.

For the year ended 31 August 2018 the Group delivered revenues of £37.05m (2017: £24.57m), a growth of 50.8%. Revenue from Driving Robots was at an all-time high at £21.09m (2017: £13.95m) and similarly for our ADAS products at £11.85m (2017: £6.40m). As expected, revenue from Laboratory Test Systems was broadly unchanged at £3.75m (2017: £3.80m). Over 98% of our sales were exported to customers based outside the United Kingdom.

During the year, we increased investment in our facilities, new product development, marketing and personnel. This investment will ensure that we remain well positioned within our markets to benefit from the research and development spending of our automotive OEM customers, as they continue to develop vehicles with improved safety and driving characteristics. Vehicle complexity is increasing rapidly and there is an established need for faster and more efficient ways to develop these new vehicles. We are seeing significant interest in our advanced Vehicle Dynamic Simulator ("aVDS") as the automotive industry continues to adopt virtual prototyping to complement physical testing with the longer-term goal of developing fully autonomous vehicles.

As a result of increased investment in new products and operational capabilities, adjusted operating margins (excluding non-cash charges in respect of share-based payments) reduced slightly to 23.1% (2017: 23.9%). Reported profit before tax increased to £7.95m (2017: £4.47m), a growth of 77.9%. On a fully diluted basis, I am pleased to report that earnings per share increased by 70% to 35.03p (2017: 20.56p), with the added benefit of a reduction in the effective corporation tax rate to 11.7% (2017: 12.7%). Further detail and discussion of our financial performance can be found in the Chief Financial Officer's Statement on pages 18 to 21.

People

I would like to thank all our employees for their continued hard work and professionalism over the last year. AB Dynamics is a people business and it is the performance and dedication of our employees that underpins the strong achievements of the Group. I am pleased that we continue to attract first class engineering talent and over the last year the number of our employees has increased by ca. 25% to greater than 150.

New Facilities

Our new 3,070 m^2 state of the art factory and headquarters in Bradford on Avon is now fully operational. The facility has met all our expectations and has provided an attractive environment for both our employees and customers, who regularly spend time with us. We mostly occupied the building during the first quarter of the financial year and I am pleased to report that the first Suspension Parameter Measurement Machine ("SPMM") is now being assembled, following completion of the bespoke and complex foundations in July 2018. The increased space brings added flexibility and capacity for the manufacture of our Laboratory Test equipment.

We have an increasingly large installed base of equipment and systems across the world and the Group, in conjunction with its reseller partners, remains focused on providing the high levels of support and service that our customers expect when working with our increasingly sophisticated products. In Germany, our wholly owned subsidiary AB Dynamics Europe GmbH recently leased 950m2 of premises in Wetzlar, near Frankfurt, and we are in the process of optimising the space to meet our immediate needs. This is an important development for the Group and will enable us to offer improved levels of service and maintenance and assembly of our products within the German market. We expect the Group to benefit significantly from on-going investment in this market which will deepen our customer relationships and allow us to capture new business.

Despite the addition of over 4,000 m2 of new space over the last year, we have previously announced the acquisition of further land on a site adjacent to our new headquarters for an additional factory of approximately 3,000 m2 to meet our future expansion needs. This building is currently in the planning stage and it is anticipated that the factory will be completed in 2020. The Board continues to review the Group's capacity requirements against the expected future growth and remains confident that the business has sufficient manufacturing capacity until a new facility becomes available.

New Product Development
During the year, we significantly increased the level of resources applied to new product development and in particular the next phase of development work on our advanced vehicle driving simulator. In June 2018, we were delighted to announce the first order for the aVDS, valued at over £2m. The simulator is now being assembled and will be shipped to the customer, a Chinese test house, in FY19.

We recently introduced our new LaunchPad ADAS target product to the market which has been well received by the industry and we have already received multiple orders. LaunchPad is a highly manoeuvrable, compact powered platform that has been designed to carry Vulnerable Road User ('VRU') targets for ADAS development and autonomous vehicle testing and is fully compatible with Euro NCAP approved pedestrian, cyclist and moped dummies. We see LaunchPad as a significant addition to our comprehensive suite of track testing products where there is rapidly growing demand for complex testing scenarios with multiple moving objects. We remain the only supplier to offer a full suite of interactive track testing products managed from a sophisticated and comprehensive single software environment.

The Group continues to work on a number of innovative new products that we expect to bring to the market in the coming years and we continue to be pleased with the reaction of our customers to these exciting projects.

Corporate Governance
The Board firmly believes that robust corporate governance and risk management are essential to maintaining the stability of the Group and its financial health. During the year the Board decided to adopt the new Quoted Companies Alliance "QCA" Corporate Governance Code and I am pleased to confirm that the Group is in full compliance with the QCA Code as required under the AIM Rules. I report separately on the Group's corporate governance approach and procedures in my Corporate Governance Statement which can be found on page 22 of this annual report.

The Board
At the end of February 2018 Tim Rogers stepped down as Chief Executive Officer and left the Group. I would like to express my sincere thanks to him for his hard work over the previous five years in developing the business from a small private company into a mid-sized AIM quoted group.

Dr James Routh was appointed CEO with effect from 1st October 2018 and I am delighted to have him on board to lead the Group in our next phase of growth. James joins from Diploma PLC where he was responsible for the International Seals businesses outside North America. James brings extensive experience of delivering strong growth both organically and through carefully selected, value-enhancing acquisitions.

I assumed the role of interim Executive Chairman when Tim Rogers stepped down and I would like to thank Rob Hart (CFO) and Mat Hubbard (COO) for their support and commitment during this time and also all our Non-Executive Directors for their continuing counsel.

Dividend
The combination of strong results, a robust balance sheet and a positive outlook supports an increased dividend. The Board is recommending a final dividend of 2.2p per ordinary share, payable on 14 December 2018, subject to shareholder approval at the AGM. The ex-dividend date will be 22 November 2018 and the record date will be 23 November 2018. The total dividend for the year will therefore be 3.665p representing an increase of 10% over the prior year.

Outlook

Since its formation in 1982, Anthony Best Dynamics has gone through many changes to establish itself as a market leader in its targeted segments within the automotive R&D market. Our customers remain very active in introducing ever more complex ADAS equipment into their vehicles and in the development of semi- and fully-autonomous vehicles. Vehicle safety standards continue to evolve under Euro NCAP and NHTSA and their safety ratings are expected to continue to include more and more ADAS and crash avoidance systems, such as future Autonomous Emergency Braking and Autonomous Emergency Steering developments.

Despite our very strong growth, order intake has continued to run ahead of sales and this has provided the Group with a healthy order book into our new financial year and, as usual, visibility into our third quarter. Against this pleasing backdrop, our progress continues to require ever greater investment in systems and our operational capability to ensure that we are fully capable of supporting current and future growth. In the coming year we expect to make further investment in new product development, marketing, service and support, our growing overseas footprint and, of course, our people, whose skills and energy remain so important to our future success. Inevitably this investment will provide some constraint to our operating margin, but the Board remains confident that, under the leadership of our new CEO, we are positioned to deliver a year of solid progress.

Tony Best
Non-Executive Chairman
13 November 2018

Strategic report for the year ended 31 August 2018

The Directors present the Strategic Report of AB Dynamics Plc for the year ended 31 August 2018.

Our Business – Providing testing solutions to the global automotive market
The Group supplies advanced testing equipment to the global automotive industry, for both R&D and production quality control. The Company's products help the automotive industry to design vehicles that are better and safer for all road users by providing engineering solutions and testing machinery to test and develop the following:

- *Driving safety systems – often referred to as Advanced Driver Assistance Systems (ADAS). These include systems such as Automatic Emergency Braking (AEB) and Lane Keeping Assist (LKA).*

- *Autonomous Vehicle driving technology – Evaluating and testing the technologies that will enable future driverless vehicles to become viable and commonplace.*

- *Suspension, Chassis, Brake and Steering systems – for Compliance, Dynamics, and Durability.*


Track testing – Driving robots


Advanced Vehicle Driving Simulator(aVDS)


Track testing – ADAS LaunchPad target carrier.

Track testing - ADAS Guided Soft Target

Overview of the customer base
Our customers are typically automotive companies and associated industries engaged in R&D for the development of the technology for the areas shown above, they include:

- ***Major Automotive OEMs*** *– Large multinational automotive car companies with central and regional facilities serving both global and local research and testing needs. All of the top 25 car companies routinely use the Company's equipment for the development of their products.*

- ***Smaller Regional OEMs*** *– Notably China that has a very large emerging indigenous car and truck market, requiring solutions that are appropriate for its particular technical demands for that region.*

- ***New technology entrants*** *– There are a significant number of new technology companies entering the automotive sector. They may be developing their own vehicles or developing technologies to be supplied to existing OEMs.*

- ***Tier One suppliers*** *– providing the technology and products to the OEMs to package into their vehicles such as steering and braking systems.*

- ***Testing houses*** *– Especially Euro NCAP laboratories who are Verifying and Homologating ADAS systems for the OEMs*.

- ***Design consultancies*** *– providing lead technical inputs to the OEMs and Tier One suppliers.*

Market Drivers
The Company invests in new product development and services and support to meet the following four key market drivers:

1. Increases in global spending on automotive R&D

R&D spending in the automotive industry continues to be very diverse in nature, not least to keep pace with ever-growing demands for new technologies as the industry deals with new challenges in the market. Many traditional car manufacturers are now starting to consider themselves to be "mobility providers." We believe it is likely that vehicle autonomy will be a key feature of future mobility technology.

The top automotive OEMs have been consistently among the largest R&D spenders for many years. Volkswagen, Toyota, GM, Ford, Daimler and Honda all feature in the top 20 Global R&D spenders of 2017. In addition, new entrants to the automotive markets are also spending considerable sums of money as well as the plethora of smaller and younger automotive manufacturers in China.

Rank in 2017	Rank in 2016	Change	Company	Geography	Industry	R&D spending (US$ Billions)	Revenue (US$ Billions)	R&D Intensity
1	3	+2	Amazon.com, Inc.	North America	Software and Internet	16.1	136.0	11.8%
2	4	+2	Alphabet Inc.	North America	Software and Internet	13.9	90.3	15.5%
3	5	+2	Intel Corporation	North America	Computing and Electronics	12.7	59.4	21.5%
4	2	-2	Samsung Electronics Co. Ltd.	South Korea	Computing and Electronics	12.7	167.7	7.6%
5	1	-4	Volkswagen AG	Europe	Auto	12.1	229.4	5.3%
6	6	NA	Microsoft Corporation	North America	Software and Internet	12.0	85.3	14.1%
7	7	NA	Roche Holding AG	Europe	Healthcare	11.4	51.8	21.9%
8	14	+6	Merck & Co., Inc.	North America	Healthcare	10.1	39.8	25.4%
9	11	+2	Apple Inc.	North America	Computing and Electronics	10.0	215.6	4.7%
10	8	-2	Novartis AG	Europe	Healthcare	9.6	49.4	19.4%
11	10	-1	Toyota Motor Corporation	Japan	Auto	9.3	247.5	3.8%
12	9	-3	Johnson & Johnson	North America	Healthcare	9.1	71.9	12.7%
13	13	NA	General Motors Company	North America	Auto	8.1	166.4	4.9%
14	12	-2	Pfizer Inc.	North America	Healthcare	7.9	52.8	14.9%
15	15	NA	Ford Motor Company	North America	Auto	7.3	151.8	4.8%
16	16	NA	Daimler AG	Europe	Auto	6.9	161.8	4.2%
17	20	+3	Oracle Corporation	North America	Software and Internet	6.8	37.7	18.1%
18	17	-1	Cisco Systems, Inc.	North America	Computing and Electronics	6.3	49.2	12.8%
19	23	+4	Honda Motor Co., Ltd. New	Japan	Auto	6.2	125.6	4.9%
20	27	+7	Facebook, Inc. New	North America	Software and Internet	5.9	27.6	21.4%
					Total	194.5	2217.0	8.8%

Companies in red have been among the top 20 R&D spenders every year since 2005
Source: Bloomberg data, Capital IQ data, 2017 Global Innovation 1000 study

Table 1. Automotive OEMs continue to outspend most industries globally on R&D

2. Increasing role of computer aided design in new product development

The auto industry is constantly looking for more efficient ways to design new vehicles to shorten development times and reduce cost. Greater use of computer aided design and modelling has emphasised the need for more accurate and reliable vehicle data on which mathematical car models can be assessed. The Group's track testing products allow customers to undertake testing for both vehicle dynamics and ADAS applications. The track test systems provide repeatable, accurate and reliable vehicle data on which mathematical vehicle models can be assessed.

Realtime vehicle models developed with the assistance of ABD's track testing systems can also be used on ABD's driver-in-the-loop vehicle driving simulator to enable human drivers to evaluate vehicle features in a virtual environment.

3. The advancement of new ADAS technologies and standards

Pressure from Euro NCAP and NHTSA has challenged vehicle manufacturers across the World to offer the best possible technology, protecting not only car occupants of all ages but also increasingly addressing the safety of other more vulnerable road users.

Euro NCAP has announced its strategic Roadmap to 2025 which details that testing will rely on vehicle targets like the Guided Soft Target and other ADAS carriers developed by the Company. They are also proposing a move into a more scenario-based rating scheme, which will include wider use of simulation to provide a broader and more robust assessment.

"Euro NCAP expects AEB technology to continue to evolve in the years ahead and has identified three priority areas where the rating scheme will be updated to reflect the progress in the industry"

Euro NCAP 2025 Roadmap

Euro NCAP has announced its strategic Roadmap to 2025 which details that testing will rely on vehicle targets like the Guided Soft Target and other ADAS carriers developed by the Company. They are also proposing a move into a more scenario-based rating scheme, which will include wider use of simulation to provide a broader and more robust assessment. An assessment of automated driving has been proposed, this would fall outside of the main star rating scheme. The report discussed how a driver-initiated in-lane steering support could be initiated earlier in the roadmap than the more complex Autonomous Emergency Steering, expected in 2022.

Further developments in Autonomous Emergency Braking (expected in 2020) have been proposed to address cross-junction, head-on and reversing accidents.

"Euro NCAP has clearly recognised that primary safety has an increasingly important role to play. As the rate of development in this area accelerates, the safety rating is expected to include more and more ADAS and crash avoidance technologies, introduced by vehicle manufacturers."

Euro NCAP 2025 Roadmap

4. Drive towards autonomous vehicles and the demand for new testing technology

Original-equipment manufacturers (OEMs) and their suppliers now see ADAS and autonomous vehicle features as a key product differentiator.

Evolution of technologies that enable today's ADAS technology will be used to create fully autonomous vehicles in future. We believe that this is now a major focus of research and development, both at OEMs and by new technology entrants to the automotive sector.

There remains some confusion in the industry as to what level of automation is desired and indeed the technology that will be required. The International and national legal framework on this matter is in its infancy.

Our Products and Solutions

The Company provides its customers with the testing tools for generating accurate and repeatable data at all stages of their vehicle development cycle, providing testing solutions that shorten the customer's development time and introduction of new models to the market. The Company is able to deliver testing solutions through extensive inhouse technical competencies in the areas of mechanical and electronic design, real-time and HMI (human machine interface) software design and control algorithm development.

The Company has close working relationships with key customers which helps ABD to understand future automotive testing requirements and shape its future product and solutions offerings to the market. The Company also perceives that increasingly complicated vehicle testing will require automotive manufacturers to seek more assistance with undertaking tests and this provides additional opportunities to offer services and increase customer contact.

Our two main business product areas are *Laboratory Testing and Track Testing*. However, many key customers see AB Dynamics as being capable of providing a suite of solutions to assist in their new product development (as shown below).

Laboratory Testing – Suspension Parameter Measurement Machine (SPMM)

Sales of the Suspension Parameter Measurement Machine ("SPMM") have been broadly flat this year. There is a steady worldwide demand for machines that can measure the suspension properties of road vehicles. Whilst the product is sold into a mature market, we continue to receive sales from new customers in emerging markets and see an increasing demand from customers who are looking to replace aging machines and/or increase testing capacity.

ABD continues to invest in strategically developing the capabilities of the SPMM to improve its performance as well as reduce manufacturing cost.

Laboratory Testing – Advanced Vehicle Driving Simulator (aVDS)
The Company has entered the market for designing, supplying, and supporting vehicle driving simulators. The aVDS is a 'next generation' vehicle driving simulator that is being developed by AB Dynamics in partnership with Williams Advanced Engineering. The system provides automotive OEMs and Tier 1 suppliers with the ability to reduce the cost and time of development of new vehicle systems.

The aVDS is designed to integrate seamlessly with the Group's portfolio of vehicle development tools that include our SPMM used for the measurement of vehicle kinematics and compliance characteristics and our ADAS test systems, used also for track based validation of a vehicle's active safety measures.

The aVDS provides a fully immersive and realistic environment that enables the test driver to 'drive' mathematically modelled vehicles in the virtual world.

The Company received its first order for the aVDS in 2018 and expects sales to develop sustainably over the coming years. The aVDS is believed to be strategically important to the future revenue stream of the Company. There is strong competition in the area of driving simulation and ABD will need to invest further to ensure that the aVDS is commercially successful.

Track testing – Driving Robots and ADAS platforms
Track testing now represents approximately 90% of our revenue and continues to be the most strategically important part of our business. The Company continues to develop its track testing product portfolio offering a wide range of driving robots to meet customers requirements. The Company has also recently expanded the range of ADAS platforms with the introduction of LaunchPad.

The LaunchPad is a highly manoeuvrable, compact powered platform that has been designed to carry Vulnerable Road User ('VRU') targets for ADAS development and autonomous vehicle testing. With a maximum speed of 50kph and full path following capability, The LaunchPad is a significant addition to our sophisticated and comprehensive suite of track testing products that allows for complex testing scenarios with multiple moving objects. We remain the only supplier offering a full suite of interactive track testing products.

The Company is also strategically developing its software offering to meet the future testing requirements. The Company anticipates that the testing of autonomous technology will become more complicated and our software offering needs to be developed to meet the future needs of our customers.

Some manufacturers now have vehicles that can be controlled electronically without the need for robotic actuators. ABD's Flex-0 electronic vehicle controller allows customers to control these vehicles from ABD's software suite that allows the motion of multiple vehicles and ADAS platforms to be synchronised. Whilst vehicles continue to have steering wheels and pedals, ABD expects sales of physical robot actuators to continue as there will always be a need to measure vehicles and control them in the same way as a human driver.

TMS now accounts for around 1% of our revenue. The Company has over 30 years of experience designing, deploying and supporting production testing systems where noise/vibration measurements are used as primary indicators of product quality.

Areas of Investment:

Investment in customer support
As mentioned in previous Annual Reports, to maintain and build on the Company's reputation for good customer service and to reflect the fact that more systems are out in the field than ever before, additional customer technical support teams are required. The Company is looking to establish more international regional technical and sales support hubs as well as growing the support team at its UK headquarters. The Company wishes to commit to its customers and long-term future by continuing to carry out significant investment this area.

The ADAS platform products typically have a higher requirement for replacement parts. Our customers expect replacement parts to be available at short notice. We are investing in inventories of spare parts to be stored at regional offices as well as processes to manage the delivery of spare parts to customers.

Investment in new products
AB Dynamics is further expanding its product range to offer innovative testing solutions for customers. The Company year-on-year spend on R&D continues to grow and seeks to develop and introduce new and novel ranges of ADAS testing products, as well as upgrading existing products to meet the new demands for sophisticated testing regimes which are now being employed by its customers seeking to develop better and safer future vehicles.

Investment in facilities, infrastructure, and inventory
The Company has invested in and continues to expand its manufacturing and R&D facilities to meet expected future demand. The facilities also need to reflect the image that the Company wishes to portray to its customers as a designer and manufacturer of high quality test equipment. In the next 12 months, the Company hopes to begin the construction of a new 3,000m2 facility designed to be flexible so that it can be adapted to future needs.

The World is facing a shortage of electronic components and other items that are typically used in robotics and process automation. The Company has taken the decision to increase inventory of raw materials to reduce the risk of being unable to supply products to customers.

Investment in People
The Group recruits high calibre personnel across all roles within the Company. ABD offers attractive remuneration packages to staff which have proved to be successful to ensure that our staff are motivated. The Company also operates a profit related bonus scheme so that staff share in the financial success of the business. Staff turnover is extremely low and customers benefit through engineering staff having extensive current and historic product knowledge as well as customer specific knowledge. The quality of support offered to customers is of paramount importance to customer retention.

The Company ensures that staff pass through a rigorous interview process prior to being offered a role at the Company. We recruit from local universities with a high proportion of graduate engineering staff coming from the University of Bath. The Company recently passed the threshold of 150 direct employees.

We have also expanded our apprenticeship program for school leavers to ensure that we have sufficient numbers of technically competent technicians to meet future requirements.

Continued improvements in supply chain and product fulfilment
The Group has generated improvements in supply chain and product fulfilment following a reorganisation of the mechanical and electrical production units, resulting in better utilisation of resources, shortening delivery times and increasing units delivered. The Company is also investing in creating business management software systems that are able to cope with the particularly complex needs of the business.

Principal risks and uncertainties facing the business

Principal risks and uncertainties
Set out below are certain risk factors which could have an impact on the Group's long term performance. The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Group.

1. **Risks relating to the business and operations of the Group**

The Group is reliant on key executives and personnel
The Group's business, development and prospects are dependent upon the continued services and performance of its Directors and other key personnel. The experience and commercial relationships of the Group's personnel help provide the Group with a competitive advantage. The Directors believe that the loss of services of any existing key executives, for any reason, or failure to attract and retain necessary additional personnel, could adversely impact on the business, development, financial condition, results of operations and prospects of the Group. However, several members of staff have worked for the Group for over 20 years and the Group continues to recruit and develop intelligent and motivated individuals. In addition, key man insurance exists for all key personnel in the Group, save for Anthony Best.

The Group may not successfully manage its growth
Expansion of the business of the Group may place additional demands on the Group's management, administrative and technological resources and marketing capabilities, and may require additional capital expenditure. If the Group is unable to manage any such expansion effectively, then this may adversely impact the business, development, financial condition, results of operations, prospects, profits, cash flow and reputation of the Group.

The Group's growth and future success will be dependent to some extent on the successful completion of such expansion strategies proposed to be undertaken by the Group and the sufficiency of demand for the Group's products. The execution of the Group's expansion strategies may also place a strain on its managerial, operational and financial reserves. Should the Group fail to implement such expansion strategies, or should there be insufficient demand for the Group's products and services, the Group's business operations, financial performance and prospects may be adversely affected.

Potential requirement for further investment
The Group may require additional capital in the future for expansion, its activities and/or business development, whether from equity or debt sources. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds if raised, would be sufficient. If additional funds are raised by issuing equity securities, material dilution to the existing shareholdings may result. The level and timing of future expenditure will depend on a number of factors, many of which are outside of the Group's control. If the Group is not able to obtain additional capital on acceptable terms, or at all, it may be forced to curtail or abandon such expansion, activities and/or business development which could adversely impact upon the Group, its business, development, financial condition, operating results or prospects.

Litigation
Legal proceedings, with or without merit, may arise from time to time in the course of the Group's business, including in connection with intellectual property rights. The Directors cannot preclude litigation being brought against the Group and any litigation brought against the Group could have a material adverse effect on the financial condition, results or operations of the Group. The Group's business may be materially adversely affected if the Group and/or its employees or agents are found not to have met the appropriate standard of care or exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards.

Internal controls
Future growth and prospects for the Group will depend on its management's ability to manage the business of the Group and to continue to expand and improve operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Group's growth could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is reliant on overseas sales representatives, agents and distributors
The Group has appointed a number of sales representatives, agents and distributors for certain of its products in overseas jurisdictions, including the US, Canada, India, Japan, Malaysia, Mexico, Germany, China and Taiwan. However, for the majority of these individuals, there are no formal written terms of engagement. Terms concerning, inter alia, notice and termination are therefore uncertain, meaning that there are potential issues regarding the Group's ability to sell and distribute in certain jurisdictions should such sales representatives, agents and distributors cease to work with the Group at short notice. In addition, provisions as to termination payments and/or compensation are also uncertain, meaning the Group is at risk of being liable to pay uncapped compensation to these individuals, either under the Commercial Agents (Council Directive) Regulations 1993 or local law equivalent, as well as possible common law damages if statutory minimum notice periods are not complied with.

Uninsured liabilities
The Group may be subject to substantial liability claims due to the technical nature of its business and products or for acts or omissions of its sales representatives, agents or distributors. The Group can give no assurance that the proceeds of insurance applicable to covered risks will be adequate to cover expenses relating to losses or liabilities. Accordingly, the Group may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage.

Competitors
While the Directors are unaware of any single competitor that provides the range of products and services offered by the Group, there are a number of competitors for each of the Group's product categories. The acquisition of market share by any of these competitors may have a material adverse impact on the Group's revenues and profitability.

Limited IP protection
The Group does not have a formal policy on intellectual property. While the Directors believe that the barriers to entry in its market are high, the ability of a competitor to develop similar products to those manufactured by the Group may have a material adverse impact on the Group's revenues and profitability.

2. Risks relating to the market in which the Group operates

Research & development budgets of global automotive corporations can get squeezed or significantly reduced
The global automotive market is highly competitive and continues its recovery from the significant downturn in 2008. Competition is expected to intensify further in light of continuing globalisation in the industry, possibly resulting in industry reorganisation. Factors affecting competition include product quality and features, safety, reliability, fuel economy, the amount of time required for innovation and development, pricing, customer service and financing terms. Increased competition may lead to lower vehicle unit sales, which may result in downward pressure on research and development budgets. Furthermore, adverse issues arising in the automotive industry or in the global economy may significantly reduce the level of these research and development budgets.

The Group's ability to respond adequately to changes in the automotive industry and to maintain its position as a leading technology supplier will be fundamental to its future success in existing and new markets and to maintain its market share. There can be no assurance that the Group will be able to compete successfully in the future.

Key suppliers
Over the past 30 years, the Group has built up a reliable supplier base for its externally sourced components. At present, a significant proportion of these components are supplied by certain key suppliers. While the Group uses its design capabilities to dual source components, there remains a risk of material impact in the short term if one of its key suppliers were to fail.

In certain instances, the Group has taken out an insurance policy to protect its profits should a key supplier be unable to supply for whatever reason.

Exposure to exchange rate fluctuations
The Group is exposed to exchange rate fluctuations, principally the GBP, the US$, the Euro and, to a lesser extent, the Japanese Yen and Chinese RMB. Changes in foreign currency exchange rates may affect the Group's pricing of products sold and materials purchased in foreign currencies.

The Directors believe that its use of certain derivative financial instruments, including foreign currency forward contracts used to mitigate the impact of commitments denominated in foreign currencies, reduces the Group's exposure to this risk.

Exposure to economic cycle
Market conditions may affect the value of the Group's share price regardless of operating performance. The Group could be affected by unforeseen events outside of its control including economic and political events and trends, inflation and deflation, terrorist attacks or currency exchange fluctuation. The combined effect of these factors is difficult to predict and an investment in the Group could be affected adversely by changes in economic, political, administrative, taxation or other regulatory factors in any jurisdiction in which the Group may operate. Deterioration in the economic climate could result in a delay or cancellation of clients' projects. The Group has considered the uncertainty regarding Brexit and how this might impact trading going forward. The Group believes it is well placed to continue to trade within Europe and has put measures in place to ensure this continues by opening ABD Europe GmbH.

Force majeure events
There is a risk that the markets in which the Group currently operates could be affected by events such as war, civil war, riot or armed conflict, acts of terrorism, floods, explosions or other catastrophes, epidemics or quarantine restrictions, which are outside of the Directors' control and generally not covered by insurance. Such events could have a variety of materially adverse consequences for the Group, including risks and costs related to decline in revenues or reputational damage, and injury or loss of life, as well as litigation related thereto.

Laws and regulations
The Group is subject to the laws of the United Kingdom. Existing and future legislation and regulation could cause additional expense, capital expenditure and restrictions and delays in the activities of the Group, the extent of which cannot be predicted. No assurance can be given that new laws, rules and regulations will not be enacted, or existing laws, rules and regulations will not be applied in a manner which could limit or curtail certain of the Group's activities or services. In addition, the Group may have to defend itself against legal proceedings which could have an adverse effect on trading performance and, in turn, future profits. The Group also exports its products overseas and therefore its exports may be subject to existing and future overseas legislation and regulation and similar risks therefore also applying in relation to such overseas existing and future legislation and regulation.

Approved by the board on 13 November 2018

Matthew Hubbard
Director

Directors' report

The Directors present their report and the audited financial statements of AB Dynamics plc for the year ended 31 August 2018.

Dividends
During the year an interim dividend of £0.01465 per share was paid and the Board has proposed a final dividend of £0.022 per share.

Research and development
The Group continues to invest in research and development associated with the design and manufacture of test equipment for vehicle suspension, steering, noise and vibration. Costs attributed to this process have been charged to profit or loss to the extent that they do not meet all of the criteria for capitalisation as set out in IAS 38 'Intangible Assets'.

Research and development costs expensed is separately identified and disclosed in Note 5.

Financial instruments
The Company's principal financial instruments comprise cash at bank, bank facilities, and various items within current assets and current liabilities that arise directly from its operations including foreign currency forward contracts. The Group's financial risk management objectives and policies are set out in note 19 to the financial statements.

Future Developments
Please see the Strategic Report for details of future developments.

Directors
The following directors have held office during the year:

Anthony Best	
Dr James Mathew Routh	Appointed 1 October 2018
Timothy John Rogers	Resigned 28 February 2018
Robert Andrew Leonard Hart	
Graham Dudley Eves	
Frederick Bryan Smart	
Matthew Hubbard	
Richard Hickinbotham	

At the forthcoming Annual General Meeting, and in accordance with the Company's articles of association, Dr James Routh as a Director appointed by the Board after the conclusion of the Company's previous Annual General Meeting is required to retire and stands for re-appointment. Anthony Best and Graham Dudley Eves will also retire by rotation and being eligible will offer themselves for re-election.

Conflicts of interest
Under the articles of association of the Company and in accordance with the provisions of the Companies Act 2006, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. However, the directors may authorise conflicts and potential conflicts, as they deem appropriate. As a safeguard, only directors who have no interest in the matter being considered will be able to take the relevant decision, and the directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate. During the financial year ended 31 August 2018, the directors have authorised no such conflicts or potential conflicts.

Directors' indemnities
The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Directors' interests in shares
Directors' interests in the shares of the Company, including family interests, were as follows:

	Ordinary shares of 1p each
Anthony Best	6,247,107
Robert Andrew Leonard Hart	13,012
Matthew Hubbard	109,649

There have been no changes in the Directors' shareholdings since the year end.

Directors' interests in share options

	Exercise price (pence)	As at 1 September 2017	Exercised during the year	As at 31 August 2018	Earliest date for exercise	Latest date for exercise
Robert Andrew Leonard Hart	395.00	100,341	–	100,341	11 July 2017	11 July 2026
Matthew Hubbard	395.00	65,119	–	65,119	11 July 2017	11 July 2026

Directors' remuneration and service contracts
The remuneration paid to the directors during 2018 is shown below:

	Short term benefits (Incl. bonus) £	Post employment benefits £	Share based payments £	2018 Total £	2017 Total £
Anthony Best	94,409	–	–	94,409	76,785
Timothy John Rogers	178,818	7,675	37,160	223,653	307,261
Robert Andrew Leonard Hart *	165,924	12,000	49,466	227,390	265,236
Matthew Hubbard	162,620	12,000	32,102	206,722	202,288
Graham Dudley Eves	38,000	–	–	38,000	30,000
Frederick Bryan Smart	38,000	–	–	38,000	30,000
Richard Hickinbotham	38,000	–	–	38,000	–
	715,771	31,675	118,728	866,174	911,570

* Highest paid director

Other substantial shareholdings
As at 12 November 2018, being the latest practicable date before the issue of these financial statements, the Company had been notified of the following shareholdings which constitute 3% or more of the total issued shares of the Company.

	Ordinary shares No.	Shareholding %
Anthony Best	4,647,107	24.0
Naemi Best	1,500,000	7.7
Castlefield CFP SDL UK Buffetology Fund General	1,315,000	6.8
Anne Middleton	1,200,000	6.2
Cannacord Genuity Group Inc	971,893	5.0
Liontrust Investment Management	964,690	5.0
Hargreaves Landsdown Asset Management	933,775	4.8
Tellworth Investments	742,818	3.8
Amati AIM VCT plc	652,750	3.4

Statement of Directors' responsibilities
The Directors are responsible for preparing the Strategic Report, Directors' Report, any other surround information and the group and parent company 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. Under that law, they have elected to prepare the group financial statements in accordance with International Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 their profit or loss for that year. 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable 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 group and 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 parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the Strategic Report and the Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the AB Dynamics PLC web site is the responsibility of the directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

Provision of information to auditors
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of the information.

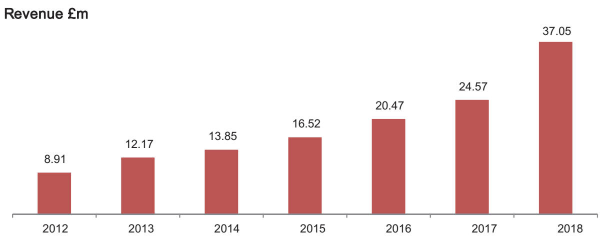
Auditor
The auditor, Crowe U.K. LLP, will be proposed for re-appointment in accordance with Section 489 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Tony Best
Director

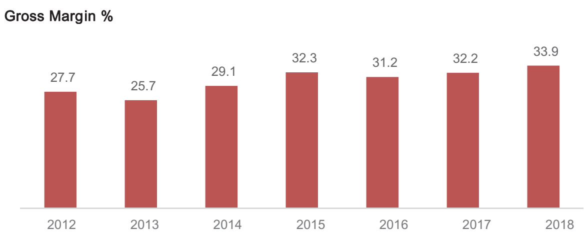
13 November 2018

Chief Financial Officer's report



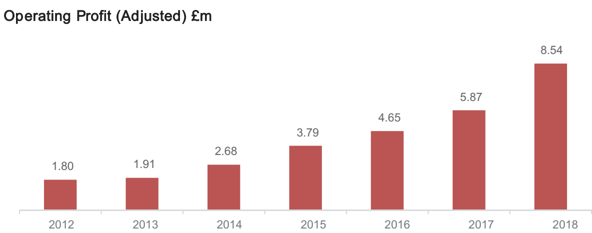
Revenue £m

The Group's revenue for the financial year ended 31 August 2018 increased by 51% to £37.05m from £24.57m in 2017.



Gross Margin %

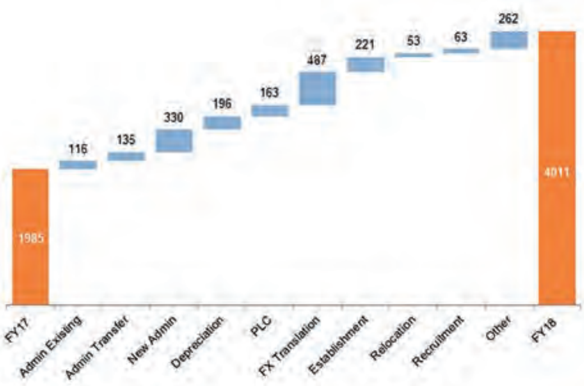
Gross margins were 33.9% (2017:32.2%), reflecting the change in sales mix and the reallocation of certain labour costs.



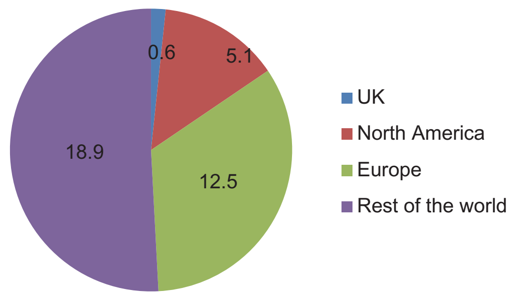
Operating Profit (Adjusted) £m

Adjusted operating profit increased to £8.54m from £5.87m in 2017, an increase of 46% driven again by strong demand for Track Testing products, notably for the testing of Advanced Driver Assistance Systems (ADAS). The operating profit is adjusted to exclude a £0.659m (2017: £1.464m) non-cash charge made in respect of share based payments. These costs are excluded due to their variable nature, as demonstrated by the values from both 2017 and 2018 the fluctuation in these would not allow for a true comparison year on year.

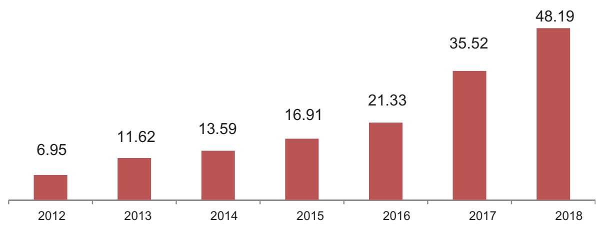
Administrative Expenses Bridge



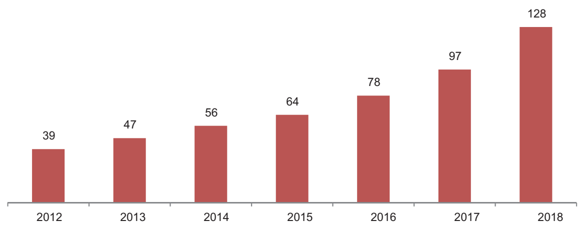
Turnover by Region £m



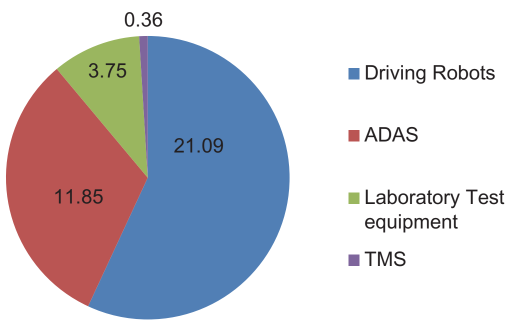
Total Assets £m



Employees – Monthly Average



Turnover by Product £m



Turnover by Region £m

Over 98% of sales are exported to customers based outside the United Kingdom.

Region	2018 £m	2017 £m	Increase/ (Decrease) %
UK	0.62	1.17	(53)
North America	5.09	3.30	54
Europe (excluding UK)	12.48	8.97	39
Rest of the world	18.86	11.13	69

Total Assets £m

Total assets increased by approximately 36% during the year. Further details can be found on page 33 of the financial statements.

Employees – Monthly Average

The average number of employees increased by 31 during the year. At the end of the year the average headcount was 128.

At 31 August 2018, the Group's total number of employees stood at 149 (2017: 120).

Turnover by Product £m

Product	2018 £m	2017 £m	Increase/ (Decrease) %
Driving Robots	21.09	13.95	51
ADAS Testing	11.85	6.40	85
Laboratory Test	3.75	3.80	(1)
TMS	0.36	0.42	(14)

Cash Flow
Cash generated from operations in 2018 totalled £9.94m (2017: £2.12m).

Stock levels have increased in line with increased activity but also to support increasing demands for shorter lead times.

Year-end cash and cash equivalents increased by £6.3m to £15.9m (2017: £9.6m).

Further details can be found on page 46 of the financial statements.

Capital Expenditure
Capital expenditure on tangible assets was £3,698,479 (2017: £8,040,906) and included approximately £2.5m of costs incurred in respect of the new facility. The charge for depreciation increased by £196,138 to £462,994 (2017: £266,856).

The multiple of net capital expenditure to depreciation was 7.9 times (2017: 30.1 times).

Interest Received
Bank interest received was £63,167 (2017: £65,257).

Trade Debtors
Trade debtors have reduced by £0.6m to £6.5m.

Trade and other payables
Trade creditors have increased by £0.9m to £2.4m (2017: £1.5m)

Other payables have increased due to significant increases to deferred income on increased sales. Accrued bonuses have also increased because of increased profits.

Taxation
The effective tax rate for the Group in 2018 was 11.7% (2017: 12.7%) principally as a result of sizeable R&D and Patent Box tax credits coupled with significant capital allowances claimed on the new facility.

Earnings per Share
Basic earnings per share was 36.29p (2017: 20.83p). This calculation is based on the profit after tax of £7.01m and 19,330,494 shares, being the weighted average number of shares in issue during the year.

Diluted earnings per share were 35.03p (2017: 20.56p).

On a fully diluted basis the adjusted EPS increased by over 35% to 38.3p (2017: 28.3p)

Further details of the earnings per share calculations are provided in note 8 to the financial statements.

Working Capital
Working capital (net current assets) increased by £5.78m to £23.41m (2017: £17.63m).

Return on Capital Employed
The return on capital employed rose in the current year to 21.3% from 15.6% in 2017. Our definition of ROCE is based on operating profit before tax as a return on the total assets less current liabilities.

Foreign Exchange Risk
The Group continues to monitor the need for forward contracts depending upon the level of natural hedging achievable and the extent to which surplus currencies are expected to be generated.

The most important foreign currencies for the Group remain the Euro and the US dollar and the relevant rate of exchange for the consolidated income statement were:

	2018	**2017**
Euro	1.118	1.083
US dollar	1.297	1.288

Exchange losses in the year amounted to £77,074 compared to a gain of £404,835 in 2017.

This was predominantly due to £259,796 of translation gains arising in FY17 reversing in FY18.

Share Capital and Reserves
The Group's issued share capital at the year-end totalled 19,536,534 ordinary shares (2017: 19,111,946).

A total of 424,588 share options were exercised during the year.

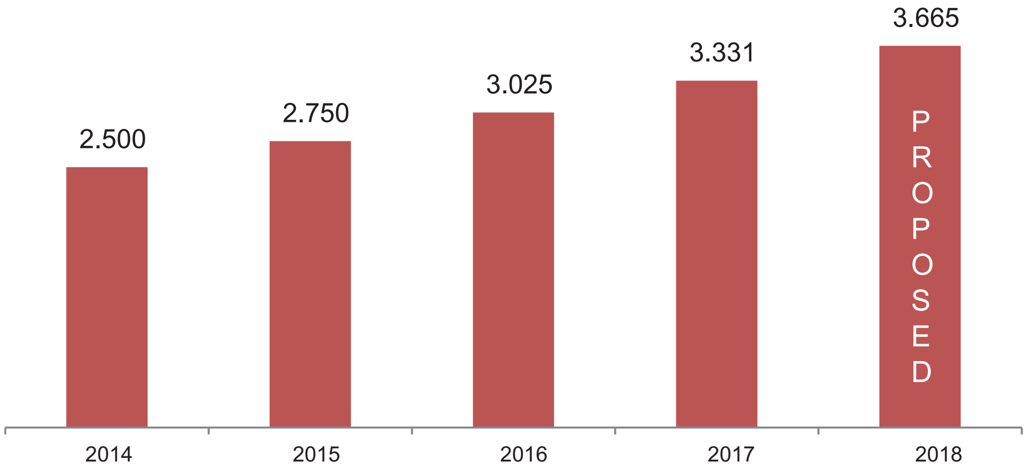
Order Intake
The Board considers order intake and the resultant period end order book as a critical guide to the Group's ability to achieve its profit targets. As it currently stands, the order book takes us into the third quarter of FY19.

Dividends
The Board has proposed a final dividend of 2.20p per share. Together with the interim dividend of 1.465p per share this gives a total Ordinary dividend of 3.665p for the year (2017: 3.331p).

Dividend cover, defined as the ratio of underlying earnings per share to dividend per share, was 9.77 times (2017: 6.25 times). If approved by shareholders, the final dividend will be paid to shareholders on the register at 23 November 2018.

The Group's policy is to pay a progressively increasing dividend provided the Group retains sufficient cash with which to pursue its R&D and business development policies.

Full Year Dividend



Corporate governance statement

Board structure

During the year the Board consisted of seven directors of which three were executive and four non-executive. During the year Tony Best acted as both Chief executive officer and Interim Chairman and was therefore not considered independent.

The Board meets as and when required and is satisfied that it is provided with information in an appropriate form and quality to enable it to discharge its duties. All directors are required to retire by rotation with one third of the board seeking re-election each year.

The board has undertaken a formal assessment of the auditor's independence and will continue to do so at least annually. This assessment includes:

- a review of non-audit services provided to the Company and the related fees;
- a review of the auditor's own procedures for ensuring the independence of the audit firm and parties and staff involved in the audit; and
- obtaining confirmation from the auditor that, in their professional judgement, they are independent.

Internal controls

The Board is responsible for the Company's system of internal controls and for reviewing their effectiveness. The internal controls are designed to ensure the reliability of financial information for both internal and external purposes. The Directors are satisfied that the current controls are effective with regard to the size of the Company. Any internal control system can only provide reasonable, but not absolute assurance against material mis-statement or loss.

Given the size of the Company, the Board considers there is currently no need for an internal audit function.

Tony Best
Director

13 November 2018

Statement of compliance with the QCA corporate governance Code

Establish a strategy and business model which promotes long-term value for shareholders
The Company's strategy is shaped by the executive board and is set out in the 2018 Annual Report.

Our Business – Providing test solutions to the Global Automotive Test Market.

This is achieved by employing high calibre individuals and developing a global customer base. The Company's understanding of future automotive testing requirements enables it to develop suitable products and sustainable shareholder returns.

The Strategic Report further explains the Company's business model and strategy.

The Strategic Report also includes a number of Risks and Uncertainties identified by the board which also represent challenges. We also explain how we are addressing them.

Embed effective risk management, considering both opportunities and threats, throughout the organisation
The Board is responsible for the Group's system of internal controls and for the reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's strategic objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board monitors financial controls through the setting and approval of an annual budget and the regular review of monthly management accounts. Management accounts contain a number of indicators that are designed to reduce the possibility of misstatement in the financial statements.

The Group has in place defined authorisation levels for expenditure, the placing of orders and signing authorities. The daily cash movements of the Group are reconciled and monitored by the finance department. The Group's cash flow is also monitored by management.

Each year on behalf of the Board, the Audit Committee reviews the effectiveness of these systems. This is achieved primarily by a comprehensive review of risks which cover both financial and non-financial issues potentially affecting the Group and from discussions with the external auditor. The Board is not aware of any significant failings or weaknesses in the system of internal control. On the recommendation of the Audit Committee, the Board has determined that an internal audit function is not required due to the small size of the administrative function and the high level of Director Review and authorisation of transactions. The Board intends to keep this matter under review as the Group develops.

Where the management of operational risk requires outside advice, this is sought from expert parties.

The Group has put measures in place to protect itself against supplier failure including dual sourcing, insurance and sufficient stock.

The Group has developed a diversified customer base across multiple geographic locations.

The Board of the Company's wholly owned subsidiary, Anthony Best Dynamics Ltd, meet on a regular basis and monitors business risk as part of its agenda.

Maintain the board as a well-functioning, balanced team led by the chair
The purpose of the Board is to ensure that the business is managed for the long-term benefit of all shareholders, whilst at the same time having regard for employees, customers, suppliers and our impact on the environment and the communities in which we operate.

The full Board is responsible and accountable to the shareholders for the management and success of the Group and to provide effective controls to assess and manage risks in the Company.

Following the departure of the CEO in February 2018 and the appointment of a successor which was made on 1 October 2018, Tony Best has acted as Interim Chief Executive Officer and Non-Executive Chairman. The Board therefore currently comprises Mr Best, two additional executive directors and three independent non-executive directors.

The Board is supported by the Audit, Remuneration and Nominations Committees, each of which has access to information, resources and advice that it deems necessary, at the company's cost, to enable the committee to discharge its duties. These duties are set out in the Terms of Reference of each committee which are available on the AIM rule 26 page of this website.

The Audit Committee is comprised of all three Independent Non-Executive Directors and is chaired by Bryan Smart. The Audit Committee will meet at least twice a year and is responsible for ensuring that the financial performance of the Group is properly reported and monitored and for meeting the auditors and reviewing the reports from the auditors relating to accounts and internal control systems. The external auditors will attend all meetings and the Audit Committee will have discussions with the external auditors at least once a year without any executive Directors being present.

The Remuneration Committee comprises all three independent non-executive directors and is chaired by Graham Eves. The remuneration committee reviews the performance of the executive Directors and sets and reviews the scale and structure of their remuneration and the terms of their service agreements with due regard to the interests of the Shareholders. In determining the remuneration of executive Directors, the Remuneration Committee seeks to enable the Company to attract and retain executives of high calibre. No director is permitted to participate in discussions or decisions concerning his own remuneration. The Remuneration Committee meets as and when necessary.

The Nominations Committee comprises all three independent non-executive directors and is chaired by Richard Hickinbotham. The Nomination Committee is responsible for recommendations to the Board for the appointment of additional directors or replacement of current directors and for succession planning for the Company.

The Board and its committees receive appropriate and timely information prior to each meeting. A formal agenda is produced for each meeting and board committee papers are distributed several days before meetings take place. Any director can challenge proposals with decisions being taken after discussion. Any director can ask for a concern to be noted in the minutes of the meeting which are circulated to all directors. Specific actions arising from meetings are agreed by the Board or relevant committee and then followed up by management.

Directors have access to advice or services needed to enable them to carry out their roles and duties.

All relevant directors attended all board and board committee meetings during the year.

Graham Eves, Richard Hickinbotham and Bryan Smart (and Tony Best in his capacity as Non-Executive Chairman) are each Non-Executive Directors and Messrs Eves, Hickinbotham and Smart are considered to be independent of the management and free to exercise independence of judgement.

The Board has established procedures to identify and monitor potential or actual conflicts of interest.

The Board has also established procedures to ensure AIM Rules are complied with and that there is close liaison with the Company's Nominated Adviser.

All Directors are subject to reappointment by shareholders at the first Annual General Meeting following their appointment and thereafter by rotation.

The Board has a formal schedule of matters reserved for its decisions. There are a minimum of 4 full board meetings spread across each year which tie in as far as possible with the Group's financial reporting and trading calendars. Additional meetings are held as required.

All directors spend such time as is necessary to effectively carry out their roles, typically on average two days a month. All of the directors were in attendance at the 7 board and board committee meetings held during the year.

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities
The skills and experience of the Board are set out in their biographical details included within the“Investors” area of the Company's website. . The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance.

Role of the Non-Executive Chairman and Chief Executive
There is normally a clear division of responsibility between the Non-Executive Chairman and the Chief Executive but in the interregnum the division has been between the Chairman and the Executive Directors. The Chairman is responsible for running the business of the board and for ensuring appropriate strategic focus and direction. The Chief Executive is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Group.

Role of the Independent Directors
The role of the Independent Non-Executive Directors includes questioning and challenging the Executive Directors and assisting where possible in developing strategic proposals, reviewing and commenting on the integrity of the Company's financial reporting systems and the information they provide; recommending appropriate standards of corporate governance; reviewing internal control systems; ensuring that risk management systems are robust and reviewing corporate performance and ensuring that performance is reported to shareholders.

The directors of the Company are:

Tony Best (Interim Chief Executive Officer and Non-Executive Chairman)
Matthew Hubbard (Chief Operations Officer)
Robert Hart (Chief Financial Officer and Company Secretary)
Graham Eves (NED)
Richard Hickinbotham (NED)
Bryan Smart (NED)

Their roles on the Board, biographical details and skills and experience, are set out in the“Investors” area of the Company's website.All directors ensure their skillsets are up to date by a combination of reading professional journals or trade press, attending industry events, conferences and workshops.

The Board comprises a range of different skills including business, engineering and financial. In addition, the Company's non-executive directors have all held senior executive positions and do hold a number of non-executive roles in public companies.

The Company Secretary is responsible for ensuring that the board and its committees receive appropriate and timely information prior to each meeting. A formal agenda is notified ahead of each meeting and relevant board committee papers are distributed before meetings take place. Any director can challenge proposals with decisions being taken after discussion. Any director can ask for a concern to be noted in the minutes of the meeting which are circulated to all directors. Specific actions arising from meetings are agreed by the Board or relevant committee and then followed up by management.

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement
The collective performance of the board is reflected in the success of the business. Evaluation of the performance of individual members has historically been implemented in an *ad hoc* manner. From 2019 however, these processes will be reviewed.

On an ongoing basis, board members maintain a watching brief to identify relevant internal and external candidates to meet the future needs of the business.

Responsibility for succession planning lies with the Nomination Committee as exemplified by the recent search for a new CEO.

Promote a corporate culture that is based on ethical values and behaviours
The Board recognises that its decisions will impact the corporate culture of the Group as a whole and that this will affect the performance of the business. The Board is also very conscious that the tone and culture that it sets will greatly impact all aspects of the Group and the way employees behave and operate. The importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives whilst, in particular, meeting the exacting demands of a sophisticated and demanding customer base. The Board appreciate it is important to retain and attract staff to continue to grow the business. Employees are motivated through a bonus scheme which the employees share the success of the group.

The Company's ethical approach to business is reflected in the way the Company has been able to develop long term and fruitful relationships with many of its clients. Employees are also aware of how business should be conducted and the group provide guidance on how the brand values of the business should be demonstrated.

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders
The Board recognises that meaningful engagement with its shareholders is integral to the continued success of the Group. Throughout FY18, members of the Board have sought to actively engage with shareholders on a number of occasions, through meetings, presentations and roadshows. Non-Executive Directors are kept informed of the views of the shareholders through periodic reports from the Chief Executive Officer and the Chief Financial Officer, including inputs from the corporate brokers with whom they are in regular contact.

The Board believes that the Annual Report and Accounts, and the Interim Report published at the half-year, play an important part in presenting all shareholders with an assessment of the Group's position and prospects. All reports and press releases are published on the Group's website.

The Annual General Meeting ('AGM') is the principal opportunity for private shareholders to meet and discuss the Group's business with the Directors. There is an open question and answer session during which shareholders may ask questions both about the resolutions being proposed and the business in general. The Directors are also available after the meeting for an informal discussion with shareholders.

The Board is supported by the Audit, Remuneration and Nominations Committees, each of which has access to information, resources and advice that it deems necessary, at the company's cost, to enable the committee to discharge its duties. These duties are set out in the Terms of Reference of each committee which are available at

https://www.abdynamics.com/en/investors-area/corporate-governance

The Audit Committee
The audit committee is chaired by Bryan Smart FCA and supported by Graham Eves and Richard Hickinbotham and meets at least twice a year. All meetings involve the external auditors, together with invited attendees comprising executive members of the board.

The first meeting is held before the start of the final audit, and typically covers matters such as audit scope, materiality, auditor independence, new emerging business and corporate governance issues and finally a negotiation of audit budgets.

The second meeting is held before the final accounts are finalised, and the draft annual reports are reviewed, and the auditor's findings and any recommendations for enhanced control procedures are considered.

All meetings are minuted by an independent secretarial service company representative, and action points arising are followed up to ensure compliance.

The audit committee chairman will periodically extend a committee meeting to allow discussion when only the committee members and external auditors are present.

The scope of the audit committee function is planned to be expanded for future financial years to include a review of Risk Management.

No formal internal audit function is thought necessary at this time, but as the company expands, this policy will be regularly revisited.

The Nomination Committee
The Nomination Committee consists of the three Independent Non-Executive Directors, Richard Hickinbotham (Chairman), Graham Eves and Bryan Smart.

The Committee is responsible for recommendations to the Board for the appointment of additional directors or the replacement of current directors and for succession planning for the Group. The terms of reference of the Committee were reviewed and updated in September 2018 and can be found on the Group's website.

The Committee met five times during the year with its principal focus on the recruitment of a new Chief Executive Officer following the departure of Tim Rogers who stepped down from the Board in February 2018. The Committee employed the services of an external search firm with the ensuing search conducted against a comprehensive job specification. After an extensive and thorough process, the Board approved the appointment of James Routh as Chief Executive Officer with effect from 1 October 2018.

The Committee also works with the Executive Directors to support them in decisions concerning the development and succession of senior managers within the business. During the year Andrew Pick and Adrian Simms were appointed to the Board of Anthony Best Dynamics Limited reflecting their respective leadership roles in managing the Laboratory Test and Track Test activities of the Group.

The on-going work of the Committee remains to support the Board in reviewing its size, structure and composition to ensure an appropriate balance of skills, knowledge, independence and experience, and as appropriate to make suitable recommendations to the Board.

The Remuneration Committee
The year was exceptional in that, apart from the usual two meetings, the Remuneration Committee had a number of additional meetings and telephone conference calls jointly with the Nomination Committee to discuss the terms of employment of the new CEO, as well as the COO. The Committee also discussed, with Mr Best not being present, his terms and remuneration for assuming the role of Interim Executive Chairman. The remuneration will not change when Mr Best reverts to being Non-Executive Chairman when the new CEO joins in view of the additional time required helping the CEO to become established. The Remuneration Committee is pleased to record that, with the exception of the CEO, there has been no leavers during the year, despite the national shortage of people with the qualifications and experience of the Company's staff.

The objective of the Company's remuneration policy is to incentivise and reward the achievement of shareholder value. The Company's growth in the UK and internationally makes it essential that the Company attracts and retains the very best people.

Independent Auditor's report to the members of AB Dynamics plc

Opinion
We have audited the financial statements of AB Dynamics plc (the "Parent Company") and its subsidiary (the "Group") for the year ended 31 August 2018, which comprise:

- the Group income statement and statement of comprehensive income for the year ended 31 August 2018;
- the Group and parent company statement of financial position as at 31 August 2018;
- the Group statement of cash flows for the year ended 31 August 2018;
- the Group and parent company statements of changes in equity for the year ended 31 August 2018; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 August 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £250,000 (2017: £165,000), based on a percentage of Group profit before tax.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £10,000 (2017: £5,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The Group and its subsidiary are accounted for from one central operating location, the group's registered office. Our audit was conducted from the main operating location and all group companies were within the scope of our audit testing.

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) that we identified. These matters included 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.

This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue recognition Revenue is recognised in accordance with the accounting policy set out in the financial statements. The accounting policy contains a number of judgements, particularly in recognising when control of ownership have passed to the buyer. This is determined with reference to the underlying contract with the purchaser.	We validated a sample of contracts to confirm revenue was being recognised in line with the requirements of IFRS 15. We performed cut off testing to ensure revenue is being recorded in the correct period.
Accounting for long-term contracts For certain products the Company recognises revenue over the period of the contract. The group uses the percentage of completion method to determine the appropriate amount of revenue to recognise in a given period. This is measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. A number of judgements are made by management in making its assessment of estimated costs and profitability.	Our work focussed on validating that estimated contract costs which include staff costs, overheads and material costs are appropriate and reliably estimated. In addition, we assessed whether cut off has been correctly applied and that any resulting work in progress and other entries are appropriate. We considered the original budget for the contract and compared this to actual costs to validate how the contract has performed and enquired into any events which could change this assessment.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The directors are responsible for the 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.

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our 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 directors' report and strategic report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where 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 the directors for the financial statements
As explained more fully in the directors' responsibilities statement set out on page 18, 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 Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

Use of our report
This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Glasby
Senior Statutory Auditor
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
St Bride's House,
10 Salisbury Square
London
EC4Y 8EH

Date: 13 November 2018

Consolidated statement of comprehensive income

	Note	Year ended 31 August 2018 £	Year ended 31 August 2017 £
Continuing operations			
Revenue		37,051,145	24,570,050
Cost of sales		(24,497,241)	(16,654,153)
Gross profit		12,553,904	7,915,897
Administrative expenses		(4,011,336)	(1,985,069)
Fair value loss in respect of foreign currency forward contracts		–	(59,241)
Operating profit before Share based payment costs		8,542,568	5,871,587
Share based payment costs		(659,167)	(1,464,817)
Operating profit		7,883,401	4,406,770
Finance income	4	63,167	65,257
Profit before taxation	**5**	**7,946,568**	**4,472,027**
Corporation tax expense	6	(931,900)	(569,286)
Profit after taxation		**7,014,668**	**3,902,741**
Other comprehensive income		**–**	**–**
Total comprehensive income for the year attributed to equity holders		7,014,668	3,902,741
Earnings per share – Basic (pence)	8	36.29p	20.83p
Earnings per share – Diluted (pence)	8	35.03p	20.56p

Consolidated statement of financial position
as at 31 August 2018

	Note	2018 £	2017 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	13,679,409	10,464,904
Deferred tax assets	16	1,288,777	148,140
		14,968,186	10,613,044
CURRENT ASSETS			
Inventories	10	6,903,374	4,959,435
Trade receivables	11	6,489,393	7,115,351
Other receivables, deposits and prepayments	12	1,980,870	1,536,134
Amount owing by contract customers	13	2,188,770	1,675,508
Taxation		55,749	–
Cash and cash equivalents	14	15,941,961	9,619,345
		33,560,117	24,905,773
TOTAL ASSETS		48,528,303	35,518,817
EQUITY AND LIABILITIES			
Share capital	15	195,365	191,119
Share premium		10,257,615	8,579,265
Reconstruction reserve		(11,284,500)	(11,284,500)
Merger relief reserve		11,390,000	11,390,000
Retained profits		27,484,250	19,370,938
Total equity attributable to owners of the Company and total equity		38,042,730	28,246,822
NON-CURRENT LIABILITIES			
Deferred tax liabilities	16	339,040	–
CURRENT LIABILITIES			
Trade and other payables and accruals	17	10,146,533	6,951,803
Provision for taxation		–	320,192
		10,146,533	7,271,995
TOTAL LIABILITIES		10,485,573	7,271,995
TOTAL EQUITY AND LIABILITIES		48,528,303	35,518,817

The financial statements were approved by the Board of Directors and authorised for issue on and are signed on its behalf by:

Director Director

COMPANY REGISTRATION NUMBER: 08393914

Consolidated statement of changes in equity

	Note	Share capital £	Share premium £	Merger relief reserve £	Recon-struction reserve £	Retained profits £	Total equity £
Balance at 1 September 2016		177,646	2,590,267	11,390,000	(11,284,500)	14,580,185	17,453,598
Share based payment expense						1,464,817	1,464,817
Profit after taxation and total comprehensive income for the financial year						3,902,741	3,902,741
Dividend paid	7					(576,805)	(576,805)
Issue of shares, net of share issue costs		13,473	5,988,998				6,002,471
Balance at 31 August 2017		191,119	8,579,265	11,390,000	(11,284,500)	19,370,938	28,246,822
Balance at 1 September 2017		191,119	8,579,265	11,390,000	(11,284,500)	19,370,938	28,246,822
Share based payment expense						659,167	659,167
Profit after taxation and total comprehensive income for the financial year						7,014,668	7,014,668
Taxation on options						1,107,382	1,107,382
Dividend paid	7					(667,905)	(667,905)
Issue of shares, net of share issue costs		4,246	1,678,350				1,682,596
Balance at 31 August 2018		195,365	10,257,615	11,390,000	(11,284,500)	27,484,250	38,042,730

The share premium account is a non-distributable reserve representing the difference between the nominal value of shares in issue and the amounts subscribed for those shares.

The reconstruction reserve and merger relief reserve have arisen as follows:

The acquisition by the Company of the entire issued share capital of Anthony Best Dynamics limited in 2013 was accounted for a group reconstruction. Consequently, the assets and liabilities of the Group were recognised at their previous book values as if the Company had always been the parent company of the group.

The share capital for the period covered by these consolidated financial statements and the comparative periods is stated at the nominal value of the shares issued pursuant to the above share arrangement. Any differences between the nominal value of these shares and previously reported nominal values of shares and applicable share premium issued by Anthony Best Dynamics Limited were transferred to the reconstruction reserve.

Retained profits represent the cumulative value of the profits not distributed to shareholders but retained to finance the future capital requirements of the Group.

Consolidated statement of cash flows

	2018 £	2017 £
Cash flow from operating activities		
Profit before taxation	7,946,568	4,472,027
Adjustments for:		
Change in accounting policy	–	(78,562)
Depreciation of property, plant and equipment	462,994	266,856
Loss on sale of property, plant and equipment	14,606	4,243
Interest income	(63,167)	(65,257)
Share based payment	659,167	1,464,817
Operating profit before working capital changes	**9,020,168**	**6,064,124**
Increase in inventories	(1,943,939)	(1,767,793)
(Increase) in trade and other receivables	(332,040)	(5,432,557)
Increase in trade and other payables and accruals	3,194,730	3,342,941
Fair value loss / (gain) on derivative instruments	–	(90,434)
Cash flow from operations	**9,938,919**	**2,116,281**
Interest received	63,167	65,257
Income tax paid	(1,002,057)	(351,476)
Net cash flow from operating activities	**9,000,029**	**1,830,062**
Cash flow from investing activities		
Purchase of property, plant and equipment	(3,698,478)	(8,040,906)
Sale of property, plant and equipment	6,374	–
Cash flow used in investing activities	**(3,692,104)**	**(8,040,906)**
Cash flow from financing activities		
Dividends paid	(667,905)	(576,805)
Proceeds from issue of share capital, net of share issue costs	1,682,596	6,002,471
Net cash flow used in financing activities	**1,014,691**	**5,425,666**
Net increase in cash and cash equivalents	6,322,616	(785,178)
Cash and cash equivalents at beginning of the financial year	9,619,345	10,404,523
Cash and cash equivalents at end of the financial year	15,941,961	9,619,345

Notes to the consolidated financial statements

1. General information

The Company is a public company limited by shares and registered in England and Wales with company number 08393914. The Company is domiciled in the United Kingdom and the registered office and principal place of business is Middleton Drive, Bradford on Avon, Wiltshire, BA15 1GB.

The principal activity is the specialised area of design and manufacture of test equipment for vehicle suspension, steering, noise and vibration. The Company also offers a range of services which include analysis, design, prototype manufacture, testing and development.

Basis of preparation

The financial statements are measured and presented in sterling (£) and all values are rounded to the nearest pound, unless otherwise stated, which is the currency of the primary economic environment in which the entities operate. They have been prepared under the historical cost convention, except for financial instruments that have been measured at fair value through profit or loss.

The financial statements have been prepared on the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

The financial information has been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU including related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Standards, amendments and interpretations to published standards not yet effective

The Directors have considered those Standards and Interpretations, which have not been applied in the Financial Statements but are relevant to the Group's operations, that are in issue but not yet effective and do not consider that they will have a material impact on the future results of the Group.

The Directors are in the process of considering the potential changes that may occur to the financial statements under IFRS 9 'Financial Instruments' and IFRS 16 'Leases'. These will apply to periods commencing on or after 1 January 2018 and 1 January 2019 respectively. It is not expected that the application of IFRS 9 or IFRS 16 will have a material impact on the group's results.

2. Summary of significant accounting policies

(a) Going concern

The Group's activities and an outline of the developments taking place in relation to its products, services and marketplace are considered in the Chief Operations Officer's statement on page 5.

Note 19 to the Consolidated Financial Statements sets out the Company's financial risks and the management of capital risks.

Accordingly, after careful enquiry and review of available financial information, including projections of profitability and cash flows, the Directors believe that the Company has adequate resources to continue to operate for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis of accounting in the preparation of the consolidated and company financial statements.

(b) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are as stated below:

2. Summary of significant accounting policies (continued)

(b) Critical accounting estimates and judgements (continued)

Assessment of the percentage of completion of construction projects (laboratory test systems)

The probability of a profitable outcome and stage of completion of the contract is determined by regular review by management of project milestones, actual costs against budgeted costs and any other pertinent information.

The above estimates are made internally by the Group and any changes of these estimates will result in a corresponding change in revenue and profit. The Group's accounting approach reflects a sound judgement as potential losses on contract are being considered and reflected with its probability immediately upon occurrence, while contract revenue which cannot be estimated reliably is recognised only after confirmed by written agreement.

Share based payments

The calculation of the fair value of share based payments at the grant date impacts the profit or loss over the vesting period and in the current year this has resulted in a charge of £659,167.

The magnitude of the fair value is primarily determined by the estimated volatility. The volatility has been based on historical share price movement but this is not necessarily representative of future volatility. If share price volatility had been 5% higher this would have resulted in the current year charge being £83,793 higher than currently shown.

(c) Revenue and long-term contracts

Revenue represents the value, net of sales taxes, of goods sold and services provided to customers.

Revenue is disaggregated into the following two categories:

1) Revenues on **laboratory test systems and simulators**, which projects lasting longer than 12 months and require a significant degree of customisation, are recognised according to the percentage of completion method.

   When a contract with a customer is judged to be a long-term contract, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenue and expenses. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to recognise in a given period. Management considers the terms and conditions of the contract, including how the contract was negotiated and any elements the customer specifies when identifying individual projects as a long-term contract. The percentage of completion is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. This measurement basis is considered to be the most faithful depiction of the transfer of ownership as the customer is contractually liable for costs incurred to date. Where this is not representative of the stage of completion, management will assess the completion of a physical proportion of the contract work in determining the overall stage of completion.

   Variations in contract work, claims and incentive payments are recognised to the extent that they have been agreed with the customer. The probability of a profitable outcome of the contract is determined by regular review by management of project milestones, actual costs against budgeted costs and any other pertinent information. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

   The aggregate of the cost incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year end.

2. Summary of significant accounting policies (continued)

(c) Revenue and long-term contracts (continued)

Contract assets (accrued revenue) and contract liabilities (amounts received in advance of performance delivery) are recognised separately. Business development and other pre-contract costs are expensed as incurred.

Revenue is recognised on a pro-rata basis according to the work performed and the degree of completion of the contract. Where the value of the work performed on a contract exceeds the aggregate of payments received on account from customers, the resulting balance is included in trade and other receivables. Where the aggregate of payments received on account from customers exceeds the value of work performed on a contract, the resulting balance is included in current liabilities.

2) Revenue from **track testing systems**, principally in relation the robotic systems which are constructed and supplied to a customer within 12 months and where there is no significant degree of customisation, is recognised when control is passed to the buyer, which in almost all cases is on delivery. Any payments received on account are deferred until these items are delivered to the customer. Items such as guarantees or servicing arrangements sold in relation to these systems are accounted for as separate performance obligations and are recognised over the period to which these obligations are performed by the Company. Guarantees and servicing arrangements have standard pricing, which management consider reflects fair value, and these prices are allocated to the separate performance obligations.

(d) Basis of consolidation

The consolidated financial statements include the financial statements of all subsidiaries. The financial year ends of all entities in the Group are coterminous.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control over the operating and financial decisions is obtained and cease to be consolidated from the date on which control is transferred out of the Group. Control exists when the Company has the power, directly, or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities.

All intercompany balances and transactions, including recognised gains arising from inter-group transactions, have been eliminated in full.

Unrealised losses are eliminated in the same manner as recognised gains except to the extent that they provide evidence of impairment.

(e) Inventories

Inventories are valued on a first in, first out basis at the lower of cost and net realisable value. Cost includes all expenditure incurred during the normal course of business in bringing in inventories to their present location and condition, including in the case of work-in-progress and finished goods an appropriate proportion of production overheads. Net realisable value is based on the estimated useful selling price less further costs expected to be incurred to completion and subsequent disposal.

(f) Financial instruments

Financial instruments are recognised in the statements of financial position when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously. A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss or loans and receivables financial assets. The group does not hold any held-to-maturity investments or available-for-sale financial assets.

- *Financial assets at fair value through profit or loss*

  As at the end of the reporting period, there were no foreign currency forward contracts classified under this category.

- *Loans and receivables financial assets*

  Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Financial liabilities

All financial liabilities are initially recorded at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(iii) Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Interim dividends are recognised when paid and final dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(iv) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method of recognising any resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

2. Summary of significant accounting policies (continued)

(g) Property, plant and equipment

Property, plant and equipment is initially recorded at cost. Once the asset is available for use, depreciation is calculated at rates estimated to write off the cost of the relevant assets, less any estimated residual value, on either a straight-line basis or reducing balance basis over their expected useful lives.

Plant and machinery	10% straight line
Motor vehicles	25% reducing balance
Furniture and fittings	10% straight line
Computer equipment	25% straight line
General equipment	10% straight line
Proprietorial equipment	20% straight line
Test equipment	Between 10 20% straight line
Buildings	5% straight line

(h) Impairment

(i) Impairment of non-financial assets

The carrying values of assets, other than those to which IAS 36 Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow.

(ii) Impairment of non-financial assets (continued)

An impairment loss is recognised in profit or loss immediately.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

(i) Income taxes

The income tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (continued)

(j) Share-based payments

Employees (including Directors and Senior Executives) of the Group receive remuneration in the form of share-based payment transactions, whereby these individuals render services as consideration for equity instruments ("equity-settled transactions"). These individuals are granted share option rights approved by the Board which can only be settled in shares of the respective companies that award the equity-settled transactions. Share options rights are also granted to these individuals by majority shareholders over their shares held. No cash settled awards have been made or are planned.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant individuals become fully entitled to the award ("vesting point"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments and value that will ultimately vest. The statement of comprehensive income charge for the year represents the movement in the cumulative expense recognised as at the beginning and end of that period.

The fair value of share-based remuneration is determined at the date of grant and recognised as an expense in profit or loss on a straight-line basis over the vesting period, taking account of the estimated number of shares that will vest. The fair value is determined by use of Black Scholes model method.

(k) Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates prevailing of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates prevailing at that date. These translation differences are dealt with in the Consolidated statement of comprehensive income.

3. Segment reporting

The Group derives revenue from the sale of its advanced measurement and testing products derived in assisting the global automotive industry in the laboratory and on the test track. The income streams are all derived from the utilisation of these products which, in all aspects except details of revenue, are reviewed and managed together within the Group and as such are considered to be the only segment.

Per IFRS 8, the operating segment is based on internal reports about components of the group, which are regularly reviewed and used by the board of directors being the Chief Operating Decision Maker ("CODM").

All of the Group's non-current assets are held in the UK.

Material revenues attributable to individual foreign countries are as follows:

	2018 £	2017 £
United Kingdom	616,964	1,174,643
Rest of the European Union	12,477,737	8,965,899
North America	5,093,783	3,299,671
Rest of the World	18,862,661	11,129,837
	37,051,145	24,570,050

No revenues derive from major customers, which individually represent 10% or more of total revenue.

Revenues are disaggregated, as required by IFRS 15, as follows:

Revenue from track testing systems	33,304,089	20,766,061
Revenue from laboratory test systems	3,747,056	3,803,989
	37,051,145	24,570,050

4. Finance income

	2018 £	2017 £
Interest received	63,167	65,257

5. Profit before taxation

The profit before taxation is arrived at after charging/(crediting): -

	2018 £	2017 £
Depreciation	462,994	266,856
Loss on sale of assets	14,605	4,242
Realised loss/(gain) on foreign exchange	(149,869)	(404,835)
Staff costs:		
– salaries, allowances and bonuses	7,328,441	5,250,212
Social security costs	696,793	540,954
Defined contribution pension scheme costs	348,772	282,503
Share based payments	659,168	1,464,817
Research and development costs	478,458	375,016
Operating lease payments recognised as an expense	164,761	157,065

Auditors remuneration

	2018 £	2017 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	26,500	23,226
Fees payable to the Company's auditors for other services:		
The audit of the Company's subsidiary subject to legislation	18,010	17,485
Fees payable to the Company's auditors for tax compliance services	7,750	8,880
Total	52,260	49,591

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Directors & Commercial	9	10
Engineers & Technicians	94	72
Administration	25	15
	128	97

Total remuneration of key management personnel, being the directors of the Company plus the directors of the operating subsidiary, is set out below in aggregate for each of the categories specified in IAS24, related party disclosures:

	2018 £	2017 £
Short term employee benefits	1,260,052	1,070,060
Post-employment benefits	63,630	55,648
Social security costs	154,173	126,087
Share based payments – equity settled	217,837	479,555
	1,695,692	1,731,350

Further details relating to the remuneration of the directors of the Company can be found in the directors report.

6. Income tax expense

	2018 £	2017 £
Current tax:		
– for the financial year	1,010,058	747,883
– under/(over) provision in the previous financial year	(110,766)	88,489
	899,292	836,372
Deferred tax: (Note 16):		
– origination and reversal of temporary differences	147,787	72,307
– related to share-based payments on exercised options	(115,179)	(339,393)
	931,900	569,286

The tax assessed for the year is the same as (*2017 – the same as*) the standard rate of corporation tax in the UK of 19% (*2017 – 19.58%*) as set out below.

A reconciliation of income tax expense applicable to the profit before taxation at the effective tax rate to the income tax expense at the effective tax rate of the Group are as follows:

	2018 £	2017 £
Profit before taxation	7,946,568	4,472,027
Tax at the applicable statutory tax rate of 19% (2017 – 19.58%)	1,509,848	875,623
Tax effects of:		
Non-deductible expenses	41,123	17,215
Adjustment in research and development tax credit	(118,179)	(95,461)
(Over)/under provision in the previous financial year	(110,766)	88,489
Non-taxable foreign currency forward contracts	–	
Patent box relief *	(271,974)	(279,062)
Other differences including change in rate of deferred tax provision	(118,152)	(37,518)
Income tax expense for the financial year	931,900	569,286

* Patent box relief represents the tax effect of the reduced amount payable on profits that fall within the Patent Box.

In addition to the amount charged to the profit or loss, the following amounts relating to tax have been recognised directly in equity:

	2018 £	2017 £
Current tax		
Excess tax deductions related to share-based payments on exercised options	(273,177)	–
Deferred tax		
Change in estimated excess tax deductions related to share-based payments	(834,205)	–
Total income tax recognised directly in equity	(1,107,382)	–

7. Dividends paid

	2018 £	2017 £
Final 2016 dividend paid of £0.01815 per share	–	322,426
Interim dividend paid of £0.01331 per share	–	254,379
Final 2017 dividend paid of £0.02 per share	383,880	–
Interim dividend paid of £0.01465 per share	284,025	–
	667,905	576,805

The Board has proposed a final dividend of 2.20p per share totalling £429,804. Together with the interim dividend of 1.465p per share this gives a total Ordinary dividend of 3.665p for the year.

8. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential shares. The Company has one category of potentially dilutive shares, namely share options.

The calculation of earnings per share is based on the following earnings and number of shares.

	Years ended 31 August 2018	 2017
Profit after tax attributable to owners of the Group (£)	7,014,668	3,902,741
Weighted average number of shares:		
Basic	19,330,494	18,734,960
Adjustments in respect of potentially dilutive share options		
Diluted	20,023,754	18,982,585
Earnings per share (pence)		
Basic	36.29	20.83
Diluted	35.03	20.56

9. Property, plant and equipment

	Test Equipment £	Furniture and fittings £	Motor Vehicles £	Plant and machinery £	Other fixed assets £	Land & Buildings £	Total £
Cost							
At 31 August 2017	**1,812,842**	**722,613**	**164,120**	**443,345**	**120,278**	**8,315,406**	**11,578,604**
Additions	365,279	310,702	79,207	51,657	105,908	2,785,725	3,698,478
Disposals	–	(18,575)	(31,851)	(15,931)	–	–	(66,357)
Transfer between classes	–	259,970	–	–	–	(259,970)	–
At 31 August 2018	**2,178,121**	**1,274,710**	**211,476**	**479,071**	**226,186**	**10,841,161**	**15,210,725**
Accumulated depreciation							
At 31 August 2017	**245,074**	**350,492**	**72,522**	**221,770**	**61,061**	**162,781**	**1,113,700**
Charge for the year	33,546	117,059	30,205	35,636	30,289	216,259	462,994
Disposals	–	(11,825)	(27,456)	(6,097)	–	–	(45,378)
At 31 August 2018	**278,620**	**455,726**	**75,271**	**251,309**	**91,350**	**379,040**	**1,531,316**
Net book value							
At 31 August 2017	**1,567,768**	**372,121**	**91,598**	**221,575**	**59,217**	**8,152,625**	**10,464,904**
At 31 August 2018	**1,899,501**	**818,984**	**136,205**	**227,762**	**134,836**	**10,462,121**	**13,679,409**

Included within land and buildings is property under the course of construction with a total net book value of £163,944 (*2017: £7,959,947*). Depreciation will not be charged until the property is ready for use.

Costs associated with the development of the advanced vehicle dynamic simulator, which is under construction, are included within test equipment and have a total net book value of £1,650,024 (*2017: £1,368,108*). Depreciation will not be charged until the asset is ready for use.

	Test Equipment £	Furniture and fittings £	Motor Vehicles £	Plant and machinery £	Other fixed assets £	Land & Buildings £	Total £
Cost							
At 31 August 2016	**816,293**	**612,709**	**95,089**	**364,420**	**103,895**	**1,552,084**	**3,544,490**
Additions	996,549	116,696	69,031	78,925	16,383	6,763,322	8,040,906
Disposals	–	(6,792)	–	–	–	–	(6,792)
At 31 August 2017	**1,812,842**	**722,613**	**164,120**	**443,345**	**120,278**	**8,315,406**	**11,578,604**
Accumulated depreciation							
At 31 August 2016	**210,040**	**274,813**	**57,321**	**192,074**	**40,282**	**74,863**	**849,393**
Charge for the year	35,034	78,228	15,201	29,696	20,779	87,918	266,856
Disposals	–	(2,549)	–	–	–	–	(2,549)
At 31 August 2017	**245,074**	**350,492**	**72,522**	**221,770**	**61,061**	**162,781**	**1,113,700**
Net book value							
At 31 August 2016	**606,253**	**337,896**	**37,768**	**172,346**	**63,613**	**1,477,221**	**2,695,097**
At 31 August 2017	**1,567,768**	**372,121**	**91,598**	**221,575**	**59,217**	**8,152,625**	**10,464,904**

10. Inventories

	2018 £	2017 £
Work in progress	3,279,398	1,970,871
Raw materials	3,623,976	2,988,564
	6,903,374	4,959,435

The value of inventories (being materials used and consumables) recognised as an expense was £15,492,323 (2017: £9,753,366).

The amount of write down of inventories recognised as an expense was £Nil (2017: £Nil).

11. Trade receivables

	2018 £	2017 £
Trade receivables	6,489,393	7,115,351

The Group's normal trade credit term is 30 to 60 days. Other credit terms are assessed and approved on a case by case basis.

12. Other receivables and prepayments

	2018 £	2017 £
Other receivables	1,056,398	868,807
Prepayments	924,472	667,327
	1,980,870	1,536,134

13. Amount owing to contract customers

	2018 £	2017 £
Cost incurred to date	36,789,365	20,130,826
Attributable profits	3,786,166	2,888,698
	40,575,531	23,019,524
Progress billings	(42,727,869)	(23,908,729)
	(2,152,338)	(889,205)
Represented by:		
Contract liabilities (see note 24)	(4,341,108)	(2,564,713)
Contract assets (see note 24)	2,188,770	1,675,508
	(2,152,338)	(889,205)

No retentions were held by customers for contract work.

14. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2018 £	2017 £
Cash and bank balances	15,941,961	9,619,345

15. Share capital

The allotted, called up and full paid share capital is made up of 19,536,534 ordinary shares of £0.01 each.

	Note	Number of shares	Share Capital £	Share premium £	Total £
At 1 September 2016		17,764,578	177,646	2,590,267	2,767,913
On 9 December 2016	(i)	1,136,842	11,368	5,388,631	5,399,999
On 9 December 2016	(ii)			(393,478)	(393,478)
On 28 December 2016	(iii)	210,526	2,105	997,894	999,999
On 28 December 2016	(iv)			(4,048)	(4,048)
At 31 August 2017		19,111,946	191,119	8,579,265	8,770,384
On 13 September 2017	(v)	82,053	821	323,288	324,109
On 19 January 2018	(vi)	193,486	1,935	765,758	767,693
On 15 May 2018	(vii)	25,127	251	99,001	99,252
On 23 July 2018	(viii)	123,922	1,239	490,303	491,542
At 31 August 2018		19,536,534	195,365	10,257,615	10,452,980

(i) On 9 December 2016, a total of 1,136,842 new ordinary shares were placed of £0.01 each for £4.75.

(ii) Costs of £393,478 associated with the Placing on 9 December 2016 were incurred.

(iii) On 28 December 2016, a total of 210,526 new ordinary shares were admitted to trading on AIM following the issue of Offer shares.

(iv) Costs of £4,048 associated with the Offer in 28 December 2016 were incurred.

(v) On 13 September 2017, a total of 82,053 share options were exercised of £0.01 each for £3.95.

(vi) On 19 January 2018, a total of 193,486 share options were exercised of £0.01 each for £3.95.

(vii) On 15 May 2018, a total of 25,127 share options were exercised of £0.01 each for £3.95.

(viii) On 23 July 2018, a total of 123,922 share options were exercised of £0.01 each for £3.95.

16. Deferred tax

	2018 £	2017 £
At 1 September	148,140	(118,946)
Recognised in profit or loss:		
In respect of accelerated capital allowances	(147,787)	(72,307)
In respect of deferred tax on share options	115,179	339,393
Recognised in equity:		
In respect of deferred tax on share options	834,205	–
At 31 August	949,737	148,140

The deferred tax balance is analysed as follows:

	£	£
Deferred tax asset	1,288,777	148,140
Deferred tax liability	(339,040)	–
	949,737	148,140

The deferred tax assets are attributable to:

	£	£
Accelerated capital allowances	–	(191,253)
Deferred tax on share options	1,288,777	339,393
	1,288,777	148,140

The deferred tax liabilities are attributable to:

	£	£
Accelerated capital allowances	(347,106)	–
Short term timing differences	8,066	–
	(339,040)	

17. Trade and other payables and accruals

	2018 £	2017 £
Trade payables	2,427,501	1,532,313
Contract liabilities (note 24)	4,341,108	2,564,713
Social security and other taxes	153,943	114,660
Other payables and accruals	3,223,981	2,740,117
	10,146,533	6,951,803

Contract liabilities consist of Deferred income and payments in advance. Where payments are received on account and then deferred until the goods and have been delivered to the customer. Payments in advance relate to contractual revenue billed in advance and the income to be recognised upon delivery of goods and completion of services.

18. Financial instruments

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The overall financial risk management policy focuses on mitigating the potential adverse effects on the Group's financial performance, through the use of forward contracts.

(a) Financial risk management policies

The Group's policies in respect of the major areas of treasury activity are as follows:

(i) Market risk

(i) *Foreign currency risk*

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the Great Britain Pound. The currencies giving rise to this risk are primarily the Euro and United States Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group maintains a natural hedge whenever possible, by matching the cash inflows (revenue stream) and cash outflows used for purposes such as capital expenditure and operational expenditure in the respective currencies.

Where appropriate the Group has also utilised derivative financial instruments in the form of forward contracts to sell currency in respect of sales denominated in currencies other than Great Britain Pound.

The Group's exposure to foreign currency is as follows:

	Great Britain Pound £	**Euro £**	**United States Dollar £**	**Japan Yen £**	**Chinese RMB £**	**Total £**
2018						
Financial assets						
Trade receivables	6,256,844	71,123	161,426	–	–	6,489,393
Contract assets	1,063,765	–	1,125,005	–	–	2,188,770
Other receivables	924,472	–	–	–	–	924,472
Cash and bank balances	14,296,139	1,277,232	6,573	250	361,767	15,941,961
	22,541,220	1,348,355	1,293,004	250	361,767	25,544,596
Financial liabilities						
Trade payables	2,059,262	108,572	246,434	13,233	–	2,427,501
Other payables and accruals	3,223,981	–	–	–	–	3,223,981
	5,283,243	108,572	246,434	13,233	–	5,651,482
Net financial assets						19,893,114
Less: Net financial assets denominated in the functional currency						17,257,937
Currency exposure						2,635,177

18. Financial instruments (continued)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

(i) *Foreign currency risk (continued)*

The Group's exposure to foreign currency is as follows:

	Great Britain Pound £	**Euro £**	**United States Dollar £**	**Japan Yen £**	**Chinese RMB £**	**Total £**
2017						
Financial assets						
Trade receivables	4,921,481	1,892,235	143,453	–	158,182	7,115,351
Contract assets	1,231,550	–	393,144	–	50,814	1,675,508
Other receivables	667,327	–	–	–	–	667,327
Cash and bank balances	9,175,451	263,652	29,965	2,636	147,641	9,619,345
	15,995,809	2,155,887	566,562	2,636	356,637	19,077,531
Financial liabilities						
Trade payables	1,034,267	177,140	289,179	31,727	–	1,532,313
Other payables and accruals	2,740,117	–	–	–	–	2,740,117
	3,774,384	177,140	289,179	31,727	–	4,272,430
Net financial assets						14,805,101
Less: Net financial assets denominated in the functional currency						12,221,425
Currency exposure						2,583,676

The Group seeks to offset foreign currency risk exposure by way of forward exchange contracts.

The consolidated statement of comprehensive income would be affected by a gain/loss of approximately £105k (2017 – £28k) by a reasonable 10 percentage point fluctuation down/up in the exchange rate between sterling and the US dollar, a gain/loss of approximately £124k (2017 – £198k) by a reasonable 10 percentage point fluctuation down/up in the exchange rate between sterling and the Euro, a gain/loss of approximately £1k (2017 – £3k) by a reasonable 10 percentage point fluctuation down/up in the exchange rate between sterling and the Japanese Yen and a gain/loss of approximately £36k (2017 – £36k) by a reasonable 10 percentage point fluctuation down/up in the exchange rate between sterling and the Chinese RMB.

(ii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets being interest bearing bank deposits. The Group's policy is to obtain the most favourable interest rates available whilst ensuring that cash is deposited with a financial institution with a credit rating of "AA" or better. Any surplus funds are placed with licensed financial institutions to generate interest income.

<u>Interest rate risk sensitivity analysis</u>

A 100 basis points strengthening/weakening of the interest rate as at the end of the reporting period would have immaterial impact on profit after taxation and equity. This assumes that all other variables remain constant.

18. Financial instruments (continued)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

(iii) *Equity price risk*

The Group does not have any quoted investments and hence is not exposed to equity price risk.

(ii) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group seeks to minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures. Impairment is estimated by management based on prior experience and the current economic environment.

<u>Credit risk concentration profile</u>

The Group's major concentration of credit risk at 31 August 2018 relates to the amounts owing by three customers which constituted approximately 47% of its trade receivables as at the end of the reporting period.

<u>Exposure to credit risk</u>

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

The exposure of credit risk for trade receivables by geographical region is as follows:

	2018	**2017**
	£	**£**
United States	864,320	1,390,707
United Kingdom	15,726	559,943
Europe	2,934,353	2,917,059
Rest of the World	2,674,994	2,247,642
	6,489,393	7,115,351

18. Financial instruments (continued)

(a) Financial risk management policies (continued)

(ii) Credit risk (continued)

Ageing analysis

The ageing analysis of the Group's trade receivables as at each of the two years ended 31 August 2018 is as follows:

	Gross amount £	Individual impairment £	Carrying value £
2018			
Not past due	2,838,021	–	2,838,021
Past due:			
– less than 3 months	3,479,630	–	3,479,630
– 3 to 6 months	179,024	7,282	171,742
	7,122,633	7,282	7,115,351
	6,496,675	7,282	6,489,393
2017			
Not past due	3,503,178	–	3,503,178
Past due:			
– less than 3 months	3,325,162	–	3,325,162
– 3 to 6 months	294,293	7,282	287,011
	7,122,633	7,282	7,115,351
	7,122,633	7,282	7,115,351
	7,122,633	7,282	7,115,351

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

18. Financial instruments (continued)

(a) Financial risk management policies (continued)

(iii) Liquidity risk (continued)

The following table details the Group's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

As at 31 August 2018

	Less than 1 month £	Less than 3 months £	3 to 12 months £	Total £
Trade and other payables	3,277,394	66,302	2,307,786	5,651,482

This compares to the maturity of the Group's financial liabilities in the previous reporting periods as follows:

As at 31 August 2017

	Less than 1 month £	Less than 3 months £	3 to 12 months £	Total £
Trade and other payables	2,820,623	–	1,451,807	4,272,430
	2,820,623	–	1,451,807	4,272,430

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the balance sheet date.

(b) Capital risk management

Capital is defined as the total equity of the Group. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. 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.

The Group manages its capital based on debt-to-equity ratio. The strategies adopted were unchanged during the period under review and from those adopted in the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

At 31 August 2018, the Group's cash resources exceed its total debt. The Company hence has no net debt.

18. Financial instruments (continued)

(c) Classification of financial instruments

All financial instruments are categorised as follows.

	2018 £	2017 £
Loans and receivables		
Trade receivables	6,489,393	7,115,351
Contract assets	2,188,770	1,675,508
Other receivables	924,472	667,327
Cash and bank balances	15,941,961	9,619,345
Financial assets at fair value through profit or loss		
Derivative financial instruments	–	–
	25,544,596	19,077,531
Financial liabilities held at amortised cost		
Trade and accruals and other payables	5,651,482	4,272,430
Financial assets at fair value through profit or loss		
Derivative financial instruments	–	–
	5,651,482	4,272,430

(d) Fair value hierarchy

The fair values of the financial assets and liabilities are analysed into level 1 to 3 as follows:

Level 1: Fair value measurements derive from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements derive from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value measurements derive from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The only financial instruments carried at fair values were foreign currency forward contracts being derivative financial instruments falling within Level 2 and valued based on discounted cash flow. The future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. The carrying value of all other financial instruments approximates their fair value.

There were no forward contracts in 2018.

19. Lease commitments

The Group had total commitments at the end of each financial year in respect of non-cancellable operating leases of:

	2018 £	2017 £
Property leases		
Payable within one year	220,147	143,079
Payable within 2-5 years	404,800	170,233
	624,947	313,312

The lease terms are due to complete between 2018 and 2023.

20. Related party disclosures

Mr. A. Best, a director of the Company, is a trustee and beneficiary of the Best Middleton Trust. Rental payments of £48,000 (*2017 – £48,000*) were made in the year. No amounts were due to or from the trust at any year end.

Balances and transactions between the Company and its subsidiaries are eliminated on consolidation and are not disclosed in this note.

The remuneration of the key management personnel of the Group is set out in the Directors' report on page 16.

During the year, the directors received dividends from the Company totalling £226,254.

21. Share options and warrants

The share option schemes were established to reward and incentivise the executive management team and staff for delivering share price growth. The share option schemes are administered by the Remuneration Committee.

The share option scheme adopted by the Company during the year ending 31 August 2018 is equity settled and a charge of £659,167 (2017 £1,464,817) has been charged to profit or loss relating to these options.

These fair values were calculated using Black Scholes option pricing model. The inputs into the model were as follows:

Stock price	395p
Exercise price	395p
Interest rate	1%
Volatility	40%
Time to maturity	10 years

The expected volatility was determined with reference to recent trading performance.

One third of the options will vest on each of the first, second and third anniversary of the grant date of 11 July 2016 subject to the employees remaining employed by the Company.

Details of the share options outstanding at the year-end are as follows:

	Number 31 August 2018	**WAEP (pence) 31 August 2018**	**Number 31 August 2017**	**WAEP (pence) 31 August 2017**
Outstanding as at 1 September	1,337,122	395.00	1,337,122	395.00
Granted during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Expired during the year	–	–	–	–
Exercised during the year	(424,588)	395.00	–	–
Options outstanding at 31 August	912,534	395.00	1,337,122	395.00
Exercisable at 31 August	912,534	395.00	445,731	395.00

The weighted average share price on the date of exercise was 940.00p.

The weighted average remaining contractual life of the options outstanding at the statement of financial position date is 7.8 years.

Warrants

There are no warrants outstanding at 31 August 2018.

22. Ultimate controlling party

There is no ultimate controlling party.

23. Capital commitments

At 31 August 2018 the Group had capital commitments as follows:

	2018 £	2017 £
Contracted but not provided in these financial statements	77,828	2,449,272
	77,828	2,449,272

24. Revenue recognition and contract balances

Contract balances

At 31 August 2018, the group had the following customer contract related assets and liabilities:

Contract assets:

	Accrued income
Opening balance at 1 September 2017	£1,675,508
Closing balance at 31 August 2018	£2,188,770

The increase in contract assets is the result of the stage of completion of two contracts.

Within the figure of £2,188,770 is a balance of:

£1,125,005 for a customer whereby nothing has been invoiced yet £1,125,005 of expenditure has been allocated. In October 2018 75% of the contract was invoiced which has resulted in a contract liability in the month.

£1,063,765 for a customer whereby nothing has been invoiced yet £1,063,765 of expenditure has been allocated.

Contract liabilities:

	Contract Liabilities
Opening balance at 1 September 2017	£2,564,713
Closing balance at 31 August 2018	£4,341,108

This balance consists of Deferred income and Payments in advance. The significant increase of contract liabilities is due to deferred income which principally relates to a marked increase in the volume of track testing systems in progress as at 31 August 2018 where payments received on account are deferred until the goods have been delivered to the customer. Within this figure is £0.56m relating to support and warranty and is recognised over the period to which these obligations are performed.

Within the opening balance of £2,564,713, an amount of £2,039,929 has been recognised in revenue during the period.

24. Revenue recognition and contract balances (continued)

Performance obligations

The performance obligations in relation to the contracts with its customers are as follows:

Laboratory test systems

The long term construction contracts are in relation to the laboratory test systems which are highly customised items which typically take more than 12 months to construct and supply these systems to the customers. In the judgement of management, the group satisfies the performance obligations under these contracts over time. The key determination of this judgement was that the Company's performance does not create an asset with alternative use to the Company and that the Company has an enforceable right to payment for performance completed to date. Payment for these construction contracts is accordance with an agreed schedule with typical contracts including certain technical and physical completion milestones as payment points for customers. The majority of contracts are expected to result in contract liability balances. These balances arise as these contracts typically provide for an up-front deposit and other payments through the course of the contract.

The consideration for these contracts is agreed in advance between the Company and the customer and is fixed.

Revenue relating to warranties and related obligations is recognised over the period to which these obligations are performed by the Company.

In determining the transaction prices and amounts allocated to performance obligations for these systems, management have consideration to price lists of component parts and standard pricing for servicing and guarantee arrangements.

Track testing systems

The contracts in relation to the sale of track testing systems are in relation to the robotic systems which typically take less than 12 months to construct and supply these systems to the customers. In the judgement of management, due to the lower level of customisation required to these items, the relative cost and time required to construct the systems, the group satisfies the performance obligations under these contracts on delivery to the customer. In making this determination, management have considered when customer has obtained control of this system, and the principal indicator of this was when the customer has physical possession. Payment for these construction contracts is accordance with an agreed schedule with typical contracts including certain technical and physical completion milestones as payment points for customers. A typical contract may include a 30% deposit, which is recorded as a contract liability until such time as the performance obligation is met. The consideration for these contracts is agreed in advance between the Company and the customer and is fixed.

Revenue relating to warranties and related obligations is recognised over the period to which these obligations are performed by the Company.

In determining the transaction prices and amounts allocated to performance obligations for these systems, management have consideration to price lists of component parts and standard pricing for servicing and guarantee arrangements.

24. Revenue recognition and contract balances (continued)

Performance obligations (continued)

Remaining performance obligations as at 31 August 2018

As at 31 August 2017, the aggregate amount of the transaction price on open contracts which is allocated to performance obligations that are unsatisfied (or partially unsatisfied) was as follows:

	Laboratory test systems	Track testing systems
Unsatisfied performance obligations	£1,276,031	£20,186,149
Partially unsatisfied performance obligations	£664,789	3,926,354

The revenue recognised in the period in relation to Laboratory test systems amount to £1,208,887 and track testing systems amounted to £12,204,603.

As at 31 August 2018, the aggregate amount of the transaction price on open contracts which is allocated to performance obligations that are unsatisfied (or partially unsatisfied) was as follows:

	Laboratory test systems	Track testing systems
Unsatisfied performance obligations	£1,174,329	£20,216,344
Partially unsatisfied performance obligations	£2,150,101	£3,926,294

The revenue on outstanding performance obligations at 31 August 2018 on the track testing systems will be recognised on delivery of these items, alongside the associated cost of sales, in the following financial year.

The revenue on outstanding performance obligations at 31 August 2018 on laboratory test systems will be recognised over time alongside the associated cost of sales, in the following financial year. The typical length of time for these construction projects is 18-24 months.

No practical expedients have been applied on transition to IFRS 15.

Assets recognised from costs to obtain or fulfil customer contracts

No amounts have been recognised in relation to these categories of assets as at 31 August 2018.

Company statement of financial position

	Note	2018 £	2017 £
Fixed assets			
Investments	3	2,591,274	1,932,106
Current assets			
Other debtors	4	11,528,758	9,743,437
		11,528,758	9,743,437
Creditors: amounts falling due within one year	5	20,000	15,600
Net current assets		11,508,758	9,727,837
Total assets less current liabilities		14,100,032	11,659,943
Capital and reserves			
Called up share capital		195,365	191,119
Share premium account		10,257,615	8,579,265
Profit and loss account		3,647,052	2,889,559
Equity – attributable to the owners of the parent		14,100,032	11,659,943

The profit for the financial year dealt with in the financial statements of the parent company was £766,230 (*2017 – £679,687*).

The financial statements were approved by the Board of Directors and authorised for issue on and are signed on its behalf by:

Anthony Best
Director

Robert Hart
Director

COMPANY REGISTRATION NUMBER: 08393914

Company statement of changes in equity

	Note	Share capital £	Share premium £	Retained profits £	Total equity £
Balance at 1 September 2016		177,646	2,590,267	1,321,860	4,089,773
Share based payment expense				1,464,817	1,464,817
Profit after taxation and total comprehensive income for the financial year				679,687	679,687
Dividend paid	7			(576,805)	(576,805)
Issue of shares, net of share issue costs		13,473	5,988,998		6,002,471
Balance at 31 August 2017		191,119	8,579,265	2,889,559	11,659,943
Balance at 1 September 2017		191,119	8,579,265	2,889,559	11,659,943
Share based payment Expense				659,168	659,168
Profit after taxation and total comprehensive income for the financial year				766,230	766,230
Dividend paid	7			(667,905)	(667,905)
Issue of shares, net of share issue costs		4,246	1,678,350	1,682,596	
Balance at 31 August 2018		195,365	10,257,615	3,647,052	14,100,032

The share premium account is a non-distributable reserve representing the difference between the nominal value of shares in issue and the amounts subscribed for those shares.

Retained profits represent the cumulative value of the profits not distributed to shareholders but retained to finance the future capital requirements of the Group.

Notes to the Company financial statements

GENERAL INFORMATION

AB Dynamics Plc ("the Company") is the UK holding company of a group of companies which are engaged in the provision of advanced testing systems to the global motor industry. The Company is registered in England and Wales (registered number 08393914). Its registered office and principal place of business is Middleton Drive, Bradford-on-Avon, BA15 1GB.

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the historical cost convention and in accordance with FRS 102 – The Financial Reporting Standard applicable in the UK and Republic or Ireland and the Companies Act 2006. The financial statements present information about the Company as an individual entity and the principal accounting policies are described below. They have all been applied consistently throughout the period.

REDUCED DISCLOSURE EXEMPTIONS

The company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS102 paragraph 1.12 as follows:

No cash flow statement has been presented as the Company is included within the consolidated financial statements of the group.

Disclosures in respect of the Company's financial instruments have not been presented as equivalent disclosures are included in the consolidated financial statements of the group.

The company has also taken advantage of the disclosure exemptions in FRS102 paragraph 33.1A as follows:

Related party transactions have not been disclosed with other wholly owned members of the group.

GOING CONCERN

At 31 August 2018, the Company had net current assets of £11,486,712 (*2017 – £9,727,837*) with the main current asset being amounts owed from its subsidiary Anthony Best Dynamics Ltd, amounting to £11,514,088 (*2017 – £9,716,403*). The Company has assessed its ongoing costs with cash generated by its subsidiary to ensure that it can continue to settle its debts as they fall due.

The Directors have, after careful consideration of the factors set out above, concluded that it is appropriate to adopt the going concern basis for the preparation of the financial statements and the financial statements do not include any adjustments that would result if the going concern basis was not appropriate.

INVESTMENTS

Investments held as fixed assets are stated at cost less provision for impairment.

TAXATION

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the statements of financial position when the Company has become a party to the contractual provisions of the instruments.

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans to related parties.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans and receivables are measured initially at fair value and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value and are measured subsequently at amortised cost using the effective interest method.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not apparent from other sources. The estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a significant adjustment to the carrying amounts of assets and liabilities in the Financial statements:

Share based payment

The fair value of share-based remuneration is determined at the date of grant and recognised as a capital contribution to its subsidiary on a straight line basis over the vesting period, taking account of the estimated number of shares that will vest. The fair value is determined by use of Black Scholes model method.

1 PROFIT FOR THE FINANCIAL YEAR

The Company has taken advantage of section 408 of the Companies Act 2006 and, consequently, a profit and loss account for the Company alone has not been presented.

The Company's profit for the financial year was £766,230 (2017 – £679,687).

The Company's profit for the financial year has been arrived at after charging auditor's remuneration payable to Crowe U.K. LLP for audit services to the Company of £38,540 (2017 – £18,600). Statutory information on remuneration for other services provided by the Company's auditors and its associates is given on a consolidated basis in note 5 of the consolidated financial statements.

2 EMPLOYEES AND DIRECTORS' REMUNERATION

Staff costs during the year by the Company were as follows:

	2018 £	2017 £
Wages and salaries	182,325	62,500
Social security costs	20,179	6,036
	202,504	68,536

The executive management team is remunerated by the operating subsidiary Anthony Best Dynamics Limited. Details of their remuneration is in the Directors' report on page 44.

The average number of employees of the Company during the year was:

	2018 Number	2017 Number
Directors and management	7	5

3 INVESTMENTS

	2018 £	2017 £
Subsidiary undertaking		
Brought forward	1,932,106	467,289
Addition (capital contribution arising on share based payment)	659,168	1,464,817
Carried forward	2,591,274	1,932,106

The Company owns more than 20% of the following undertakings which are incorporated in the United Kingdom:

	Class of share held	% shareholding	Registered office
Subsidiary undertaking:			
Anthony Best Dynamics Limited	Ordinary	100	Middleton Drive Bradford-on-Avon Wiltshire BA15 1GB

Anthony Best Dynamics Ltd owns 100% of the ordinary share capital of AB Dynamics Europe GmbH and 100% of the ordinary share capital of AB Dynamics 2013 Ltd which is dormant.

4 OTHER DEBTORS

	2018 £	2017 £
Amounts owed by group undertakings	11,514,088	9,716,403
Prepayment	14,670	27,034
	11,528,758	9,743,437

5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Accruals	20,000	15,600
	20,000	15,600

All amounts fall due within 30 days of the year end.

6 SHARE CAPITAL

The allotted, called up and full paid share capital is made up of 19,536,534 ordinary shares of £0.01 each.

	Note	Number of shares	Share Capital £	Share Premium £	Total £
At 1 September 2016		17,764,578	177,646	2,590,267	2,767,913
On 9 December 2016	(i)	1,136,842	11,368	5,388,631	5,399,999
On 9 December 2016	(ii)			(393,478)	(393,478)
On 28 December 2016	(iii)	210,526	2,105	997,893	999,998
On 28 December 2016	(iv)			(4,048)	(4,048)
At 31 August 2017		19,111,946	191,119	8,579,265	8,770,384
On 13 September 2017	(v)	82,053	821	323,288	324,109
On 19 January 2018	(vi)	193,486	1,935	765,758	767,693
On 15 May 2018	(vii)	25,127	251	99,001	99,252
On 23 July 2018	(viii)	123,922	1,239	490,303	491,542
At 31 August 2018		19,536,534	195,365	10,257,615	10,452,980

(ix) On 9 December 2016, a total of 1,136,842 new ordinary shares were placed of £0.01 each for £4.75.

(x) Costs of £393,478 associated with the Placing on 9 December 2016 were incurred.

(xi) On 28 December 2016, a total of 210,526 new ordinary shares were admitted to trading on AIM following the issue of Offer shares.

(xii) Costs of £4,048 associated with the Offer in 28 December 2016 were incurred.

(xiii) On 13 September 2017, a total of 82,053 share options were exercised of £0.01 each for £3.95.

(xiv) On 19 January 2018, a total of 193,486 share options were exercised of £0.01 each for £3.95.

(xv) On 15 May 2018, a total of 25,127 share options were exercised of £0.01 each for £3.95.

(xvi) On 23 July 2018, a total of 123,922 share options were exercised of £0.01 each for £3.95.

7 DIVIDENDS

	2018 £	2017 £
Final 2016 dividend paid of £0.01815 per share	–	322,426
Interim dividend paid of £0.01331 per share	–	254,379
Final 2017 dividend paid of £0.02 per share	383,880	–
Interim dividend paid of £0.01465 per share	284,025	–
	667,905	576,805

The Board has proposed a final dividend of 2.20p per share totalling £429,804. Together with the interim dividend of 1.465p per share this gives a total Ordinary dividend of 3.665p for the year.

8 RELATED PARTY TRANSACTIONS

The only key management personnel of the Company are the Directors. Details of their remuneration are contained in the Director's Report on page 17 of the consolidated financial statements.

During the year, the directors received dividends from the Company totalling £226,254.

9 SHARE OPTIONS AND WARRANTS

The share option schemes were established to reward and incentivise the executive management team and staff for delivering share price growth. The share option schemes are administered by the Remuneration Committee.

The share option scheme adopted by the Company during the year ending 31 August 2018 is equity settled and a charge of £659,168 (2017: £1,464,817) has been charged to profit or loss of the subsidiary Anthony Best Dynamics Limited relating to these options on the basis that the scheme members and profits are in that entity.

These fair values were calculated using Black Scholes option pricing model. The inputs into the model were as follows:

Stock price	395p
Exercise price	395p
Interest rate	1%
Volatility	40%
Time to maturity	10 years

The expected volatility was determined with reference to recent trading performance.

One third of the options will vest on each of the first, second and third anniversary of the grant date of 11 July 2016 subject to the employees remaining employed by the Company.

9 SHARE OPTIONS AND WARRANTS (continued)

Details of the share options outstanding at the year end are as follows:

	Number 31 August 2018	WAEP (pence) 31 August 2018	Number 31 August 2017	WAEP (pence) 31 August 2017
Outstanding as at 1 September	1,337,122	395.00	1,337,122	395.00
Granted during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Expired during the year	–	–	–	–
Exercised during the year	(424,588)	395.00	–	–
Options outstanding at 31 August	912,534	395.00	1,337,122	395.00
Exercisable at 31 August	912,534	395.00	445,731	395.00

The weighted average remaining contractual life of the options outstanding at the statement of financial position date is 7.8 years.

Warrants

There are no warrants outstanding at 31 August 2018.

Perivan Financial Print 252371

AB Dynamics plc
Holt Road
Bradford on Avon
Wiltshire BA15 1AJ

T: +44 (0)1225 860 200
F: +44 (0)1225 860 201
E: info@abd.uk.com
www.abd.uk.com

Stock code: ABDP