

Highlights of 2024

Strong revenue and profit growth with margin expansion

Operational highlights

- Record revenue and operating profit and improvement in operating margin
- New product development continues at pace and in line with the technology roadmap for testing products and simulation markets, alongside development of the core technology for ABD Solutions
- Initial contract win for ABD Solutions of £2m for an automated mileage accumulation solution for delivery in FY 2025 with potential for further follow-on orders
- The Group acquired Venshure Test Services (VTS), a provider of mileage accumulation, electric vehicle and environmental testing services in the US, with the integration progressing as planned
- Since the year end, the Group has acquired Bolab Systems GmbH (Bolab), a niche supplier of automotive power electronics testing solutions
- MSCI AAA rating achieved

Strategic highlights

- Well placed to sustain growth momentum over the medium term, supported by:
 - Target organic growth of 10% per year across core markets, supported by regulatory tailwinds and rapid technology change, with a significantly strengthened and scalable operational and commercial platform
 - Further margin expansion to 20% target, through operating leverage, supply chain improvements and operational efficiencies
 - Strong cash generation that provides scope for further value-enhancing investment in FY 2025 and beyond
 - The opportunity beyond automotive markets presented by ABD Solutions, transitioning from technology development to commercialisation

Financial highlights

Revenue

£111.3m +10%
(2023: £100.8m)

Adjusted* EBITDA

£24.2m +18%
(2023: £20.5m)

Adjusted* operating profit

£20.3m +22%
(2023: £16.6m)

Adjusted* operating margin

18.2% +170bps
(2023: 16.5%)

Net cash

£28.6m
(2023: £32.0m)

Adjusted* diluted earnings per share (EPS)

70.0p +15%
(2023: 60.8p)

Dividend per share

7.63p +20%
(2023: 6.36p)

* Adjusted to exclude amortisation of acquired intangibles, acquisition related charges and exceptional items. All profit and earnings per share figures in this Annual Report refer to adjusted business performance as defined on page 28 with a reconciliation to statutory measures.

At a glance

A global leader

AB Dynamics is a leading global provider of development, test and verification solutions to the global transport market, facilitating the development of vehicles that are safer, more efficient and more sustainable.

With over 40 years of experience and a global network of partners, our solutions cover a wide range of testing and development requirements, in areas such as simulation, active safety, durability, steering, suspension and autonomous driving. We help customers to achieve their goals in testing the performance, safety or comfort of their vehicles, developing the next generation of Advanced Driver Assistance Systems (ADAS) technologies and providing driverless solutions in controlled environments.

Global automotive clients

145

Employees

555



TAP TO DISCOVER MORE



At a glance continued

Our solutions



Testing products

Testing products are used during road vehicle development for the test and verification of ADAS, autonomous systems and vehicle dynamics. Robots and ADAS platforms are used to test the performance of prototype vehicles around the test track. Our laboratory testing equipment is used to assess vehicle dynamics including noise and vibration. We also provide driverless solutions used in adjacent markets such as mining and specialist vehicles.

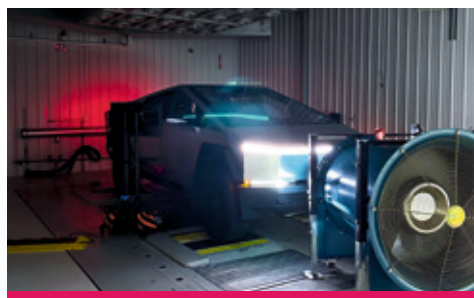
Revenue by sector

Testing products revenue

£69.4m

62% of total revenue

[READ MORE ON PAGE 20](#)



Testing services

Our test facility in California, USA, uses our products to provide ADAS and vehicle dynamics tests on behalf of customers for development or certification of new vehicles. The Group also offers on-road testing services, with operations in China and Germany, as well as laboratory compliance testing through the newly acquired VTS, based in Michigan, USA.

Testing services revenue

£16.7m

15% of total revenue

[READ MORE ON PAGE 22](#)



Simulation

Simulation includes simulation software and driving simulators. These products are used during vehicle development to replicate the real world in a simulated environment and to characterise vehicle dynamics and performance across a wide range of applications including conventional vehicles, motorsport and automated vehicles.

Our simulator motion platforms along with our market-leading physics based simulation software reduce new vehicle development timescales, risks and costs by allowing meaningful evaluation earlier in the development process.

Simulation revenue

£25.2m

23% of total revenue

[READ MORE ON PAGE 24](#)

Investment case

Market leader in growing markets

1

Structural and regulatory growth drivers across all our markets

The market for vehicle development products and services is supported by:

- Road safety – the significant increase in regulation of active safety systems, in terms of complexity of requirements and across new geographies and vehicle categories, will drive growth in products and services and incremental use of simulation
- New powertrains – the emergence of electric vehicles (EVs) and hybrids and new original equipment manufacturers (OEMs) drives growth in the number of vehicle models, all of which need certification across each market in which they are sold. Speed to market and cost efficiencies offered by simulation also drive adoption of our simulation range. New powertrains (e.g. hydrogen/reduced emission fuels) will result in further increases in new models

READ MORE ABOUT OUR MARKETS ON PAGE 8



TAP TO DISCOVER MORE

2

Highly resilient business solving customers' sustainability challenges

Our global, diversified customer base and high-quality, long-term customer relationships provide resilience. We support customers throughout the vehicle development cycle.

The wider focus on road safety and reduction in accidents as well as the focus on new powertrains such as EVs are important long-term trends that will support continued growth, as the emergence of new vehicle models and technologies requires additional development work, testing and validation.

READ MORE IN OUR CHIEF EXECUTIVE OFFICER'S REVIEW ON PAGE 16

Investment case continued

3

Strong margins with clear strategy for expansion

Highly differentiated products with continued investment in innovation underpin strong gross margins.

Now the Group has a solid and scalable operating platform, operating margin expansion will be delivered through operational gearing, improvements in the supply chain and operational efficiency.

READ MORE IN OUR CHIEF FINANCIAL OFFICER'S REVIEW ON PAGE 26

4

Highly cash generative with clear capital allocation framework

Our strong cash generation enables us to fund ongoing investment in organic growth across all our markets and to fund acquisitions.

Our capital allocation priorities are: investment in innovation to grow the core business; investment in ABD Solutions; bolt-on acquisitions; and our progressive dividend policy.

READ MORE ABOUT OUR CAPITAL ALLOCATION FRAMEWORK ON PAGE 17



TAP TO DISCOVER MORE



Chairman's statement



Driving delivery of our ambitious strategy

Highlights

- Continued investment in new product development in our core markets
- Contract win for ABD Solutions and first production units delivered
- Acquisition of VTS strengthens our services offering

Overview

I am very pleased to report another year of strong profitable growth for AB Dynamics, and one of strategic significance as the Group positions itself for the next stage of growth. These results are evidence of the value customers place on our offering, as the team continues to win new customers globally and strengthen relationships with existing ones.

The Group continued to focus on building a sustainable and resilient business. Overall results for the year showed revenue growth of 10% to £111.3m and a 22% increase in operating profit to £20.3m, driven by increases across all three sectors of the business.

The Group continued to invest in the core automotive sector, which is characterised by strong regulatory and structural growth drivers. The continued increase in regulation and the requirements of consumer organisations for safety ratings covering additional classes of vehicles and increasingly sophisticated safety systems are supportive of future growth in demand for our products and services.

At the same time, we have seen good progress by ABD Solutions which has delivered the initial units of a product for construction vehicles and won a contract with a major automotive OEM which enables expansion into a new sector in that market. ABD Solutions has successfully proved the concept of retrofitting existing technologies to enable the automation of conventional vehicle fleets and developed a pipeline of commercial opportunities.

Chairman's statement continued

Overview continued

The acquisition of VTS expands our capability in the services sector and I am pleased to report that we are already progressing a number of new opportunities through expanding our offering across our wider customer base.

Employees

I would like to take this opportunity to thank our global team of hard-working and committed employees who have all contributed to a very successful year, responding to changing demands in what remains a challenging and fast-moving market. The Group attracts talent at all levels within the business and continues to invest in training all the way through from apprentices to graduates and continuing professional development.

The Group has grown strongly in recent years and we now have over 550 employees, with around half located in the UK. The Board takes our responsibility towards employee engagement and development seriously and we were particularly pleased to launch our second Professional Development Programme for emerging talent to develop our future leaders.

Investments

The acquisition of VTS during the year and Bolab since the year end will continue to drive the Group strategy forward in order to deliver sustainable growth. Other investments included continued new product development, progress in the implementation of our ERP system and investment in ABD Solutions.

Sustainability

I am pleased to report that the hard work and determination by the members of the ESG Committee and wider staff have delivered good progress on our sustainability strategy, including achievement of an MSCI AAA rating. The Board is committed to ongoing improvements in all aspects of sustainability.

Further information on our approach to sustainability can be found on pages 32 to 49 and the activities of the ESG Committee are summarised on page 84.

Corporate governance

Strong corporate governance and risk management are essential elements of the Board's activities and are key to ensuring the ongoing stability and growth of the Group. I am pleased to confirm that AB Dynamics plc is in compliance with the Quoted Companies Alliance Code (the QCA Code) as required under the AIM Rules. The Board takes into consideration feedback provided by various ratings agencies in setting policies and in developing our sustainability strategy as part of our continuous improvement in corporate governance. I report separately on the Group's approach to governance and its procedures in the Statement of corporate governance, which can be found on pages 71 to 79.

Dividends

The Board recognises that dividends continue to be an important component of total shareholder returns, balanced against maintaining a strong financial position, and intends to pursue a sustainable and growing dividend policy in the future having regard to the development of the Group.

Based on the very strong financial performance and the Board's confidence in continued growth and delivery in 2025, the Board is recommending a final dividend of 5.30p per share, payable on 31 January 2025 subject to shareholder approval at the AGM. The ex-dividend date will be 16 January 2025 and the record date will be 17 January 2025. The total dividend for the year will therefore be 7.63p per share, which is an increase over the prior year of 20%, continuing the Board's progressive dividend policy.

“The Group delivered another year of strong profitable growth and now has a solid and scalable platform from which to deliver further revenue growth and margin expansion, with a strong balance sheet to support that growth.”

Richard Elsy CBE
Non-Executive Chairman

Outlook

AB Dynamics operates within markets that are supported by long-term regulatory and structural growth drivers in automotive and holds an enviable market-leading position in the sectors in which it operates. These market growth drivers, coupled with the ongoing investments in all areas of the business, provide the Board with strong confidence that the outlook remains positive.

Our continued operational delivery and ongoing investments provide a strong platform for future growth and the Board remains confident in delivering continued progress in the forthcoming year.

Richard Elsy CBE
Non-Executive Chairman
26 November 2024

Our strategy and the detailed financial results are covered in the:

CHIEF EXECUTIVE OFFICER'S REVIEW ON PAGES 16 TO 19

CHIEF FINANCIAL OFFICER'S REVIEW ON PAGES 26 TO 29

Our markets and strategy

Market drivers support growth

Our market drivers

The automotive sector continues to evolve and adapt to the structural and regulatory changes driving rapid unprecedented change:

- The ongoing societal need for improvements in road safety is driving the development of active safety, ADAS and increasing levels of autonomous systems
- The global challenge of climate change is driving strong demand for the acceleration of the implementation of EVs, hybrids and development of other alternative powertrains
- New entrants into the automotive market, particularly in EVs and autonomy, have placed pressures on traditional automotive OEMs to rapidly develop new technologies which require more complex tests

Consequently, whilst the automotive sector is experiencing disruption to production volumes and a slower rate of increase in EV sales than anticipated, it remains fully committed to investing in R&D in these key areas as each OEM needs to respond to these challenges.

OEMs need AB Dynamics' testing products and services for development of vehicles and certification of active safety systems across all types of powertrains. The Group's simulation capabilities enable OEMs to accelerate the efficiency and speed of development by allowing customers to test in a virtual environment.

“Our growth is supported by significant long-term structural and regulatory market drivers, such as road safety improvements, the introduction of new vehicle powertrains and development of driverless solutions, as well as our own initiatives in innovation and diversification.”

Our solutions ● Testing products ● Testing services ● Simulation

Consumer ratings	Regulation	New vehicle models	New powertrains
<ul style="list-style-type: none"> • Improving safety technology • Increasing number and complexity of tests • Euro NCAP standards becoming global • Standards expanded to multiple vehicle categories 	<ul style="list-style-type: none"> • US – NHTSA • Europe – UNECE • Japan • China 	<ul style="list-style-type: none"> • Development • Certification • Speed to market • Cost effectiveness • New sensor technology • Increasing automation 	<ul style="list-style-type: none"> • EVs • Hybrid • Hydrogen • Reduced emission fuels
<p>Our solutions:</p> ● ●	<p>Our solutions:</p> ● ● ●	<p>Our solutions:</p> ● ● ●	<p>Our solutions:</p> ● ● ●

Euro NCAP roadmap 2030

Safe Driving

- M1: Beyond Intelligent speed assistance
- M2: Driver Awareness: impaired driving to cognitive distraction
- M3: AD Grading: Domain extension and driver engagement

Crash Avoidance

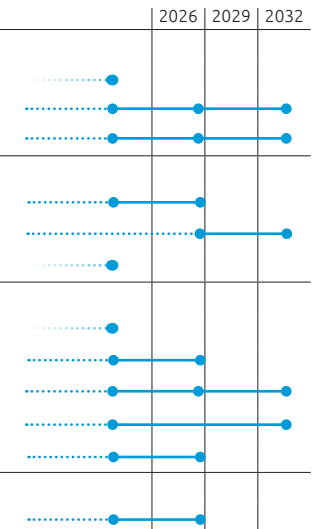
- M4: Improved robustness and real-world effectiveness
- M5: Leveraging vehicle connectivity
- M6: Pedal misapplication

Crash Protection

- M7: Senior protection: low severity testing with sled
- M8: Far-side and side pre-crash incentives
- M9: Protection equity through modelling
- M10: Whiplash protection parity
- M11: Passive Vulnerable Road User (VRU) protection – A-pillar and micro-mobility

Post-Crash Protection

- M12: Next-gen updates including D-call and thermal scanning



Our markets and strategy continued

Our market drivers continued

1

CONSUMER RATINGS

Key trend

Consumer bodies such as Euro NCAP (New Car Assessment Programme), Japan NCAP and China NCAP are independent safety organisations that provide car safety ratings determined from a series of vehicle tests. These tests represent, in a simplified way, real-life accident scenarios.

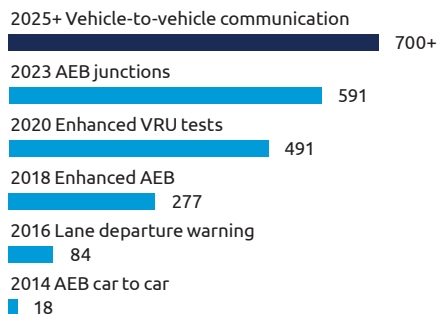
In order to obtain an NCAP safety rating when launching a new vehicle model, each variant of that model must be certified by an NCAP test laboratory. The development of new technology means that certification requires an increasing number of increasingly complex tests. Many of our products and services are used in the development and certification of these vehicles.

Progress

Our growth is driven by:

- Improving safety technology as customers use our equipment in the development of new assisted driving and autonomous functions
- An increasing number of tests. Over the last ten years, the number of ADAS test scenarios performed per vehicle for Euro NCAP ratings has increased from 18 to in excess of 500 and is expected to grow further
- Increasing complexity of tests, for example new test scenarios designed to protect motorcyclists including collision with the rear of a motorcycle braking in queueing traffic, detection of a motorcycle in a vehicle's blind spot and junction scenarios where an inattentive driver may turn in front of an oncoming motorcycle
- Standards expanding to multiple vehicle categories, such as commercial vans and trucks

Euro NCAP test scenarios



- Globally, there are nine NCAPs of which Euro NCAP is currently the most stringent. It is expected that other NCAPs will move towards adoption of these stricter standards

Future opportunities

Euro NCAP's 2030 roadmap confirms its commitment to drive further improvements in vehicle safety focused on four core areas: Safe Driving, Crash Avoidance, Crash Protection and Post-Crash Protection. The Group's testing products form a key part of the testing for two of the core areas – safe driving and crash avoidance technologies. The growth in testing volume and complexity continues to drive demand for ADAS platforms and driving robots that are both more capable and more versatile. The Group has responded by investing in new products such as the LaunchPad Spin, the Soft Pedestrian 360 and the Soft Motorcycle 360. It is also expected to drive growth in simulation as not all the growth in testing will be able to be met through physical tests.

Links to strategy



READ MORE ON PAGE 11

Links to solutions



READ MORE ON PAGE 3

2

REGULATION

Key trend

In addition to consumer ratings, the market for ADAS and active safety is driven by regulation from bodies such as the United Nations Economic Commission for Europe (UNECE) and the US regulator, the National Highway Traffic and Safety Administration (NHTSA). With an estimated 1.35 million road deaths per year, of which a growing number are in the US, there is growing pressure on regulators to improve standards, leading to further increases in the number of requirements and hence the number and complexity of tests required.

Progress

UNECE regulations came into force in 2022 which all vehicle manufacturers must meet to sell their vehicles in the United Kingdom and Europe. In its first phase, Automatic Emergency Braking (AEB) was mandated on newly introduced car and van models, while the second phase, implemented in July 2024, extended this requirement to all new vehicle registrations in these classes. The regulations also include emergency lane keeping for cars and vans, blind spot information systems and moving off information systems for certain vehicle classes. This may include testing the vehicle at a variety of approach speeds, offsets and loading and lighting conditions, driving increased need for AB Dynamics' test equipment.

The US government has committed to improving road safety and has begun to mandate the use of ADAS to assist in reducing injuries and fatalities, with a particular focus on the upward trend in pedestrian injuries and fatalities in the USA over recent years. A new Federal Motor Vehicle

Safety Standard requires all light-duty passenger vehicles to have AEB by 2029. Testing of this capability is expected to closely mirror those functions tested by Euro NCAP with compliance mandated through federal regulation.

Future opportunities

Increasing regulation test requirements drives the development of new technology, innovation and solutions tailored to the needs of the Group's customers to meet the growth in testing volume and complexity.

Links to strategy



READ MORE ON PAGE 11

Links to solutions



READ MORE ON PAGE 3



Our markets and strategy continued

Our market drivers continued

3

NEW VEHICLE MODELS

Key trend

The emergence of EVs and new entrants into the automotive market, as well as developments in autonomy, has led to significant increases in the number of new model launches. Over 150 new vehicle models were launched to the market during 2023.

Progress

This has placed additional pressures on traditional automotive OEMs to rapidly develop new technologies.

The need for increased speed to market and cost effectiveness has led to acceleration in the use of simulation in automotive development. Our rFpro simulation software and Ansible Motion dynamic simulators provide solutions that allow customers to test new models in a virtual environment.

The emergence of new sensor technology and the added capabilities in active safety and autonomy which are a differentiating factor for vehicle sales are driving growth in the volume and complexity of testing equipment used by the OEMs during development.

Each variant of each new model requires certification that it meets the regulations of each country in which it is sold. In order to obtain an NCAP safety rating, each model must also be certified by the local NCAP body. This drives growth in the amount of equipment required by the OEMs, service providers and certification providers.

Future opportunities

Future opportunities are driven by the continued release of new passenger and commercial vehicle models, the development of autonomous and automated driving functions, new entrants into the automotive market, the rapid adoption of environmentally sustainable automotive solutions brought on by global climate change challenges and the development of new safety features. The Group is well positioned to service the growing demand through the range of testing products, the capability and scope of testing services and its simulation hardware and software solutions.

Links to strategy



READ MORE ON PAGE 11

Links to solutions



READ MORE ON PAGE 3



4

NEW POWERTRAINS

Key trend

Increasing concerns about the environmental impact and the predicted scarcity of fossil fuel supply have made energy efficiency and reduced emissions a primary focus of OEMs and a primary selling point for new vehicles. OEMs are developing EVs and hybrid alternatives to the traditional internal combustion engines, and continued development of alternative fuel sources such as e-fuels and hydrogen, hybrid drive trains and new technology continues to drive the market for vehicle development toolchains.

Progress

While the number of production vehicles of EVs is growing more slowly than predicted, the number of new models being developed continues to grow. Over 400 OEMs are currently developing EVs as well as alternative powertrains. New technology and innovation by the Group help accelerate our customers' R&D development activities. The Group's vehicle development tools are powertrain agnostic and the development solutions offered extend to Software in the Loop (SiL) and Hardware in the Loop (HiL) modelling which allow assessment of vehicle performance in a simulated environment, meeting the requirements of fast, efficient and effective development methods.

Future opportunities

As the focus remains on the development of EV technology, OEMs are also increasingly researching and developing alternative powertrains and drivetrain systems to meet growth sustainability challenges while balancing performance needs. As R&D development of new powertrains continues, so does the use of simulation during development to reduce vehicle development timescales and costs by enabling meaningful testing earlier in the development process.

Links to strategy



READ MORE ON PAGE 11

Links to solutions



READ MORE ON PAGE 3



Our markets and strategy continued

Delivering our strategy

“We accelerate our customers’ drive towards net zero emissions, improving road safety and the automation of vehicle applications.”

Over the last five years, AB Dynamics has grown significantly, delivering on our strategy to build a sustainable and resilient business with strong financial and operating performance. Building on the strength of our core business, coupled with value-enhancing acquisitions, the business has been transformed from a single entity in the UK to a multi-national group with twelve facilities in six countries across Europe, North America and Asia Pacific.

Key achievements

During FY 2024, the Group has expanded its testing product offering, with new products such as the Soft Pedestrian 360, the LaunchPad Spin and the Soft Motorcycle 360 having been approved by Euro NCAP.

Testing services have been strengthened through the acquisition of VTS, a provider of mileage accumulation, EV and environmental testing services.

Simulation has benefited from a strengthened market position following the integration of Ansible Motion, which was acquired in the previous year.

Recurring revenue has increased to 45% (2023: 40%).

As part of our diversification initiative, the Group has continued to develop new driverless solutions for new markets.

Future

Following significant investment in capability and capacity, the Group now has a solid and scalable operational and commercial platform from which to capitalise on an ambitious, multi-year, organic-led growth opportunity, supported by strong long-term structural and regulatory growth drivers and supplemented with value-enhancing acquisitions.

We will create value for shareholders through:

- Organic revenue growth supported by our market drivers
- Operating margin expansion from operational gearing, improvements in the supply chain and operational efficiency
- Value-enhancing acquisitions

Our ambition is to double revenue and triple operating profit over the medium term, through the compounding effect of organic revenue growth of approximately 10% per year, an improvement in the operating margin to 20% and investing cash generated into acquisitions.



M&A strategy

Our approach to acquisitions

Having delivered and integrated five acquisitions over the last five years, the team is experienced in successfully executing transactions.

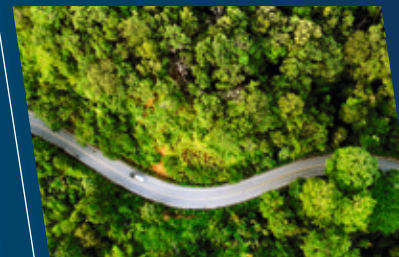
A strong financial framework delivering value-enhancing M&A

- Our M&A pipeline is healthy and based on clear criteria
- Our initial focus is on bolt-on acquisitions, where the target is operating in a niche area at high margins, but is individually sub-scale
- Typically targets will offer new product or service capabilities that can be cross-sold through our existing sales channels and relationships
- We typically target profitable, cash generative businesses capable of achieving strong returns on investment, which are EPS accretive
- Strong track record of integrating businesses onto the ABD platform
- Highly disciplined approach to deal execution

“The Group’s strategy is to drive organic growth and compound this through the acquisition of value-enhancing companies that facilitate and accelerate the Group’s strategic priorities.”



50
Opportunities



25
Focused relationships



Up to four
active discussions

Preferred approach:
transact off-market

Acquisition of Venshure Test Services

During FY 2024, the Group acquired Venshure Test Services (VTS), a leading provider of vehicle testing services including environmental testing and range certification for EVs.

Based in Michigan, USA, VTS offers a comprehensive range of testing services including:

- **Climatic and thermal testing:** Evaluate vehicle performance in extreme temperatures using our certification compliant dynamometers, solar loading and thermal chambers
- **Service mileage accumulation:** Simulate real-world driving conditions to assess durability, range and overall powertrain performance
- **Battery state-of-health testing:** Validate battery charging and performance with Level II and DC fast charging infrastructure
- **EV development and certification:** Ensure compliance with regulatory EV standards through comprehensive testing protocols

The business comprises a 23,300ft² testing facility strategically located close to the Detroit area and includes dynamometers and EV testing laboratories. The vehicle testing laboratories provide standardised procedures to validate EV battery energy consumption and range testing, producing certification quality data. VTS is an official Environmental Protection Agency accredited vehicle testing facility.

The acquisition supports several of the Group's strategic priorities including:

- Further alignment of the Group's testing services operations to the structural growth drivers in the automotive sector
- Expanding the Group's capabilities and broadening the scope of services in the testing services area
- Complementing the Group's existing California-based track testing services business with laboratory based testing
- Opportunity to replicate testing services capabilities across both locations



Our business model

Delivering a customer-centric approach

Our purpose

We accelerate our customers' drive towards net zero emissions, improving road safety and the automation of vehicle applications through leadership and innovation in engineering and technology.

KEY INPUTS

Product and technology leadership

Our innovative product development and significant intellectual property ensure cutting-edge products are available for every application across the markets we serve.

Talented workforce

Our highly skilled employees operate in niche capability areas. Our engineers and customer support teams work closely with our customers, supporting their requirements.

Global reach

We have international routes to market, with direct sales and support offices in key territories to facilitate growth and support our customers. We use distributors and representatives in other locations to expand our reach.

WHY OUR CUSTOMERS CHOOSE US



Customer closeness

We have high-quality, long-term customer relationships with all major OEMs and test facilities, which enable us to provide support tailored to their needs and also assist in early identification of trends. Our local sales and support offices enable us to respond quickly to customer requirements.



Tailored solutions

In the automotive market, our broad range of products and services are used by customers throughout the development cycle from concept design to launch of new vehicle models. We provide innovative, tailored solutions to automate vehicles in other adjacent markets.



Continuous innovation

The Group has specialist expertise in a number of niche areas including driverless vehicle actuation, simulation software and Driver in the Loop (DiL) simulators. Continuous investment in R&D in these areas enables us to support our customers in developing new solutions to meet emerging market requirements, improve efficiencies and meet new regulations.

GROWTH DRIVERS

Value creation

We will create value for shareholders through:

- Organic revenue growth supported by our market drivers
- Operating margin expansion from operational gearing, improvements in the supply chain and operational efficiency
- Value-enhancing acquisitions

Our market drivers

- 1 CONSUMER RATINGS
- 2 NEW VEHICLE MODELS
- 3 REGULATION
- 4 NEW POWERTRAINS

READ MORE ABOUT OUR MARKETS AND STRATEGY ON PAGES 8 TO 11

Our business model continued

High-quality, long-term customer relationships

THE VEHICLE DEVELOPMENT CYCLE

	1	2	3	4	5	6	7	8
	1 Concept design	2 Sub-system design	3 Sub-system testing	4 Prototype ADAS testing	5 Durability testing	6 Type approval	7 On-road testing	8 NCAP testing
Customer type	OEM	Tier 1 supplier OEM	Tier 1 supplier OEM	OEM Service provider Tier 1 supplier	OEM Service provider	Ratings body/ regulator	OEM	Ratings body
What we do	<ul style="list-style-type: none"> • Simulation • Human factors • SPMM benchmark 	<ul style="list-style-type: none"> • SPMM data • Simulation 	<ul style="list-style-type: none"> • Testing products • Testing services 	<ul style="list-style-type: none"> • Testing products • Testing services 	<ul style="list-style-type: none"> • Testing products • Testing services 	<ul style="list-style-type: none"> • Testing products 	<ul style="list-style-type: none"> • Testing services 	<ul style="list-style-type: none"> • Testing products
Teams involved								

Chief Executive Officer's review

Highlights 2024

- The Group delivered growth in revenue of 10% to £111.3m and a 22% increase in operating profit to £20.3m
- Strong growth in testing products and testing services
- ABD Solutions contract win and initial production units delivered with continued progress on pipeline of commercial opportunities
- VTS acquisition integration progressing well

Delivering results

Overview

I am pleased to report that the Group delivered a very strong set of results, continuing the trend of double-digit revenue growth and margin expansion. This was driven by improvements in our commercial and operating capabilities, underpinned by positive market dynamics in all three sectors.

During FY 2024, the Group continued to deliver against its strategic priorities by launching new products and services and through an initial contract award in ABD Solutions. The acquisition of VTS also expanded our presence in the testing services market, complementing the Group's existing offering.

Over the last five years, the Group has been transformed from a single entity in the UK to a multi-national group with twelve facilities in six countries across Europe, North America and Asia. Building on the strength of the core business, coupled with value-enhancing acquisitions, the Group now has a solid and scalable platform from which to capitalise on a multi-year growth opportunity, supported by strong long-term structural and regulatory tailwinds.

Financial performance

The Group delivered revenue growth in the year of 10% to £111.3m (2023: £100.8m) with increases across all three sectors, continuing the Group's track record of top-line growth due to improvements in road safety technology, new vehicle models and increased regulation.

Gross margin was 59.6%, up 10bps on 2023 due to operational efficiencies. Group adjusted operating profit increased by 22% to £20.3m (2023: £16.6m). The adjusted operating margin increased to 18.2% (2023: 16.5%) as a result of operating leverage and operational efficiency.

Chief Executive Officer's review continued

Financial performance continued

Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 18% to £24.2m (2023: £20.5m). Adjusted EBITDA margin was 21.7% (2023: 20.4%), an increase of 130bps.

The Group delivered strong adjusted operating cash flow of £27.9m (2023: £23.5m) with cash conversion of 115% (2023: 114%) and net cash at the end of the year of £28.6m (2023: £32.0m), underpinning a robust balance sheet and providing the resources to fund the post year-end acquisition of Bolab and continue the Group's investment programme.

Sector review

Testing products revenue of £69.4m was up 10% against 2023 (£63.0m) with growth in ADAS platforms and driving robots offset by a reduction in laboratory testing products.

Testing services saw significant revenue growth of 29% to £16.7m (2023: £12.9m) in advance of new regulatory requirements, following the removal of external impediments that adversely impacted the prior year. In the Group's Californian operation we saw improved access to vehicles for testing and in the China based operation there was a relaxation of pandemic restrictions.

Simulation revenue increased by 1% to £25.2m (2023: £24.9m). Growth in simulation software was offset by a decrease in revenue from simulator motion platforms due to the timing of order intake for these large capital items.

Strategic progress

The Group continues to make good progress against its organic-led growth strategy, supplemented with value-enhancing acquisitions.

During FY 2024, the Group has expanded its testing product offering, with new products such as the Soft Pedestrian 360, the LaunchPad Spin and the Soft Motorcycle 360 having been approved by Euro NCAP.

Testing services have been strengthened through the acquisition of VTS, a provider of mileage accumulation, EV and environmental testing services.

In simulation, the integration of Ansible Motion, which was acquired in the previous year, positions the Group to benefit from a strengthened market position in this important area.

The increase in the level of recurring revenue to 45% (2023: 40%) enhances the resilience of the Group's business model.

The Group has continued to develop automated solutions for new markets and during the year delivered the initial units of a product for the construction industry and won a contract to supply an automated mileage accumulation solution.

Following significant investment in capability and capacity, the Group now has a solid and scalable operational and commercial platform from which to capitalise on an ambitious multi-year organic-led growth opportunity, supported by strong long-term structural and regulatory growth drivers and supplemented with value-enhancing acquisitions.

We will create value for shareholders through:

- Organic revenue growth supported by our market drivers
- Operating margin expansion from operational gearing, improvements in the supply chain and operational efficiency
- Further value-enhancing acquisitions

Our ambition is to double revenue and triple operating profit over the medium term, through the compounding effect of organic revenue growth of approximately 10% per year, an improvement in the operating margin to 20% and investing cash generated into acquisitions.

Acquisitions

On 2 April 2024, the Group acquired VTS, a provider of vehicle testing services, including environmental testing and range certification for EVs. The initial consideration was \$15.0m (£11.9m). Contingent consideration of up to \$15.0m will become payable in cash subject to certain performance criteria being met for each of the two years following completion. The acquisition expands both the Group's capability and geographic coverage in the important and growing field of EV battery and powertrain performance evaluation. It also provides the opportunity to leverage AB Dynamics' existing sales capabilities to drive cross-selling. VTS has been integrated into the Group's testing services sector and since acquisition has been earnings accretive, delivering £1.0m of revenue and £0.4m of adjusted operating profit during FY 2024.

After the year end, on 25 September 2024, the Group acquired Bolab, a niche supplier of automotive power electronics testing solutions, based in Germany. Bolab supplies low-voltage and high-voltage equipment for testing automotive sub-systems and components for conventional, hybrid and EVs.

Capital allocation

Our capital allocation framework delivers sustainable compounding growth as well as growing returns to shareholders.

- Continuous organic investment and innovation to protect and grow core business
- Organic investment into ABD Solutions driving growth in adjacent markets by leveraging core technology
- Complementary acquisitions contributing to one or more of the Group's stated strategies
- Progressive dividend policy

“Our market-leading position is driven by our technical capabilities and our reputation. Our products must satisfy challenging and complex requirements meaning barriers to entry are high.”

Dr James Routh
Chief Executive Officer

Chief Executive Officer's review continued

Acquisitions continued

The initial consideration was €5.0m (£4.2m). Contingent consideration of up to €6.0m (£5.0m) will become payable in cash across two tranches for the two years following completion, subject to meeting certain performance criteria for each year.

The acquisition supports the expansion of the Group's capabilities in the testing products business and provides further alignment with the structural growth drivers in the sector. Acquisitions have been, and will continue to be, a significant part of the overall strategy and there is a promising pipeline of potential value-enhancing and strategically compelling acquisition opportunities.

Summary

The Group has delivered a very strong performance, with sustained high levels of demand across key markets, demonstrating the benefits of the investment made in recent years in the commercial and operating capability of the business.

We see significant opportunity in our core markets in automotive, which are supported by long-term structural and regulatory growth drivers, and are continuing to invest in new product development and technology. In addition, we are investing in innovative technologies to diversify the business through our technology accelerator, ABD Solutions.

Trading in the early part of FY 2025 has been strong, supported by a solid order book, providing good visibility into the new financial year. Whilst being mindful of a potential slowdown in timing of pipeline conversion due to disruption in the automotive market and customer delivery schedules, the Board remains confident that the Group will make further financial and strategic progress this year. With strong trading momentum entering FY 2025 and benefiting from the acquisition of Bolab and improving margins, the Board expects to deliver FY 2025 adjusted operating profit slightly ahead of current expectations.

Our market drivers remain strong. This backdrop, along with a strong acquisition pipeline, provides confidence of delivering continued growth in revenue and margin in FY 2025 and beyond.

Dr James Routh
Chief Executive Officer
26 November 2024

Early career opportunities

Our organisation is committed to promoting engineering education and careers in a variety of ways. We are proud to sponsor the Arkwright Engineering Scholars programme and to have provided five volunteer mentors for the Royal Academy of Engineering's Graduate Engineering Engagement programme (GEEP). Our Apprenticeship programme offers students the opportunity to join us straight from school and gain hands-on experience in both the academic and practical aspects of engineering. Additionally, our Graduate Scheme, now in its fourth year, provides graduates with a comprehensive understanding of our business through rotations across various departments. We also offer internships across the Group, including year-long and summer placements. Finally, we participate in STEM and Career events aimed at influencing students from the point they start to consider their career choices, and we offer work experience opportunities for a variety of secondary schools.



Chief Executive Officer's review continued

Driving delivery



Q What are your highlights of the year?

I am very pleased to deliver an overall performance in line with our long-term strategic plans, delivering 10% revenue growth and over 20% organic growth in operating profit as a result of our initiatives to scale and improve operating performance. Following the investments made in recent years, we have transformed the business into a strong platform that will enable and support our next phase of growth. We have also delivered good progress on inorganic growth, with the successful acquisition and integration of VTS in the US and the acquisition of Bolab in Germany after the period end. Both businesses will be value enhancing and support the ongoing development of the Group's product and service offering.

Q&A WITH DR JAMES ROUTH

Q What are your priorities for the year ahead?

It is important that we continue to leverage the investments made in the operating platform of the business to drive continued organic revenue growth, whilst optimising the business to deliver improved operating margins. We will further invest in new product R&D and customer service offerings to maintain our strong, market-leading position. We will also work hard to increase collaboration across our sectors to deliver seamless solutions to our customers, cross-sell our products and services and increase customer penetration. During FY 2025 we will focus on the integration of Bolab following completion of the acquisition in September 2024, along with continuing to identify and progress further attractive, value-enhancing acquisition opportunities.

Q What will AB Dynamics look like in the future?

AB Dynamics will be a larger, broader based business through the ongoing compounding effect of top-line growth, supported by long-term market drivers and continued investment in innovative new products. Over the medium term we will expand operating margins to 20%+ through operating leverage, supply chain improvements and operating efficiency. In addition to the organic growth in the core business, ABD Solutions will further support incremental revenue growth through new products and attractive adjacent markets. The organic growth will be compounded by further acquisitive growth utilising our experience and track record to deliver further value-adding acquisitions. Our disciplined approach to capital allocation provides additional resources and optionality to fund these investments.

Q How is AB Dynamics positioned to be resilient against a backdrop of global uncertainty?

AB Dynamics has demonstrated that our business model is resilient against a backdrop of global macroeconomic and geopolitical uncertainty. We have delivered revenue growth every year during these uncertain times due to the strength of our market position, the clear regulatory and structural growth drivers in our markets and our differentiated products and services.

The investments made in recent years to build a strong commercial platform have supported this resilience and have created a more diversified business across a range of products, services, market sectors and geographic territories.

Q How is ABD Solutions progressing?

ABD Solutions has made excellent progress during FY 2024. We have delivered the initial units of a pedestrian detect and warn system for the construction industry and have a strong pipeline of commercial opportunities in the mining sector to convert existing fleets of vehicles to automated operation, particularly in Japan, Australia and South America. We were also particularly pleased to have won a contract with an automotive OEM for an automated mileage accumulation solution, demonstrating that as a technology accelerator, ABD Solutions can also open adjacent sectors in our core market.

Operational review – Testing products

THE MARKET DRIVERS FOR GROWTH IN THE TESTING PRODUCTS SECTOR ARE DETAILED IN OUR MARKETS AND STRATEGY SECTION ON PAGE 8

Developments in technology and regulation driving growth

“The growth in testing volume and complexity continues to drive demand for ADAS platforms and driving robots.”

Introduction

The Group's testing products are used during road vehicle development for the test and verification of ADAS, autonomous systems, EVs and vehicle dynamics. Main product categories include driving robots and ADAS platforms used on proving grounds and test tracks and Suspension Parameter Measurement Machines (SPMM) used in laboratory testing. This sector also includes driverless solutions used in adjacent markets such as mining and specialist vehicles.

Driving robots are used to control the vehicle under test to deliver a much higher level of accuracy and repeatability than human test drivers can achieve and rapid installation means our customers achieve the highest level of testing efficiency and reliability. The robot's capability to operate unmanned allows tests to be performed that would otherwise be considered too dangerous or harmful for human test drivers to accomplish.

ADAS test platforms are used to evaluate the performance of driver assistance technologies, such as AEB and Emergency Lane Keeping Assist. The ADAS test platform, together with a test object, is designed to mimic the visual, radar and dynamic attributes of real road users (e.g. pedestrians, cyclists, motorcyclists and cars). The platforms (Guided Soft Target or GST and LaunchPads) comprise powerful, electrically driven propulsion systems contained in an extremely robust, low-profile, over-drivable chassis. The test object (a soft car or dummy pedestrian or cyclist) mounted on top is constructed from lightweight and soft materials minimising the risk of damage in the event of a collision during testing. The ADAS platforms are controlled and synchronised with the vehicle under test by our comprehensive suite of software.

All of our driving robots and ADAS test platforms can be operated within a single software environment which can be used to synchronise and co-ordinate multi-object and complex test scenarios. Dedicated post-processing and reporting applications allow for live evaluation of test results against latest NCAP and regulatory standards.

The Group's SPMM products are large-scale testing rigs used to characterise the kinematics and compliance of vehicles. These machines are widely used by automotive OEMs and tier one suppliers to characterise vehicle dynamics, as well as providing vital input data to be used in simulation.

Highlights 2024

- New product development continues at pace and in line with the technology roadmap for testing products
- The Group's pedestrian dummy, the Soft Pedestrian 360, the LaunchPad Spin and the Soft Motorcycle 360 have been approved by Euro NCAP
- ABD Solutions delivered the first units of a retrofit pedestrian detection system for the construction industry
- Development of new sensor solution for object detection to complement Ground Traffic Control software enabling larger-scale driverless durability testing



Operational review – Testing products continued

Financial performance

The testing products business delivered revenue of £69.4m (2023: £63.0m), a 10% increase against the prior year, with notable growth across both driving robots and ADAS platforms.

Driving robot sales increased 16% to £29.2m (2023: £25.2m) and ADAS platform sales increased 11% to £33.9m (2023: £30.5m). The Group expects continued growth in this area as new regulatory requirements for evolving ADAS technologies are released, such as the recent launch of the Euro NCAP 2030 roadmap and its new Safer Trucks rating scheme. It is expected that there will be over 700 Euro NCAP test scenarios by 2025, up from 591 in 2023. New tests for commercial vehicles offer further opportunities for market expansion. The recent launch of a new range of soft targets including motorcycles and articulating pedestrians is expected to drive further growth.

SPMM revenue, which is dependent on the timing of order and delivery, was down 14% at £6.3m (2023: £7.3m). This long-standing product which has been supplied to global customers for the past 25 years has evolved significantly over this period, culminating in the launch of the SPMM Plus.

The Group continues to invest in new product development in this sector in order to meet forthcoming regulatory requirements and to ensure we retain our market leadership in testing technology.

Progress during the year

The Group continues to build customer relationships, drive improvement in revenue and gross margins and invest in new product development to meet the growing demand from manufacturers and test providers to keep up to date with changes in regulations.

The growth in testing volume and complexity continues to drive demand for ADAS platforms and driving robots that are both more capable and more versatile. To recognise the need for new test tools, this year Euro NCAP updated its listing of equipment used in official testing to include AB Dynamics' Soft Pedestrian 360, the Soft Motorcycle 360 and the LaunchPad Spin.

Principal operations

The testing products sector principally operates from the AB Dynamics headquarters in Bradford on Avon, UK.

Growth potential

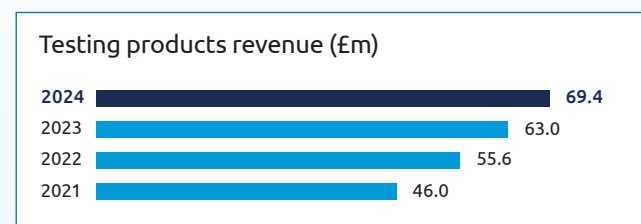
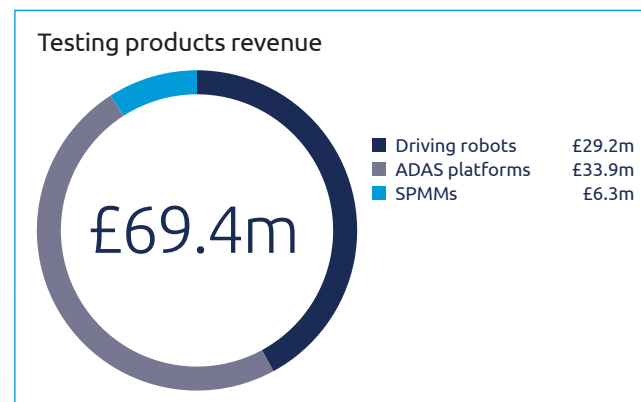
Euro NCAP's new roadmap for 2025–2030 brings the prospect of further new test requirements, including:

- Demand for additional categories and variety of test targets with increased realism
- Enhancements to vehicle safety assist functions for commercial vehicles, safe driving and crash avoidance
- Euro NCAP launch of Safer Trucks HGV rating system, expanding the newly introduced commercial vehicle rating scheme
- Euro NCAP focuses on protecting motorcyclists with new test scenarios introduced and further test scenarios expected as Euro NCAP enhances its rating scheme for assisted and automated driving

Changes to regulation include:

- Next phase of General Safety Regulation mandating homologated ADAS systems are fitted to every new vehicle registered from July 2024
- US government notice of intended rule making proposing to mandate the fitting of vehicle-to-vehicle AEB and pedestrian AEB systems
- Demand for testing aimed at proving the function of assisted driving technologies that support highway driving (adaptive cruise control, lane keeping and Level 3+ automated driving functions)

AB Dynamics contributes to the development of the Euro NCAP roadmap for safer vehicles through participation in industry collaboration projects, such as Safety Enhancement through Connected Users on the Road (SECUR), a consortium project set up to establish test methods for evaluating connected vehicle technology.



Operational review – Testing services

THE MARKET DRIVERS FOR GROWTH IN THE TESTING SERVICES SECTOR ARE DETAILED IN OUR MARKETS AND STRATEGY SECTION ON PAGE 8

Expanded portfolio of services drives growth



Introduction

The Group's testing services sector provides on-road, track and laboratory testing services to the automotive market including evaluation of vehicle active safety systems, environmental testing, and testing of autonomous technologies, EV drivetrains and battery performance, vehicle durability and vehicle dynamics.

The Group operates a test facility in California, USA, where testing of ADAS systems and vehicle dynamics is performed on behalf of OEMs, technology developers and government agencies using the ABD track testing product range. In Michigan, USA, the Group also operates a laboratory testing facility performing mileage accumulation testing, climatic and thermal testing, and assessment of EV powertrain and battery performance.

In China, the Group provides on-road vehicle testing services for the assessment of all aspects of vehicle performance, particularly focusing on EV performance, charging capability and vehicle connectivity.

Highlights 2024

- Acquisition of VTS expanding the capability of services offered by the Group
- Additional regional facility for on-road testing services established in China
- SPMM testing as a service introduced to the North American market based in California, USA
- Investment completed in our California testing facility

Operational review – Testing services continued

Financial performance

This sector saw significant revenue growth of 29% to £16.7m (2023: £12.9m) following the removal of external impediments that adversely impacted the prior year.

The Group continues to invest in service capability in this sector in order to meet forthcoming regulatory and environmental requirements and to ensure it offers a full suite of vehicle development and certification testing services to our customers in an increasingly complex environment.

Progress during the year

The Group acquired VTS in April 2024, expanding its testing service capability. VTS is a leading provider of dynamometer based testing services to the automotive sector in the USA, particularly focused on the development and deployment of EVs for US based automotive OEMs.

The Group completed the extension and renovation of its facility in California, increasing capacity, number of services and capability to service customer requirements. It also expanded its operations in China with a new facility set up in Anhui.

The Group delivered continued growth in the proportion of recurring revenue through further success in the sales of tiered service and support packages to the existing customer base.

Principal operations

The off-highway testing services business is based in Torrance and Bakersfield, California, USA. The on-road testing services business is based in Beijing and Anhui, China, with a regional headquarters in Singapore. The laboratory testing facility is based in Chelsea, Michigan, USA.

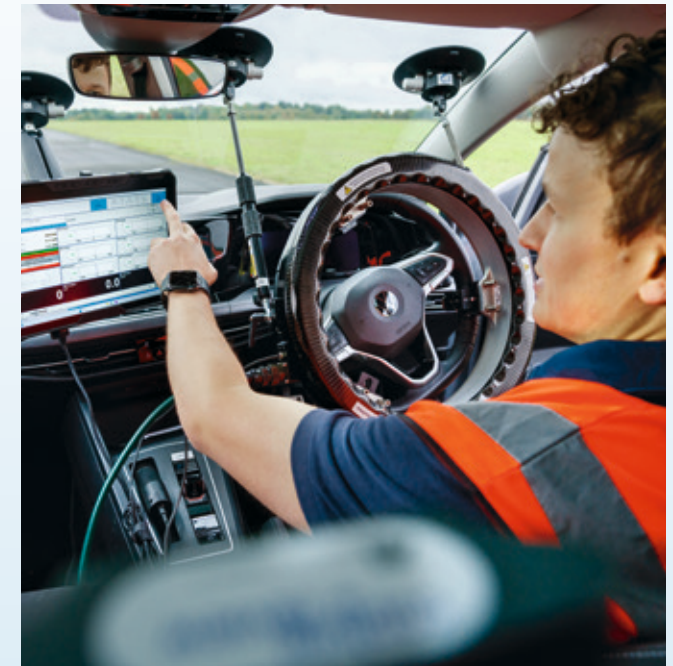
Growth potential

- Opportunity to replicate testing services in any location
- Group testing services offer end-to-end vehicle development toolchain capabilities
- Utilisation of the Group's strong OEM customer relationships

Testing services revenue

£16.7m

Testing services revenue (£m)



Operational review – Simulation

THE MARKET DRIVERS FOR GROWTH IN THE SIMULATION SECTOR ARE DETAILED IN OUR MARKETS AND STRATEGY SECTION ON PAGE 8

Broad range of solutions to meet customers' growing needs



Introduction

The Group's simulation sector provides advanced products used to replicate the real world in a simulated environment for a wide variety of applications.

The Group provides both physical simulators and advanced, physics based simulation software. Simulators are used by both automotive manufacturers and motorsport teams to accurately represent the real world utilising the rFpro software, coupled with state-of-the-art, high-frequency response and low-latency motion platforms and static driving simulators. Parameters such as vehicle dynamics, tyres, environmental conditions, material properties, sensors and light conditions (including shadows and reflections) can be adjusted and the variance simulated in a highly accurate model and used across a variety of sectors.

Highlights 2024

- Ansible Motion delivered a record number of systems in the year
- rFpro developed the largest ever digital twin of 80km of Los Angeles for a major OEM, including 12,000 buildings and 13,000 additional items
- Progress in the development of the T1 Sport simulator

“The use of simulation in automotive development continues to grow and we are well placed to benefit.”

Operational review – Simulation continued

Financial performance

Simulation revenue increased by 1% to £25.2m (2023: £24.9m). Growth in simulation software was offset by a decrease in revenue from simulator motion platforms due to the timing of order intake for these large capital items.

Progress during the year

The Group has made good progress during the year in our simulation business. The strong order book at the beginning of the financial year provided a good platform for sales of the Group's simulator products and rFpro delivered a very strong commercial performance across both automotive and motorsport customers.

Driver in the Loop (DiL) simulators were delivered to customers in the UK, the US and China for both motorsport and automotive development applications.

Ansible Motion has announced partnerships with both IAAPS and MdynamiX to enhance knowledge of the benefits of using simulation amongst OEMs.

IAAPS Ltd (Institute for Advanced Automotive Propulsion Systems) and Ansible Motion have entered a technical cooperation agreement to leverage the strengths of both organisations to deliver advanced simulation and testing capabilities to the automotive industry. The partnership will lead to the development of a suite of accurate automotive tools necessary to evaluate and validate complex mechanical components in virtual domains and enable vehicle manufacturers and suppliers to achieve higher levels of virtual validation across chassis, powertrain and braking, supporting shorter time to market, lower costs and lower carbon emission targets.

Ansible Motion and MdynamiX, both specialists in real-time Hardware in the Loop (HiL) solutions, have formalised a long-standing relationship to enhance the development of steering, braking and ADAS. This new partnership aims to enable engineers to experience and evaluate representative vehicle systems early and often during the development process by combining real, deployable hardware and software with virtual vehicle assessment capabilities.

Sales of rFpro simulation software have continued to grow in FY 2024 partly due to increased demand in the automotive sector for production vehicle development, but also due to the strong foundation in the supply of digital track models for the motorsport industry.

rFpro has successfully developed the largest ever digital twin of 80km of Los Angeles, including 12,000 buildings and 13,000 other items, demonstrating the continued demand for our physics based software for a multitude of applications.

Principal operations

Ansible Motion is based in Norwich, UK. The simulation focused business of rFpro is based in Romsey, UK.

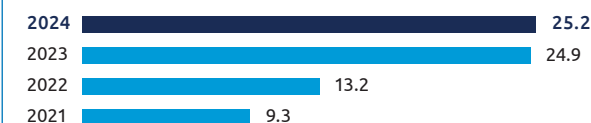
Growth potential

- Drive to utilise simulation to reduce vehicle development timescales and costs by enabling meaningful virtual testing earlier in the development process
- Significant scope for expansion of rFpro simulation software capability as autonomous simulation matures, requiring more complex analyses
- Expansion of simulator product range through the development of new simulators and simulation software products provides significant scope for growth in simulation sales
- Requirements for integrated tool chains between the virtual and physical world lead to opportunities to combine simulation with track test products
- Electrification of vehicles will drive more demand for simulation to optimise vehicle dynamics with revised mass and centre of gravity

Simulation revenue

£25.2m

Simulation revenue (£m)



Chief Financial Officer's review



Adjusted operating profit (£m)

£20.3m ^{+22%}



Adjusted operating cash flow (£m)

£27.9m ^{+19%}



Continuing our track record of growth, margin improvement and strong cash generation

Overview

Our focus in 2024 has been on driving operational execution and delivering organic growth as well as acquisition integration. The performance demonstrates how the business has been transformed over the previous five years by strengthening our business model.

Investments in our sales infrastructure, geographical coverage and R&D innovation have driven revenue growth, while our focus on operational skills, capabilities, systems and processes has enabled us to improve margins. These profits have been converted into cash through disciplined working capital management and capital allocation, enabling us to fund acquisitions to build out our product and service portfolio and enhance the resilience of the business.

All three sectors made strong progress, driven by good momentum coming into the year and sustained through supportive market drivers and the launch of new products and services.

Demand for testing products has been driven by a number of factors such as increased complexity of testing required by regulation, automotive OEMs entering into new geographic markets and development of technology in assisted safety.

Testing services saw significant growth through recovery from adverse macroeconomic factors in the prior year and through the acquisition of VTS.

Simulation benefited from growth in simulation software.

ABD Solutions, our technology accelerator developing automated solutions for adjacent markets, remains in the pre-revenue phase, but has secured two contracts due for delivery in 2025 with potential follow-on orders to come.

The Group maintained its very strong financial position, with net cash at 31 August 2024 of £28.6m (2023: £32.0m) continuing the track record of excellent cash conversion, with a three-year rolling average of 116%.

Chief Financial Officer's review continued

Trading performance

The Group delivered revenue growth of 10%. Organic constant currency revenue growth was 12% as foreign exchange provided a minor headwind.

The proportion of recurring revenue increased to 45% (2023: 40%).

Gross margin remained stable at 59.6% (2023: 59.5%), with operational efficiencies in testing products, and increased utilisation in US testing services offset by a change in mix in simulation.

Group adjusted operating profit increased by 22% to £20.3m (2023: £16.6m). The adjusted operating margin increased to 18.2% (2023: 16.5%), as a result of operating leverage and operational efficiency. Adjusted EBITDA increased by 18% to £24.2m (2023: £20.5m). Adjusted EBITDA margin was 21.7% (2023: 20.4%), an increase of 130bps.

Adjusted net finance costs reduced to £0.3m (2023: £0.4m).

Adjusted profit before tax was £20.0m (2023: £16.3m). The Group adjusted tax charge totalled £3.7m (2023: £2.2m), an adjusted effective tax rate of 18.7% (2023: 13.2%). The effective tax rate is lower than the current UK corporation tax rate due to patent box relief. The increase in the year was due to the full-year effect of the increase in the UK corporation tax rate.

Adjusted diluted earnings per share was 70.0p (2023: 60.8p), an increase of 15%, reflecting the increase in operating profit offset by a higher tax charge.

The order book at 31 August 2024 was £30.3m (2023: £42.9m) covering approximately 25% of FY 2025 expected revenue, reflecting the standard lead time for testing products of approximately three months. The reduction on the prior year is due to timing of order intake in simulation.

Statutory operating profit was flat at £12.7m (2023: £12.6m) and after net finance costs of £0.7m (2023: £1.1m), statutory profit before tax increased by 4% from £11.5m to £12.0m. The statutory tax charge increased to £2.3m (2023: £0.5m), since the prior year benefited from a one-off non-taxable gain on the release of accrued contingent consideration on the acquisition of Ansible Motion. Statutory basic earnings per share was 42.3p (2023: 48.0p).

A reconciliation of statutory to underlying non-GAAP financial measures is provided below. The adjustments to operating profit of £7.6m comprise £6.4m of amortisation of acquired intangibles,

£1.0m of ERP development costs and £0.2m in relation to acquisition costs (2023: £4.0m comprising £7.2m of amortisation of acquired intangibles, £1.3m of ERP development costs and a credit of £4.5m in relation to the release of contingent consideration of Ansible Motion net of acquisition costs). The £0.4m adjustment to the interest charge relates to the unwind of the discount on the contingent consideration for acquisitions (2023: £0.8m). The tax impact of these adjustments was £1.4m (2023: £1.7m).

Group financial position and cash generation

The Group delivered strong adjusted operating cash flow of £27.9m (2023: £23.5m) with cash conversion of 115% (2023: 114%). The strong cash generation was used to fund the acquisition of VTS and settle the final deferred consideration in respect of the acquisition of Ansible Motion. It also funded £3.8m of investment in product development, property, plant and equipment and dividends of £1.5m.

Net cash at the end of the year was £28.6m (2023: £32.0m), underpinning a robust balance sheet. Along with the Group's £15.0m revolving credit facility which extends to February 2026, this provides significant funding headroom to continue the Group's investment programme.

Non-current assets increased by £11.2m from £99.7m to £110.9m, mainly due to the acquisition of VTS which resulted in an increase in non-current assets of £17.5m, offset by depreciation and amortisation of £10.3m.

Working capital was £3.6m (2023: £6.2m), a decrease of £2.6m in a year when revenue has grown by 10%. Working capital as a percentage of revenue has decreased from 6.2% to 3.2%. The improvement reflects our continued focus on commercial contracting, inventory levels and cash management, along with timing differences arising from long-term contracts. Since the year end, there have been no significant changes to the financial position or significant cash flow transactions with the exception of the acquisition of Bolab.

Return on capital employed (ROCE)

Our capital-efficient business and high margins enable generation of strong ROCE (defined as adjusted operating profit as a percentage of capital employed). During the year, ROCE has increased from 15.4% to 17.4% benefiting from further improvement in operating leverage alongside continued investment discipline.

Acquisitions

On 2 April 2024, the Group acquired VTS, a provider of vehicle testing services, including environmental testing and range certification for EVs. The initial consideration was \$15.0m (£11.9m). Contingent consideration of up to \$15.0m will become payable in cash subject to certain performance criteria being met for each of the two years following completion. The acquisition expands both the Group's capability and geographic coverage in the important and growing field of EV battery and powertrain performance evaluation. It also provides the opportunity to leverage AB Dynamics' existing sales capabilities to drive cross-selling.

VTS has been integrated into the Group's testing services sector and has been earnings accretive, delivering £1.0m of revenue and £0.4m of adjusted operating profit during FY 2024.

After the year end, on 25 September 2024, the Group acquired Bolab, a niche supplier of automotive power electronics testing solutions. Bolab supplies low-voltage and high-voltage equipment for testing automotive sub-systems and components for conventional, hybrid and EVs.

The initial consideration was €5.0m (£4.2m). Contingent consideration of up to €6.0m (£5.0m) will become payable in cash across two tranches for the two years following completion, subject to meeting certain performance criteria for each year.

The acquisition supports the expansion of the Group's capabilities in the testing products business and provides further alignment with the structural growth drivers in the sector.

Research and development

While research and development form a significant part of the Group's activities, a significant and increasing proportion relates to specific customer programmes which are included in the cost of the product. Development costs of £0.2m (2023: £0.5m) have been capitalised in relation to projects for which there are a number of near-term sales opportunities. Other research and development costs, all of which have been written off to the income statement as incurred, totalled £0.7m (2023: £0.2m).

Chief Financial Officer's review continued

Foreign currency exposure

The Group faces currency exposure on its foreign currency transactions and maintains a natural hedge whenever possible to transactional exposure by matching the cash inflows and outflows in the respective currencies.

With significant overseas operations, the Group also has exposure to foreign currency translation risk. On a constant currency basis, revenue would have been £2.5m higher than reported and both adjusted and statutory operating profit would have been £0.2m higher as Sterling strengthened against the US dollar, Euro and Yen. Constant currency revenue growth was 13% and growth in operating profit was 23%.

	2024	2023
Year-end rate		
US dollar	1.32	1.27
Euro	1.19	1.16
Yen	191	186
Average rate		
US dollar	1.26	1.21
Euro	1.17	1.15
Yen	191	165

Dividends

The Board is recommending a final dividend of 5.30p per share, giving a total dividend for the year of 7.63p per share, which is an increase of 20% over the prior year.

Alternative performance measures

In the analysis of the Group's financial performance and position, operating results and cash flows, alternative performance measures are presented to provide readers with additional information. The principal measures presented are adjusted measures of earnings including adjusted operating profit, adjusted operating margin, adjusted EBITDA, adjusted profit before tax, adjusted earnings per share and adjusted cash flow from operations.

The Annual Report includes both statutory and adjusted non-GAAP financial measures, the latter of which the Directors believe better reflect the underlying performance of the business and provide a more meaningful comparison of how the business is managed and measured on a day-to-day basis. The Group's alternative performance measures and KPIs are aligned to the Group's strategy and together are used to measure the performance of the business and form the basis of the performance measures for remuneration. Adjusted results exclude certain items because, if included, these items could distort the understanding of the performance for the year and the comparability between the periods.

We provide comparatives alongside all current year figures. The term 'adjusted' is not defined under IFRS and may not be comparable with similarly titled measures used by other companies. All profit and earnings per share figures in this Annual Report relate to underlying business performance (as defined above) unless otherwise stated.

A reconciliation of adjusted measures to statutory measures is provided below:

	2024			2023		
	Statutory	Adjustments	Adjusted	Statutory	Adjustments	Adjusted
EBITDA (£m)	23.0	1.2	24.2	23.6	(3.1)	20.5
Operating profit (£m)	12.7	7.6	20.3	12.6	4.0	16.6
Operating margin	11.5%		18.2%	12.5%		16.5%
Finance expense (£m)	(0.7)	0.4	(0.3)	(1.1)	0.8	(0.3)
Profit before tax (£m)	12.0	8.0	20.0	11.5	4.8	16.3
Tax expense (£m)	(2.3)	(1.4)	(3.7)	(0.5)	(1.7)	(2.2)
Profit after tax (£m)	9.7	6.6	16.3	11.0	3.1	14.1
Diluted earnings per share (pence)	41.7		70.0	47.4		60.8
Cash flow from operations (£m)	26.7	1.2	27.9	19.3	4.2	23.5

Chief Financial Officer's review continued

Alternative performance measures continued

The adjustments comprise:

	2024		2023	
	Profit impact £m	Cash flow impact £m	Profit impact £m	Cash flow impact £m
Amortisation of acquired intangibles	6.4	—	7.2	—
Acquisition related costs/(credit)	0.2	0.2	(4.5)	2.8
ERP development costs	1.0	1.0	1.3	1.4
Adjustments to operating profit	7.6	1.2	4.0	4.2
Adjustments related to acquisition related finance costs	0.4	—	0.8	—
Adjustments to profit before tax	8.0	1.2	4.8	4.2

Amortisation of acquired intangibles

The amortisation relates to the acquisition of VTS and the businesses acquired in previous years: DRI, rFpro, VadoTech and Ansible Motion.

Acquisition related costs/(credit)

The current year cost and cash impact relate to the acquisition of VTS. The credit in the prior year relates to the £5.2m release of contingent consideration on the acquisition of Ansible Motion less acquisition costs of £0.7m. The prior year cash impact relates to acquisition costs and a bonus paid to employees of the acquired entity for pre-acquisition service.

ERP development costs

These costs relate to the development, configuration and customisation of the Group's new ERP system which is hosted on the cloud.

Acquisition related finance costs

Finance costs relate to the unwind of the discount on contingent consideration payable on the acquisition of Ansible Motion and VTS.

Taxation

The tax impact of these adjustments was as follows: amortisation of £1.1m (2023: £1.3m), acquisition related costs of £0.1m (2023: £0.1m) and ERP development costs of £0.2m (2023: £0.3m).

Net cash

The reconciliation of cash and cash equivalents to net cash is as follows:

	2024 £m	2023 £m
Cash and cash equivalents	31.8	33.5
Lease liabilities	(3.2)	(1.5)
	28.6	32.0

Return on capital employed (ROCE)

ROCE is calculated as follows:

	2024 £m	2023 £m
Adjusted operating profit	20.3	16.6
Shareholders' equity	131.3	125.2
Net cash	(28.6)	(32.0)
Deferred tax	7.5	8.7
Contingent consideration	6.2	5.9
Capital employed	116.4	107.8
Return on capital employed	17.4%	15.4%

Sarah Matthews-DeMers

Chief Financial Officer

26 November 2024

Key performance indicators

Clear performance measures that highlight sustainable value creation

Growth of the business, quality of earnings and efficient use of resources are crucial target areas for AB Dynamics and we employ a number of performance measures to monitor them. The KPIs used to monitor the financial performance of the business are set out opposite.

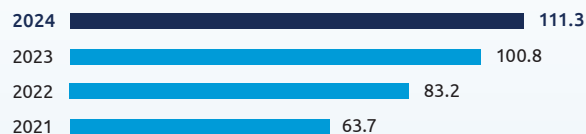
These KPIs enable progress to be monitored on the implementation of the Group strategy, level of investment and business development.

For other non-financial KPIs, see the Sustainability section for health and safety and emissions performance.

FINANCIAL FIGURES

Revenue (£m)

£111.3m ^{+10%}



Definition

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

Reason for choice

This is a key driver for the business, enabling us to track our progress in increasing market share by product and by region.

Comment on results

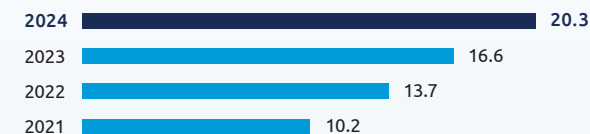
The growth was driven by an increase in demand for testing products and services.

Link to strategy



Adjusted operating profit (£m)

£20.3m ^{+22%}



Definition

Earnings before interest, tax, amortisation of acquired intangibles, acquisition costs and other adjustments for one-off, non-recurring items.

Reason for choice

Adjusted operating profit provides a consistent year-on-year measure of the trading performance of the Group's operations.

Comment on results

The increase in revenue dropped through to operating profit and increased operating margin due to operational improvements and operating leverage.

Link to strategy



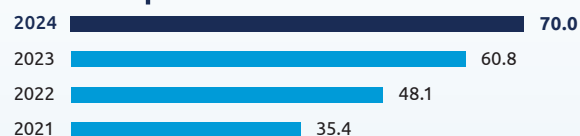
Key performance indicators continued

Links to strategy

- 1 Product and innovation 2 Capability and capacity 3 Acquisitive growth
4 Service and support 5 International footprint 6 Diversification

FINANCIAL FIGURES CONTINUED

Adjusted diluted EPS (p)

70.0p ^{+15%}

Definition

Profit after tax excluding amortisation of acquired intangibles, acquisition costs and other adjustments for one-off non-recurring items, divided by the fully diluted weighted average number of shares.

Reason for choice

This measure is designed to include the effective management of interest costs and the tax charge and measure the total return achieved for shareholders.

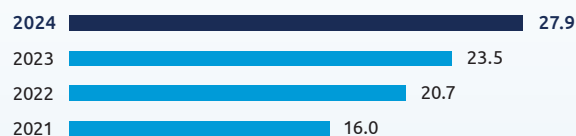
Comment on results

Adjusted diluted EPS increased by 15% as a result of the increase in adjusted operating profit offset by an increase in the tax charge.

Link to strategy

- 2 4

Adjusted operating cash flow (£m)

£27.9m ^{+19%}

Definition

Cash flow from operating activities adjusted for acquisition costs and other adjustments for one-off non-recurring payments or receipts.

Reason for choice

This provides a measure of the cash generated by the Group's trading. It represents the cash that is generated to fund investing activities, interest payments, tax and dividends.

Comment on results

Adjusted operating cash flow increased by 19% to £27.9m as a result of the increase in operating profit and a reduction in working capital. Cash conversion was 115% (2023: 114%).

Link to strategy

- 2 3 4

Return on capital employed (%)

17.4% ^{+200bps}

Definition

Adjusted operating profit as a percentage of capital employed, defined as shareholders' equity less net cash held plus deferred tax liabilities and contingent consideration.

Reason for choice

This measures efficient use of capital.

Comment on results

ROCE increased from 15.4% to 17.4% in the year due to operational improvements and operating leverage.

Link to strategy

- 2 3

Sustainability

Embedding sustainability



Sustainability roadmap

As a Group, it is our core purpose to accelerate our customers' drive towards net zero emissions and to improve road safety and the automation of vehicle applications. We do this through leadership and innovation in engineering and technology and we are well placed to support the transition towards a more socially and environmentally sustainable economy. It is our responsibility to continually improve our own sustainability credentials, as well as to support our customers and suppliers as they do the same. Sustainability principles lie at the very core of our business. By enhancing the safety of vehicles for all road users through the provision of our products and services, we seek to deploy our technology to improve road safety. One of our key objectives, a reduction in road based injuries and fatalities, is fundamentally aligned to sustainability principles. More recently, we have broadened our scope to improve safety in other potentially dangerous environments like defence and mining. Furthermore, we play a role in facilitating our customers' drive towards zero emissions through the automation of vehicles and our simulation products.

We are committed to the goal of becoming net zero for market based Scope 1 and 2 emissions by 2040 and working to be a net zero organisation by 2050. This will include the further development of initiatives to reduce our carbon emissions, waste and water usage, using improved methods of data collection so that more achievable targets can be set in the future. We also give priority to ensuring the health, safety and wellbeing of all our employees across the Group, via our Health and Safety Management System, associated procedures and strict auditing.

Our key achievements since our last Annual Report include:

- There were no health, safety or environmental fines or breaches of legislation and we have no recorded fatalities or life changing injuries throughout the Group during the year
- There were no reportable incidents or lost time incidents during the year
- Successful re-certification of the ISO 45001 standard for Occupational Health and Safety Management Systems and the ISO 14001 standard for our Environmental Management Systems at Anthony Best Dynamics Limited and AB Dynamics GmbH
- Successful launch of a Group newsletter to all employees, which will be produced on a quarterly basis going forward
- 'Manage for excellence' programme piloted in the UK, which covers fundamental skills for our people managers
- Collection of Scope 3 emissions data expanded to include all material Scope 3 emissions for our UK locations
- Continued use of green renewable energy in the UK and Germany, including the use of solar panels at two of our UK sites, which generated a total of 133,119 kWh of power in FY 2024
- Completed assessment of our climate-related risks and opportunities in alignment with the recommendations of the TCFD (see report on pages 50 to 55)

- Successful Energy Savings Opportunity Scheme (ESOS) audit completed for our UK businesses with energy saving recommendations identified for implementation in future periods
- MSCI ESG rating of AAA achieved

Our priorities for the next twelve months are:

- Continue to conduct regular Group HSE visits to each of our businesses to maintain our cycle of continuous improvement
- Extension of the scope for our Occupational Health and Safety Management System and Environmental Management Systems to include additional global subsidiaries
- Improve our recruitment practices through the continued implementation of our new recruitment system
- Continue to enhance and develop our corporate social responsibility programmes globally, focusing on community engagement and volunteering efforts
- Continue to expand our Scope 3 emissions data collection for the Group
- Implement the energy saving recommendations identified for implementation in the UK ESOS audit
- Encourage more staff across the Group to become Environmental Champions to help improve environmental performance by raising awareness of environmental issues within their areas
- Transition of overseas subsidiaries to renewable energy where possible

Sustainability continued

Embedding sustainability continued









Sustainability roadmap continued

Sustainability governance

The Group has a robust structure of sustainability oversight and risk governance in place. At the highest level, the Board of Directors has ultimate oversight of, and responsibility for, our sustainability governance and strategy. Our Non-Executive Director and Chair of the ESG Committee, Louise Evans, supports the Board in this function. The ESG Committee reviewed the Group's sustainability performance over the course of four meetings during FY 2024. The ESG Committee has overall responsibility for translating our sustainability strategy into actionable plans, in compliance with relevant legal and regulatory requirements. The Board has received significant external input on sustainability this year, with feedback from the auditor, investors and sustainability experts.

Sustainable business goals

We considered our mission in relation to the United Nations Sustainable Development Goals (UN SDGs) and determined that our support for road safety, our alignment with innovation in transport and our commitment to our people support the UN SDGs as set out in the table.

UN SDG	Topic	Sustainable Development Goal target	AB Dynamics alignment	More information
 3 GOOD HEALTH AND WELL-BEING	Health and safety	Halve the number of global deaths and injuries from road traffic accidents	<ul style="list-style-type: none"> AB Dynamics plc's core business model and purpose are to advance road safety through facilitating deployment of active safety systems, Advanced Driver Assistance Systems (ADAS) and automation The Group benefits from regulatory tailwinds on new vehicles to ensure OEM adherence 	Pages 34 and 35
 6 CLEAN WATER AND SANITATION	Our people	Achieve gender equality and empower all women and girls	<ul style="list-style-type: none"> 40% of the AB Dynamics plc Board is female in line with best practice We aim to further increase female representation across all levels throughout the business Sponsorship and support of women in STEM subjects 	Page 37
 6 CLEAN WATER AND SANITATION	Environment	Improve water quality by reducing pollution, reducing untreated waste water and minimising the release of hazardous chemicals and materials	<ul style="list-style-type: none"> We acknowledge that water is a scarce resource and careful management of water consumption is essential to minimise our impact on water availability and quality 	Page 46
 7 AFFORDABLE AND CLEAN ENERGY	Environment	Accelerate action on modern renewable energy – especially in heating and transport	<ul style="list-style-type: none"> Rapid development of EVs and autonomy has placed additional commercial pressures on OEMs to rapidly develop and deploy new technologies with a continued focus on R&D We are committed to using renewable energy sources in our operations wherever possible Our products and services support this development goal 	Pages 42 to 46
 9 INDUSTRY INNOVATION AND INFRASTRUCTURE	Sustainable products	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	<ul style="list-style-type: none"> We support the development of EVs through on-road testing of battery technology and charging infrastructure and laboratory testing of battery range ABD Solutions' core mission is to accelerate the transition to autonomy by providing retrofit solutions that reuse existing vehicles to automate vehicle applications 	Page 47
 11 SUSTAINABLE CITIES AND COMMUNITIES	Transport and safety	Increase safety of transport network and reduce impact of cities, in particular air quality	<ul style="list-style-type: none"> The core mission of the Group is to advance road safety and support vehicle electrification, thereby reducing emissions within city centres 	Page 8
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Environment	Reduce waste generation by prevention, reduction, recycling and reusing	<ul style="list-style-type: none"> We follow a waste management hierarchy of Prevention, Reuse, Recycling, Energy Recovery and Disposal, to ensure the reduction in waste sent to landfill 	Page 46
 13 CLIMATE ACTION	Climate change	Take urgent action to combat climate change and its impact and integrate climate change measures in policies, strategies and planning	<ul style="list-style-type: none"> Through aiding development of EVs, we provide support to electrify the transport network which is critical to reducing GHG emissions Detailed disclosure of our Scope 1, 2 and 3 emissions provides clear evidence of integrating climate measures including installation of renewable energy, sourcing of energy from renewable only sources and revised travel policies 	Pages 42 to 46

Sustainability continued

Health and safety

Safety first

We believe that the focus on safety is essential to delivering a high-performing, open and constructive safety culture. The Group is committed to continuous improvement in health and safety performance, which is a standing item at every Board meeting. This year, the Group has continued to improve upon its processes and procedures, with increased standardisation of reporting across its subsidiaries. This will enable us to share best practice and lessons learnt from incidents across the Group and to continue to set further Group-wide health and safety targets. In this way, the Group can actively promote a strong safety culture, striving to instil the same safe working principles in every employee wherever they are, and in whichever Group business they work.

Regular health and safety reporting is carried out across the Group and all employees are encouraged to report any safety shortcomings and near misses. Near miss reporting is crucial if we are to understand and prevent incidents, which is why we encourage all our employees to communicate near misses so we can manage any emerging risks. This increasing focus on enhanced reporting, alongside the growth of the Group, means there has been an increase in the number of minor injuries being reported.

Health and safety governance

Our health and safety organisational framework clearly defines those responsible and accountable for health and safety across our businesses. The Board is committed to maintaining a strong safety culture throughout the Group. Health and safety performance is reviewed by the Board at each scheduled Board meeting. The Executive Committee (Excom) has responsibility and authority to implement ongoing improvements to safety processes and systems, delegating responsibility to local subsidiary management where required. The Group requires that all employees take responsibility for their own safety and that they are mindful of the safety of those around them, thereby creating collective responsibility to ensure we meet our high standards for health and safety and that we continually improve them.

The Group Health and Safety Management System is now embedded at the Group's largest subsidiary, Anthony Best Dynamics Limited, and at AB Dynamics GmbH. We plan to extend the implementation of the system to include additional subsidiaries in FY 2025.

Local management teams are accountable for monitoring the health and safety methodology set by the Group, with each manager having received appropriate briefings on these requirements, and ensuring compliance with local regulatory requirements, culture and specific business needs. Group oversight is provided in the form of regular site visits by the Group Health, Safety and Environmental Manager, where processes are reviewed and training is provided.

All the subsidiaries within the Group must meet the key requirements of the Group's methodology, summarised as follows:

- Health and safety must remain an agenda item at every monthly management meeting. This ensures that teams identify issues in a timely manner, with a process of continuous improvement in place that underpins our strong safety culture
- Each subsidiary must create a Health and Safety Committee (if they do not already have one) and must hold Health and Safety Committee meetings quarterly. This allows for the sharing of best practice and the efficient roll-out of specific Group safety initiatives
- Ensure that each Committee has at least one trained health and safety representative who is certified to a recognised standard in the territory in which the business operates
- All incidents must be fully investigated with remedial actions and preventative measures put in place to ensure the incident does not reoccur and risks are mitigated going forward
- All subsidiaries must report to the Chief Executive Officer quarterly (within two weeks of each Committee meeting), providing a report which summarises the findings of this process and each subsidiary's health and safety metrics

Health and safety training

All employees receive health and safety training (which includes accident prevention and handling of hazardous substances) as part of their induction process. The inductions consist of a reminder of both employer and employee legal requirements. Additionally, they highlight the main hazards which are found throughout the organisation and the control measures in place. This includes manual handling, hazardous materials, display screen equipment, vehicles and using workplace equipment. Emergencies are also covered including the actions to follow in the event of a fire evacuation. Risk assessments are included within the training and describe how workplace hazards are dealt with and how we apply control measures, including for our employees working at our customers' sites. These risk assessments are regularly reviewed and updated where necessary. Finally, environmental topics such as recycling and energy use are discussed, with guidance given on how to reduce any potential negative impacts.

In FY 2024, 48 health, safety and environmental inductions were completed at our UK subsidiaries, as well as first aid refresher training and other safety related training. All UK based staff also complete mandatory annual training which includes health and safety training, manual handling training and display screen equipment training. Additionally, our overseas subsidiaries completed health and safety training, high-voltage training, first aid training, emergency evacuation training and driver safety training during the year.

Employee wellbeing

The Group places utmost importance on safeguarding the safety, health and wellbeing of our employees whether working in our offices, on clients' sites or from home. We ensure that the working environment is safe and conducive to healthy, content employees who are able to balance work and family commitments. We believe that a more proactive, wide-ranging approach to health and safety helps build trust with employees and helps them stay happy, healthy and productive. Our Mental Health and Wellbeing Policy covers a range of flexible working policies with the key objective being to enable employees to balance their working life with other priorities, thereby enhancing their wellbeing.

Sustainability continued

Health and safety continued

Safety first continued

Employee wellbeing continued

Our flexible working policy allows employees to request a degree of working from home, part-time working or job sharing, depending on function and location and in agreement with line managers. All employees are eligible to take career breaks or sabbaticals in consultation with their line managers.

Risk assessments, which are conducted by each of the Group's subsidiaries, are reissued to employees regularly throughout the year, to make sure the Group is keeping pace with the changing environment. The Group continues to monitor staff safety and wellbeing to ensure the workplace risks are minimised to a level as low as reasonably practicable.

Safety performance

We have a proud track record of safety performance and in FY 2024 we continued to invest in the tracking and prevention of incidents. All subsidiaries across the Group carry out risk assessments as part of their local health and safety programmes. Progress has been made during FY 2024 towards standardising and harmonising our risk assessments across the Group.

This year, we extended our more detailed risk assessment programme to include additional business units, with risk assessments completed for all operational and support departments of our UK businesses and DRI. These have been completed in consultation between the Group Health, Safety and Environmental Manager, the relevant department head or supervisor, and the staff. All assessments highlight the hazards associated with a part of the operation and are duly signed off by the team leader (who owns the risk) and all the staff concerned, so they understand the risks involved and the associated control measures. These risk assessments cover all identifiable risks to personal safety and are reviewed annually, with any mitigating actions reported.

We continue to work hard to prevent incidents across the Group, ensure our legal obligations are met and improve the overall health and safety performance of the Group. During the year, we recertified our accreditation to the ISO 45001 standard for Occupational Health and Safety Management Systems at Anthony Best Dynamics Limited and AB Dynamics GmbH, sending a positive message to our employees and stakeholders that health and safety is, and will continue to be, our top priority.

The table below records a summary of the Group's health and safety statistics for the year. In FY 2024, we are pleased to report that there were no reportable incidents or lost time incidents. The number of minor injuries, most caused by slips or falls, increased, primarily due to an increasing focus on reporting, as well as the growth in headcount of the Group. Minor injuries were treated by our locally trained first aiders, administering treatment for minor cuts or abrasions. All minor incidents or 'near misses' are reviewed regularly and where trends are identified, further control measures are introduced to reduce risks and prevent recurrence. The increase in near miss reporting represents good progress as an organisation willing to learn and improve on a continuous basis.

Employee safety

	2024	2023
Average employees	512	473
Reportable incidents	—	1
Lost time incidents	—	2*
Near misses	51	26
Minor injury, first aid cases (FAC)	26	16
Injury rate per 100 employees	5.1	3.8
Injury rate per 100,000 hours worked	3.1	2.2

* Includes RIDDOR reportable incident.

Our data covers 100% of employees and includes contractors.

Lost time incidents are defined as an injury or illness sustained on the job by an employee that results in the loss of productive work time resulting in them being unable to perform regular job duties, taking time off for recovery or being assigned modified duties whilst in recovery. The minor injury rate is currently measured against first aid or medical treatment cases that did not result in a reportable incident or lost time injury.

The increase in minor injuries resulted in a rise in the overall injury rate per 100 employees from 3.8 to 5.1. This is mainly due to regular and enhanced reporting of minor incidents, which has been encouraged throughout the organisation to prevent recurrence.

Looking forward, in FY 2025 we plan to build upon the successful implementation of the Group Health and Safety Management System in the UK and Germany by extending this to include additional subsidiaries. Specific targets in relation to the system implementation will be included in the local leadership teams' performance objectives and incentives. In addition, the Group Health, Safety and Environmental Manager will continue to conduct regular visits to each of our businesses to maintain our cycle of continuous improvement and also to provide training to employees.

Sustainability continued

Our people

Engagement

The Group recognises the importance of communicating with all employees to help maintain trust and confidence between all parties. This is achieved by various formal processes and ad-hoc actions throughout the year. On a formal basis, our CEO conducts regular all-staff briefings and meetings are held throughout the year between employees and their line managers to ensure that personal objectives are aligned with the Group's strategy and that development needs and career aspirations are identified. Based on local requirements, weekly, monthly or quarterly management team meetings are held to provide a forum for Group updates. Internal announcements are issued on a regular basis and include business updates, guidance on maintaining a safe working environment and matters of general interest. The Group's website is used for the distribution of preliminary and interim announcements and press releases.

Through workforce engagement, the views of our employees are heard at Board level and are considered in Board discussions and decision making. To further support employee engagement, all employees will be invited to participate in employee surveys. These will be conducted annually, beginning in November 2024 with the introduction of a mid-point pulse survey to stay connected to the sentiment of our employees. We also successfully launched a Group newsletter to all employees starting in July 2024 which will be produced on a quarterly basis.

Our vision and values underpin the Group's strategy, processes and culture. Our vision is to 'provide world-class innovative automation and vehicle application solutions created sustainably with passion by our people, delivering excellent products and services to our partners'. Our key values: customers, people, diversity, innovation, excellence and responsibility, ensure our behaviours, culture and personal values align with those of the business and enable us to continue to drive the strategy forward. Embedding our values across the Group was a continued focus for FY 2024, particularly in our recently acquired businesses. Values were introduced as part of our performance appraisal process in FY 2024 and managers are encouraged to discuss these with employees.

Equality, diversity and inclusion

We recognise that being a truly diverse and inclusive Group is crucial to our values and to our ability as a business to grow, innovate and attract and retain talent. Different experiences, views and opinions allow us to consider a range of opinions when making decisions, which we believe results in better outcomes for the business and for our stakeholders. We operate globally and recognise the cultural differences that may exist in the countries in which we do business. We do not tolerate any form of discrimination. We are committed to equality of opportunity in all our employment practices, procedures and policies. When we hire or promote someone, we choose the best candidate irrespective of age, race, national origin, disability, religion, sex, gender reassignment, sexual preference, marital status or membership/non-membership of any trade unions. All staff are provided with a safe, secure and healthy environment in which to work, regardless of where in the world they are located.

We aim to create an environment where the contributions of all staff are recognised and valued, and everyone is treated with dignity and respect. We do not tolerate any form of bullying or harassment within the Group. We apply the same standards when we select business partners. The ESG Committee is responsible for setting the Group's approach to equality, diversity and inclusion.

Key values

1 Customers

We create valuable partnerships with our customers through collaboration to understand and deliver their requirements.

2 People

We empower people by supporting and challenging each other to thrive. Integrity and respect are at the forefront of everything we do.

3 Diversity

We recognise the importance of strengthening, improving and enriching our culture and practices through diverse opinions, skills and people.

4 Innovation

We inspire creativity by giving people the space to challenge the 'now' and engineer for the future.

5 Excellence

We are never satisfied with the status quo. We invest in our people, products and processes by encouraging learning and self-enrichment to deliver world-class services and products to our customers.

6 Responsibility

Personal ownership and commitment to ourselves, our customers, our shareholders and the environment. We are always looking for opportunities to improve the sustainability of our operations.

Further details on the Group's engagement with stakeholders, including the material topics discussed with investors and corporate governance bodies, are contained in the Section 172 statement on pages 56 and 57.

Sustainability continued

Our people continued

Equality, diversity and inclusion continued

As a Group, we believe training, development and progression opportunities must be available to all staff. We offer flexible working opportunities such as working remotely or part-time and flexible hours according to the requirements of the position.

While ability and aptitude remain the determining factors in the selection, training, career development and promotion of all employees, the Group is conscious that engineering continues to have inherent disadvantages for women and other under-represented groups. We have continued in our efforts to address these disadvantages during FY 2024, both in our role as a Corporate Partner to the Women's Engineering Society (WES) and via our partnership with Smallpeice Trust Arkwright Engineering Scholarship, in which we mentor 16-year-old students who are considering further education or a career in engineering.

The Board recognises the importance of diversity in all forms, including the diversity of gender identity, ethnicity, age, disability, neurodiversity, sexual orientation, geography, social and cultural background and belief. We recognise the gender imbalance in the profession and have been working to improve the Group's gender mix. A significant proportion of the Group's workforce are engineers and technicians and this remains a continued area of focus, given the known under-representation of women in these roles globally. At present, women represent 17% of our overall workforce. The Board notes the recommendations of the Hampton-Alexander and Parker Reviews and the Financial Conduct Authority (FCA) in relation to increasing Board and Executive Committee (and direct reports) gender and ethnic diversity. We are proud to note that within the senior management team, the proportion of female representation is at 21% while the Group Board is at 40%, in line with these recommendations.

Set out opposite is an analysis of the Group's employees by gender at 31 August each year (excluding VadoTech Group due to data availability).

Employees by gender

	2024			2023		
	Male	Female	Prefer not to say	Male	Female	Prefer not to say
Board	60%	40%	—	60%	40%	—
Executive Committee	83%	17%	—	83%	17%	—
Senior management	79%	21%	—	84%	16%	—
Other employees	82%	17%	1%	82%	16%	2%
All employees	82%	17%	1%	82%	17%	1%



Mighty Girls is an organisation based in Wiltshire, UK, that supports and encourages girls aged 8–18 to develop confidence and try new skills. It works with several schools across Wiltshire and Somerset and is funded by the National Lottery Community Fund.

Earlier this year, Mighty Girls organised a Coding Boot Camp event at Bath University, where girls learnt coding skills and met with women working in STEM careers. AB Dynamics was pleased to sponsor the event, and I met all the girls attending. I provided an overview of AB Dynamics' products and a view of life as a software engineer. The girls quickly showed an interest in the talk, demonstrations and videos and engaged enthusiastically with our staff. We also shared ideas with them around future roles they could aspire to.

Jennie Franks, Lead Software Engineer

Since the start of the year, we have been running monthly sessions for new employees at the AB Dynamics offices as part of our project to increase inclusivity. The sessions provide an informal setting for new starters to discover aspects of the Company outside their usual departments, to meet other new starters and to hear from key members of staff. The initiative, led by Jennie Franks and I, is supported by the Royal Academy of Engineering as part of a pilot scheme to improve inclusivity in the engineering profession. The sessions are proving to be popular, with feedback from our new staff indicating they are highly beneficial in settling quickly into the Company, with comments like: "they have made me feel welcomed and valued in the business", "definitely made me feel more comfortable approaching other people within the business" and "a good way to settle in and see how the Company works between departments."

Mark Radley, Senior Engineer

Sustainability continued

Our people continued

Attracting and retaining young talent

Attracting and retaining young talent within the Group is a key strategic element of ensuring the sustained growth of the business for the future. After introducing our graduate scheme in FY 2022, we have gone on to successfully place four graduates.

Additionally, two students completed a placement year with ABD Solutions during the year and DRI has a consistent flow of placement students assisting in its Human Factors department.



I started at ABD as a placement student in the mechanical design department. It was an interesting year, working mostly on the advanced vehicle driving simulator (aVDS) Mk2, designing parts for it and helping with some of the testing. Being able to collaborate with and bounce ideas off the other design engineers and the technicians in the workshop dramatically improved my engineering and design skills before I returned to university. Returning as a graduate student has been a fun and challenging experience. I've been given more responsibilities and some exciting projects; it has also allowed me to rotate to other departments. My first rotation away from design has been to the verification and validation department. It has been incredibly valuable to see projects from a completely different perspective, in particular directly seeing how decisions made in design impact other departments.

Alistair Knight, Current graduate and former placement student

We also continued our summer placements this year with five students completing internships across the Group. As we continue our apprenticeship scheme through FY 2024, we are pleased to share that we received the Large Apprentice Employer of the Year award in recognition of the outstanding commitment and support our business has made to our apprentices throughout the apprenticeship programme with Wiltshire College & University Centre.

Talent and career development

The Group remains committed to attracting and retaining key talent and supporting their ongoing career development through life-long learning. This provides benefits for both the Group, through a more highly skilled workforce, and the individual employee, who gains both qualifications and experience that they can use to further their careers whilst with the Group and in any future roles elsewhere.

The Group's talent mapping and succession planning processes have continued to play a key role in facilitating staff development and enabled a significant proportion of employees to take on wider responsibilities either through formal promotional opportunities or growth in current roles during the year.

Targeted leadership training is also an integral part of ensuring our workforce remains engaged and innovative, whilst enabling the Group to grow a diverse pipeline for key roles and leadership positions. To further demonstrate the Group's commitment to developing internal talent, the second ABD Professional Development Programme (PDP) commenced in June 2024 for twelve employees globally. The UK launched a pilot 'manage for excellence' programme which covers fundamentals to set a common base for our people managers. This four module programme spans 18 months, providing in-classroom training and on-the-job time to put learnings into practice.

Retention

Average number of employees by region

In recent years, our continued efforts to develop our talented employees and enhance staff engagement and wellbeing have resulted in consistently strong retention rates. Average length of service is currently 4.3 years, with annual employee turnover at 12% (FY 2023: 13%) across the Group (excluding VadoTech Group due to data availability).



As someone who is completely new to the automotive Human Factors industry, DRI has provided a warm welcome. I've been interning for the Human Factors department for four months, and the experience has been both comprehensive and exciting. Working alongside DRI's Human Factors engineers has given me the opportunity to see what it's like to carry out intriguing projects in industry first hand. It has been awe inspiring to be able to utilise the knowledge I've gained from my MS Human Factors degree in the real world in such a welcoming environment, and the Human Factors engineers have proven to be excellent mentors that I can learn from each day. Aside from the wonderful experience I've had with the Human Factors department, the rest of the DRI staff are just as knowledgeable, passionate and welcoming.

Alan Cheam, Current placement student

Average number of employees by region



Sustainability continued

Our people continued

Retention continued

Annual employee turnover by year

	2024*	2023
Total annual employee voluntary turnover (no.)	43	50
Total annual employee voluntary turnover (%)	12%	14%
Total annual employee turnover (no.)	80	82
Total annual employee turnover (%)	12%	13%

* VTS data not included as recently acquired.

Building upon the improvements made to recruitment practices in prior years, through FY 2024 a new recruitment system has been piloted in the UK to further improve candidate experiences and hiring timelines. The system has also introduced updated mechanisms to reduce biases across the recruitment process, which is critical to curating a workforce diverse in opinions, skills and people. Once fully tested, the system will be rolled out to the broader Group.

The Group has continued to make a proactive effort to promote internal applications for open positions and, as a result, 14 vacancies were filled by internal candidates during the year, excluding promotions. This has been supported by the ongoing implementation of talent mapping processes.

Annual performance evaluations are undertaken as part of the Group's Performance Excellence Cycle. Where recent acquisitions have occurred, this is implemented as part of the integration plan. DRI will introduce its formal performance review process in FY 2025 and VadoTech Group and VTS in FY 2026. Salary reviews are aligned with performance evaluations to ensure employees are paid fairly and correctly for the position they perform. All employees have the opportunity to benefit from a discretionary performance based bonus with the exception of some employees within recent acquisitions.

We continually review our benefits and total compensation packages across the Group. We offer a comprehensive range of benefits to our staff which reflect local regulations and market practices and, where appropriate, include annual performance related bonuses, employer matching contributions into retirement schemes, life insurance, income protection and private health cover.

Through a detailed benchmarking exercise, we can confirm that these packages are above or in line with local market regulations and the competitive environment within which we operate.

We also have other forms of workplace recognition in place. We regularly organise social events to celebrate success and to highlight key achievements within the Group as well as workplace employee appreciation efforts.

Training opportunities

The Group is committed to ensuring that all employees have access to the training required to support their skills and career development.

100% of employees received training in FY 2024 (FY 2023: 100%) and courses taken during the year included: Introduction to Systems Engineering, Simulink Model Management and Architecture, INCOSE Systems Engineering certification, Level 4 Customs Practitioner Award and Prince2 Foundation.

Globally, our mandatory compliance training modules include: anti-bribery and corruption, cybersecurity awareness, DSE training (Display Screen Equipment), manual handling, mental health awareness for employees and managers, modern slavery, customer service, bullying and harassment for managers, health and safety essentials and equality, diversity and inclusion modules.

Graduates and apprentices

Maintaining a diverse pipeline of talent is at the core of our sustainability strategy and is key to fulfilling our future customer requirements. We offer a range of opportunities and tailored programmes to early career starters with hands-on experience and training, equipping the new generation of employees with the right skills and ensuring that knowledge is retained within the business. We partner with local schools, colleges and universities, offering interesting and rewarding apprenticeships, placement schemes and work experience.

As of 31 August 2024, two graduates are enrolled in our two-year graduate scheme. The rotational graduate scheme is a structured training programme aimed at equipping graduates with both soft skills and technical development opportunities across the business. In FY 2024, we also offered work experience in the UK to a local school together with our Arkwright scholars.

As the Group's global presence grows, ensuring that high-quality early career opportunities are available to all is a key focus. The Group aims to actively expand the reach of work experience, apprenticeship and graduate programmes to more young people from lower social economic backgrounds, to help increase social mobility in the local communities in which it operates.



Created by the Royal Academy of Engineering (RAE), the Graduate Engineering Engagement Programme (GEEP) supports UK engineering students and recent graduates from under-represented backgrounds into engineering employment. The programme is a collaboration across industry with over 300 volunteers from more than 50 companies taking part since 2015.

This year's volunteer mentors from AB Dynamics were Dr James Routh (Chief Executive Officer), Giorge Koulin (Software Engineer – rFpro), Jonathan Barry (Senior Software Engineer – ABD), Mark Radley (Senior Systems Engineer – ABD) and I. In addition to the scheduled programme, AB Dynamics hosted a site visit for our GEEP mentees in July 2024. This two-day event provided participants with a comprehensive overview of AB Dynamics as an engineering organisation.

Jonathan Barry and I represented AB Dynamics at the 2024 GEEP Graduation Ceremony where Jonathan took part in a panel discussion, hosted at the Institute of Directors in London, UK.

Jasper Barrett, Project Manager

Sustainability continued

Our people continued

Community partnerships

CSR strategy

In line with the Group's expanding global presence and global subsidiary governance framework, our corporate social responsibility (CSR) policy and strategy encompass five key guiding criteria, of which all CSR activities are required to meet at least two: environment, social opportunity, community, diversity and inclusion and industry. The model represents the Group's growing global focus and continued ambitions to put CSR at the heart of our business model. These criteria are underpinned by our values: customers, people, diversity, innovation, excellence and responsibility.

Whilst our fundamental approach remains unchanged, our model takes a more holistic encompassing approach, linking together our five pillars:

- **Community:** committed to strengthening and maintaining relations and being actively involved in the local regions where we operate, creating mutual synergies for both our business and our communities
- **Social opportunities:** committed to demonstrating our understanding of social responsibility in the context of wider systemic inequalities, we strive to improve social mobility, supported by our belief that, irrespective of their background, talent and drive should be the only factors influencing an individual's development opportunities and outcomes
- **Diversity and inclusion:** committed to the promotion of diversity within the STEM environment and within the armed forces, acknowledging that the best results come from a diverse workforce
- **Industry:** recognising the value of partnerships with our customers and communities to increase awareness of the Group
- **Environmental:** committed to actively seeking ways to reduce our environmental impact, through linkage with both industry and communities. Adding environmental to our new strategy demonstrates our aim to become an integral player within the communities and environments in which we operate



Sustainability continued

Our people continued

Community partnerships continued

In March 2024, DRI was sponsor of the FIRST Robotics Competition in California. The competition challenges high school robotics teams to design, build and operate robots that can accomplish tasks in a sports arena-like environment. The competition is the culmination of years of development by these young engineers in training. The robots are designed with very specific requirements and must be able to pick up items, aim and launch those items and climb a chain, all while having the opposing robots attack them. Several DRI staff members, including Nate Kuhl, Dante Kruike and I, volunteered at the event and were blown away by the creativity and ingenuity exhibited by the competitors. DRI plans to continue to support the FIRST Robotics Competition going forward.

Jordan Silberling, General Manager, DRI



Sustainability continued

Environment

We are committed to environmental sustainability, both globally and in our local communities, and reducing our environmental impact. It is our mission to empower our customers to accelerate the development of vehicles that are not only safer, but also more efficient with less of an impact on the environment. We are continually looking for opportunities to improve; environmental sustainability is essential.

Our commitment

We are committed to the goal of becoming net zero for market based Scope 1 and 2 emissions by 2040 and working to be a net zero organisation by 2050. Our definition of net zero is to reduce greenhouse gas emissions to zero or to a residual level consistent with reaching net zero emissions at the global or sector level, and to neutralise any residual emissions by the net zero target date, and any GHG emissions released into the atmosphere thereafter with certified emission reductions. Our net zero commitments are in line with the United Nations and Science Based Targets initiative (SBTi) definition.

In FY 2024, the focus of the Group has been on expanding the scope of Group-wide data collection, in particular for Scope 3 emissions, in order to identify a clear path towards our net zero objectives. Simultaneously, we have continued to identify and implement initiatives to reduce our carbon emissions, waste and water usage wherever possible, with annual reduction targets in place at a subsidiary level.

We continue to develop the quality and range of Scope 3 carbon emission data that we will ultimately report on. Significant time and resources are being invested in this area to validate the data that is being collected, which will ensure that future carbon reduction planning decisions are based on robust information. The nature of

this detailed validation work means that it will take time to complete, which is reflected in the commitment timeframes stated above.

As a business that is growing rapidly, we know that our absolute emissions will increase unless we can decouple our growth from the adverse impacts that our operations have on the environment. In the short-term, we aim to complete the Group-wide collection and validation of all material Scope 3 emissions by the end of FY 2026. We will then use this data to produce a detailed decarbonisation roadmap, including establishing our targets in accordance with the SBTi, which we will aim to publish in the next three to five years.

In this report, for the first time we include information on our climate-related risks and opportunities in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). See pages 50 to 55 for the TCFD report.

Our approach

We are actively seeking steps to reduce our environmental impact to achieve our net zero goal. The focus of our ongoing emissions reduction efforts includes greenhouse gas emissions, energy consumption, the use of renewable energy, water resources and the reduction and management of waste. The Group's commitment to transparency includes the regular public disclosure of our emissions.

We established the Net Zero Working Group (NZWG) in FY 2023* to oversee our carbon reduction plan and implement the activities and functions required to meet our objectives. This includes the development of a comprehensive engagement programme and climate awareness groups throughout all our businesses. The NZWG is comprised of representatives from all Group subsidiaries with Environmental Champions within each subsidiary to promote awareness and best practice. The NZWG is chaired by the Group CEO and its work is overseen by the ESG Committee, which in turn provides regular progress reports to the Board.

* Formerly referred to as the Carbon Neutral Working Group, its name was updated to align with the Group's net zero emissions targets during FY 2024.

We have also partnered with Auditel, a leading carbon solutions company, to assist us in reducing our carbon emissions and related costs as, in the near term, we aim for verification with ISO 14068-1 (Climate change management – Transition to net zero – Part 1: Carbon neutrality).

The Group recognises the importance of creating environmental awareness, protecting the environment and using natural resources efficiently by continuously reducing the environmental impacts of our operations and services. In turn, the Board and senior management are committed to continually measuring, monitoring, evaluating and improving the environmental performance of all the Group's operations. We will continue to deploy green technology wherever possible and appropriate, and to make careful and considered decisions in all our operations to reduce our current carbon footprint.

We are focused on finding ways to reduce our impact across the whole value chain to achieve our net zero commitments. Beyond our own operations, we will also continue to assist the global automotive sector to develop new technologies and processes that will reduce CO₂ emissions.

Our strategy

Our strategy is to reduce our global GHG emissions through improving efficiency to reduce consumption and waste.

- Scope 1 associated emissions are being addressed through the adoption of green fuels and upgrading of facilities and equipment to be more efficient or to use alternative greener energy sources
- Scope 2 associated emissions are being addressed by implementing energy efficient practices and upgrading facilities to aid in energy efficiency. We are also using certified renewable energy, verified with REGO certificates
- Scope 3 emissions tracking continues to be developed to ensure we have a clear understanding of these emissions, so that we can plan a clear and effective route to achieve our reduction targets

Sustainability continued

Environment continued

Improvements in FY 2024

In FY 2024, we continued to develop our approach towards reducing carbon across our operations. Some of the significant milestones include:

- Collection of Scope 3 emissions data expanded to include all material Scope 3 emissions for our UK locations
- Improvements made in the collection of standardised data across the Group and the development of the Group's carbon reduction plans
- Successful re-certification of the ISO 14001 standard for our Environmental Management System applicable to Anthony Best Dynamics Limited, our largest subsidiary, and AB Dynamics GmbH, our largest German subsidiary
- Continued use of green renewable energy in the UK and Germany, including the use of solar panels at two of our UK sites, which generated a total of 133,119 kWh of power in FY 2024
- Completed assessment of our climate-related risks and opportunities in alignment with the recommendations of the TCFD (see report on pages 50 to 55)
- Successful Energy Savings Opportunity Scheme (ESOS) audit completed for our UK businesses with energy saving recommendations identified for implementation in future periods
- MSCI ESG rating of AAA achieved

Managing environmental performance

The Group's activities can be summarised as largely manufacturing and assembly operations, combined with office based research, product development and vehicle testing. Therefore, the Group's main direct impact on the environment is limited to the consumption of heating and power in its manufacturing operations, and fuel or electricity for customer vehicles while providing test services or developing and testing products. The Group does not use its own logistics or freight. We recognise the importance of monitoring, controlling and improving our environmental performance in order to meet our net zero targets.

We are expanding our Scope 3 emissions coverage and during the year we undertook a comprehensive project with our external advisers to better understand our Scope 3 baseline carbon footprint, allowing us to begin to collect data for all material categories for the UK part of our business. Note that the data relating to the new categories is not yet available for the global Group and is therefore excluded from the reported GHG emissions values.

The categories which are currently included in the Scope 3 emissions data for the Group disclosed below are as follows:

- Category 1: Purchased goods and services – currently we collect data for water supply and treatment
- Category 6: Business travel – currently we collect data on air travel, automotive hire and hotel usage

We are continuing to review the following categories, which we believe will capture all emission types that are material to the Group, and have begun collecting data for our UK locations:

- Category 1: Purchased goods and services
- Category 2: Capital goods
- Category 3: Fuel and energy-related activities
- Category 4: Upstream transportation and distribution
- Category 5: Waste generated in operations
- Category 6: Business travel
- Category 7: Employee commuting
- Category 9: Downstream transportation and distribution

This year, the Group has continued to build on its environmental reporting processes and procedures across its subsidiaries to provide a unified framework. The main tools used to track and monitor our environmental impact across our sites are our Environmental Management Systems. Both internal and external environmental audits have been completed at Anthony Best Dynamics Limited and AB Dynamics GmbH, resulting in a successful surveillance audit of our ISO 14001 accredited Environmental Management System. Over the next year, we aim to implement this across all UK subsidiaries, standardising reporting and enabling us to set further environmental targets in FY 2025.

Our environmental reporting covers all entities over which the Group has financial control for the financial year ended 31 August 2024, i.e. all our subsidiaries. Data for businesses acquired during each reporting period is also included where available.

We are pleased with our environmental performance for the year and can confirm that we have not received nor paid any environmental fines nor penalties either in the last twelve months or in the previous five years.

Sustainability continued

Environment continued

Energy and greenhouse gas emissions for FY 2024

The Group's emissions are broken down by Scope 1, Scope 2 and some Scope 3 emissions. Scope 2 emissions associated with the Greenhouse Gas Protocol 'market based' method have also been calculated, in addition to 'location based' Scope 2 emissions.

Excluding the impact of acquisitions, in FY 2024 the Group's total Scope 1, 2 and 3 emissions (market based) increased by 56% year on year and 43% on an intensity basis (per £m of revenue) year on year. This was driven by an increase in Scope 3 emissions from business travel, which increased by 70%. This was in part due to improvements in the completeness of reporting and availability of information, as well as being related to the growth of the business, which has driven an increase in travel requirements in areas such as business development and customer support.

Our total energy consumption increased by 32% year on year on an absolute basis. This was primarily due to an increase in the Company-owned vehicle use, as our testing services sector saw increased activity levels in the year. The Group has continued to implement measures to decrease our natural gas consumption, which resulted in a 15% reduction in energy consumption from gas.

Anthony Best Dynamics Limited and AB Dynamics GmbH also have subsidiary level targets to reduce electricity and gas usage by 5% per annum as part of their certified ISO 14001 Environmental Management Systems. Across the two sites, a combined 15% reduction was achieved in FY 2024.

GHG emissions

	Units	Absolute emissions (including Venshure Test Services)							Like-for-like emissions (excluding Venshure Test Services)						
		2024			2023			YoY % change in total	2024			2023			YoY % change in total
		UK	Global (excl. UK)	Group	UK	Global (excl. UK)	Group		UK	Global (excl. UK)	Group	UK	Global (excl. UK)	Group	
Scope 1 total	tCO ₂ e	110	393	503	129	228	357	41%	110	349	459	129	228	357	29%
Gas	tCO ₂ e	95	19	114	109	18	127	-10%	95	19	114	109	18	127	-10%
Company owned vehicle use	tCO ₂ e	15	374	389	20	210	230	69%	15	330	345	20	210	230	50%
Scope 2 (location based)	tCO ₂ e	154	947	1,101	184	371	555	98%	154	839	993	184	371	555	79%
Scope 2 (market based)	tCO ₂ e	70	726	796	112	362	474	68%	70	618	688	112	362	474	45%
Total Scope 1 and 2 (location based)	tCO ₂ e	264	1,340	1,604	313	599	912	76%	264	1,188	1,452	313	599	912	59%
Total Scope 1 and 2 (market based)	tCO ₂ e	180	1,119	1,299	241	590	831	56%	180	967	1,147	241	590	831	38%
Scope 3 total	tCO ₂ e	1,051	869	1,920	798	332	1,130	70%	1,051	869	1,920	798	332	1,130	70%
Business travel	tCO ₂ e	1,050	868	1,918	797	331	1,128	70%	1,050	868	1,918	797	331	1,128	70%
Water supply and treatment	tCO ₂ e	1	1	2	1	1	2	0%	1	1	2	1	1	2	0%
Total Scope 1, 2 and 3 (location based)	tCO ₂ e	1,315	2,209	3,524	1,111	931	2,042	73%	1,315	2,057	3,372	1,111	931	2,042	65%
Total Scope 1, 2 and 3 (market based)	tCO ₂ e	1,231	1,988	3,219	1,039	922	1,961	64%	1,231	1,836	3,067	1,039	922	1,961	56%

Sustainability continued

Environment continued

Energy and greenhouse gas emissions for FY 2024 continued

Emissions intensity

	Units	Absolute emissions (including Venshure Test Services)			Like-for-like emissions (excluding Venshure Test Services)		
		2024	2023	YoY % change in total	2024	2023	YoY % change in total
Revenue	£m	111.3	100.8	10%	110.3	100.8	9%
Intensity by revenue (Scope 1 and 2 market based)	tCO ₂ e per £m revenue	11.7	8.2	43%	10.4	8.2	27%
Intensity by revenue (Scope 1, 2 and 3 market based)	tCO ₂ e per £m revenue	28.9	19.5	48%	27.8	19.5	43%

Energy consumption by type

	Units	2024			2023			YoY % change in total
		UK	Global (excl. UK)	Group	UK	Global (excl. UK)	Group	
Total electricity	kWh	874,518	1,339,584	2,214,102	1,003,808	744,540	1,748,348	27%
Purchased electricity	kWh	741,399	1,339,584	2,080,983	888,875	744,540	1,633,415	27%
On-site generated electricity (solar)	kWh	133,119	—	133,119	114,933	—	114,933	16%
Gas	kWh	519,867	102,386	622,253	635,716	97,049	732,765	-15%
Company owned vehicle use	kWh	60,734	1,558,117	1,618,851	78,372	892,995	971,367	67%
Personal vehicle company use	kWh	69,823	311,616	381,439	72,462	143,970	216,432	76%
Total energy consumption	kWh	1,524,942	3,311,703	4,836,645	1,790,358	1,878,554	3,668,912	32%

Notes:

Emissions for the Group are calculated using methodologies consistent with the Greenhouse Gas (GHG) Protocol: A Corporate Accounting and Reporting Standard. Source data (meter readings) has been used wherever possible; where this is not available, this has been supplemented by billed data and an amount of estimated data.

For FY 2024, the UK government's GHG Conversion Factors for Company Reporting 2024 (DEFRA factors) were used for fuels and UK electricity. Emissions factors provided by Carbon Footprint Ltd and US EPA were used for operations in other locations globally.

Scope 1 vehicle emissions include Group owned vehicles and those that are controlled by the Group for testing purposes.

The Scope 2 emissions associated with the Greenhouse Gas Protocol 'market based' method have been calculated in line with the Greenhouse Gas Protocol guidance. This figure has been calculated using residual-mix emissions factors where available (Germany and UK). In our other operating regions where residual-mix emissions factors were unavailable, country-specific emissions factors have been used instead (as per the location based method) in line with the Greenhouse Gas Protocol guidance. Where sites consume grid electricity backed by REGOs, this has been taken into consideration within the calculations.

Business travel data is inclusive of private vehicles used for business purposes, train travel, air travel, car hire and hotel stays. Metering and monitoring improvements continue to be implemented to capture and improve the Company's data stream.

Sustainability continued

Environment continued

Water management

Water usage data across the Group continues to be collected this year so we are able to set a baseline and future targets to reduce water consumption can be identified and established across the business. The Group's usage of water is minimal and predominantly relates to cleaning, bathrooms and staff refreshments. Water is not widely used in the design, manufacturing or servicing of our products; however, we acknowledge that water is a scarce resource and careful management of water consumption is essential to minimise our impact on water availability and quality.

As part of our improved monitoring processes, FY 2024 has seen an increase in reporting for water usage. Data is now being collected for our testing facilities in China, as well for VTS since its acquisition, which has led to a significant increase in the Group's reported total freshwater withdrawal. A number of our subsidiary sites are based in shared or leased premises and water consumption is included in lease fees; therefore, water consumption data for those businesses is not available.

Group water withdrawal

	2024	2023
Freshwater withdrawal (m ³)	7,176	1,960
Intensity ratio (m ³ per £m revenue)	64.5	19.4

Waste management

The Group remains committed to identifying and assessing environmental risks, such as packaging waste, arising from all operations. Waste management initiatives are encouraged and supported by the Group and materials are recycled where practicable. Local management teams are committed to good environmental management practices and are responsible for implementing the necessary initiatives to meet their local obligations. Each facility participates in recycling paper, plastic, cardboard and wood from pallets and continues to focus on reducing energy consumption through the efficient use of heating and lighting.

All Company waste (both hazardous and non-hazardous) is managed in a sustainable manner, complying with all relevant environmental legislation and regulations as they relate to each location and community we operate in. We follow a waste management hierarchy of Prevention, Reuse, Recycling, Energy Recovery and Disposal, to ensure the reduction in waste sent to landfill and the associated reduction in GHG emissions support our net zero ambition. Our Environmental Management System contains procedures for waste management and frequent reminders are made to ensure waste is recycled wherever possible.

In FY 2024, 98% of all waste produced by the Group was non-hazardous, with 46% being recycled and the remainder being treated, sent to landfill or used in waste to energy programmes. Our waste management intensity ratio decreased slightly during the year to 2.4 (2023: 2.6) as a result of our continued focus on eliminating waste.

At a subsidiary level, Anthony Best Dynamics Limited and AB Dynamics Europe GmbH have an ongoing waste reduction target of 5% per annum and continue to recycle over 60% of waste generated as part of their certified ISO 14001 Environmental Management Systems.

2024 waste management

	Unit	Non-hazardous waste	Hazardous waste	Total waste
Tonnes to landfill	Metric tonnes	125.9	—	125.9
Tonnes recycled	Metric tonnes	121.3	—	121.3
Tonnes incinerated	Metric tonnes	12.4	—	12.4
Tonnes treated	Metric tonnes	0.3	5.1	5.4
Total	Metric tonnes	259.9	5.1	265.0

Waste management intensity

	Unit	Non-hazardous waste	Hazardous waste	Total waste
Intensity ratio	Tonnes per £m revenue	2.3	0.1	2.4

Waste by type

Material type	Unit	Hazardous waste	Non-hazardous waste	2024 total waste	2023 total waste
Gases (in containers), paints, adhesives, oils, batteries, accumulators, etc.	Metric tonnes	5.1	—	5.1	1.5
Paper/cardboard	Metric tonnes	—	33.9	33.9	12.7
Other mixed commercial waste	Metric tonnes	—	138.0	138.0	205.0
Plastic and plastic packaging	Metric tonnes	—	76.5	76.5	28.4
Metal	Metric tonnes	—	3.6	3.6	5.0
Wood	Metric tonnes	—	7.4	7.4	5.6
Electrical/electronic	Metric tonnes	—	0.5	0.5	0.2
Total		5.1	259.9	265.0	258.4

Sustainability continued

Sustainable products

In line with the UN SDG 9 (Sustainable Innovation), our ambition is to continue to be a pioneer of innovation and support in the development of the EV market, through testing of battery technology and charging infrastructure. ABD Solutions' core mission is to accelerate the transition to autonomy by providing retrofit solutions that reuse existing vehicles to automate vehicle applications, helping our customers achieve their sustainability targets.

Resource efficiency and product innovation

We integrate sustainability into our product design by considering key factors such as energy and resource efficiency. Our suite of products does not have a high carbon footprint, and our simulation business, which enables OEMs to replicate the set-up of a particular vehicle and drive it around various settings virtually, reduces emissions by taking cars off the road. By encouraging our customers to use track testing and simulation, we significantly reduce the CO₂ emissions compared to on-road vehicle testing. Wherever possible, we minimise our raw material use and avoid the use of conflict materials in our manufacturing processes. We use minimal levels of hazardous substances in our production process but continue to examine how we can improve this. We are looking at our product life cycle management to consider how emissions can be reduced in line with the Group's net zero target.

As a Group, we have implemented several measures to encourage resource efficiency across our operations. These include meeting all energy needs in the UK from renewable sources, water conservation initiatives, raw material efficiency, waste minimisation initiatives, including a centralised waste and recycling facility, and resource recovery projects like our solar panels on two UK facilities. We have worked closely with our supply chain to review the sustainability risks associated with procurement and to implement initiatives to reduce life cycle carbon, through programmes to reduce packaging and source locally where possible.

We lead through engineering innovation and technology. Our employees are encouraged to generate new ideas relating to new products, new processes, major improvements or technology breakthroughs. We remain passionate about technology and aim to lead new trends in our market through our engineering design centre and simulation centre of excellence, responsible for innovative products like our new generation of driving simulators.

All our employees undergo rigorous training on product safety issues and to raise their awareness of their environmental protection responsibilities. This year, we also introduced specific training workshops on quality control, precautionary testing and product safety which all relevant staff attended, to ensure the highest environmental, quality and safety standards are maintained.

Responsible sourcing

In order to achieve our sustainability goals, it is vital that we develop, educate and work closely with our supply chain to uphold the ethical, human rights and environmental criteria that are at the heart of our business. We recognise the need for a proactive and engaged supply chain strategy that meets our own high standards and that of our stakeholders. Our communications and relationships with customers, suppliers and advisers are managed within each subsidiary by senior management, and the Group expects the same high standards of expertise and business principles to be maintained in such dealings. Our aim is to ensure that there is consistency across our international entities, to enable us to monitor compliance. We have chosen to operate under a centralised, head office-controlled framework but devolve responsibility for compliance within this framework to operating divisional or jurisdictional management, with the aim of global harmonisation around local requirements and legislation.

Supplier due diligence

Our supply chain is geographically diversified. All suppliers need to remain compliant with the legal framework in their respective countries. Before new suppliers are selected, they are subject

to a due diligence assessment which involves on-site visits and checks to determine if they are 'fit for purpose'. This includes an assessment of their financial strength, environmental credentials and quality assurance. All suppliers are required to have a quality management system in line with ISO 9001 and, in line with these requirements, are audited by an independent third party annually and re-accredited every three years. We select suppliers for audit based on our supply chain risk assessments. Throughout the course of the year, these audits assess each supplier's approach to anti-bribery and corruption, human rights, data protection, modern slavery and health, safety and environmental issues amongst other matters. If any risks are identified, the Group works with suppliers to address them. Suppliers are then monitored in line with our non-conformance process, for environmental quality and safety issues, with any corrective actions recorded and monitored.

We intend to work with our suppliers to build mutually beneficial, long-term partnerships, to ensure measurable, long-term sustainability improvements throughout our supply chain. We will continue to focus on and roll out our Company supplier assurance and management schedule. This encompasses supplier audits to ensure our supply chain continues to meet our performance standards and simultaneously delivers on our social and environmental standards.

Prompt payment

We understand the importance of predictable payments when operating a business and encourage good practice across the Group. When entering into new agreements for the supply of goods and/or services, our subsidiaries are responsible for agreeing appropriate payment terms. Group companies are encouraged to abide by the payment terms they have agreed, so long as they are satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

Sustainability continued

Ethics and compliance

We are committed to ensuring that the behaviours and practices of our organisation, including those within our supply chains, reflect our own high ethical standards and compliance with applicable laws and standards. We strive to conduct business honestly, openly and with integrity, as this approach will support our long-term success and sustainability. We hold our leaders accountable for ensuring their businesses operate according to the strict ethical standards we expect. We have in place a series of Group policies forming a global subsidiary governance framework to guide our actions and those of our employees, suppliers and partners to ensure good governance and ethical behaviour across our Group. These policies include human rights, anti-bribery and corruption, modern slavery, conflicts of interest, competition and anti-trust. These policies are now reviewed annually and can be located on our website.

Human rights and modern slavery

We are committed to respecting human rights in accordance with international human rights principles, and these are integral to our business operations. The Group aims to manage and mitigate the risks associated with potential human rights breaches and modern slavery and to ensure we have transparency across our subsidiaries, via the implementation of standardised policies and methodologies forming part of the Group's global subsidiary governance framework. The ESG Committee maintains responsibility for oversight of compliance with the Group's human rights principles with the overall objective of ensuring good governance, oversight and monitoring of our supply chain and wider supplier relationships. Local management teams remain accountable for observing the operational approach set by the Group, with each manager receiving appropriate briefings on these requirements and ensuring compliance with local regulatory requirements, culture and specific business needs.

Underpinning this approach are robust policies and procedures, together with appropriate training, which give our workforce and other business partners guidance on dealing with breaches of human rights standards (such as human trafficking and child

labour) and modern slavery and the measures we take to tackle such issues within our organisation and supply chain. All human rights abuses will be acted upon and appropriate action will be taken in a timely manner. We continue to believe that our exposure to the risks of human rights abuses and modern slavery is low within our business and supply chain, and we are confident that the policies and procedures that we have in relation to anti-slavery and human trafficking are in compliance with the Modern Slavery Act 2015 and our public statement, to this effect, is available on the Group's website (www.abdplc.com). Further, our internal policies in relation to human rights and modern slavery are published in English on our website and are available locally for our workforce in four languages.

Whistleblowing

The Group aims to create a working environment where honest and open communication is encouraged and employees feel comfortable raising concerns.

Whilst we believe we have a robust framework in place and an embedded commitment to always doing the right thing, where these high standards have not been met, we encourage our workforce to come forward and speak up via our whistleblowing portal. The portal is accessible 24 hours a day, 365 days of the year through an internet URL and mobile phone app. Our whistleblowing policy aims to encourage openness, reports can be made anonymously and we guarantee legal protection for all whistleblowers, even if they turn out to be mistaken. All reports made through this tool are investigated in line with the Group's whistleblowing policy and are supervised by our independent Non-Executive Directors.

No new whistleblowing reports were received in FY 2024 and two cases, which had been reported in our previous financial year and remained open, were resolved without the need for further action.

Anti-bribery and corruption

We prohibit bribery and all forms of fraud and will take legal or disciplinary action in all cases of actual or attempted fraud across all operations. We have a Group-wide policy, which is reviewed annually by the Audit and Risk Committee, on anti-bribery and corruption which has been circulated to every member of staff globally through the Group's HR portals and QMS systems. Employees receive online training on anti-bribery and corruption to improve their understanding of the Group's requirements and embed compliance. The policy and training modules are available in the four key languages spoken across the Group.

Information systems and technology

The Group believes it has robust and secure information technology (IT) systems with security controls and procedures in place, although we acknowledge that no IT system can be completely secure. The Group IT Manager is responsible for the integrity and security of the IT systems and strategy. The Group has processes in place for externally conducted penetration testing, business contingency, data back-up and recovery, and there are various processes, software and hardware in place to prevent data security breaches and unauthorised access to the Group's systems. These cybersecurity policies and procedures are reviewed annually. The Group also holds regular cybersecurity awareness training for staff in the majority of its operations, to ensure that our employees remain vigilant to cybersecurity breaches.

To further strengthen our overall security position, we have committed to submitting the Information Security Management System (ISMS) of several of our key businesses to be certified by the leading international standard TISAX®. TISAX® provides a catalogue of requirements, covering virtual, physical and social aspects of information security, specific to the automotive industry. This catalogue is referred to as the Information Security Assessment (ISA) and forms the basis of the assessment.

Sustainability continued

Ethics and compliance continued

Information systems and technology continued

This standard also provides the European automotive industry with a consistent, standardised approach to information security systems. It has been developed by automotive industry security experts and is based on international ISMS standard ISO/IEC 27001.

To that end, the Group will be enhancing its current information security practices, technology and procedural controls to identify and protect the information assets it owns or controls to ensure an elevated level of confidentiality, integrity and availability for the benefit of our customers and suppliers.

Tax transparency

The Group is committed to compliance with all applicable tax laws and regulations in all areas it operates in or is required to make filings in. The Group operates a Group-wide anti-facilitation of tax evasion policy which is reviewed annually by our Audit and Risk Committee. All required tax filings are made accurately and on time with the relevant authorities. We are committed to a transparent and open approach to reporting on tax and do not engage in aggressive tax planning or tax avoidance schemes.



Task Force on Climate-related Financial Disclosures (TCFD) report

Climate-related Financial Disclosures

Introduction

Given our global operations and customer base, we recognise the importance of understanding the current and future impacts of climate change on our business. We are committed to minimising the Group's direct impact on the planet with goals to achieve net zero for market based Scope 1 and 2 emissions by 2040 and working to be a net zero organisation by 2050. We have used the Task Force on Climate-related Financial Disclosures (TCFD) recommendations to prepare and protect our businesses and to assess and reduce our greenhouse gas emissions. This year, we conducted a thorough analysis of our climate-related risks and opportunities, evaluating the potential financial implications of these across timeframes and climate scenarios and integrating these considerations into our strategic planning.

This report outlines our oversight of climate-related issues, the Group's incorporation of climate change into our broader risk management processes, our strategies for addressing climate-related risks and the key metrics we use to track progress toward our climate goals. The following pages meet our mandatory climate-related disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. In preparing this report, we have followed the recommendations of the TCFD as set forth in its 2017 guidelines, and the 2021 guidance from 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures'.

Governance

Board oversight

The Board of Directors is responsible for reviewing and guiding the Group's sustainability governance and strategy and for ensuring risks, including climate-related risks and opportunities, are managed throughout the Group. The Board also oversees and monitors progress against our stated net zero goals.

The development and implementation of the sustainability strategy is managed by the Group's ESG Committee, which has overall responsibility for the delivery of the strategy and carrying out actions to mitigate risks and manage opportunities. The ESG Committee is chaired by Louise Evans, Non-Executive Director, and includes both the Chairman and CEO as members. Senior leaders from across the business, representing different Group functions, are also invited to attend ESG Committee meetings as required. The ESG Committee met four times in FY 2024. Three of the five Board members are on the ESG Committee, and the other two Board members also attend the ESG Committee meetings on an ad-hoc basis, so there is strong awareness of sustainability issues at the Board level and the Board maintains regular oversight of the sustainability strategy.

The ESG Committee receives updates from the Net Zero Working Group (NZWG) as well as representatives of each of the different Group functions. The Committee monitors metrics and progress related to improving the climate-related performance of the businesses and addressing climate-related risks and opportunities, such as Scope 1, Scope 2, and select Scope 3 emissions, waste and water usage data and projects for our net zero target.

External specialists Auditel have been appointed to assist the Group in reducing carbon emissions and improve efficiencies. The NZWG, with support from Auditel, is responsible for delivering the Group's carbon reduction plan and implementing the activities and functions required to meet our net zero goals. Auditel representatives attend ESG Committee meetings and provide education and training to the Committee members to ensure they are appropriately skilled and informed to make decisions on strategy relating to climate change.

The Board is also supported by the Audit and Risk Committee which oversees the risk management framework for the Group. This framework is inclusive of environmental and climate-related risks which the Committee keeps the Board informed of at each Board meeting. The Audit and Risk Committee met five times during FY 2024.

The Group Remuneration Committee ensures that climate-related targets, which are reviewed on an annual basis, are integrated into executive remuneration.

Management's role

The NZWG has the management level responsibility for delivering the sustainability strategy and actions to achieve the Group's net zero goals. The NZWG is chaired by the CEO and is made up of representatives from all subsidiaries. As Chairman of the NZWG and a member of the ESG Committee, the CEO is the Board Director with overall responsibility for sustainability across the Group, which includes climate-related risks and opportunities.

Representatives, or Environmental Champions, are recruited from the workforce to help improve environmental performance by raising awareness of environmental issues within their areas. Oversight is also provided by the Group Health, Safety and Environmental Manager, assisted by Auditel.

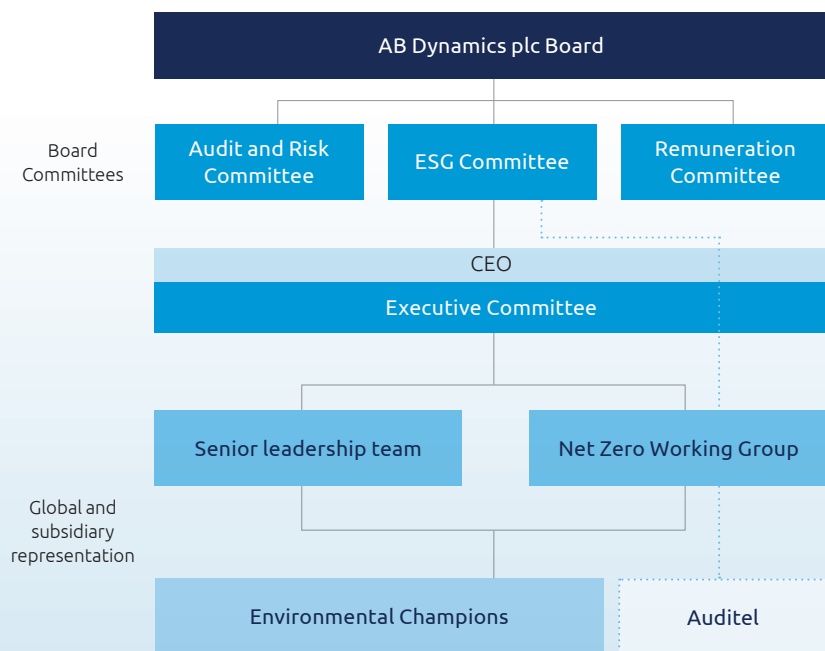
Members of the senior leadership team within the Group are responsible for setting and achieving specific environmental objectives assigned to their respective business unit. This includes monitoring the specific metrics assigned to each climate-related risk and opportunity in order to track progress and working towards our net zero goal through various decarbonisation projects such as energy efficiency efforts and the transition to renewable electricity.

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Governance continued

Management's role continued

The organisational structure of our Group's sustainability governance is as follows:



Risk management

Climate-related risks and opportunities are integrated into the Group's broader business risk assessments and incorporated into the Group risk register, evaluated in the same manner as other Group risks to allow for full comparability. A comprehensive review of our risk register, including an assessment of climate-related risks and opportunities, is conducted annually.

A bottom-up operational assessment of risks and potential mitigation strategies is undertaken across the Group. This bottom-up approach is complemented by a top-down review, ensuring all significant risks are identified, assessed and quantified and that risks and opportunities are considered in AB Dynamics' own operations, its supply chain and downstream.

For potential climate-related physical risks specifically, a risk assessment using geospatial natural hazard mapping software has been conducted at each site. Climate-related transition risks tend to impact the Group in a top-down manner and are assessed as part of the top-down review, which incorporates policy and legal risks as well as any changes to the business, external regulatory developments or operating conditions. These are shortlisted in collaboration with internal stakeholders and senior management.

Mitigation plans are then developed to reduce risks to levels deemed as low as reasonably practicable. The Group's Audit and Risk Committee oversees the risk management framework for the Group, inclusive of environmental and climate-related risks. The CEO is responsible for the implementation of the agreed upon actions relating to climate risks.

Risks are assessed for their likelihood of occurrence and their impact on the business (consequences), were they to occur, to calculate risk scores and outcomes, which inform the current risk profile. Control procedures and actions are overlaid to provide a post-mitigation risk profile and identified risks are recorded both before and after mitigation measures to determine overall risk levels and the approach to management (e.g. further mitigation, accept or control). The Board enacts and monitors specific actions to mitigate material risks, while other risks are managed by local management.

Likelihood of occurrence:

- 1 – Rare (<1% chance)
- 2 – Unlikely (1–10% chance)
- 3 – Moderate (10–40% chance)
- 4 – Likely (40–85% chance)
- 5 – Almost certain (>85% chance)

Consequences:

- 1 – Insignificant (minor problem easily addressed by normal day-to-day processes)
- 2 – Minor (some disruption possible)
- 3 – Moderate (significant time/resources required)
- 4 – Major (severe damage)
- 5 – Catastrophic (business survival at risk)

The two metrics above lead to a risk score (probability x consequences) and an outcome classification.

Score	Classification
1–4	Acceptable
5–7	Acceptable with controls
8–12	Acceptable with monitored actions
>12	Unacceptable

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Strategy

All risk and opportunity categories outlined in the TCFD guidance have been considered to ensure the completeness of this assessment. However, not all categories were deemed applicable or material to the business. Risks and opportunities have been assessed qualitatively and quantitatively and prioritised using the scales of our risk framework. In addition, climate scenario analysis was carried out during FY 2024 to model risks and opportunities under different climate expectations to help determine our business resilience to climate change.

Our risk assessment and climate scenario analysis has shown that, in aggregate across all scenarios assessed, the overall climate risk exposure for AB Dynamics is minor and we believe we are financially resilient and strategically robust to climate change. Our current understanding of climate-related risks is that any impacts on assets is limited and risks can be accommodated within business-as-usual activity considering existing and planned mitigation strategies. Physical risks are likely to increase in severity and frequency in the long term but the projected impact on assets remains minor and current mitigation in place should withstand weather events. Climate-related matters therefore do not have a material impact on the judgements and estimates applied in the financial statements as a result.

We recognise the significant climate impact of the automotive industry and the exposure of the industry to climate-related transition risks through regulation on internal combustion engines. However, due to the nature of the products and services offered by the Group, our business is well positioned to adapt to these changes and is less exposed to transitional risks compared to the wider industry.

In fact, the climate transition offers opportunities to the Group through increasing demand for our simulation products and systems, which enable customers to test in a virtual environment and therefore reduce their emissions in comparison to real-world testing. In addition, the Group will continue to assist in the roll-out of EVs, with the emergence of new vehicle models requiring additional development work, testing and validation. These opportunities are likely to increase across all timeframes as OEMs adapt to stringent regulation around fossil fuels and internal combustion vehicles and move towards lower-carbon alternatives. In aggregate, the estimated impact of our potential opportunities is greater than that of our climate-related risks.

As we strive to achieve net zero, climate-related risks and opportunities will play a central role in shaping the Group's strategy and planning, reaffirming our commitment to combating climate change and fostering a sustainable future.

Risks are subject to ongoing refinement and quantification over time, which enables us to build a complete picture and assists with incorporating the management of any climate-related risks into the ongoing strategy. Scenarios will be supplemented with additional sources that are specific to each risk to inform any assumptions included in projections.

Our risk register is not aligned with formal time horizons; however, the following timeframes have been applied when assessing climate-related physical and transitional risks:

	Time horizons		
	Short	Medium	Long
Timeframe	2024–2026	2027–2040	2040–2050
Rationale	In line with going concern assessment period.	Encompassing the Group's ambition to be net zero for Scope 1 and 2 emissions by 2040.	Long enough to encompass long-term industry and policy trends, such as UK Net Zero 2050, and for climate-related risks to manifest.

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Key risks

Physical risks

To assess current and potential future physical climate-related risks at our facilities, we used a geospatial climate risk modelling software which thoroughly evaluates exposures to natural hazards based on historical data and future projections derived from climate change models. It was deemed unnecessary to carry out a physical risk analysis on the Group's suppliers or customers due to our well diversified supplier and customer base and given the Group does not rely overly on niche or unique resources or products.

Three scenarios have been used for analysis of climate-related physical risks. These are developed by the Intergovernmental Panel on Climate Change (IPCC) and are the default scenarios in the software.

- **RCP 2.6/SSP1**¹: a climate-positive pathway, likely to keep global temperature rise below 2°C by 2100. Global GHG emissions are projected to peak in the early 2020s, followed by rapid and deep GHG emission reductions
- **RCP 4.5/SSP2**: an intermediate baseline scenario more likely than not to result in global temperature rise between 2°C and 3°C, by 2100 with a mean sea level rise 35% higher than that of RCP 2.6

- **RCP 8.5/SSP5**: a bad case scenario where the global response to mitigating climate change is limited and global temperatures rise between 4.1–4.8°C by 2100. This scenario is included for its extreme impacts on physical climate risks

Through a combination of the likelihood of an event occurring, the material importance of the location and the potential financial impact, we have identified one climate-related physical risk that may have an impact on the Company.

Risk description	Area	Potential financial impact	Mitigation/actions to manage risk	Related metrics	Time horizon	Likelihood	Consequences	Scenario where risk is most severe
Flood disruption and damage								
Three of our business locations have been identified as being currently exposed or projected to be exposed to flood risk through severe precipitation or river flood. These were our track testing services business based in California, our on-road testing services business based in China and our sales and support office in Japan.	Own operations	<ul style="list-style-type: none"> • Loss of revenue due to operational disruption and reducing productivity • Asset damage costs • Increased insurance costs 	<ul style="list-style-type: none"> • Insurance coverage • Sales offices have ability to work remotely 	<ul style="list-style-type: none"> • Number of days and revenue lost due to disruption • Cost of asset damage/replacement • Insurance costs 	All time horizons	Moderate	Minor	RCP 8.5

¹ IPCC (2014), Climate Change 2014: AR 5 Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Key risks continued

Transition risks

AB Dynamics is exposed to both risks and opportunities associated with the transition to a low-carbon economy. The speed at which this transition occurs will influence the severity and impact of these climate transition risks and opportunities.

Two scenarios were used for analysis of transition risks, with a horizon of 2050. These scenarios are derived from the International Energy Agency (IEA) and are supportive in modelling positive climate outcomes.

- **Net Zero 2050 (NZE):** an ambitious scenario which sets out a narrow but achievable pathway for the global energy sector to achieve net zero CO₂ emissions by 2050. This meets the TCFD requirement of using a 'below 2°C' scenario
- **Stated Policies Scenario (STEPS):** a base case scenario which represents the roll forward of already announced policy measures. This scenario outlines a combination of physical and transition risk impacts as temperatures rise by around 2.5°C by 2100 from pre-industrial levels, with a 50% probability

Based on a combination of the likelihood of an event and the potential financial impact, we have identified two potentially significant climate-related transition risks and two potentially significant climate-related transition opportunities. These risks and opportunities have been assessed on a gross level, assuming no mitigating actions have been implemented.

TCFD category	Risk description	Area	Potential financial impact	Mitigation/actions to manage risk	Related metrics	Time horizon	Likelihood	Consequences	Scenario where risk is most severe
Carbon price in own operations and value chain									
Current and emerging regulation	Carbon pricing represents a risk of higher energy prices or direct costs related to our Scope 1 and 2 emissions. IEA forecasts an increase in carbon prices under both NZE and STEPs. Carbon pricing could also be imposed in the value chain; however, it is uncertain when this will occur and how much will be passed to AB Dynamics.	Own operations and upstream	<ul style="list-style-type: none"> • Potential carbon tax related to GHG emissions in own operations and higher costs on purchases related to Scope 3 emissions • Greater costs associated with emissions activities 	<ul style="list-style-type: none"> • Current and planned initiatives to reduce energy consumption and Scope 3 emissions and targets for decreased emissions across full footprint • Full Scope 3 carbon footprint to be completed to understand the risk fully • Engagement with suppliers 	<ul style="list-style-type: none"> • Scope 1 and 2 emissions • Scope 3 emissions (purchased goods and services and upstream transportation and distribution) • Operating costs 	Medium to long term	Moderate	Minor	NZE
Failure to meet/maintain expected sustainability credentials									
Reputation	Our stakeholders expect us to demonstrate progress toward the Group's publicly disclosed net zero goals and maintain our current credentials. Failure to meet this obligation could damage our reputation amongst investors and customers.	Own operations	<ul style="list-style-type: none"> • Shareholder concern resulting in increased cost of capital and loss of investment • Loss of customer trust, competitive advantage and potentially supplier status could lead to reduced revenue 	<ul style="list-style-type: none"> • Continuous improvement in sustainability reporting to align with external frameworks and rating agencies • Publish a full transition plan to meet net zero target • Communication with stakeholders 	<ul style="list-style-type: none"> • Scope 1, 2 and 3 emissions • ESG rating agency scores • ISO 14001 certification • Revenue • Cost of capital 	Short to medium term	Unlikely	Minor	NZE

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Key risks continued

Transition opportunities

TCFD category	Opportunity description	Area	Potential financial impact	Strategy/actions to manage opportunities	Related metrics	Time horizon	Likelihood	Consequences	Scenario where opportunity is greatest
Aiding the transition to a green economy									
Products and services, Markets	We are well placed to capitalise on the continued transition to EVs, with new vehicle models driving increased demand for our products and services. Similarly, our simulation offerings and the retrofit capability offered by ABD Solutions, which will enable our customers to reuse existing vehicles to automate vehicle applications, are well positioned to grow as our customers seek to achieve their own sustainability targets.	Own operations	<ul style="list-style-type: none"> Increased revenue from the expanding EV market New revenue streams for retrofit solutions of autonomous systems in adjacent markets Increased market share where our offerings assist sustainability targets 	<ul style="list-style-type: none"> Marketing strategy to communicate our ability to meet sustainability requirements Continue to develop ABD Solutions to meet market needs R&D investment strategy to adapt to market and industry changes 	<ul style="list-style-type: none"> Revenue Market share 	Medium term	Likely	Moderate	NZE
Renewable energy									
Energy source	We have the opportunity to reduce emissions, mitigating any costs of carbon pricing and potentially operating costs through transitioning to green energy. By generating our own renewable energy in the long term through on-site installations, we can also improve business resilience to the transition to a low-carbon economy.	Own operations	<ul style="list-style-type: none"> Reduced operating costs for energy Reduced impact of carbon pricing in own operations Reduced energy bills through generation of own renewable energy on site 	<ul style="list-style-type: none"> Transition of overseas subsidiaries to renewable energy where possible Further implementation of green energy initiatives, for example the installation of additional solar panels across our sites 	<ul style="list-style-type: none"> Scope 2 emissions Energy consumption Operating costs 	Medium to long term	Likely	Minor	NZE

Metrics and targets

AB Dynamics currently reports in compliance with UK SECR regulations, providing metrics on our energy consumption, Scope 1, Scope 2 and select Scope 3 emissions, including those related to water supply and treatment, and business travel. Emissions are calculated in accordance with the GHG Protocol.

We are expanding our Scope 3 emissions coverage and during the year we undertook a comprehensive project with external advisers to better understand our Scope 3 baseline carbon footprint, allowing us to begin to collect data from new categories for the UK part of our business. Note that the data relating to these new categories is not yet available for the global Group and is therefore excluded from the GHG emissions values disclosed for the Group.

For full details of the Group's GHG emissions data, see pages 44 and 45.

As we improve the collection of this data across the Group, we will become increasingly better positioned to set specific carbon footprint reduction targets to assist in mitigating the risks discussed under risks one and two above.

Against each of the climate-related risks and opportunities, we have identified specific metrics that will be used to track and monitor progress. Our overarching target for net zero by 2040 across Scope 1 and 2 emissions is a major contributing factor behind mitigating our risks and impacts. The Group also has a longer-term target to be a net zero organisation by 2050. In addition, Anthony Best Dynamics Limited and AB Dynamics

GmbH have subsidiary level targets to reduce electricity and gas usage by 5% per annum as part of their certified ISO 14001 Environmental Management Systems.

Variable remuneration for our Executive Directors is linked to the achievement of sustainability metrics. In FY 2024, executive bonuses included a 5% weighting for meeting sustainability targets/metrics. Future remuneration plans are reviewed by the Remuneration Committee.

The Group currently has no plans to introduce an internal carbon pricing mechanism for capital investments but, as per the carbon pricing risks outlined above, we monitor and plan for operational carbon prices using the IEA forecasts.

S172(1) statement and stakeholder engagement

Engaging with our stakeholders

CUSTOMERS

AB Dynamics works with the biggest names in the automotive industry (including OEMs, proving grounds and motorsport teams).

Understanding our customers underpins the success of our business. Regular engagement ensures that the Group continues to operate with a 'customer first' attitude. We see customer satisfaction as an important aspect of our Group performance overall. This enables us to identify any changes required to our services and to deliver continuous improvements.

Aims and objectives for our stakeholders

- Delivery – on time and on budget
- Safety
- Value
- Relationships
- Quality
- Service and support

How we engage

- Regular contact through key account managers and support engineers
- Programme of webinars
- Attendance at industry events
- Customer surveys

Outcomes

- High level of engagement across all our customer groups

PLEASE REFER TO OUR BUSINESS MODEL ON PAGES 14 AND 15 FOR MORE INFORMATION

INDUSTRY BODIES

In the complex and fast-moving automotive area, which is driven by innovation, data technologies, customer demand and budget constraints, policymakers and regulators face tremendous challenges to formulate effective, evidence based and future-proof standards that improve safety, enhance environmental performance and serve the public interest. Productive engagement with industry bodies and trade associations is increasingly necessary and enables the Group to keep abreast of changes in the industry and lead our sector to make real improvements in both safety and environmental performance.

Aims and objectives for our stakeholders

- Safety in the community
- Focus research to improve safety
- Environmental performance
- Global improvement of industry standards
- Human factors

How we engage

- Membership of or engagement with over 18 industry bodies, including research organisations, certification and/or standards committees in the UK, Europe, the USA, Asia and Australia
- Chair of various committees related to motorcycle and passenger car safety and human factors
- Attendance at industry events
- Speakers at industry events

Outcomes

- Increased participation at industry events including showcasing the launches of our new products

INVESTORS

The support of our investors is vital to the long-term performance and success of the Group.

As an AIM listed company it is important to provide our shareholders with reliable, timely and transparent information. Our shareholders are constantly evaluating their portfolios and considering their exposure in our stock. To maintain a loyal shareholder base, it is important that we keep them well informed. We provide them with information to ensure their understanding of the business is up to date and enable them to make informed decisions.

Aims and objectives for our stakeholders

- Financial performance
- Governance
- People and culture
- Sustainability initiatives and environmental management

How we engage

- Annual Report and Accounts
- AGM
- Group website: www.abdplc.com
- Investor roadshows
- Results presentations
- Stock exchange announcements
- Investor visits and ad-hoc meetings and correspondence throughout the year
- Open days
- Investor Meet platform for retail investors

Outcomes

- Approval of all our resolutions at our AGM in 2024
- High engagement on our site visit held at our main UK site
- Positive investor feedback on engagement, accessibility and transparency
- Nominated for Best Investor Communication Award at the AIM Awards 2024

PLEASE REFER TO THE STATEMENT OF CORPORATE GOVERNANCE ON PAGES 70 TO 79 FOR MORE INFORMATION

S172(1) statement and stakeholder engagement continued

EMPLOYEES

With over 500 employees spread across the globe, the engagement and commitment of our employees are key to the Group's resilience and continuing success.

Our strength is in the products and services we provide through our people. Therefore, it is important to have a strong culture and invest time and effort in building diverse, skilled, motivated and highly trained teams.

Aims and objectives for our stakeholders

- Remuneration and reward
- Employee training and development
- Company reputation
- Health and safety
- Diversity and inclusion
- Employees' wellbeing
- Talent management

How we engage

- Through sector and business unit line managers
- Inductions
- Employee training
- HSE reviews
- Support women in engineering
- Community outreach
- The CEO's full-year and half-year presentations on strategy and Group performance

Outcomes

- Our staff have an average length of service of over four years (excluding VadoTech Group)

PLEASE REFER TO OUR PEOPLE ON PAGES 36 TO 41

SUPPLY CHAINS

Our external supply chains are an integral part of our business and effective engagement with our suppliers is an essential element of our ability to perform.

Our suppliers provide a range of parts and services. The smooth functioning of our business depends upon the performance of those suppliers. Regular engagement ensures that we can maintain good relationships, and that the business, and its customers, are not exposed to unnecessary risks.

Aims and objectives for our stakeholders

- Good working relationships
- Supply chain resilience
- Prompt payment
- Quality and reliability

How we engage

- Provision of Group policies to suppliers
- Supplier conferences and workshops
- Supplier due diligence
- Supplier quality assurance
- Ensure prompt payment of suppliers in accordance with agreed terms and conditions

Outcomes

- Our subsidiaries are responsible for agreeing prompt payment terms; for more information please see page 47
- We have sought to strengthen our supplier relationships as a way to manage the risk to our supply chain, which has included engagement with some new suppliers

COMMUNITIES

The Group has long-term links with many of the communities within which it operates, most notably Bradford on Avon and the counties of Somerset and Wiltshire, UK, where we are headquartered and around half of our employees are based.

We see ourselves as part of the communities in which we live and work. Our active contribution and engagement with those communities is an important part of who we are and we are working to improve this engagement in all our locations.

Aims and objectives for our stakeholders

- Support our local communities
- Encourage participation and diversity within STEM environment
- Encourage participation within our industry segment

How we engage

- Sponsorship and charitable donations
- Employee volunteering
- University partnerships
- STEM ambassadors

Outcomes

- The Group has continued to enable each employee to spend two volunteering days a year to lead engagement in projects in their communities

PLEASE REFER TO OUR PEOPLE ON PAGES 36 TO 41

Risk management

How we manage risk

To ensure sustainable delivery of shareholder value, the Group has implemented a risk management framework and management structure that ensure risks are identified, assessed and mitigated wherever possible. It is recognised that certain risks are beyond the control of the Group; however, the Board is committed to the protection and enhancement of the assets and reputation of AB Dynamics.

Methodology

The Board has overall responsibility for the management and maintenance of systems and processes to manage risk and ensure delivery of our strategic priorities.

Risk management responsibility is set out in the displayed structure. The Audit and Risk Committee has responsibility for reviewing the effectiveness of the risk management framework and internal controls and ensures that the Group is in full compliance with relevant regulations and laws, supported by the Company Secretary. Executive Directors have responsibility for overall management and delivery of the strategy, considering the risk environment and regular review of the risk management framework.

Senior management within the individual operating companies is then responsible for identifying and recording risks, implementing agreed mitigation actions, ensuring compliance with Group internal controls and ensuring compliance with relevant local laws and regulations.

Although the Group does not currently have a dedicated internal auditor, the function of internal audit is carried out by Group finance, supported by the Company Secretary. Its responsibility is to monitor compliance and conduct or, where appropriate, commission specific reviews.

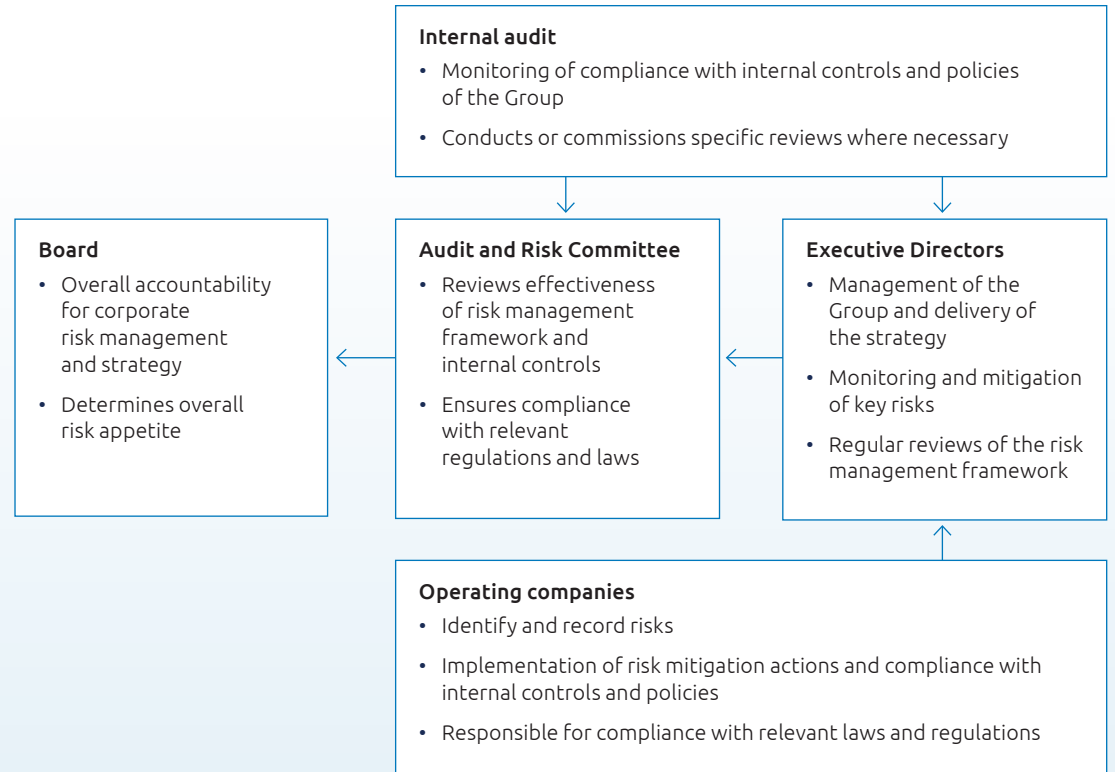
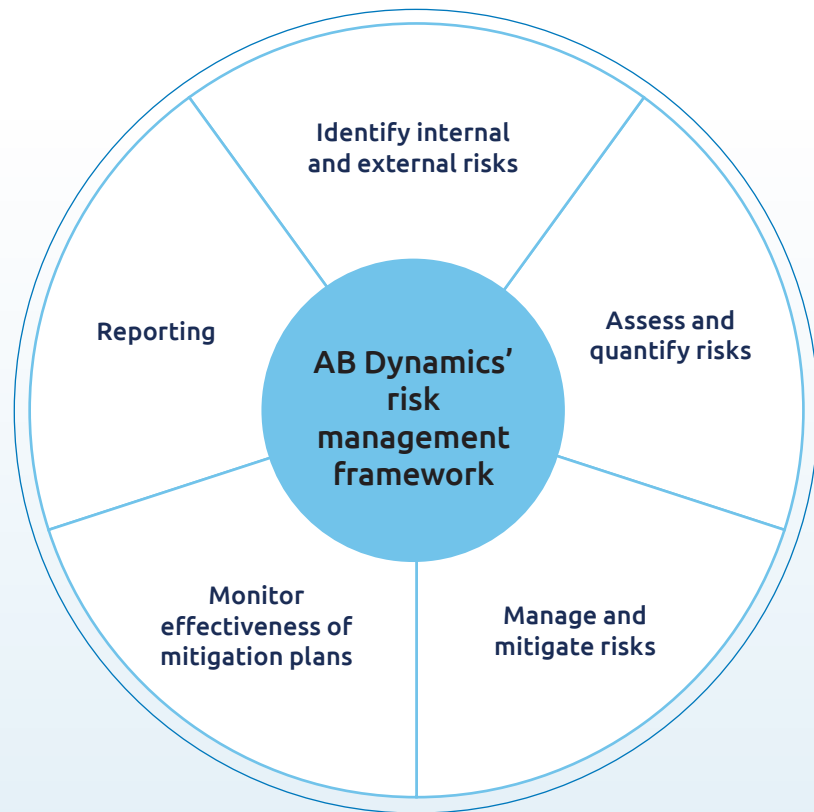
The Board has developed the framework to identify and manage risks, set the risk appetite of the Group and determine the overall risk tolerance levels.

A bottom-up risk analysis is undertaken considering detailed individual risks that fit into five main categories: strategic, operational, financial, environmental and compliance. This is combined with a strategic top-down review to ensure that all appropriate risks are identified, assessed and quantified. Mitigation plans and actions are then put in place to ensure risks are reduced to a level that is as low as reasonably practicable.

The risks are assessed both pre and post-mitigation to identify the overall risk level based on a combination of probability of occurrence and the magnitude of potential consequences. For identified risks that are considered by the Board to be material, the Board monitors specific actions to mitigate these risks. For all other risks, the actions are implemented at local management level and are reviewed regularly by Executive Directors and the Executive Committee.

“Our approach to risk is intended to protect the interests of all our stakeholders. We continue to assess and prioritise the risks related to our strategic objectives and their impact on the principal risks.”

Risk management continued









Principal risks and uncertainties

Managing our risks throughout the Group







Change  Increased  No change  Decreased

Strategic risk







Downturn or instability in major geographic markets or market sectors	Supply chain disruption	Loss of major customers and change in customer procurement processes	Failure to deliver new products	Dependence on external routes to market	Acquisition integration and performance
<p>Description</p> <p>Adverse changes in macroeconomic conditions in key territories or specific automotive markets, including China, or the impact of other events such as a pandemic or international conflicts could potentially reduce or delay demand for the Group's products and services. Inflationary cost pressures and a recessionary environment could result in a reduction in orders, or delay in placement of orders.</p>	<p>Description</p> <p>The availability of key components has led to increased supply chain risk. Increased input costs lead to pressure on margins.</p>	<p>Description</p> <p>Loss of a significant customer to competition could result in reduced revenues.</p> <p>Change in procurement processes could lead to pricing pressure.</p>	<p>Description</p> <p>With industry and regulatory development, the Group needs to ensure new product development responds to changes in the market with new products delivered on time and to budget.</p>	<p>Description</p> <p>The Group uses several agents and resellers to address particular geographic markets:</p> <ul style="list-style-type: none"> • Risk of reduced revenues if agreements end at short notice • Limited control of market pricing with resellers • Potential financial consequences on termination 	<p>Description</p> <p>The Group has completed several acquisitions. There is potential for acquisitions to not deliver the expected performance, resulting in a potential financial impact.</p>
<p>Mitigation</p> <ul style="list-style-type: none"> • Revenue spread across a range of geographic markets • Active safety and autonomous vehicle technology required despite automotive downturn • New strategy and action plan implemented to enter adjacent markets • Constant monitoring of market trends, drivers and needs to ensure market leadership 	<p>Mitigation</p> <ul style="list-style-type: none"> • Dual sourcing for key components wherever possible provides mitigation for key suppliers or a tooling failure • Maintaining safety stock levels sufficient to protect against short-term disruption • Flexibility in production scheduling to mitigate price increases • Price increases to customers mitigate impact of inflationary cost pressures on margins 	<p>Mitigation</p> <ul style="list-style-type: none"> • We do not have any customers which represent more than 10% of Group revenue • Continued product development and high levels of customer service to retain key customers • Long-term relationships with all key customers • A significant proportion of our revenue now relates to recurring software licences, support contracts and long-term arrangements with customers 	<p>Mitigation</p> <ul style="list-style-type: none"> • Process for identifying new product opportunities established • New product development process implemented 	<p>Mitigation</p> <ul style="list-style-type: none"> • Direct sales model in key territories with offices in Germany, the USA and Japan • The Group will maintain agents and resellers in other territories as appropriate • Risks relating to financial consequences are understood and all transitions managed to minimise potential quantum of termination payments 	<p>Mitigation</p> <ul style="list-style-type: none"> • Extensive financial, commercial and legal due diligence • Appropriate warranties and indemnities from sellers • Use of earnout deal structures to ensure management incentivisation and continuity • Recruitment of senior management across all functional areas, to support acquisitions • Close management and monitoring of business performance against budget
<p>Change</p> <p>No change </p>	<p>Change</p> <p>No change </p>	<p>Change</p> <p>No change </p>	<p>Change</p> <p>No change </p>	<p>Change</p> <p>No change </p>	<p>Change</p> <p>No change </p>

Principal risks and uncertainties continued

Operational risk

Cybersecurity and business interruption	Competitor actions	Loss of key personnel	Threat of disruptive technology	Product liability	Failure to manage growth
<p>Description</p> <p>Risk of malicious cyber attack on Group IT systems or significant failure of IT infrastructure, particularly with increased remote working and the general increase in risk in the cybersecurity environment.</p>	<p>Description</p> <p>Competitors may develop new technologies and/or products which may restrict revenue growth. Competitors may establish physical assets in key locations.</p>	<p>Description</p> <p>In previous years, the Group had dependence on a small number of key individuals which could affect future business growth if they left the Group.</p>	<p>Description</p> <p>Unforeseen new and novel technology, including AI, displaces the need for Group products and services, or replicating the intellectual property of the Group. Uncontrolled use of AI may result in unintentional sharing of intellectual property. Simulation potentially reduces the volume of physical testing products.</p>	<p>Description</p> <p>Risk that products supplied by the Group fail in service and result in a claim under product liability, particularly during the introduction of new products.</p>	<p>Description</p> <p>Rapid growth places demand on the Group's management and resources. Suitable facilities are required to support the current and forecast demand of the market. Failure to ensure adequate capability and capacity could result in reduced revenues and/or growth.</p>
<p>Mitigation</p> <ul style="list-style-type: none"> Findings from external audits have been actioned Current TISAX accreditation underway Cyber Essentials certification achieved in the UK Implementation of a new cloud based CRM/ERP system Implementation of enhanced security around remote access 	<p>Mitigation</p> <ul style="list-style-type: none"> Constant product and technology development Monitoring of competitors and the IP/patents to ensure no infringement of Group intellectual property Monitoring of competitor product launches and territory actions 	<p>Mitigation</p> <ul style="list-style-type: none"> Expansion of staff headcount and specific actions around succession planning and talent management Strong staff retention rate with average length of service of more than four years Recruitment and training of new management Broadening of the senior management team 	<p>Mitigation</p> <ul style="list-style-type: none"> Constant horizon scanning of new technologies Engagement with customers and regulators to ensure we meet their current and future requirements Established simulation capability and invested in infrastructure, systems and processes for growth to ensure the Group can address both virtual and real-world testing Use of AI within the business is controlled and restricted to Microsoft based products 	<p>Mitigation</p> <ul style="list-style-type: none"> Robust product development process ensuring products are safe and fit for purpose Monitoring and investigation of any issues experienced Established quality system to ensure that manufactured products meet the design standard Suitably qualified and experienced engineering and technology staff Product liability insurance policy in place 	<p>Mitigation</p> <ul style="list-style-type: none"> Strategic priority placed on Group's capability and capacity Implementation of a three-year financial model which determines requirements for people, facilities and equipment Scope for further operating expansion within existing footprint. Resources available for further expansion as necessary Implementation of appropriate IT infrastructure through comprehensive CRM/ERP system Overseas offices established in the USA, Germany and Japan to support customers and product installed base
<p>Change</p> <p>Increased </p>	<p>Change</p> <p>No change </p>	<p>Change</p> <p>No change </p>	<p>Change</p> <p>Increased </p>	<p>Change</p> <p>No change </p>	<p>Change</p> <p>No change </p>

Principal risks and uncertainties continued

Financial risk			Compliance risk	Environmental risk	
Foreign currency	Counterparty risk	Credit risk	Intellectual property/patents	Environmental risk	
<p>Description</p> <p>The Group operates internationally and is exposed to both transactional and translational foreign exchange risk. The main currencies to which it is exposed are the euro and US dollar. Exposure to the Japanese yen is expected to grow.</p> <p>The risk is enhanced by macroeconomic factors including geopolitical conflicts, potential disruption in China, inflationary cost pressures and a recessionary environment and related currency volatility in the overseas entities.</p> <p>Mitigation</p> <ul style="list-style-type: none"> • The Group finance function monitors currency forecasts to review the net exposure on revenue and costs • Majority of the Group's revenues are contracted in GBP • Use of foreign currency contracts to hedge remaining exposure where appropriate 	<p>Description</p> <p>The Group has exposure to counterparty risk in relation to cash deposits. The risk is enhanced by recent banking failures.</p> <p>The Group also operates in areas where a potential cash repatriation risk arises.</p> <p>Mitigation</p> <ul style="list-style-type: none"> • Counterparty credit ratings are monitored on a regular basis • Cash deposits are spread across a number of different counterparties • Cash exposed to repatriation risk is kept to a minimum and monitored on a regular basis 	<p>Description</p> <p>The Group has the potential to be exposed to bad debt risk from customers; however, there is no history of material bad debt in the business.</p> <p>Mitigation</p> <ul style="list-style-type: none"> • Risk is assessed on a case-by-case basis and payment terms are established according to risk • Advance payments and letters of credit used where appropriate 	<p>Description</p> <p>The Group benefits from a lower corporation tax rate on profits attributable to certain UK patents under the Patent Box regime. It also benefits from the UK Research and Development Expenditure Credit scheme. Any changes to these tax reliefs could result in an increase in the Group's effective rate of tax.</p> <p>The Group's subsidiaries operate across a number of tax jurisdictions which exposes the Group to transfer pricing compliance risk on intercompany transactions.</p> <p>Mitigation</p> <ul style="list-style-type: none"> • Transfer pricing risk is monitored on a regular basis and transfer pricing documentation maintained 	<p>Description</p> <p>The Group utilises its intellectual property to deliver product and service revenue. Intellectual property theft and/or infringement could adversely affect product sales.</p> <p>Mitigation</p> <ul style="list-style-type: none"> • The Group has patented technology, where appropriate, that covers the key sales territories • Where products are not able to be protected through patents, design features and/or encryption are used to protect the core IP • Continual review of current patent and IP status and review of new products/technology conducted to ensure IP is protected 	<p>Description</p> <p>Failure to identify and effectively manage climate change risks and opportunities could result in decreased demand for our products and services as well as loss of customer confidence.</p> <p>Mitigation</p> <ul style="list-style-type: none"> • ESG Committee formed in FY 2021 with responsibility for the creation of sustainability policies and framework while promoting sustainable long-term growth • Continued focus on building the medium-term plan for achieving net zero targets • Current development of a Group environmental policy • Carbon footprint baseline established • Formation of the Net Zero Working Group
<p>Change</p> <p>Increased </p>	<p>Change</p> <p>Increased </p>	<p>Change</p> <p>No change </p>	<p>Change</p> <p>Increased </p>	<p>Change</p> <p>No change </p>	<p>Change</p> <p>Increased </p>

Dr James Routh
Chief Executive Officer
26 November 2024

Non-financial and sustainability information statement

This section of the Strategic report constitutes the Group's Non-financial and sustainability information statement and addresses the requirements of Sections 414CA and 414CB of the Companies Act 2006. The non-financial information is included within the various other sections of the Strategic report and is cross-referenced below.

Reporting requirements	Relevant policies which govern our approach	Where to read more	Page
Environment matters	<ul style="list-style-type: none"> Environmental policy 	<ul style="list-style-type: none"> Embedding sustainability Environment TCFD report 	32 to 33 42 to 46 50 to 55
Employees	<ul style="list-style-type: none"> Salary planning policy Performance planning & review policy Health and safety policy Mental health and wellbeing policy Employee development programme Whistleblowing policy Travel policy 	<ul style="list-style-type: none"> Health and safety Our people Ethics and compliance 	34 to 35 36 to 41 48 to 49
Social and community matters	<ul style="list-style-type: none"> Social media policy Volunteering policy 	<ul style="list-style-type: none"> Embedding sustainability Our people 	32 to 33 36 to 41
Respect for human rights	<ul style="list-style-type: none"> Human rights policy Equality, diversity and inclusion policy Modern slavery policy 	<ul style="list-style-type: none"> Ethics and compliance 	48 to 49
Anti-bribery and corruption	<ul style="list-style-type: none"> Anti-bribery policy Anti-facilitation of tax evasion policy Competition and anti-trust policy Conflicts of interest policy 	<ul style="list-style-type: none"> Ethics and compliance 	48 to 49
Business model		<ul style="list-style-type: none"> Investment case Our markets and strategy M&A strategy Our business model Operational review 	4 to 5 8 to 11 12 14 to 15 20 to 25
Stakeholders		<ul style="list-style-type: none"> S172(1) statement and stakeholder engagement 	56 to 57
Risk management	<ul style="list-style-type: none"> Internal control manual 	<ul style="list-style-type: none"> TCFD report Risk management Principal risks and uncertainties 	50 to 55 58 to 59 60 to 62
Non-financial key performance indicators	<ul style="list-style-type: none"> Environmental policy Health and safety policy 	<ul style="list-style-type: none"> Health and safety Our people Environment 	34 to 35 36 to 41 42 to 46