

AB Dynamics plc

2016 Annual Report & Accounts

For the year ended 31 August 2016



Company Registration No. 08393914

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Officers and professional advisers

DIRECTORS

Anthony Best, Non-Executive Chairman
Timothy John Rogers, Chief Executive Officer
Robert Andrew Leonard Hart, Finance Director
Graham Dudley Eves, Non-Executive Director
Frederick Bryan Smart, Non-Executive Director

SECRETARY

Robert Andrew Leonard Hart

REGISTERED OFFICE

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Wiltshire
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Registered number: 08393914 (England and Wales)

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BANKERS

Bank of Scotland

Chairman's and Chief Executive's Statement

Overview

We are very pleased to be publishing the fourth annual report for AB Dynamics plc since its admission to the AIM market in May 2013.

Highlights from the Group's operations for the year ended 31 August 2016 are:

- Increased demand for our products and services from the global automotive testing sector, has driven a 23.9% increase in the Group's revenue
- Introduction of a new line of products with the Advanced Vehicle Dynamics Simulator following our partnership with Williams F1
- Construction has started on our new facility with completion targeted for 3rd quarter 2017

Results

We have had another good year, with all three business areas: "Track Testing", "Laboratory Testing", and "Test & Monitoring Systems", performing in line with management expectations.

Continued improvements in our operations and favourable currency exchange has enabled us to finish this year with an excellent set of financial results that are in line with market expectations, with revenue of £20.47m (2015: £16.52m), and operating profit of £4.38m (2015: £3.77m).

Our people are a cornerstone of the future success of the Company and in recognition of their ongoing efforts and performance, we implemented a new share option plan during the year. This year's results therefore include a share based payment charge of £273k. Excluding this non-cash charge provides a more accurate reflection of the underlying performance of the business, with an adjusted operating profit* of £4.65m (2015: £3.79m) representing a 23% increase on last year and consistent adjusted operating profit margin of 22.7% (2015: 22.9%).

The Company has spent more on research and development this year than in previous years and has seen the performance, quality and reputation of its products improve leading to steady growth in their uptake. Furthermore, the Company is delivering on its commitment to improve customer support, with a new team of field support engineers located in the UK, Germany and Japan. In addition, we recently appointed a new Commercial Director based in Germany, to provide a key supporting role to the German OEMs and a global remit to improve our market communications via our distributor network.

Operations

Facilities

Construction has now started on our new 3,070 m² facility with completion targeted for the third quarter 2017. The Company has meanwhile leased two additional sites nearby, one to house our new advanced Vehicle Dynamic Simulator ("aVDS") demonstration unit and the other to the uptake in increased demand for our Advanced Driver Assistance Systems ("ADAS") targets by having a dedicated manufacturing and training centre for these products.

As set out previously, the Directors remain confident the Group has sufficient capacity requirements until such time as the new facility becomes available, when a review of our current facilities and future requirements will be made.

Product Development

We continue to develop a pipe line of new and novel products to further grow the Group. The most recent of these is the exciting partnership with Williams F1 to bring the aVDS to the automotive test industry. As vehicle development becomes a more virtual process, it is the data generated by our customers from using our track testing and lab testing products that allows them to create more and more sophisticated computer vehicle models. The ability of the aVDS to "drive" these mathematical models in a simulated environment will reduce the overall development time and the need to produce so many prototypes. The aVDS is a high value offering and readily compliments the existing AB Dynamics product range.

* Adjusted operating profit represents operating profit excluding share based payment charge

We have also made significant software upgrades through the product range, introducing new functionality to most of our existing products. These upgrades have been well received by our customers.

Employees

The performance of our business is a consequence of the quality and talent of the staff we employ. We continue to attract and retain some of the very best talent in UK engineering, with the Group reaching a landmark of over 86 direct employees. The Group has a policy of offering share options to all staff which we believe successfully motivates them to create further value to the business. The Board continues to review these arrangements, balanced as always against the best interests of all the shareholders.

Dividend

Our strong balance sheet and cash flow provides a solid foundation for a final dividend and we are pleased to announce that the Directors are recommending the payment of a final dividend of 1.815p per share, payable in December 2016 subject to shareholder approval at the AGM. The ex dividend date will be 24 November 2016 and the record date will be 25 November 2016. The total dividend for the year will therefore be 3.025p representing an increase of 10% against prior year.

Current Trading and Outlook

With current orders taking us into our third quarter, we remain committed to being able to provide capacity to fulfil these orders whilst ensuring that we focus on the future business opportunities.

The Board would like to take this opportunity to thank all of ABD's employees for the hard work and commitment they have given to the business over the last year.

Tony Best
Chairman
15 November 2016

Tim Rogers
Chief Executive Officer
15 November 2016

Strategic report for the year ended 31 August 2016

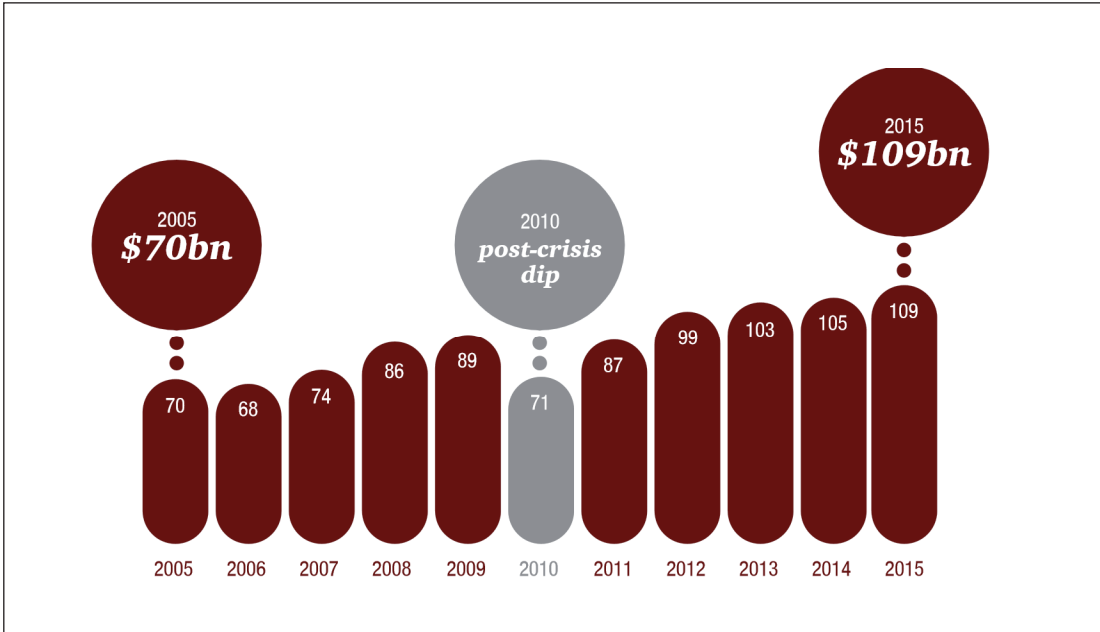
The Directors present the Strategic Report of AB Dynamics Plc for the year ended 31 August 2016.

Our Business – Providing test solutions to the Global Automotive Test 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 car companies make vehicles that are better and safer to drive.

Overview of the Sector and Scope

Automotive R&D spending is very diverse in its nature, not least to keep pace with ever-growing demands for new technologies. Unsurprisingly therefore, recent studies show automakers spend more than \$100 billion annually on R&D. “Strategy&” found auto industry R&D spending grew by 4.5% from 2014 to 2015.



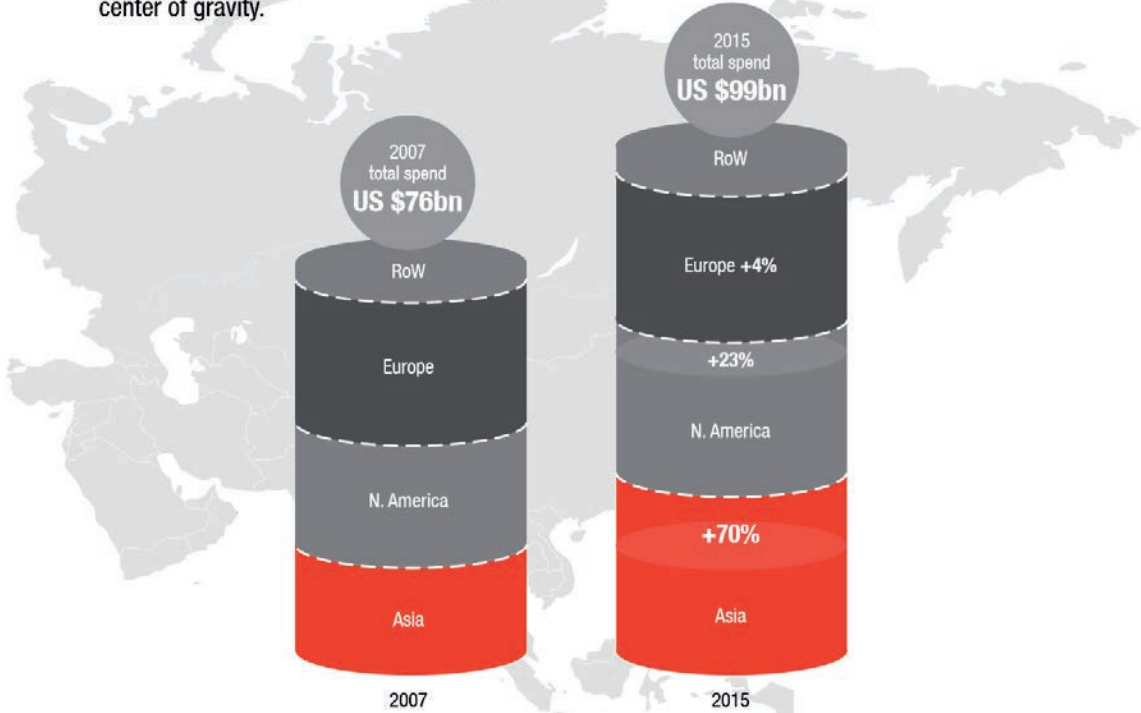
The Automotive industry ranks third in the percentage of the total R&D spend for all sectors at 16.1% behind computing and electronics at 24.5% and healthcare at 21.3%. Of the top 20 companies ranked by spending on R&D six are automotive companies

Sources: Strategy& 2015 Global Innovation 1000 analysis, Bloomberg data, Capital IQ data

Global business

Automotive companies operate in a very diverse space and in global markets. In the past eight years R&D spending has grown steadily with existing car manufacturers based in the mature markets of Europe, Japan and North America. Indeed, the top six highest spending automotive companies still come from these markets. However, more recently, Asian countries and in particular China, have shown the most rapid increase in R&D spending. In 2007, R&D spending by automotive companies in China made up just 4% of total automotive R&D outlays. In 2015, China's share had risen to 11%.

From 2007 to 2015, Asia has increased the amount it spends on auto R&D by 70%, surpassing North America and Europe to become the largest regional spender of auto R&D. That's even higher than the overall increase and reflects the shift happening in the industry's center of gravity.



Total Automotive R&D Spend (Domestic & Imported) by Region as a Percentage of Automotive R&D

Automotive companies now spend far more of their R&D budgets outside of their headquartered countries than in the past. While domestic R&D spending went up by 11% from 2007 through 2015, exported R&D increased a dramatic 42%. That's significantly more than the increase in the other two largest sectors, computing and electronics and healthcare.

Sources: Strategy& 2015 Global Innovation 1000 analysis, Bloomberg data, Capital IQ data

The future drivers for automotive R&D

Facing an ever-growing demand for cars that are better and safer to drive, car makers are employing new and increasingly more sophisticated technologies. Arguably, this is the most innovative time in automotive history. Today's cars are more than just transportation and are likely to deploy the most complicated and advanced technology owned by most consumers.

In the field of car safety for example, automakers historically have focused on engineering vehicles to enhance occupant protection in the event of a crash. That is why cars today have a range of airbags – front, rear, side and even curtains – as well as a long list of safety enhancements, including structural reinforcements to the passenger compartments and advanced safety belts.

The future of vehicle safety has expanded into technologies that help prevent or mitigate crashes. Crash avoidance, or “driver assist” technologies employ sophisticated software to interpret data from sensors, cameras and radar based technologies that allow vehicles to sense the environment around them and assist drivers by alerting them to impending dangers.

The industry is constantly looking for faster and more efficient ways to design new vehicles. 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 based. More use of virtual prototyping and simulation is leading the way for newer ways of testing and evaluation, shortening the time to market.

Our Capabilities

From our facilities in Bradford on Avon, UK, the Group designs and manufactures specialised testing systems to meet the requirements shown above and specifically produce equipment for its customers to:

- Develop Suspension, Brake, Chassis and Steering systems
- Evaluate Vehicle Dynamics and safety systems on the track
- Employ Driver in Loop Simulation for rapid prototyping
- Develop and evaluate the next generation of advanced safety systems in vehicles (ADAS)
- Test and evaluate the technology for use in future driverless cars/autonomous vehicles
- Carry out sophisticated end-of-line Noise/Vibration (NVH) testing of power train assemblies

The Company's key strength is its ability to rapidly deploy in-house knowledge and know-how in Mechanical, Electrical and Software design and to blend these disciplines to create unique and novel products for the automotive testing industry.

By supplying testing equipment which allows customers to have cars tested in realistic conditions/scenarios, our products can provide repeatable, accurate and reliable vehicle data on which mathematical car models can be based. Many key customers see AB Dynamics as being capable of providing a suite of solutions to assist their product development.

Suite of [Synergistic] Solutions for Vehicle Development

The Company employs a common and consistent software approach across its track and laboratory testing products, allowing data to be readily shared and read across the platforms.

Customers can utilise this synergy, by running repeatable “test” and “measurement” scenarios, in both track and laboratory environments and gain the accurate and reliable vehicle data, on which their mathematical car models can be based.

By further introducing the “simulation” element, the customer now has access to multiple validation approaches in both virtual and real time.



Improved products and greater global reach

AB Dynamics has become a recognised leader in the supply of whole car solutions for vehicle testing. The Company has spent more on R&D than in previous years and has seen the performance, quality and reputation of its products lead to steady growth in their uptake.

Further expansion of the Company’s global network of distributors and regional offices has included the appointment of a Commercial Director based in Germany to improve links with the German OEMs and a global remit to work with the Company’s distributor network to improve its commercial offering to key customers worldwide.

To 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, a new customer support team has been established, consisting of engineers located in the UK, Germany and Japan to provide local and direct support to distributors and customers alike.

The Company’s network now covers the major automotive producer countries of the world:



Review of the Simulator project

In March this year, AB Dynamics entered into an agreement with Williams Advanced Engineering group to develop an automotive grade simulator based on Williams F1’s simulator motion platform.

This marked an exciting move by the Company into Driver-in-Loop (‘DIL’) simulation. Simulation is a rapidly growing market and the strategic deal with Williams Advanced Engineering is a logical and potentially very rewarding avenue for the Group to develop. The agreement combines Williams’ expertise in F1 simulation and high speed dynamic motion platforms with ABD’s industry knowledge and reach, manufacturing abilities and data gathering test equipment. Together this provides the opportunity to introduce high frequency Vehicle Dynamic simulators to the broader market. AVL, a leading automotive consulting firm, estimates that 30% of costs incurred during vehicle development could be saved by using a DIL simulator with subjective feedback.

DIL simulators represent the next generation of driving simulators and enable automotive OEM’s, motorsports teams and tier 1 suppliers with a means to accelerate and streamline their development processes. Stemming from F1, vehicle modelling and simulation, a DIL approach allows engineers to ‘physically’ test drive conceptual vehicle designs through numerous virtual environments and scenarios, well in advance of the availability of physical prototypes. The Company’s advanced vehicle dynamic simulator (aVDS) consist of a highly responsive motion platform, lightweight driver chassis, advanced low-latency sensing and virtual high resolution 3D screens to allow human drivers to interact in real time with vehicle simulations, in effect virtual test driving.



Screen shot – Simulated street scene from the aVDS



Representation of aVDS layout

Key activities undertaken this year to support the Group's strategies

Expansion of the Group's core manufacturing and final assembly capabilities

The Company has leased additional new offsite assembly facilities which more than triple the facilities occupied at the time of our AIM listing in May 2013. In addition, the Company has commenced building its new HQ which is expected to be completed by September 2017.

Active recruitment of key personnel

The Group has continued to successfully recruit new personnel, including software and electrical development and support engineers, production planning management and accounts/administration personnel as well as the above mentioned new German based Commercial Director. Our full time head count has now reached 86, with further new appointments expected by the end of 2016.

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 Group's key performance indicators

1. Maintain sustainable growth in revenue and operating profit

The Directors aim to achieve steady sustainable growth in turnover and operating profit. Strong cash management is fundamental to delivering sustainable profit growth and the consistent delivery of cash-backed profit remains a key performance indicator for the Group. In 2016, there was a net cash inflow from operating activities of £4.1m (2015: £4.0m) and our working capital (net current assets) increased by £3.07m to £14.94m (2015: £11.87m).

Aside from maintaining focus on current product lines, the Directors are focused on developing new product offerings in order to meet customer requirements and demands. The Company seeks to grow organically and also through selected acquisition of companies offering complementary products and services in the same sector.

2. Retain, develop and ensure the safety of our people

The recruitment, development, retention and health and safety of our staff and everyone who works with us or is affected by our operations is paramount. We seek to ensure that safe working practices are consistently adopted and supported by rigorous reviews and training. In 2016, as explained above the company has increased its overall numbers and has retained and promoted key personnel, additionally no incidents arose and we continue to review our HSE procedures and we retain an external HSE contractor.

3. Facilities

The Group needs to expand its factory space over time and this year has added significantly to the capacity of the Group. The Directors remain focused on increasing the facilities further, as explained above.

These matters remain key areas of focus for the forthcoming financial year.

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.

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 15 November 2016

Tim Rogers
Director

Directors' report

The directors present their report and the audited financial statements of AB Dynamics plc for the year ended 31 August 2016.

Dividends

During the year an interim dividend of £0.0121 per share was paid and the Board has proposed a final dividend of £0.01815 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'. No development costs have been capitalised in the year.

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
Timothy John Rogers
Robert Andrew Leonard Hart
Graham Dudley Eves
Frederick Bryan Smart

At the forthcoming Annual General Meeting in accordance with the Company's articles of association, Robert Hart will retire by rotation and being eligible will offer himself 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 2016, the directors have authorised no such conflicts or potential conflicts.

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	6,497,107
Timothy John Rogers	408,953
Robert Andrew Leonard Hart	19,332

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 2015	Exercised during the year	As at 31 August 2016	Earliest date for exercise	Latest date for exercise
Timothy John Rogers	12.52	186,100	186,100	–	22 May 2016	1 February 2023
Robert Andrew Leonard Hart	12.52	5,134	5,134	–	22 May 2016	1 February 2023

During the period, the directors were issued with the following share options which are outstanding as at 31 August 2016:

	Exercise Price	No. of options awarded
Timothy John Rogers	395.00 pence per share	75,379
Robert Andrew Leonard Hart	395.00 pence per share	100,341

Directors' remuneration and service contracts

The remuneration paid to the directors during 2016 is shown below:

	Short term benefits (Incl. bonus) £	Post employment benefits £	Share based payments £	2016 Total £	2015 Total £
Anthony Best	74,036	–	–	74,036	80,043
Timothy John Rogers *	197,836	9,012	17,220	224,068	200,490
Robert Andrew Leonard Hart	129,739	8,225	20,210	158,174	127,736
Graham Dudley Eves	30,000	–	–	30,000	30,000
Frederick Bryan Smart	30,000	–	–	30,000	30,000
	<u>461,611</u>	<u>17,237</u>	<u>37,430</u>	<u>516,278</u>	<u>468,269</u>

* Highest paid director

The gain made on the exercise of share options during the year was £731,432 of which £711,795 was attributable to share options of the highest paid director.

Other substantial shareholdings

As at 15th November 2016, 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	4,997,107	28.1
Anne Middleton	1,500,000	8.4
Naemi Best	1,500,000	8.4
Euroclear Nominees	565,000	3.2
Rathbone Investments Mgt	559,282	3.1
Hargreaves Lansdown (Nominees)	557,513	3.1

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 are required 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 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 group and the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report and Strategic Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the website. Legislation in the United Kingdom concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. 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.

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

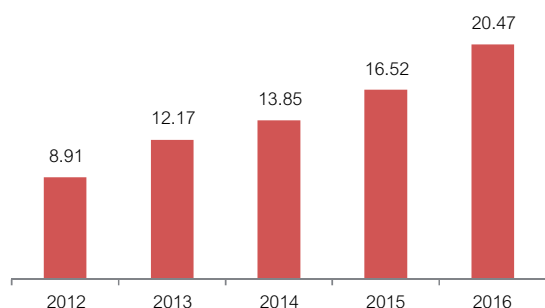
The auditors, Crowe Clark Whitehill LLP, will be proposed for re-appointment in accordance with Section 489 of the Companies Act 2006.

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

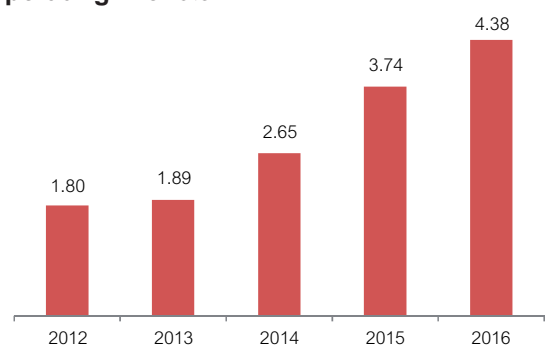
Tim Rogers
Director
15 November 2016

Finance Director's Report

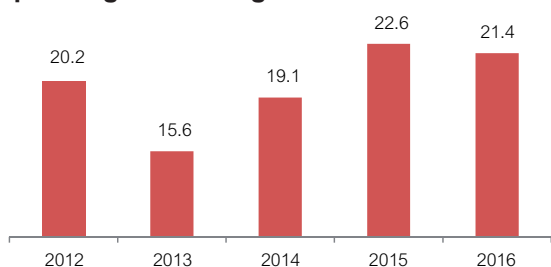
Revenue £m



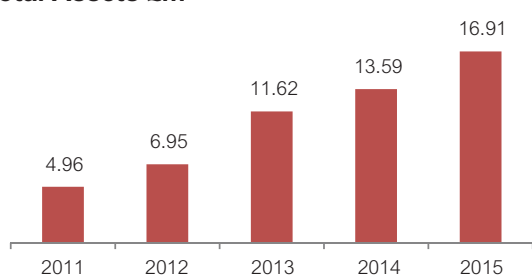
Operating Profit £m



Operating Profit Margin %



Total Assets £m



Revenue

The Group's revenue for the financial year ended 31 August 2016 increased to £20.47m from £16.52m in 2015.

Operating Profit

Operating profit increased to £4.38m from £3.77m in 2015, an increase of 16% driven by strong demand for Track Testing products, notably for the testing of Advanced Driver Assistance Systems (ADAS).

Operating Profit Margin %

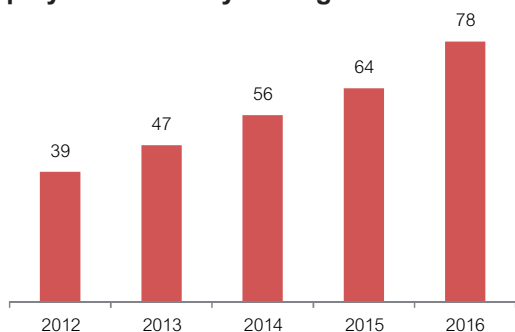
The operating profit margin reduced slightly to 21.4% (2015: 22.8%). This reflects the decrease in gross margin from 32.4% in 2015 to 30.2% in 2016.

This reduction was mainly due to share option costs of £273k, the adjusted operating profit margin excluding this is 22.7%.

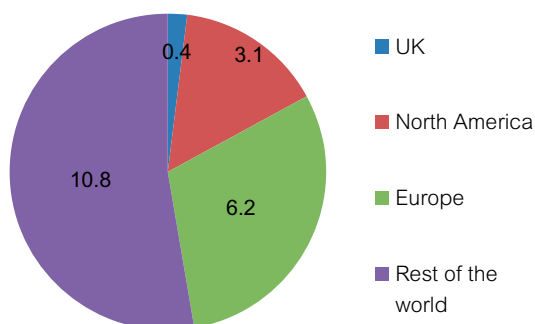
Total Assets

Total assets increased by approximately 26% during the year. Further details can be found on page 25 of the financial statements.

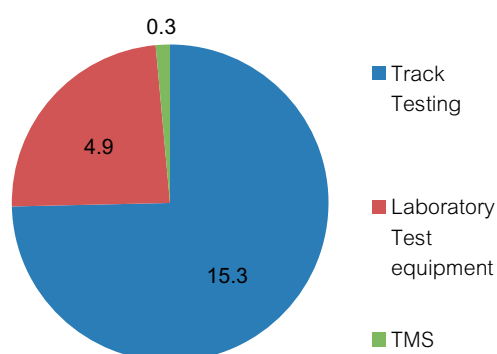
Employees – Monthly Average



Turnover by Region £m



Turnover by Product £m



Headcount

The average number of employees increased by 14 during the year. At the end of the year the average headcount was 78.

At 31 August 2016, the Group's total number of employees stood at 86 (2015: 69).

Turnover by Region

Revenues increased by 95% in North America, 37% in Europe and 9% in Rest of the world.

Region	2016 £m	2015 £m	Increase %
North America	3.10	1.59	95
Europe	6.24	4.54	37
Rest of the world	10.75	9.90	9

Turnover by Product

Track testing revenues grew by 34% to £15.29m (2015: £11.43m).

Track testing revenue including ADAS now accounts for 75% of turnover.

Taxation

The effective tax rate for the Group in 2016 was 13.0% (2015: 15.0%) principally as a result of sizeable R&D and Patent Box tax credits.

Cash

Cash generated from operations in 2016 totalled £4.62m (2015: £4.45m). Year-end cash and cash equivalents increased by £2.4m to £10.4m (2015: £8.0m).

Further details can be found on page 27 of the financial statements.

Earnings per Share

Basic earnings per share was 22.25p (2015: 19.16p). This calculation is based on the profit after tax of £3.874m and 17,414,329 shares, being the weighted average number of shares in issue during the year.

Diluted earnings per share were 22.25p (2015: 18.26p).

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 £3.07m to £14.94m (2015: £11.87m).

Capital Expenditure

Capital expenditure on tangible assets was £1,608,527 (2015: £691,244) and included approximately £785,000 of costs incurred in respect of the new facility. Capital expenditure in 2017 is expected to be significantly higher given the new building project.

Interest Received

Bank interest received was £72,643 (2015: £42,689).

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.

Exchange gains in the year amounted to £356,890 compared to a loss of £12,903 in 2015.

Share Capital and Reserves

The Group's issued share capital at the year-end totalled 17,764,578 ordinary shares (2015: 17,334,406). The issued shares arose from the exercise of share options by various members of staff and Directors. See note 16 for further details.

On 12 July 2016, the Group announced that replacement share options schemes had been approved following the lapsing of the share option schemes in place since the Group's IPO in 2013. This provides the Group with the ability to continue to issue share options as a means of rewarding and incentivising key staff across the Group. Share options issued in the year totalled 1,337,122. See note 22 for further details.

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 FY17.

Dividends

The Board has proposed a final dividend of 1.815p per share. Together with the interim dividend of 1.21p per share this gives a total Ordinary dividend of 3.025p for the year (2015: 2.75p).

Dividend cover, defined as the ratio of underlying earnings per share to dividend per share, was 7.4 times (2015: 7.0 times). If approved by shareholders, the final dividend will be paid to shareholders on the register at 25 November 2016.

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.

Corporate governance statement

The Board of AB Dynamics plc appreciate the value of good corporate governance and have regard to the provisions of the Corporate Governance Guidelines for Smaller Quoted Companies, published from time to time by the Quoted Companies Alliance, to the extent that they believe it is appropriate in light of the size, stage of development and resources of an AIM-quoted company.

The Board is responsible for the direction and overall performance of the Group with emphasis on policy and strategy, financial results and major operational issues.

Board structure

During the year, the Board consisted of five directors of which three were executive and two non-executive. Subsequent to the year end this has changed to two executive and three non-executive.

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 consider there is currently no need for an internal audit function.

Rob Hart
Finance Director – Company Secretary
15 November 2016

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

We have audited the financial statements of AB Dynamics plc for the year ended 31 August 2016 which comprise of the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Parent Company Balance Sheet and the related notes.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRS) 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).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

We read all the financial and non-financial information in the Chairman's Statement, Strategic Report, Directors' Report, Finance Director's Report and Corporate Governance Statement and any other surrounding information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 August 2016 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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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.

Leo Malkin
Senior Statutory Auditor
for and on behalf of
Crowe Clark Whitehill LLP, Statutory Auditor
St Bride's House,
10 Salisbury Square
London
EC4Y 8EH

Consolidated statement of comprehensive income

	Note	Year ended 31 August 2016 £	Year ended 31 August 2015 £
<i>Continuing operations</i>			
Revenue		20,472,244	16,522,627
Cost of sales		(14,296,445)	(11,172,617)
Gross profit		6,175,799	5,350,010
Administrative expenses		(1,635,977)	(1,643,048)
Fair value (losses)/gains in respect of foreign currency forward contracts		(161,145)	67,343
Operating profit		4,378,677	3,774,305
Finance income	4	72,643	42,689
Profit before taxation	5	4,451,320	3,816,994
Corporation tax expense	6	(576,935)	(570,986)
Profit after taxation		3,874,385	3,246,008
Other comprehensive income		—	—
Total comprehensive income for the year attributed to equity holders		3,874,385	3,246,008
Earnings per share – Basic (pence)	8	22.25p	19.16p
Earnings per share – Diluted (pence)	8	22.25p	18.26p

Consolidated statement of financial position
as at 31 August 2016

	Note	2016 £	2015 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,695,097	1,727,349
Deferred tax assets	17	–	48,548
		<u>2,695,097</u>	<u>1,775,897</u>
CURRENT ASSETS			
Inventories	10	3,191,642	2,541,704
Trade receivables	11	2,601,857	2,825,148
Other receivables, deposits and prepayments	12	1,006,657	464,462
Amount owing by contract customers	13	1,285,922	1,301,169
Derivative financial instruments	14	–	33,743
Taxation		148,992	–
Cash and cash equivalents	15	10,404,523	7,967,808
		<u>18,639,593</u>	<u>15,134,034</u>
TOTAL ASSETS		<u>21,334,690</u>	<u>16,909,931</u>
EQUITY AND LIABILITIES			
Share capital	16	177,646	173,344
Share premium		2,590,267	2,540,711
Reconstruction reserve		(11,284,500)	(11,284,500)
Merger relief reserve		11,390,000	11,390,000
Retained profits		14,643,035	10,830,329
Total equity attributable to owners of the Company and total equity		<u>17,516,448</u>	<u>13,649,884</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	17	118,946	–
CURRENT LIABILITIES			
Trade and other payables and accruals	18	3,608,862	3,089,487
Provision for taxation		–	170,560
Derivative financial instruments	14	90,434	–
		<u>3,699,296</u>	<u>3,260,047</u>
TOTAL LIABILITIES		<u>3,818,242</u>	<u>3,260,047</u>
TOTAL EQUITY AND LIABILITIES		<u>21,334,690</u>	<u>16,909,931</u>

The financial statements were approved by the Board of Directors and authorised for issue on 15 November 2016 and are signed on its behalf by:

Anthony Best
Director

Robert Hart
Director

COMPANY REGISTRATION NUMBER: 08393914

Consolidated statement of changes in equity

Note	Share capital £	Share premium £	Merger relief reserve £	Reconstruction reserve £	Retained profits £	Total equity £
Balance at 1 September 2014	167,757	2,385,910	11,390,000	(11,284,500)	7,666,718	10,325,885
Share based payment expense	–	–	–	–	13,410	13,410
Deferred Tax on Share Options	–	–	–	–	168,387	168,387
Profit after taxation and total comprehensive income for the financial year	–	–	–	–	3,246,008	3,246,008
Tax impact of exercised Share Options	–	–	–	–	172,632	172,632
Dividend paid	7	–	–	–	(436,826)	(436,826)
Issue of shares, net of share issue costs	5,587	154,801	–	–	–	160,388
Balance at 31 August 2015	<u>173,344</u>	<u>2,540,711</u>	<u>11,390,000</u>	<u>(11,284,500)</u>	<u>10,830,329</u>	<u>13,649,884</u>
Balance at 1 September 2015	173,344	2,540,711	11,390,000	(11,284,500)	10,830,329	13,649,884
Share based payment expense	–	–	–	–	273,405	273,405
Deferred Tax on Share Options	–	–	–	–	(168,387)	(168,387)
Profit after taxation and total comprehensive income for the financial year	–	–	–	–	3,874,385	3,874,385
Tax impact of exercised Share Options	–	–	–	–	329,066	329,066
Dividend paid	7	–	–	–	(495,763)	(495,763)
Issue of shares, net of share issue costs	4,302	49,556	–	–	–	53,858
Balance at 31 August 2016	<u>177,646</u>	<u>2,590,267</u>	<u>11,390,000</u>	<u>(11,284,500)</u>	<u>14,643,035</u>	<u>17,516,448</u>

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 as a reverse acquisition under IFRS3 (revised). Consequently, the previously recognised book values and assets and liabilities were retained and the consolidated financial information for the period to 31 August 2013 was presented as if the Company had always been the parent company of the Group which included a capital redemption reserve arising in the subsidiary amounting to £62,500.

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

	2016	2015
	£	£
Cash flow from operating activities		
Profit before taxation	4,451,320	3,816,994
Adjustments for:		
Depreciation of property, plant and equipment	277,695	183,836
Loss on sale of property, plant and equipment	2,336	42
Interest income	(72,643)	(42,689)
Share based payment	273,405	13,410
	<hr/>	<hr/>
Operating profit before working capital changes	4,932,113	3,971,593
Increase in inventories	(649,939)	(542,873)
Decrease/(increase) in trade and other receivables	(303,657)	883,180
Increase in trade and other payables and accruals	519,375	175,644
Fair value loss/(gain) on derivative instruments	124,178	(33,743)
	<hr/>	<hr/>
Cash flow from operations	4,622,070	4,453,801
Interest received	72,643	42,689
Income tax paid	(568,314)	(457,206)
	<hr/>	<hr/>
Net cash flow from operating activities	4,126,399	4,039,284
Cash flow from investing activities		
Purchase of property, plant and equipment	(1,608,527)	(691,244)
Sale of property, plant and equipment	360,748	–
	<hr/>	<hr/>
Cash flow used in investing activities	(1,247,779)	(691,244)
Cash flow from financing activities		
Dividends paid	(495,763)	(436,826)
Proceeds from issue of share capital, net of share issue costs	53,858	160,388
	<hr/>	<hr/>
Net cash flow used in financing activities	(441,905)	(276,438)
Net increase in cash and cash equivalents	2,436,715	3,071,602
Cash and cash equivalents at beginning of the financial year	7,967,808	4,896,206
Cash and cash equivalents at end of the financial year	<hr/> 10,404,523	<hr/> 7,967,808

Notes to the consolidated financial statements

1. General information

The Company is a public company limited by shares and incorporated under the UK Companies Act. The Company is domiciled in the United Kingdom and the registered office and principal place of business is Holt Road, Bradford on Avon, Wiltshire, BA15 1AJ.

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 Company was incorporated on 7 February 2013 and on 8 May 2013 acquired the entire share capital of Anthony Best Dynamics Limited. As a result of this transaction, the ultimate shareholders in Anthony Best Dynamics Limited received shares in the Company in direct proportion to their original shareholdings in Anthony Best Dynamics Limited.

Under IFRS 3 (revised) "Business Combinations", the acquisition of Anthony Best Dynamics Limited by the Company was accounted for as a reverse acquisition and the consolidated IFRS financial information of the Company is therefore a continuation of the financial information of Anthony Best Dynamics Limited.

The financial statements are measured and presented in sterling (£), 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 as adopted by the EU ("IFRS") issued by the International Accounting Standards Board ("IASB"), 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, with the exception of IFRS 15 and IFRS16 referred to below, do not consider that any will have a material impact on the future results of the Group.

The Directors are aware of the potential changes that may occur under IFRS 15 "Revenue from Contracts with Customers" and are in the process of developing a method to assess the impact that this might have on the results of the group. This is expected to apply to periods commencing on or after 1 January 2018 and the assessment will be made over the next year and reported in the next financial information.

The Directors are in the process of considering the potential changes that may occur to the financial statements under IFRS 16 "Leases". This is expected to apply to periods commencing on or after 1 January 2019 and the assessment will be made over the next year and reported in future financial information.

The Group financial statements are presented in sterling and all values are rounded to the nearest pound except where otherwise indicated.

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 Chairman's & Chief Executive's Statement on page 2.

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:

Assessment of the percentage of completion of construction projects

Where the outcome of a construction contract can be estimated reliably, the Group recognises revenue and costs by reference to the stage of completion of the contract activity at the statement of financial position, based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, rectification claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent it is probable that contract costs incurred will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The above estimates are made internally by the Group and any changes of these estimates will result in a corresponding change on 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 realised only after confirmed by written agreement.

Share based payment

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 £273,405.

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 £25,685 higher than currently shown.

2. Summary of significant accounting policies (continued)

(c) 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.

(d) Work in progress

When a contract with a customer is judged to be a construction 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 construction 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. 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 included 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.

Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount owing from contract customers. Where the progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as payments in advance, under trade and other payables and accruals. Business development and other pre-contract costs are expensed as incurred.

(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.

2. Summary of significant accounting policies (continued)

(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 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.

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, as appropriate.

- *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.

2. Summary of significant accounting policies (continued)

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

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

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Assets under construction are not depreciated until they are ready for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

(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.

2. Summary of significant accounting policies (continued)

(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.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, deposits with financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Employee benefits

(i) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(l) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each financial reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

2. Summary of significant accounting policies (continued)

(l) Provisions, contingent liabilities and contingent assets (continued)

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised by the Group but are disclosed where inflows of economic benefits are probable, but not virtually certain.

(m) Revenue and other income

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

Revenues on long-term and certain other contracts are recognised according to the percentage of completion method (see note 2(b) for further information). 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.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer, usually on delivery.

Interest income is recognised as other income on an accruals basis based on the effective yield on the investment.

(n) 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.

(o) 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.

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:

	2016	2015
	£	£
United Kingdom	379,418	498,948
Rest of the European Union	6,241,564	4,537,758
North America	3,099,983	1,588,822
Rest of the World	10,751,279	9,897,099
	<u>20,472,244</u>	<u>16,522,627</u>

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

There were no material non-current assets located outside the United Kingdom.

Revenues are derived from the following:

Revenue from sale of goods	15,612,065	11,670,526
Revenue from construction contracts	4,860,179	4,852,101
	<u>20,472,244</u>	<u>16,522,627</u>

4. Finance income

	2016	2015
	£	£
Interest received	<u>72,643</u>	<u>42,689</u>

5. Profit before taxation

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

	2016	2015
	£	£
Fees payable to the Company's auditors for the audit of the Company's financial statements	17,115	15,225
Fees payable to the Company's auditors for other services: The audit of the company's subsidiary subject to legislation	16,815	15,225
Fees payable to the Company's auditors for tax compliance services	8,400	11,700
Fees payable to the Company's auditors for RGF Due Diligence	–	22,612
Total	42,330	64,762
Depreciation	277,695	183,836
Loss on sale of assets	2,336	42
Realised loss/(gain) on foreign exchange	(356,890)	12,903
Staff costs:		
– salaries, allowances and bonuses	4,363,700	3,431,555
Social security costs	450,170	365,786
Defined contribution pension scheme costs	238,734	134,815
Share based payments	273,405	13,410
Research and development costs	448,047	130,541
Operating lease payments recognised as an expense	102,488	65,856

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

	2016	2015
	No.	No.
Directors & Commercial	9	9
Engineers & Technicians	58	47
Administration	11	8
	<u>78</u>	<u>64</u>

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

	2016	2015
	£	£
Short term employee benefits	934,314	900,988
Post employment benefits	46,779	24,713
Social security costs	115,204	108,342
Share based payments – equity settled	96,207	8,373
	<u>1,192,504</u>	<u>1,042,416</u>

Further details relating to the remuneration of each member of key management can be found in the Directors report on page 15.

6. Income tax expense

	2016	2015
	£	£
Current tax expense:		
– for the financial year	606,006	675,098
– overprovision in the previous financial year	(28,178)	(144,679)
	<u>577,828</u>	<u>530,419</u>
Deferred tax liabilities: (Note 17):		
– origination and reversal of temporary differences	(893)	40,567
	<u>576,935</u>	<u>570,986</u>

The tax assessed for the year is the same as (2015 – *the same as*) the standard rate of corporation tax in the UK of 20.00% (2015 – 20.58%) 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:

	2016	2015
	£	£
Profit before taxation	<u>4,451,320</u>	<u>3,816,994</u>
Tax at the applicable statutory tax rate of 20.00% (2015 – 20.58%)	890,264	785,537
Tax effects of:		
Non-deductible expenses	3,259	710
Adjustment in research and development tax credit	(116,492)	(34,141)
Over provision in the previous financial year	(28,178)	(144,679)
Non-taxable foreign currency forward contracts	24,836	(6,944)
Patent box relief*	(183,005)	(52,153)
Other differences including change in rate of deferred tax provision	(13,749)	22,656
Income tax expense for the financial year	<u>576,935</u>	<u>570,986</u>

* 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:

	2016	2015
	£	£
Current tax		
Excess tax deductions related to share-based payments on exercised options	(329,066)	(172,632)
Deferred tax		
Change in estimated excess tax deductions related to share-based payments	168,387	(168,387)
Total income tax recognised directly in equity	<u>(160,679)</u>	<u>(341,019)</u>

7. Dividends paid

	2016	2015
	£	£
Final 2014 dividend paid of £0.015 per share		251,634
Interim dividend paid of £0.011 per share		185,192
Final 2015 dividend paid of £0.0165 per share	286,017	
Interim dividend paid of £0.0121 per share	209,746	
	<u>495,763</u>	<u>436,826</u>

The Board has proposed a final dividend of 1.815p per share totalling £322,427. Together with the interim dividend of 1.21p per share this gives a total Ordinary dividend of 3.025p 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	
	2016	2015
Profit after tax attributable to owners of the Group (£)	£3,874,385	£3,246,008
Weighted average number of shares:		
Basic	17,414,329	16,940,438
Adjustments in respect of potentially dilutive share options	—	832,207
Diluted	17,414,329	17,772,645
Earnings per share (pence)		
Basic	22.25	19.16
Diluted	22.25	18.26

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 2015	677,763	734,166	87,422	286,411	609,587	1,131,211	3,526,560
Additions	475,119	88,256	7,667	93,080	42,581	901,824	1,608,527
Disposals	(336,589)	(209,713)	–	(15,071)	(548,273)	(480,951)	(1,590,597)
At 31 August 2016	816,293	612,709	95,089	364,420	103,895	1,552,084	3,544,490
Accumulated depreciation							
At 31 August 2015	511,208	412,446	46,353	183,679	572,242	73,283	1,799,211
Charge for the year	34,404	70,046	10,968	23,432	16,313	122,532	277,695
Disposals	(335,572)	(207,679)	–	(15,037)	(548,273)	(120,952)	(1,227,513)
At 31 August 2016	210,040	274,813	57,321	192,074	40,282	74,863	849,393
Net book value							
At 31 August 2015	166,555	321,720	41,069	102,732	37,345	1,057,928	1,727,349
At 31 August 2016	606,253	337,896	37,768	172,346	63,613	1,477,221	2,695,097

Included within land and buildings is property under the course of construction with a total net book value of £1,322,499 (2015: £537,540). 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 £408,802. 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 2014	620,250	605,985	71,102	277,661	588,696	671,805	2,835,499
Additions	57,513	128,364	16,320	8,750	20,891	459,406	691,244
Disposals	–	(183)	–	–	–	–	(183)
At 31 August 2015	677,763	734,166	87,422	286,411	609,587	1,131,211	3,526,560
Accumulated depreciation							
At 31 August 2014	484,045	347,532	35,646	163,387	561,581	23,325	1,615,516
Charge for the year	27,163	65,055	10,707	20,292	10,661	49,958	183,836
Disposals	–	(141)	–	–	–	–	(141)
At 31 August 2015	511,208	412,446	46,353	183,679	572,242	73,283	1,799,211
Net book value							
At 31 August 2014	136,205	258,453	35,456	114,274	27,115	648,480	1,219,983
At 31 August 2015	166,555	321,720	41,069	102,732	37,345	1,057,928	1,727,349

10. Inventories

	2016	2015
	£	£
Work in progress	824,211	1,024,683
Raw materials	2,367,431	1,517,021
	<u>3,191,642</u>	<u>2,541,704</u>

The value of inventories (being materials used and consumables) recognised as an expense was £6,673,768 (2015: £4,929,994).

The amount of write down of inventories recognised as an expense was £Nil (2015: £Nil).

11. Trade receivables

	2016	2015
	£	£
Trade receivables	<u>2,601,857</u>	<u>2,825,148</u>

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

	2016	2015
	£	£
Other receivables	339,475	340,530
Prepayments	667,182	123,932
	<u>1,006,657</u>	<u>464,462</u>

13. Amount owing by contract customers

	2016	2015
	£	£
Cost incurred to date	8,867,838	9,957,735
Attributable profits	3,034,970	3,626,535
	<u>11,902,808</u>	<u>13,584,270</u>
Progress billings	(10,725,679)	(12,353,253)
	<u>1,177,129</u>	<u>1,231,017</u>
Represented by:		
Amounts received in advance	(108,793)	(70,152)
Amount owing by contract customers	<u>1,285,922</u>	<u>1,301,169</u>
	<u>1,177,129</u>	<u>1,231,017</u>
Amount of contract revenue recognised to date	<u>4,860,179</u>	<u>4,852,101</u>

No retentions were held by customers for contract work.

14. Derivative financial instruments

Derivative financial instrument balances comprise:

	2016 £	2015 £
Forward foreign exchange contracts	(90,434)	33,743
	<u>(90,434)</u>	<u>33,743</u>

Further analysis of financial instruments is given in note 19.

15. Cash and cash equivalents

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

	2016 £	2015 £
Cash and bank balances	10,404,523	7,967,808
	<u>10,404,523</u>	<u>7,967,808</u>

16. Share capital

The allotted, called up and full paid share capital is made up of 17,764,578 ordinary shares of £0.01 each.

	Note	Number of shares	Share Capital £	Share premium £	Total £
At 1 September 2014		16,775,640	167,757	2,385,910	2,553,667
On 4 December 2014	(i)	60,000	600	51,000	51,600
On 5 June 2015	(ii)	63,069	630	53,609	54,239
On 5 June 2015	(iii)	435,697	4,357	50,192	54,549
At 31 August 2015		<u>17,334,406</u>	<u>173,344</u>	<u>2,540,711</u>	<u>2,714,055</u>
On 24 June 2016	(iv)	430,172	4,302	49,556	53,858
At 31 August 2016		<u>17,764,578</u>	<u>177,646</u>	<u>2,590,267</u>	<u>2,767,913</u>

(i) On 4 December 2014, Cairn Financial Advisers LLP exercised 60,000 warrants of £0.01 each for 86p.

(ii) On 5 June 2015, Cairn Financial Advisers LLP exercised 63,069 warrants of £0.01 each for 86p.

(iii) On 5 June 2015, a total of 435,697 share options were exercised of £0.01 each for £0.1252.

(iv) On 24 June 2016, a total of 430,172 share options were exercised of £0.01 each for £0.1252.

17. Deferred tax

	2016 £	2015 £
At 1 September	(48,548)	79,273
Recognised in profit or loss:		
In respect of accelerated capital allowances	16,811	40,556
In respect of deferred tax on share options	(17,704)	–
Deferred tax on share options recognised in equity	168,387	(168,387)
At 31 August	<u>118,946</u>	<u>(48,548)</u>

The deferred tax liabilities are attributable to:

	2016 £	2015 £
Accelerated capital allowances	136,650	119,839
Deferred tax on share options	(17,704)	(168,387)
	<u>118,946</u>	<u>(48,548)</u>

18. Trade and other payables and accruals

	2016 £	2015 £
Trade payables	828,239	823,493
Payments in advance	517,264	432,004
Social security and other taxes	91,080	79,964
Other payables and accruals	2,172,279	1,754,026
	<u>3,608,862</u>	<u>3,089,487</u>

Payments in advance relate to contractual revenue billed in advance and the income to be recognised upon delivery of goods and completion of services.

19. 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.

19. Financial instruments (continued)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

(i) Foreign currency risk (continued)

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, operational expenditure and debt service requirements 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 £
2016						
Financial assets						
Trade receivables	2,469,074	33,206	99,577	–	–	2,601,857
Construction contract receivables	610,245	–	–	–	675,677	1,285,922
Other receivables	339,475	–	–	–	–	339,475
Cash and bank balances	9,646,713	366,047	65,864	67,444	258,455	10,404,523
	<u>13,065,507</u>	<u>399,253</u>	<u>165,441</u>	<u>67,444</u>	<u>934,132</u>	<u>14,631,777</u>
Financial liabilities						
Trade payables	649,242	73,934	50,845	9,178	–	828,239
Other payables and accruals	1,337,933	–	–	–	–	1,337,933
Construction contract payments on account	285,788	44,210	131,489	16,111	39,666	517,264
	<u>2,272,963</u>	<u>118,144</u>	<u>182,334</u>	<u>25,289</u>	<u>39,666</u>	<u>2,683,436</u>
Net financial assets						11,948,341
Less: Net financial assets denominated in the functional currency						10,792,544
Currency exposure						<u>1,155,797</u>

19. 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 £
2015						
Financial assets						
Trade receivables	2,260,655	512,247	52,246	–	–	2,825,148
Construction contract receivables	465,476	–	229,386	405,843	200,464	1,301,169
Other receivables	340,530	–	–	–	–	340,530
Cash and bank balances	7,035,321	918,395	14,025	67	–	7,967,808
	<u>10,101,982</u>	<u>1,430,642</u>	<u>295,657</u>	<u>405,910</u>	<u>200,464</u>	<u>12,434,655</u>
Financial liabilities						
Trade payables	646,073	76,660	99,877	883	–	823,493
Other payables and accruals	1,194,087	–	–	–	–	1,194,087
Construction contract payments on account	255,288	134,954	41,762	–	–	432,004
	<u>2,095,448</u>	<u>211,614</u>	<u>141,639</u>	<u>883</u>	<u>–</u>	<u>2,449,584</u>
Net financial assets						9,985,071
Less: Net financial assets denominated in the functional currency						<u>8,006,534</u>
Currency exposure						<u><u>1,978,537</u></u>

The Group seeks to offset foreign currency risk exposure by way of forward exchange contracts. At 31 August 2016 the Group had sold forward 10,000,000 RMB. Hedge accounting has not been applied to these transactions.

The consolidated statement of comprehensive income would be affected by a gain/loss of approximately £2k (2015 – £15k) by a reasonable 10 percentage point fluctuation down/up in the exchange rate between sterling and the US dollar, a gain/loss of approximately £28k (2015 – £122k) by a reasonable 10 percentage point fluctuation down/up in the exchange rate between sterling and the Euro, a gain/loss of approximately £4k (2015 – £41k) 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 £89k (2015 – £20k) by a reasonable 10 percentage point fluctuation down/up in the exchange rate between sterling and the Chinese RMB.

19. Financial instruments (continued)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

(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.

Interest rate risk sensitivity analysis

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.

(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.

Credit risk concentration profile

The Group's major concentration of credit risk at 31 August 2016 relates to the amounts owing by three customers which constituted approximately 59% of its trade receivables as at the end of the reporting period.

19. Financial instruments (continued)

(a) Financial risk management policies (continued)

(ii) Credit risk (continued)

Exposure to credit risk

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:

	2016	2015
	£	£
United States	448,218	425,554
United Kingdom	95,136	118,396
Europe	539,493	746,886
Rest of the World	1,519,010	1,534,312
	<u>2,601,857</u>	<u>2,825,148</u>

Ageing analysis

The ageing analysis of the Group's trade receivables as at each of the two years ended 31 August 2016 is as follows:

	Gross amount	Individual impairment	Carrying value
	£	£	£
2016			
Not past due	1,057,752	–	1,057,752
Past due:			
– less than 3 months	1,329,651	–	1,329,651
– 3 to 6 months	221,736	7,282	214,454
	<u>2,609,139</u>	<u>7,282</u>	<u>2,601,857</u>
2015			
Not past due	1,423,554	–	1,423,554
Past due:			
– less than 3 months	1,232,288	–	1,232,288
– 3 to 6 months	176,588	7,282	169,306
	<u>2,832,430</u>	<u>7,282</u>	<u>2,825,148</u>

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.

19. Financial instruments (continued)

(a) Financial risk management policies (continued)

(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.

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 2016

	Less than 1 month £	Less than 3 months £	3 to 12 months £	Total £
Trade and other payables	1,074,169	1,164,237	1,279,376	3,517,782
Derivative financial instruments	–	55,300	35,134	90,434
	<u>1,074,169</u>	<u>1,219,537</u>	<u>1,314,510</u>	<u>3,608,216</u>

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

As at 31 August 2015

	Less than 1 month £	Less than 3 months £	3 to 12 months £	Total £
Trade and other payables	1,007,258	971,718	1,030,547	3,009,523
	<u>1,007,258</u>	<u>971,718</u>	<u>1,030,547</u>	<u>3,009,523</u>

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 2016, the Group's cash resources exceed its total debt. The Company hence has no net debt.

19. Financial instruments (continued)

(c) Classification of financial instruments

All financial instruments are categorised as follows.

	2016 £	2015 £
Loans and receivables		
Trade receivables	2,601,857	2,825,148
Construction contract receivables	1,285,922	1,301,169
Other receivables	339,475	340,530
Cash and bank balances	10,404,523	7,967,808
Financial assets at fair value through profit or loss		
Derivative financial instruments	–	33,743
	<u>14,631,777</u>	<u>12,468,398</u>
Financial liabilities held at amortised cost		
Trade and accruals and other payables	2,337,944	2,017,580
Construction contract payments on account	517,264	432,004
Financial assets at fair value through profit or loss		
Derivative financial instruments	90,434	
	<u>2,945,642</u>	<u>2,449,584</u>

(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.

20. Lease commitments

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

	2016 £	2015 £
Property leases		
Payable within one year	138,558	57,282
Payable within 2-5 years	224,342	13,858
	<u>362,900</u>	<u>71,140</u>

21. Related party disclosures

Mr. A. Best, a director of the company, is a trustee and beneficiary of the Best Middleton Trust. Rental payments of £38,833 (2015 – £38,000) 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 15.

During the year, the directors received dividends from the Company totalling £195,922.

22. 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 2013 is equity settled and a charge of £4,855 (2015: £13,410) has been charged to profit or loss relating to these options.

During the year the company granted 1,337,122 share options to Directors and employees with an exercise price of 395p each. The weighted fair value of the options granted was 197.19p per share. The scheme is equity settled and a charge of £268,550 (2015: £NIL) has been charged to profit or loss for the year 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.

22. Share options and warrants (continued)

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

	Number 31 August 2016	WAEP (pence) 31 August 2016	Number 31 August 2015	WAEP (pence) 31 August 2015
Outstanding as at 1 September	438,239	12.52	873,936	12.52
Granted during the year	1,337,122	395.00	–	–
Forfeited during the year	(8,067)	12.52	–	–
Expired during the year	–	–	–	–
Exercised during the year	(430,172)	12.52	(435,697)	12.52
Options outstanding at 31 August	<u>1,337,122</u>	<u>395.00</u>	<u>438,239</u>	<u>12.52</u>
Exercisable at 31 August	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The weighted average remaining contractual life of the options outstanding at the statement of financial position date is 9.8 years.

Warrants

There are no warrants outstanding at 31 August 2016.

23. Ultimate controlling party

There is no ultimate controlling party.

24. Capital commitments

At 31 August 2016 the Group had capital commitments as follows:

	2016 £	2015 £
Contracted but not provided in these financial statements	<u>7,992,829</u>	<u>–</u>
	<u>7,992,829</u>	<u>–</u>

Company statement of financial position

	Note	2016 £	2015 £
Fixed assets			
Investments	3	<u>467,289</u>	<u>193,884</u>
Current assets			
Other debtors	4	<u>3,638,084</u>	<u>3,393,066</u>
		3,638,084	3,393,066
Creditors: amounts falling due within one year	5	<u>15,600</u>	<u>20,225</u>
Net current assets		<u>3,622,484</u>	<u>3,372,841</u>
Total assets less current liabilities		<u><u>4,089,773</u></u>	<u><u>3,566,725</u></u>
Capital and reserves			
Called up share capital		177,646	173,344
Share premium account		2,590,267	2,540,711
Profit and loss account		<u>1,321,860</u>	<u>852,670</u>
Equity – attributable to the owners of the parent		<u><u>4,089,773</u></u>	<u><u>3,566,725</u></u>

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 2014		167,757	2,385,910	340,366	2,894,033
Share based payment expense		–	–	13,410	13,410
Profit after taxation and total comprehensive income for the financial year		–	–	935,720	935,720
Dividend paid	7	–	–	(436,826)	(436,826)
Issue of shares, net of share issue costs		5,587	154,801	–	160,388
Balance at 31 August 2015		<u>173,344</u>	<u>2,540,711</u>	<u>852,670</u>	<u>3,566,725</u>
Balance at 1 September 2015		173,344	2,540,711	852,670	3,566,725
Share based payment expense		–	–	273,405	273,405
Profit after taxation and total comprehensive income for the financial year		–	–	691,548	691,548
Dividend paid	7	–	–	(495,763)	(495,763)
Issue of shares, net of share issue costs		4,302	49,556	–	53,858
Balance at 31 August 2016		<u><u>177,646</u></u>	<u><u>2,590,267</u></u>	<u><u>1,321,860</u></u>	<u><u>4,089,773</u></u>

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 Hold Road, Bradford-on-Avon, BA15 1AJ.

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 of 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. Information on impact of first-time adoption of FRS 102 is given in note 9.

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.

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

GOING CONCERN

At 31 August 2016, the Company had net current assets of £3,622,484 (2015 – £3,372,841) with the main current asset being amounts owed from its subsidiary Anthony Best Dynamics Ltd, amounting to £3,629,642 (2015 – £3,384,759). 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, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, 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, net of transaction costs, 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 an expense in the 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.

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 £691,548 (2015 – £935,720).

The company's profit for the financial year has been arrived at after charging auditor's remuneration payable to Crowe Clark Whitehill LLP for audit services to the company of £17,115 (2015 – £15,225). 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:

	2016 £	2015 £
Non-executive directors fees	66,092	66,173
	<u>66,092</u>	<u>66,173</u>

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 15.

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

	2016 Number	2015 Number
Directors and management	<u>5</u>	<u>5</u>

3. INVESTMENTS

	2016 £	2015 £
Subsidiary undertaking		
Brought forward	193,884	180,474
Addition (capital contribution arising on share based payment)	273,405	13,410
Carried forward	<u>467,289</u>	<u>193,884</u>

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

	Class of share held	% shareholding
Subsidiary undertaking:		
Anthony Best Dynamics Limited	Ordinary	100

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

4. OTHER DEBTORS

	2016 £	2015 £
Amounts owed by group undertakings	3,629,642	3,384,759
Prepayment	8,442	8,307
	<u>3,638,084</u>	<u>3,393,066</u>

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Accruals and deferred income	15,600	20,225
	<u>15,600</u>	<u>20,225</u>

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 17,764,578 ordinary shares of £0.01 each.

	Note	Number of shares	Share Capital £	Share Premium £	Total £
At 1 September 2014		16,775,640	167,757	2,385,910	2,553,667
On 4 December 2014	(i)	60,000	600	51,000	51,600
On 5 June 2015	(ii)	63,069	630	53,609	54,239
On 5 June 2015	(iii)	435,697	4,357	50,192	54,549
At 31 August 2015		<u>17,334,406</u>	<u>173,344</u>	<u>2,540,711</u>	<u>2,714,055</u>
On 24 June 2016	(iv)	430,172	4,302	49,556	53,858
At 31 August 2016		<u>17,764,578</u>	<u>177,646</u>	<u>2,590,267</u>	<u>2,767,913</u>

- (i) On 4 December 2014, Cairn Financial Advisers LLP exercised 60,000 warrants of £0.01 each for 86p.
- (ii) On 5 June 2015, Cairn Financial Advisers LLP exercised 63,069 warrants of £0.01 each for 86p.
- (iii) On 5 June 2015, a total of 435,697 share options were exercised of £0.01 each for £0.1252.
- (iv) On 24 June 2016, a total of 430,172 share options were exercised of £0.01 each for £0.1252.

7. DIVIDENDS

	2016 £	2015 £
Final 2014 dividend paid of £0.015 per share		251,634
Interim dividend paid of £0.011 per share		185,192
Final 2015 dividend paid of £0.0165 per share	286,017	
Interim dividend paid of £0.0121 per share	209,746	
	495,763	436,826

The Board has proposed a final dividend of 1.815p per share totalling £322,427. Together with the interim dividend of 1.21p per share this gives a total Ordinary dividend of 3.025p 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 15 of the consolidated financial statements.

During the year, the directors received dividends from the Company totalling £195,922.

9. FIRST TIME ADOPTION OF FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements prepared under the previous financial reporting framework were for the year ended 31st August 2015. The date of transition to FRS 102 was 1st September 2014. The profit for the year ended 31st August 2015 and the total equity as at 1st September 2014 and 31st August 2015 has not changed as a result of changes in accounting policies due to the transition from the previous financial reporting framework to FRS 102.

10. 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 2013 is equity settled and a charge of £4,855 (2015: £13,410) 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.

During the year the company granted 1,337,122 share options to Directors and employees with an exercise price of 395p each. The weighted fair value of the options granted was 197.19p per share. The scheme is equity settled and a charge of £268,550 (2015: £NIL) has been charged to profit or loss of the subsidiary Anthony Best Dynamics Limited for the year 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.

10. SHARE OPTIONS AND WARRANTS (continued)

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 2016	WAEP (pence) 31 August 2016	Number 31 August 2015	WAEP (pence) 31 August 2015
Outstanding as at 1 September	438,239	12.52	873,936	12.52
Granted during the year	1,337,122	395.00	–	–
Forfeited during the year	(8,067)	12.52	–	–
Expired during the year	–	–	–	–
Exercised during the year	(430,172)	12.52	(435,697)	12.52
Options outstanding at 31 August	<u>1,337,122</u>	<u>395.00</u>	<u>438,239</u>	<u>12.52</u>
Exercisable at 31 August	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The weighted average remaining contractual life of the options outstanding at the statement of financial position date is 9.8 years.

Warrants

There are no warrants outstanding at 31 August 2016.



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