

AB DYNAMICS™



Performance driven

AB Dynamics plc Annual Report 2023

Strategic report

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Driving performance across all areas of the business

A platform for growth

Having invested in our Group product range, capability, leadership and new product development and leveraging our existing core strategy and technologies, the Group has delivered a strong set of results, and has built a solid foundation for growth and long-term sustainability.



Investment case

Read more about our investment case on page 05



Our markets

Read more about our markets on page 08



Our strategy

Read more about our strategy on page 11



Highlights of 2023

Strong financial performance and sustainable growth

Operational highlights

- Record revenue and operating profit along with improvement in operating margin
- Continuing progress made in the strategic initiative to open up new markets beyond automotive
 - ABD Solutions won a £1m contract for delivery of a retrofit pedestrian detection system for construction machines for delivery during FY 2024, illustrating the wide range of applications for its technology
- VadoTech has been awarded an extension of its existing contract to provide testing services in Beijing, as well as a new, smaller contract to provide similar services near Shanghai
- The integration of Ansible Motion is continuing as planned and the business has delivered a strong performance since acquisition in September 2022
- New product development continues in line with the technology roadmap for existing track testing and simulation markets and development of the core technology for ABD Solutions
- Along with the launch of the new range of ADAS motorcycle and pedestrian dummies, and LaunchPad Spin, the Group has also released ray-tracing capability for its simulation software
- Well placed to sustain growth momentum into the medium term, supported by:
 - Strong organic growth across automotive markets, supported by regulatory tailwinds and rapid technology change, with a greatly strengthened operational and commercial platform
 - The substantial opportunity beyond automotive markets presented by ABD Solutions, transitioning from technology development to commercialisation
 - Significantly enhanced simulation and software capabilities enabled by the expanded product range created through the acquisitions of rFpro and Ansible Motion
 - A strong financial position that provides scope for further value-enhancing growth investment in FY 2024 and beyond

Financial highlights

Revenue

£100.8m +21%

(2022: £83.2m)

Adjusted* EBITDA

£20.5m +18%

(2022: £17.3m)

Adjusted* operating profit

£16.6m +21%

(2022: £13.7m)

Adjusted* operating margin

16.5% +10 bps

(2022: 16.4%)

Net cash

£32.0m

(2022: £29.2m)

Adjusted* diluted earnings per share (EPS)

60.8p +26%

(2022: 48.1p)

Dividend per share

6.36p +20%

(2022: 5.30p)

The comparatives for the prior period have been restated to reflect a timing difference from a different interpretation of the accounting standard regarding revenue recognition. Revenue from contracts with two customers was previously recognised over time and has been restated to point in time (note 29).

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

At a glance

Developing our business

Track testing

Track testing products and services represent 68% of total Group revenue. The products are used during road vehicle development for the test and verification of Advanced Driver Assistance Systems (ADAS), autonomous systems and vehicle dynamics. Test vehicles and ADAS platforms, such as the Guided Soft Target (GST) and LaunchPad, are controlled using complex control software for accurate control and synchronisation of multiple test objects.

This enables our customers to conduct complex, multi-object test scenarios with a simple-to-use software interface to satisfy internal or external regulatory test requirements.

The Group provides testing services including the provision of ADAS and vehicle dynamics tests through a comprehensive test facility based in California, USA. The Group also offers on-road testing services, with operations in China and Germany.

Laboratory testing and simulation

Laboratory testing and simulation represents 32% of total Group revenue and includes simulation software and products relating to simulation, noise and vibration and the assessment of kinematics and compliance in vehicles. 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 products along with our market-leading physics based simulation software reduce new vehicle development timescales, risk and costs by allowing meaningful evaluation earlier in the development process.



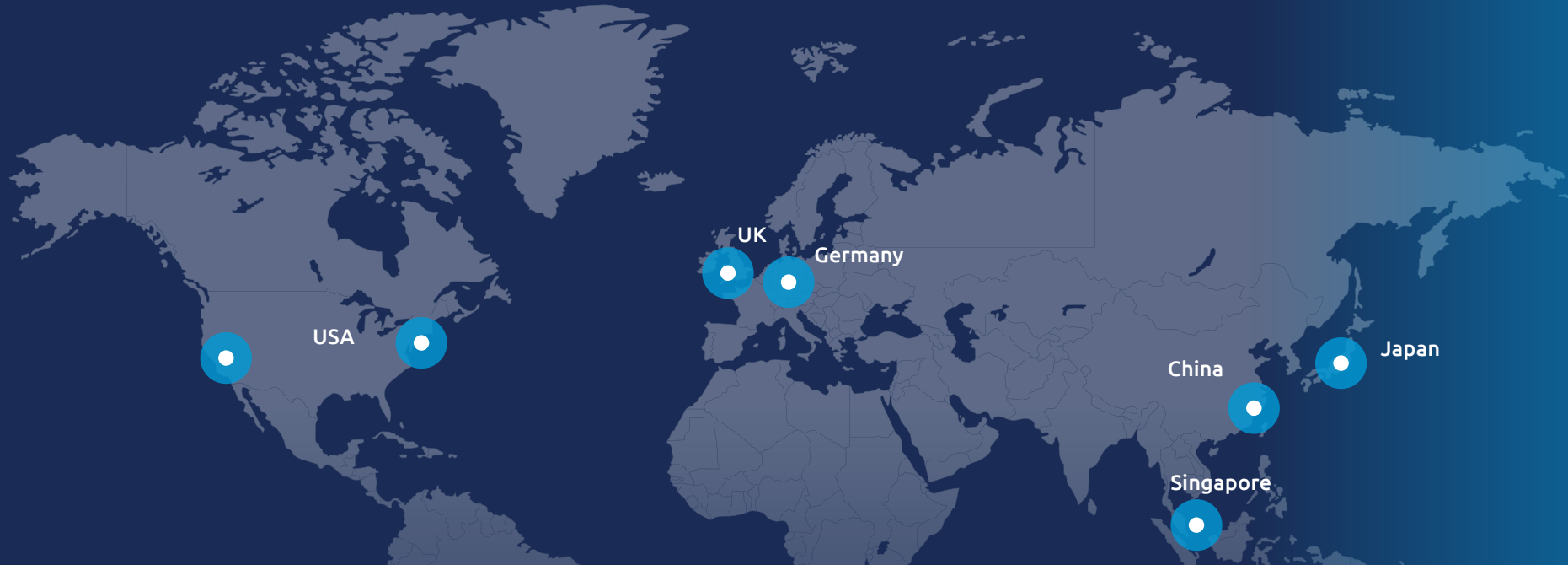
Delivering a platform for growth

As we expand our portfolio of products and services, we are reducing our reliance on specific market sectors and geographic territories. Continued progress in our diversification strategy through ABD Solutions, the introduction of new testing products to market and the successful integration of Ansible Motion into the Group has resulted in increased revenues and a broader customer base.

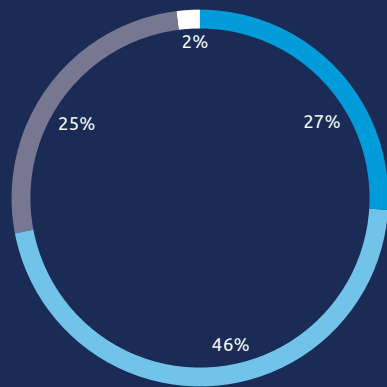
ABD Solutions leverages the core technologies of AB Dynamics into new adjacent markets where the customer is the end user of the equipment, developing solutions to automate vehicle applications specifically in the mining and specialist vehicles sectors. ABD Solutions enables vehicles and machines to benefit from autonomy. The Group's unique expertise lies in vehicle actuation, with the knowledge and skills to bring autonomy to existing fleets quickly and cost-effectively by modernising existing assets.

In the developing area of simulation, the acquisition of Ansible Motion has brought critical mass to the Group's existing capability across simulators and simulation software, bringing additional opportunities for growth.

At a glance continued



Global sales revenue by region



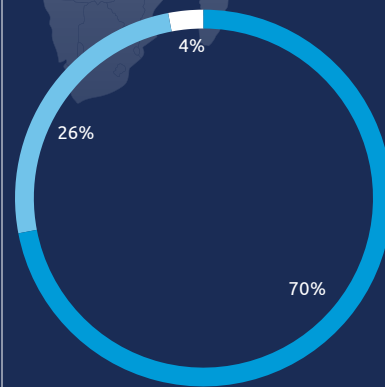
- UK/Europe
- Asia Pacific
- North America
- Rest of World

Revenue by sector



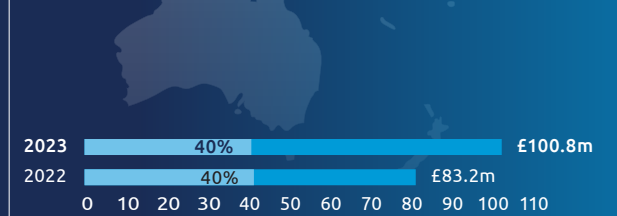
- Laboratory testing and simulation
- Track testing

Revenue by customer category



- Automotive OEMs
- Service providers
- Tier 1 suppliers and technology

Proportion of recurring revenue*



- Recurring
- Original equipment

* Recurring revenue is defined as revenue from annual software licences, service and support contracts and testing services contracts.

How we have evolved

Responding to market drivers for improved safety and increasing automation

Along with investing in new product development in our core and adjacent markets, we have invested in capabilities in terms of talent and leadership and built a solid foundation as a platform for sustainable long-term growth through engineering innovation and strategic acquisitions.

Our investment case on page 05

AB Dynamics today



Track testing products and services

A range of products used in development, testing and certification of ADAS on automotive vehicles, to conduct complex, multi-object vehicle test scenarios on test tracks and proving grounds. All share a common, easy-to-use software interface that makes programming simple and straightforward. Products include Driving Robots, ADAS targets, drive-by-wire systems, path following and synchronisation software, a full proving ground management solution and high-performance wireless telemetry systems allowing reliable data transfer from vehicle-to-vehicle and vehicle-to-base.



Laboratory testing and simulation

Simulation

The AB Dynamics simulation product family includes workstation, desktop, static and dynamic variants for use in automotive and motorsport applications. All systems are controlled by simulation software that is agnostic to both models and visualisation solutions. The AB Dynamics software tool chain enables the simulators to seamlessly share scenarios with our track test systems, thereby reducing the time required for effective real-world validation of virtual world results. This means timescales are reduced and development activities are more productive.



Laboratory testing equipment

High-precision motion control and measurement capabilities, used across our range of automotive measurement and analysis products. Our class-leading SPMM (suspension parameter measurement machine) has been chosen around the world for over 25 years and is complemented by our systems for testing steering systems and measuring suspension system noise, vibration and harshness (NVH).



ABD Solutions

ABD Solutions accelerates the transition to autonomy by providing retrofit solutions across mining and specialist vehicles. Indigo Drive is an end-to-end system providing a software and hardware solution allowing our customers to go driverless in off highway applications.

Read more on page 12

Vehicle development end-to-end toolchain

Investment case

Market leader in growing markets

1

Structural and regulatory growth drivers across all our markets

- We operate in long-term growth markets supported by favourable regulatory environments and global focus on active safety and autonomous systems development
- Growth in the number and complexity of new vehicle ADAS tests drives growth in product sales
- Our offering spans both physical and simulated testing across ADAS, autonomous vehicle R&D and vehicle testing
- We are using our core technology portfolio to leverage adjacent markets including mining, specialist vehicles and defence
- We have a global presence and diverse geographic end markets
- We have a significant proportion of recurring revenue with our increased service and support offering and software sales

Read more about our markets on page 08

2

Highly resilient business solving customers' sustainability challenges

- The wider focus on road safety and reduction in accidents as well as the focus on electric vehicle and battery technology is an important long-term trend that will support continued growth
- The focus on electric vehicle and battery technology supports our growth as the emergence of new vehicle models requires additional development work, testing and validation
- We actively focus on the wellbeing of our workforce through a strong health and safety culture and employee engagement and assistance
- Our global, diversified customer base provides resilience. With direct sales and support facilities in the UK, Germany, Japan, China, Singapore and the USA and indirect sales channels in all other key customer territories; we are well placed to deliver support where our customers need it

Read more in our Chief Executive Officer's review on page 16

3

Strong margins with clear strategy for expansion

- Highly differentiated products and strong, long-term relationships with customers underpin strong margins
- Continued investment in innovation to deliver differentiated products will drive strong gross margins
- Ability to increase prices enables maintenance of gross margins during inflationary periods
- Investment in people, business systems and capacity will deliver future efficiencies and margin expansion
- Current investment in ABD Solutions impacts overheads and margins during the pre-revenue phase. Additional margin expansion will be delivered once this new business unit delivers positive contribution

Read more in our Chief Financial Officer's review on page 26

4

Highly cash generative with clear capital allocation framework

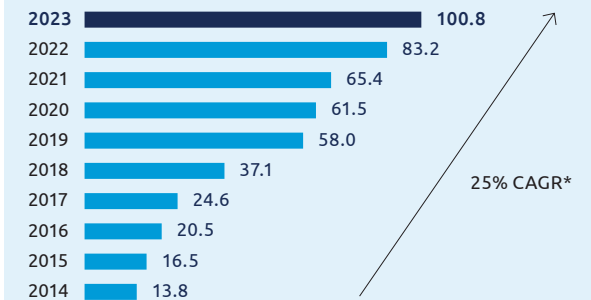
- Our strong cash generation enables us to fund ongoing investment in organic growth across our core markets and ABD Solutions, to strengthen business infrastructure for the next phase of expansion and to fund acquisitions
- Our capital allocation priorities are: investment in innovation to grow core business; investment in ABD Solutions; bolt-on acquisitions; and our progressive dividend policy

Read more about our capital allocation framework on page 16

Strong revenue growth

With a track record of revenue growth and strong margins, we deliver sustainable value for our stakeholders through our market-leading engineered products and services and strategic acquisitions. Our strong cash generation and clear capital allocation framework enables us to invest for future growth.

Revenue £m



* Compound annual growth rate (CAGR).



Great teamwork

Our teams collaborate across different geographies and different product lines to deliver solutions to customers.

Read more about our people on page 36

Chairman's statement

Driving performance across all areas of the business



“The Group delivered excellent financial results, demonstrated good progress against our strategic priorities to strengthen our platform for growth and has a strong balance sheet to support that growth.”

Richard (Dick) Elsy CBE
Non-Executive Chairman

Highlights

- Continued investment in new product development and expansion of our service offering in our core markets
- Good progress made by ABD Solutions to develop and commercialise our offering for adjacent markets
- Acquisition of Ansible Motion strengthens our simulation offering

Overview

I am pleased to report a year of very positive financial and strategic performance for the Group.

The Group continued to focus on building a sustainable and resilient business. Overall results for the year showed revenue growth of 21% to £100.8m of which 7% was organic growth, and a 21% increase in operating profit to £16.6m, driven by increases across both 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 in our strategy to diversify the business and expand into adjacent markets. 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.

The acquisition of Ansible Motion expands our capability in the key simulation sector and I am pleased to report that the integration has been successfully completed.

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

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 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 470 employees, with around half located in the UK. The Board takes our responsibility towards employee engagement and development seriously. A particular highlight of the year was the culmination of our first Professional Development Programme for emerging talent to develop our future leaders.

Investments

The acquisition of Ansible Motion 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.

ESG

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 ESG strategy. The Board is committed to ongoing improvements in all aspects of ESG.

Further information on our approach to ESG can be found on pages 32 to 49 and the activities of the ESG Committee are summarised on page 80

Chairman's statement continued

Corporate governance

Strong corporate governance and risk management is an essential element of the Board's activities and is key to ensuring ongoing stability and growth of the Group. I am pleased to confirm that AB Dynamics plc is in compliance with the Quoted Companies Alliance (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 ESG 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 67 to 75.

Dividend

Based on the strong financial performance and the Board's confidence in continued growth and delivery in 2024, the Board is recommending a final dividend of 4.42p per share payable on 28 February 2024 subject to shareholder approval at the AGM. The ex-dividend date will be 8 February 2024 and the record date will be 9 February 2024. The total dividend for the year will therefore be 6.36p per share, which is an increase over the prior year of 20%, continuing the Board's progressive dividend policy.

Outlook

AB Dynamics operates within markets that are supported by long-term regulatory and structural growth drivers in automotive and holds an enviable 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 strategic clarity 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
Chairman
23 January 2024

Talent development



Our first twelve-month Professional Development Programme (PDP) was completed in June. We held a closing event which entailed all twelve participants presenting to the programme's mentors, the Group senior leadership team and our Board of Directors.

The purpose of this programme is to identify and advance high performing people within our organisation to develop their skills to maximise the impact they make in their careers as well as to promote their own personal development.

[Read more on page 39](#)

Our markets and strategy

Road safety

Structural drivers

The automotive sector continues to evolve and adapt to the structural and regulatory changes driving rapid unprecedented change. The global challenge of climate change is driving strong demand for the acceleration of the implementation of electric vehicles and the ongoing societal need for improvements in road safety is driving the development of ADAS and increasing levels of autonomous systems.

Continued emergence of new entrants into the automotive market, particularly in electric vehicles and autonomy, has placed additional pressures on traditional automotive OEMs to rapidly develop new technologies. Therefore, the sector remains heavily focused on R&D in the following key areas:

- active safety and ADAS systems;
- electric vehicle and battery technology;
- assisted driving technologies that support automated highway driving; and
- autonomy and increasingly automated driving functions.

The growing use of simulation is accelerating the efficiency and speed of development, allowing customers to test in a virtual environment.

These clear market drivers align with the mission and ESG aims of AB Dynamics to assist the sector to improve road safety and aid the global drive towards net zero emissions. The development of ADAS has already led to significant improvements in road safety in Europe and Japan. As these technologies are implemented and regulated in low and middle-income countries, this will ultimately significantly reduce the estimated 1.35m road deaths globally per year with pedestrians, cyclists and motorcyclists making up more than half of all road deaths.

Link to strategy



Our mission is to accelerate our customers' drive towards net zero emissions, improving road safety and the automation of vehicle applications.

Regulatory drivers

The market for ADAS and active safety continues to be driven by regulation such as EU General Safety Regulation/UNECE, in the USA, the National Highway Traffic and Safety Administration (NHTSA), and consumer-facing safety organisations such as European New Car Assessment Programme (Euro NCAP).

Consumer testing

Safety ratings from consumer organisations such as Euro NCAP, Japan NCAP and China NCAP are often more stringent than regulation. In order to receive an NCAP safety rating, vehicles must pass an increasing number of tests. These tests will drive demand for our products.

In 2014, the number of ADAS test scenarios performed for Euro NCAP ratings was 18; this has grown to in excess of 500. In 2023 Euro NCAP updates included new tests designed to reward vehicle systems that protect motorcyclists. These test scenarios include collision with the rear of a motorcycle braking in queuing 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. They also included tightened criteria for commercial van ratings, with the expectation that by 2026 commercial vans should have the same ADAS requirements as passenger vehicles. Euro NCAP also introduced the Safer Trucks campaign providing a Truck Safe City and Highway rating scheme.

Euro NCAP's 2030 roadmap confirms Euro NCAP's commitment to drive further improvements in vehicle safety focused on four core areas: Safe driving, crash avoidance, crash protection and post-crash safety. The Group's track testing products form an essential part of the testing for two of the core areas - safe driving and crash avoidance technologies.

Link to strategy



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' latest and most capable platforms (LaunchPad 80, Soft Motorcycle 360 and GST 120).

Euro NCAP test scenarios

2025+ Vehicle-to-vehicle communication	700+
2023 AEB junctions	591
2020 Enhanced Vulnerable Road User tests	491
2018 Enhanced AEB	277
2016 Lane departure warning	84
2014 AEB car to car	18

LaunchPad Spin and the Soft Pedestrian are on the candidate list for Euro NCAP accreditation.

Regulation

In 2022, new UNECE (United Nations Economic Commission for Europe) regulations came into force 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 a second phase, to be implemented in July 2024, extends this requirement to all 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.

The accompanying legislation also gives new powers for market surveillance authorities to monitor real-world performance of these systems. Importantly, the authority is not limited to carrying out the specific tests defined by the type approval regulations, they can test for broader requirements. This means that vehicle manufacturers must meet the wider requirements of the regulation and not just pass the specific tests. For ADAS

Our markets and strategy continued

Links to strategy



Product and innovation



Acquisitive growth



Service and support



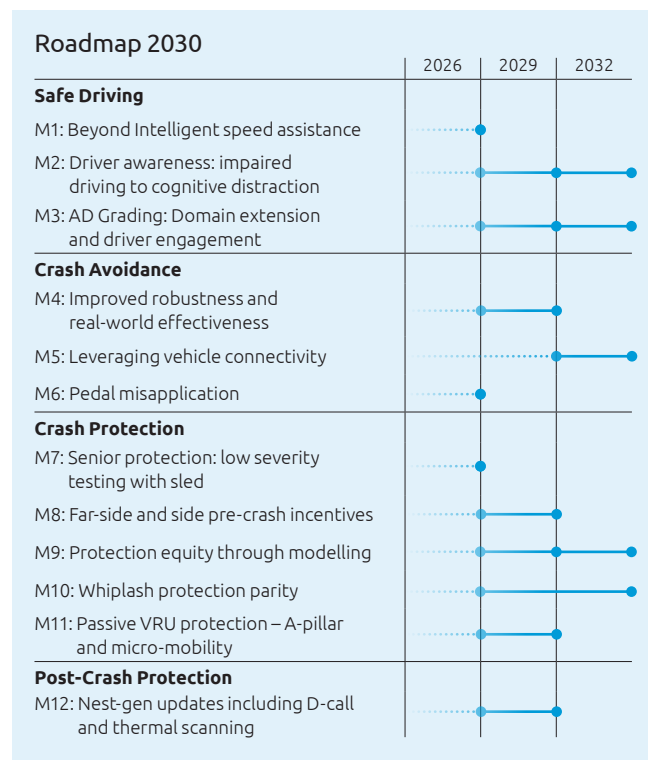
Capability and capacity



Diversification



International footprint



Regulation continued

based scenarios, this may include testing the vehicle at a variety of approach speeds, offsets and loading and lighting conditions, driving increased need for test equipment.

In the USA, the National Highway Traffic and Safety Administration (NHTSA) operates a similar ratings scheme to Euro NCAP but functions as a government regulator. 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. NHTSA's recent notice of intended rule making marks its intention to mandate the use of ADAS technologies. Testing of this capability is expected to closely mirror those functions tested by Euro NCAP, but compliance will be mandated through federal regulation, rather than through consumer bodies such as Euro NCAP.

Market size and growth rates

Road safety addressable market

Based on data collated in 2021, the total addressable market size is approximately £1.4bn.

The largest single sector is track testing. The core track testing products sector represents approximately £100m market size with strong growth in ADAS platforms offset by a more stable market for driving robots. AB Dynamics also operates track testing services through its testing facility in Bakersfield, USA, and on-road testing services through VadoTech in Asia Pacific. The laboratory testing equipment and simulation market continues to grow and represents approximately £190m.

Overall compound annual growth rate in the existing addressable market is forecast to be 15% per year.

Simulation

The market for the simulation division comprises the capability and experience to deliver complete end-to-end vehicle simulation systems including simulator hardware, simulation software, integration, consultancy, training and aftermarket support. Our Driver in the Loop (DiL) driving simulators put humans in contact with new vehicles before they have been physically prototyped to reduce vehicle development timescales and costs by enabling meaningful virtual testing earlier in the development process. The broad portfolio of dynamic DiL simulators offers high dynamic performance and large motion envelopes to provide solutions for a wide range of applications in both the automotive and motorsport markets. rFpro offers real-time simulation software and digital twins used to accelerate vehicle development including testing and validation of assistance systems, autonomy and vehicle dynamics. The combination of our expertise in simulator hardware

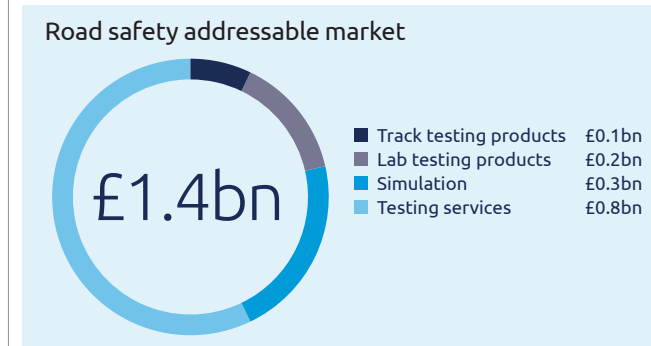
and software solutions offers an unparalleled level of technical integration for our customers.

Simulation addressable market

The total vehicle simulation industry is currently estimated to be valued at approximately £1.6bn per annum globally with an expected CAGR of 13%. The size of the advanced DiL simulator sub-sector is currently estimated to be valued at approximately £120m with an expected CAGR of 5%. The size of the real-time simulation software sub-sector for motorsport, automotive and ADAS/autonomous vehicles (AV) development is currently estimated to be valued at approximately £300m with an expected CAGR of 25%.

The factors influencing this growth include:

- **Product development:** use of simulation to reduce vehicle development timescales and costs by enabling meaningful virtual testing earlier in the development process.
- **Safety:** introduction of ADAS systems is growing, simulation enables virtual testing to evaluate systems in a safe environment and to assess driver acceptance.
- **Autonomous vehicles:** approximately \$50bn investment over the past five years in the development of AV technology, with 70% of the investment coming from other than the automotive industry. These AV start-ups are embracing simulation to reduce time to market.



Our markets and strategy continued

Vehicle applications

Structural drivers

Outside of the automotive sector, other industries such as mining, defence and specialist vehicles are increasingly seeking to automate vehicle applications to improve operational safety and/or increase productivity and efficiency.

Operational safety and vehicle efficiency are the market drivers for mining applications. Transport accounts for 40% of all accidents and 60% of all deaths in quarries. Mining has the potential to be the fastest growing market with forecast growth of approximately 50% compound annual growth rate. Demand for solutions to mitigate operational safety and efficiency risks is a clear market driver for vehicle applications, whilst also aligning with the strategic objectives of the Group.

ABD Solutions' mission is to make the route to autonomy faster, delivering retrofit solutions that drive safety and efficiency in existing fleets. Vehicle applications for the key addressable markets solve problems with labour shortages, human limitations, downtime and managing dangerous environments.

ABD Solutions' technology and expertise addresses the challenges faced by our customers to enhance safety, productivity and utilisation, while realising cost reductions and increased productivity through fast, retrofit applications, tailored for specific environments and customer requirements.

Vehicle applications addressable market

With the introduction of ABD Solutions, our addressable market has increased significantly with large growth opportunities across our key target markets of mining, specialist vehicles and defence. Analysis of these specific markets shows a total addressable market size of £4.8bn and a compound annual growth rate over the next five years of 25%.

These three target markets can be sub-divided into those driven by operational safety (mining and defence) and those driven by productivity and efficiency (mining and specialist vehicles). The markets can be further characterised by lower volume/higher price point (mining and defence) and higher volume/lower price point (specialist vehicles).

Mining has the potential to be the fastest growing market with forecast growth of approximately 50% compound annual growth rate (CAGR) based on assumptions around the global mining truck equipment population and rates of adoption of automated technologies. The global autonomous mining truck market is forecast to be valued at \$1.6bn in 2025 and is projected to reach up to \$12.5bn by 2035. Autonomous haul trucks in operation are expected to exceed 1,800 by the end of 2025/26 (currently 700+). The current global equipment population includes 55,000 mining trucks representing the largest addressable market. The anticipated growth is driven by the need to improve operational safety, removing the driver of large mining trucks from hazardous environments, and also protecting other personnel from accidents. In addition, the mining sector has high operating costs in terms of personnel due to the often remote and less hospitable locations.

Defence is forecast to grow at 16% CAGR over the cycle, driven by the need to improve operational safety and, where possible, remove armed forces personnel from certain hazardous operations such as route clearance, counter-IED and logistics in theatres of operation. Global events are impacting near-term opportunities but mid-term collaboration opportunities remain.

The specialist vehicles market is diverse and covers a range of applications including warehousing, ports, and airport baggage handling, etc. The addressable market for automating these applications is forecast to grow at 14% CAGR and is driven by the need to reduce operating costs and improve efficiency.

Vehicle applications addressable market



Combined market size and growth

Overall, the combined market size of the existing AB Dynamics business, plus the addressable markets introduced through ABD Solutions, provides an overall addressable market of approximately £6.2bn, with a CAGR of 24% over the five-year cycle.

Link to strategy



Our markets and strategy continued

Delivering on our strategy

Progress has been made across all our strategic objectives, most notably diversification from the launch of ABD Solutions and growth through the acquisition of Ansible Motion.



Product and innovation

Strategic objective

Market-led new product development with a focus on research and innovation.

Achievements

- LaunchPad Spin released to the market
- Soft Motorcycle 360 received Full Euro NCAP accreditation, with other new products the LaunchPad Spin and Soft Pedestrian on the Euro NCAP candidate target list
- New range of Soft Targets launched to market

Future outlook

Continued focus on capabilities for ADAS testing requirements as well as a continued effort in developing leading physics based simulation software. Sustainable revenue growth.



Capability and capacity

Strategic objective

Building a platform for long-term sustainable growth.

Achievements

- Embedded new ERP system and new business processes in the UK

Future outlook

Foundations to support current and future growth.



Acquisitive growth

Strategic objective

Clear and defined acquisition criteria of value-enhancing companies that facilitate the Group's strategic priorities.

Achievements

- Integration of Ansible Motion strengthens our simulation market position
- Pipeline of strategic, value-enhancing targets

Future outlook

Further develop pipeline of potential acquisition targets. Deliver further value-enhancing acquisitions to support organic growth strategy delivery.



Diversification

Strategic objective

Diversification into new adjacent markets utilising the Group's core technology and capability.

Achievements

- ABD Solutions delivering as per plan and transitioning from development to commercialisation
- Digital twin developed providing operational environment validation and a platform for accelerated product testing
- Autonomy partnership has been agreed with Australian based Jevons Robotics

Future outlook

Continued development of core modular technologies required for a market focus on mining and defence.



Service and support

Strategic objective

Transition towards a greater proportion of software as a source of higher margins and recurring revenues meet the market's needs as requirements become more complex.

Achievements

- Increase in software sales of 17% and stabilised recurring revenue at 40%
- Expanded our customer support offering

Future outlook

Continue to focus on developing solutions which promote recurring revenue and meet the needs of a changing and complex market.



International footprint

Strategic objective

Increase the Group's international footprint in customer-led locations to increase customer intimacy, customer support and market intelligence.

Achievements

- Successfully expanded to all major customer regions
- Strategic partnerships now supporting the growth in the simulation business
- ABD Solutions focused on new geographical areas such as Australia

Future outlook

Continue to drive a direct sales channel model and increase customer intimacy.

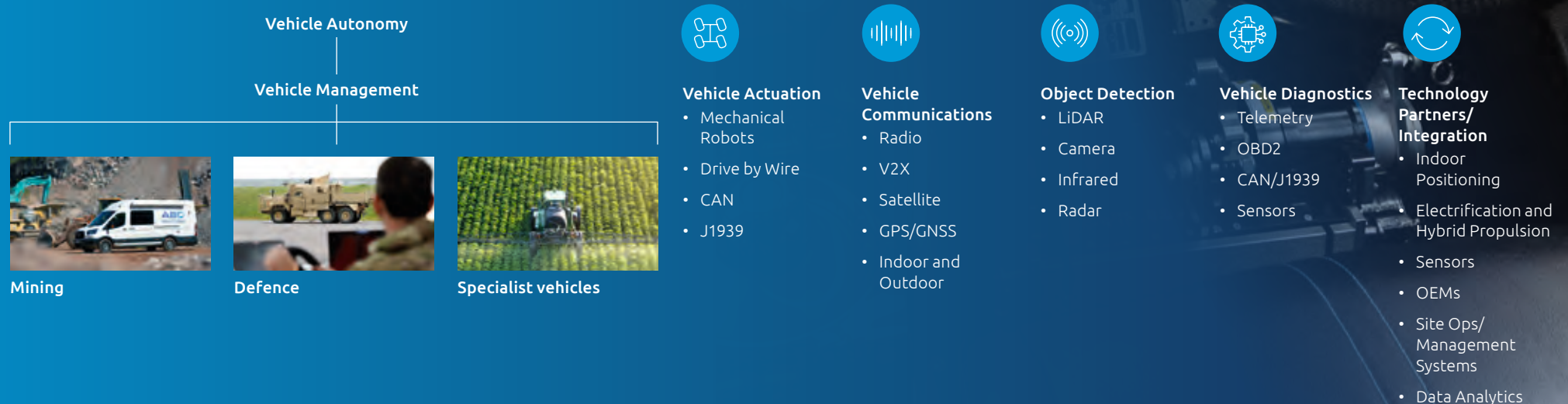
ABD Solutions

Driverless solutions

ABD Solutions enables vehicles and machines to benefit from autonomy. The Company's unique expertise lies in vehicle actuation, with the knowledge and skills to bring automation to existing fleets quickly and cost-effectively by modernising existing assets.

The business is progressing well against its strategic objectives, with continued focus on the automation of vehicle applications in three primary market sectors, mining, specialist vehicles and defence. ABD Solutions has been successful in developing the core modular technology Indigo Drive, its end-to-end autonomy system of user-friendly software and vehicle-agnostic hardware allowing any land vehicle to be automated.

Fleet management system



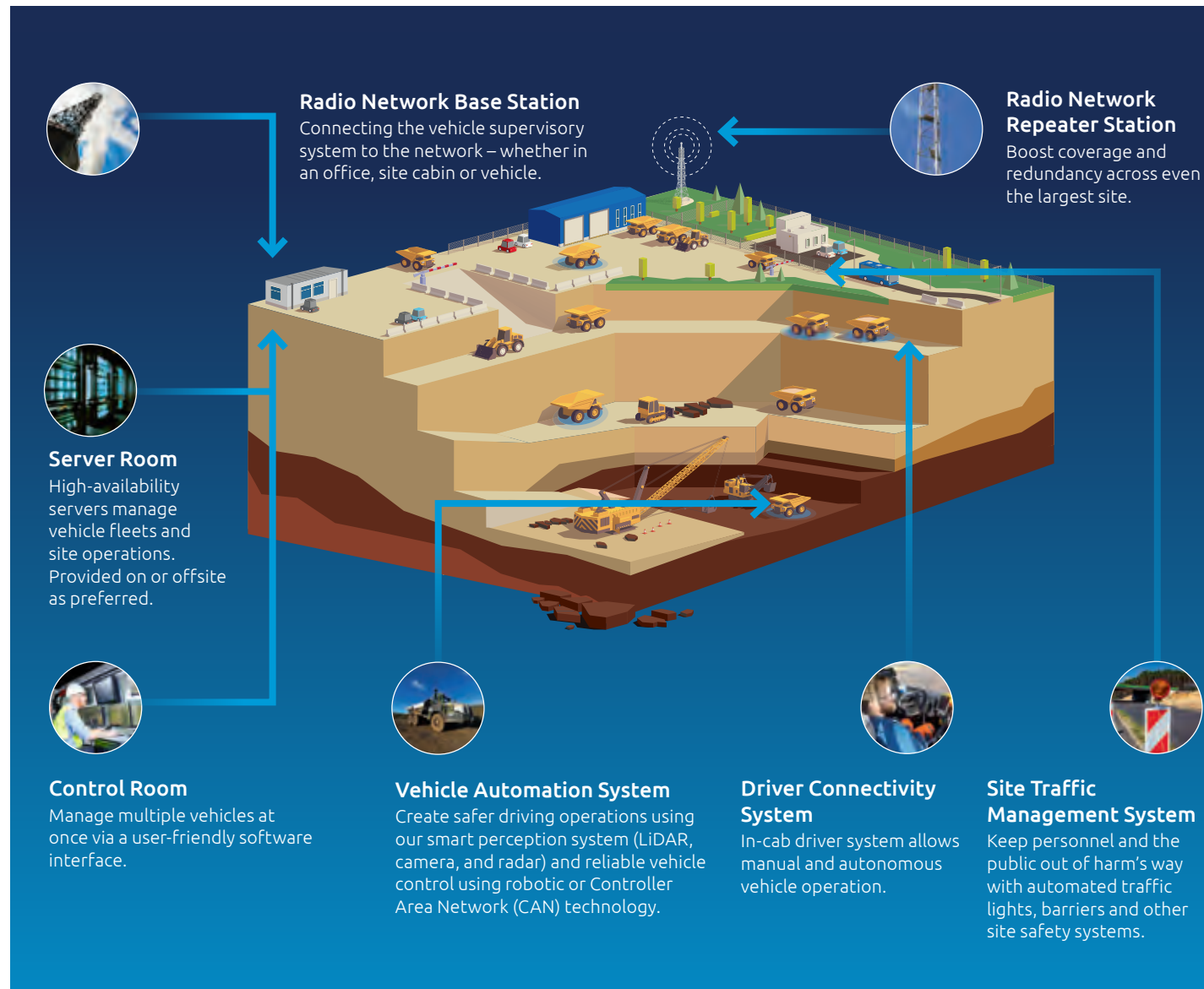
ABD Solutions continued

Highlights 2023

- ABD Solutions continues to deliver against the 18-month R&D contract for a major Japanese mining partner
- Digital twin developed providing operational environment validation in simulation and a platform for accelerated product testing
- Indigo Drive – market-leading, functionally safe and cyber secure autonomy solution development on plan with final system testing, validation and certification ongoing
- Global demonstrations on mining vehicles completed throughout 2023
- Contract awarded of £1.0m for pedestrian detect and warn solution for a global construction equipment provider
- An autonomy partnership has been agreed with Australia based Jevons Robotics
- Strong pipeline established for vehicle retrofit solutions and CAN based technology stack vehicle applications

By creating driverless fleets and enabling tasks to become automated, Indigo Drive increases safety, efficiency and productivity on even the most hazardous sites by removing people from high-risk scenarios, providing greater operational efficiency and reducing fuel consumption and vehicle emissions. Being retrofittable, it also maximises the investment of existing high-value assets, significantly extending their usable life.

ABD Solutions ecosystem



Business model

Creating value for stakeholders

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.

Customer relationships

Long-term relationships with all major automotive OEMs and test facilities enable us to provide support tailored to their needs and also assist in early identification of trends.

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.

Supplier relationships

We work closely with our suppliers and take the steps necessary to ensure their performance meets our expectations.

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 distribution and representatives in other locations to expand our reach.

How we create value



Building a broader based business to drive sustainable growth

Underpinned by our values

Business model continued

Our business



Track testing

Track testing products and services are used for the test and verification of ADAS, autonomous systems and vehicle dynamics. Vehicles and ADAS platforms, such as the GST and LaunchPad, are controlled using complex control software for accurate control and synchronisation of multiple test objects.

This enables our customers to conduct complex, multi-object test scenarios with a simple-to-use software interface to satisfy internal or external regulatory test requirements.

The Group also provides test services including the provision of ADAS and vehicle dynamics tests through a comprehensive test facility based in California, USA and on-road testing services, with operations in China and Germany.



Laboratory testing and simulation

Laboratory testing and simulation includes products relating to simulation, noise and vibration and the assessment of kinematics and compliance in vehicles, and simulation software. 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 products along with our market-leading physics based simulation software reduce new vehicle development timescales and costs by allowing meaningful evaluation earlier in the development process.

The value we create

Customers

We provide innovative solutions tailored to customers' specific needs.

Employees

We are committed to providing a safe and rewarding working environment.

Suppliers

We work closely with our suppliers, with a reputation for integrity and ethical behaviour.

Investors

Through the execution of our strategy we grow the value of our shareholders' investment over time.

Communities

We engage positively with our local communities and offer support through charitable giving and volunteering.

Environment

We are fully committed to reducing our own environmental impact by lowering our energy consumption, and helping our customers drive towards net zero emissions.

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.

Our values:

Customers

People

Diversity

Innovation

Excellence

Responsibility

Chief Executive Officer's review

Well placed for continued growth



“The Group has delivered a strong performance in FY 2023, demonstrating the benefits of the investment made in recent years in the commercial and operating capability of the business.”

Dr James Routh
Chief Executive Officer

Capital allocation

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

1

Continuous organic investment and innovation to protect and grow core business

2

Organic investment into ABD Solutions driving growth in adjacent markets by leveraging core technology

3

Complementary acquisitions contributing to one or more of the Group's stated strategies

4

Progressive dividend policy

Overview

I am pleased to report that the Group delivered a strong set of results driven by recent investments in its commercial and operating capabilities and underpinned by positive market dynamics in both segments. The Group has evolved significantly over the last four years, building a solid and scalable platform from which to capitalise on a multi-year growth opportunity.

The Group delivered record levels of revenue and operating profit, while continuing investment to support its long-term growth objectives.

The Group continued to deliver against its strategic priorities by launching new products, developing its service offering to drive recurring revenues and delivering on its diversification plans through progress in ABD Solutions. The acquisition of Ansible Motion also expanded its presence in the simulation market, complementing the existing product range.

The Group is well positioned, with market-leading products and services, and remains supported by regulatory and structural growth drivers that provide a strong position for continued growth and performance during FY 2024.

Financial performance

The Group delivered significant revenue growth in the year of 21%, to £100.8m (2022: £83.2m). The second half of the year was particularly strong with revenue of £51.7m (H2 2022: £42.5m), a record half-year period. This growth was delivered despite the ongoing impacts of inflation and supply chain constraints, which were successfully mitigated through proactive inventory management and price increases to the market.

The growth in revenue was delivered by a large increase in laboratory testing and simulation revenue, up 74% due to the contribution of Ansible Motion as well as a significant increase in SPMM revenue driven by an increase in demand and timing of delivery for new units. Track testing saw more modest growth of 6% overall due to reduced testing services revenue impacted by local lock downs in China and the availability of new vehicles for

Chief Executive Officer's review continued

Highlights 2023

- The Group delivered significant growth in revenue up 21% to £100.8m
- Strong growth in both simulation and laboratory test equipment
- ABD Solutions technology and product offering in final testing stage with a good pipeline of commercial opportunities
- Investment into new facilities and SPMM testing as a service at our Bakersfield, California test facility
- Ansible Motion has been fully integrated and performed in line with expectations

Financial performance continued

testing in H1 2023. The proportion of recurring revenue was stable at 40% (2022: 40%). This level of recurring revenue is expected to remain stable ahead of new market offerings which will be released in the near future.

Group adjusted operating profit increased by 21% to £16.6m (2022: £13.7m), an increase in adjusted operating margin of 10bps to 16.5% (2022: 16.4%). The increase in operating margin was due to increased levels of activity and enhanced performance initiatives offset by the investment in ABD Solutions to support our strategic long-term growth plan. Excluding ABD Solutions the operating margin increased to 18.3% (2022: 18.2%). Overall Group gross margins improved by 290bps to 59.5% (2022: 56.6%) due to operational efficiencies and completion of a high margin simulator contract.

Group adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 18% to £20.5m (2022: £17.3m), an EBITDA margin of 20% (2022: 21%). The Group delivered strong adjusted operating cash flow of £23.5m (2022: £20.7m) with the net cash position at year end of £32.0m (2022: £29.2m) underpinning a robust balance sheet and providing significant funding headroom even after settlement of the initial consideration for the acquisition of Ansible Motion. The strong year-end cash position was delivered despite ongoing investments in new product development and our Group-wide ERP system.

Sector review

The track testing business delivered revenue of £68.6m (2022: £64.7m), a 6% increase against the prior year, with growth in sales of driving robots and ADAS platforms offset by a reduction in testing services revenue due to local COVID-19 restrictions in China delaying the delivery of services and impacting the availability of test vehicles in the first half of the year.

Laboratory testing and simulation delivered strong growth in revenue up 74% on 2022 to £32.2m (2022: £18.5m) due to the contribution from Ansible Motion as well as strong organic growth from SPMM sales, reflecting the continued demand for laboratory testing equipment.

Strategic progress

The Group continues to make good progress against its organic-led growth strategy, supplemented with value-enhancing acquisitions. During the year, the focus on building and growing the core business continued, coupled with delivering on the Group's diversification plans through ABD Solutions and building critical mass in the attractive simulation market through the acquisition of Ansible Motion.

Investment continued in the core automotive sector, which is characterised by strong regulatory and structural growth drivers and rapid technology change. New product development and the strengthened operational and commercial platform leaves the Group well placed to benefit from increasing regulation and the increasing number and complexity of test scenarios required by NCAP bodies.

Ansible Motion has been successfully integrated into the Group's simulation business, enhancing the Group's simulation capability and expanding its range of products and services in this area which includes the physics based simulation software, rFpro.

As part of the objective to diversify into adjacent markets, ABD Solutions continues to make significant progress in its mission to add automated solutions to existing vehicles fleets faster and more cost effectively. ABD Solutions has demonstrated its product offering in contrasting environments for potential customers in mining, defence and other specialist vehicles and

“The Group continued to deliver against our strategic priorities by launching new products, developing our service offering, and delivering on our diversification plans through ABD Solutions.”

successfully proved its concept and market solution, Indigo Drive. A digital twin has been developed which provides operational environment validation and a platform for accelerated product testing.

ABD Solutions focus is transitioning from technology development to commercialisation with negotiations ongoing around mining related contracts. The Japanese mining development contract is progressing as planned and a Memorandum of Understanding has been signed with Jevons Robotics in Australia for mining applications. In addition, ABD Solutions has been awarded a £1.0m contract for delivery during FY 2024 of a retrofit pedestrian detection system for a UK customer for construction industry applications.

Acquisitions

On 20 September 2022, the Group acquired Ansible Motion Limited, a UK based provider of advanced simulator solutions to the automotive market, for an initial cash consideration of £14.4m and shares in AB Dynamics plc to the value of £3.2m. Based on the financial performance in FY 2023, a further cash payment of approximately £5.7m will be made along with retained consideration of £0.5m, bringing the total consideration to £23.8m.

Ansible Motion designs and manufactures high-end motion platform systems for Driver in the Loop development of vehicle dynamics, ADAS and automated systems and already utilises rFpro as its physics based virtual environments. The Ansible Motion range of driving simulators complements the existing product offering from AB Dynamics and provides a comprehensive range of simulators that addresses a wider range of simulator applications.

Ansible Motion has been integrated into the Group's simulation sector and has been earnings accretive, delivering £11.8m of revenue and £2.4m of adjusted operating profit during FY 2023.

Chief Executive Officer's review continued

Acquisitions continued

Acquisitions continue to form a key part of the long-term strategic development of the Group and we operate a continuous process to identify and execute acquisition opportunities. The current long-term pipeline remains positive and we expect to continue to deliver further value-enhancing acquisitions.

Summary

The Group has delivered a strong performance, demonstrating the benefits of the investment in the commercial and operating capability of the business. The financial results show further strong progress, with record levels of revenue and operating profit and an improvement in operating margin. In parallel, the Group has further strengthened its platform for growth through both organic investments and acquisitions.

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 new technologies to diversify the business into attractive adjacent markets through ABD Solutions.

Trading in FY 2024 has been encouraging, supported by a solid order book providing good visibility into the second half of the year. Whilst being mindful of timing of pipeline conversion, the Board remains confident that the Group will make further financial and strategic progress this year and its expectations for FY 2024 are unchanged.

Our market drivers both in our core business and in ABD Solutions remain strong. This backdrop, along with the Group's recent investments in capability and new products, provides confidence of delivering continued progress in 2024 and beyond.

Dr James Routh
Chief Executive Officer
23 January 2024

“The Group has delivered a strong financial and operational performance, with continued momentum in our key markets and progress against our strategic objectives.”



Chief Executive Officer's review continued

Q&A with Dr James Routh



Driving forward

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, which provides students with valuable work experience and mentorship from two of our Group employees over a two-year period. 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 third 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.

Q

What are your highlights of the year?

The business has grown significantly over the past five years and I am extremely proud that the Group has exceeded £100m of revenue for the first time in its history. At the same time, we have improved our operating margin by leveraging the investments made in recent years and this now provides a strong platform for sustainable growth. We have made good strategic progress with the acquisition of Ansible Motion, which performed very well during its first year with the Group, along with new product launches such as the Launchpad Spin and significant improvements in our operations driving improved margins and quality.

Q

What are your priorities for the year ahead?

During FY 2024 we will further leverage our recent investments in systems, capabilities and talent to drive strong organic revenue growth and further margin enhancement. We have a global commercial and technology platform that will be used to cement our existing position as market leader, whilst simultaneously providing diversification through ABD Solutions.

We will continue to invest in R&D and new product development to gain additional market share in an already growing market and to ensure we are aligned with longer term market trends, drivers and needs.

It is our intention to continue our programme of driving value through further acquisitions and have a good pipeline of potential companies that meet our clearly defined acquisition criteria.

Q

What will AB Dynamics look like in the future?

Our debt free, net cash position provides optionality in terms of capital allocation to ensure that AB Dynamics continues to deliver long-term sustainable growth. AB Dynamics in the mid-term will be a combination of testing products, testing services and simulation in the core business, whilst delivering incremental growth through the commercialisation of ABD Solutions.

This structure allows us to expand within each of these categories either organically or through carefully selected acquisitions.

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 has supported this resilience and has 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 2023, with the Indigo Drive product essentially complete and undergoing extensive simulation and testing. We have been successful in winning a contract to provide pedestrian detect and warn systems to 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.

Operational review – Track testing

Advancement of ADAS testing solutions and broadened portfolio drives growth

Introduction

The Group's track testing sector provides products and services utilised on proving grounds, test tracks and public roads to evaluate the performance of vehicle active safety systems, autonomous technologies, electric vehicles, vehicle durability and vehicle dynamics. The sector is broadly split into the three primary sub-sectors of driving robots, ADAS platforms and test objects and testing services and all track based systems are controlled by our comprehensive control software.

Driving robots are used in the vehicle under test to deliver a much higher level of accuracy and repeatability than human test drivers can achieve. The Group's driving robot technology spans electromechanical actuators to drive-by-wire systems, all of which can be rapidly deployed in almost any vehicle. Test repeatability 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 Automatic Emergency Braking (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 comprise powerful electrically driven propulsion systems contained in an extremely robust, low-profile, over-drivable chassis. The test object mounted on top is constructed from

lightweight and soft materials minimising the risk of damage in the event of a collision during testing. A soft car is typically mounted to the GST ADAS test platform, while LaunchPads are smaller and used to mount other objects such as dummy pedestrians, cyclists or motorcycles. The ADAS platforms are controlled and synchronised with the vehicle under test by our comprehensive suite of software.

All of ABD's driving robots and ADAS test platforms can be operated within a single software environment. The environment includes Synchro and Ground Traffic Control 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 operates a test facility in Bakersfield, USA, where testing of ADAS systems and vehicle dynamics is performed using the ABD track testing product range for OEMs, technology developers and government agencies. Elsewhere, the Group has service and support centres in Germany, the USA and Japan to assist the worldwide customer base using ABD's track testing product range.

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

The market drivers for growth in the track testing sector are detailed in our markets and strategy section on page 08

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

Highlights 2023

- First vehicles rated against Euro NCAP's new 2023 test standards using AB Dynamics robots, ADAS platforms and dedicated post-processing applications
- Release of LaunchPad Spin, the Group's most manoeuvrable and compact ADAS test platform with turn-on-the-spot functionality
- Soft Motorcycle 360, adopted and included in Euro NCAP's official list of test tools and LaunchPad Spin and Soft Pedestrian on the candidate list for accreditation
- Launch of new sensor solution for object detection to complement Ground Traffic Control software enabling larger-scale driverless durability testing
- Investment in our Bakersfield testing facility in the USA

Operational review – Track testing continued

Financial performance

The track testing business delivered revenue of £68.6m (2022: £64.7m), a 6% increase against the prior year, with notable growth across both driving robots and ADAS platforms, partially offset by a reduction in testing services.

Driving robot sales increased by 22% to £25.2m (2022: £20.6m), driven by the increase in complexity and volume of testing required for ADAS assessment. The Group expects continued growth in driving robots at more normalised levels, as new regulatory requirements for evolving ADAS technologies are released, such as the launch of the Euro NCAP 2030 roadmap and its new Truck Safe 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.

Revenue from ADAS platforms increased by 3% to £30.5m (2022: £29.7m). The new higher speed versions of the GST and LaunchPad, which can operate at speeds of up to 120kph and 80kph respectively, enable customers to perform a greater range of tests, particularly the assessment of automated lane-keeping technology and vehicle interactions with Vulnerable Road Users such as motorcyclists, and are continuing to gain traction. The recent launch of a new range of soft targets including motorcycles and articulating pedestrians and a new, more manoeuvrable platform, the LaunchPad Spin, will drive further growth.

Testing services revenues decreased 10% to £12.9m (2022: £14.4m) due to local COVID-19 restrictions delaying the provision of testing services in China during the first half of the year and continued delays in availability of test vehicles more widely due to the well documented supply chain challenges in the automotive market.

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 track testing products and 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.

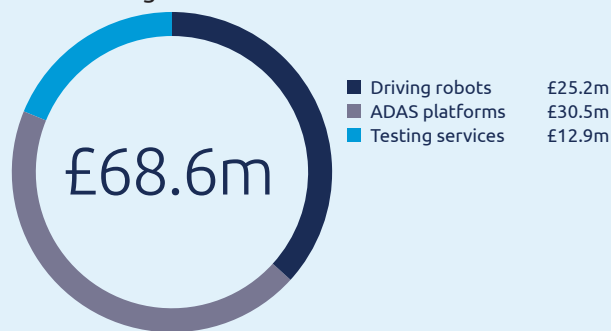
The growth in testing volume and complexity continues to drive demand for ADAS platforms and driving robots that are both more capable and more versatile. To recognise the need for new test tools, this year Euro NCAP updated its listing of equipment used in official testing to include AB Dynamics' Soft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

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 track testing sector principally operates from the AB Dynamics headquarters in Bradford on Avon (UK), with sales and support offices located in Giessen and Munich (Germany), Yokohama (Japan) and Wixom (Michigan, USA). The track testing services business is based in Torrance and Bakersfield (California, USA). The on-road testing services business is based in Beijing (China) with a regional HQ in Singapore.

Track testing revenue



Inclusive leadership

AB Dynamics have been successfully selected to participate in the pilot Inclusive Leadership Programme created and developed by the Royal Academy of Engineering.



New technologies

The Inclusive Leadership Programme aims to foster a diverse and inclusive culture in the engineering industry. The course involves inclusive leadership training, an inclusion-focused project, and peer group workshops. Participants will also benefit from mentorship, coaching, and networking opportunities.

“We understand the importance of fostering an inclusive workplace and are committed to learning and growing to ensure that all employees feel valued and empowered. I am proud to be a member of the AB Dynamics team participating in the programme and I am looking forward to helping to deliver real change.”

Kathryn Downie

Group Head of Talent and Performance at AB Dynamics

Operational review – Track testing continued

Growth potential

The launch of 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;
- 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 fitment of vehicle-to-vehicle AEB and pedestrian AEB systems; and
- 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.

Track testing sales growth (£m)



“New regulatory requirements driving continued growth.”



Operational review – Laboratory testing and simulation

Strong organic and inorganic growth

Introduction

The Group's laboratory testing and simulation sector provides advanced products used to characterise the dynamics of vehicles and replicate the real world in a simulated environment for applications such as vehicle dynamics, ADAS and autonomy. The sector is split into two primary sub-sectors of laboratory testing equipment such as Suspension Parameter Measurement Machines (SPMM) and simulation.

In simulation, 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.

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 2023

- Very strong simulation growth of 89% supported by the contribution of Ansible Motion and a strong demand for rFpro software
- Good growth of 38% in laboratory testing products
- Integration of AB Dynamics' simulator business with the newly acquired Ansible Motion
- Technology development and commercialisation of the rFpro ray-tracing capability, for the generation of AI training data for AV development delivered through a new scalable and cost-effective commercial model
- Award of Innovate UK projects to support advancement in assisted and automated driving systems
- Establishment of an SPMM testing as a service offering in California

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

Operational review – Laboratory testing and simulation continued

Financial performance

The laboratory testing and simulation business delivered strong growth, with revenue of £32.2m, an increase of 74% on 2022 (£18.5m) of which 10% was organic growth in the delivery of Suspension Parameter Measurement Machine (SPMM) systems, with the remainder from Ansible Motion which was acquired at the beginning of the year.

SPMM revenue of £7.3m grew by 38% (2022: £5.3m) demonstrating continued demand for our market leading kinematics and compliance machines.

Organic growth in simulation revenue was broadly flat with revenue of £13.1m (2022: £13.2m). The contribution from Ansible Motion was £11.8m reflecting the strong order book at the time of acquisition and delivery of sales synergies.

Progress during the year

The Group has made strong progress during the year, particularly in the growth of our simulation business. The strong order book at the beginning of the financial year provided a good platform for sales of our aVDS (advanced vehicle driving simulator) and Ansible Motion simulator products and rFpro delivered a very strong commercial performance across both automotive and motorsport customers.

The simulation division, comprising AB Dynamics' existing simulator business, Ansible Motion and rFpro, has made strong progress throughout 2023 and has the combined experience, capability and capacity to enable further growth and profitability enhancements.

Deliveries of Driver in the Loop (DiL) simulators have continued to grow in 2023 with systems being delivered to customers in the UK, USA and China for both motorsport and automotive development applications. The Group has also received a number of new orders for DiL simulators with a notable contract in China from a research institution to support the development of vehicle dynamics and ADAS functionality.

Sales of rFpro simulation software have continued to grow in 2023 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 concluded the development and commercialisation of its new ray-tracing simulation technology. This technology will significantly reduce the industry's dependence on real-world testing for the development of Autonomous Vehicles (AV) and ADAS systems. The state-of-the-art ray-tracing rendering technology delivers ultra-high fidelity and realistic simulation, designed to feed the perception systems used in AVs and simulating how vehicle sensors 'see' the world. This solution efficiently generates synthetic training data at scale and will significantly accelerate the advancement of AVs and sophisticated ADAS technologies.

rFpro has been awarded funding from Innovate UK for two development projects aimed at building a UK supply chain to support both simulation based test and validation of perception sensors for assisted and automated driving functions, and the creation of simulation datasets for the training and testing of artificial intelligence systems used in assisted and automated driving functions. This funding will enable rFpro to accelerate its existing development plans and secure its leadership position in the global market.

The Group was very proud to launch its updated SPMM system, the SPMM Plus. This long-standing product which has been supplied to global customers for the past 25 years has evolved significantly over this period to be the leading kinematics and compliance test machine in the market. The Group also established an SPMM testing as a service offering in Bakersfield, California.

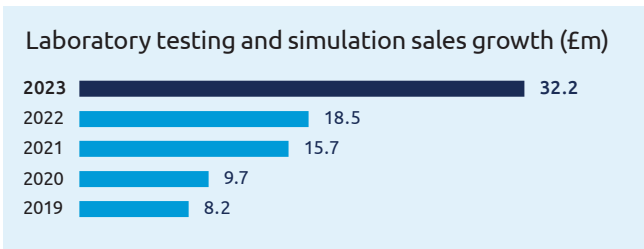
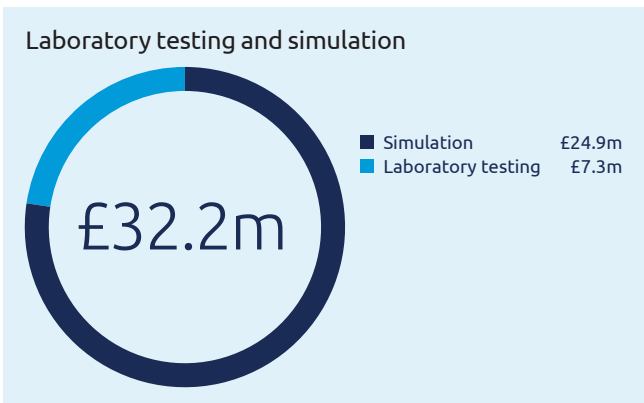
Principal operations

The laboratory testing and simulation sector principally operates from the AB Dynamics headquarters in Bradford on Avon (UK), with sales and support offices located in Giessen and Munich (Germany), Yokohama (Japan), Wixom (Michigan, USA) and recently Bakersfield (California, USA). The recently acquired Ansible Motion business provides an additional R&D and manufacturing facility in Norwich (UK). The simulation focused business of rFpro is based in Romsey (UK).



“The acquisition of Ansible Motion enhances the Group’s product range, capability and customer base.”

Operational review – Laboratory testing and simulation continued



“Our continued organic and acquisitive investment in simulation underpins the market need to accelerate automated vehicle development.”

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 provide 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 and SPMM machines to optimise vehicle dynamics with revised mass and centre of gravity

Formula Student

AB Dynamics UK and AB Dynamics GK sponsored the Formula Student events held at Silverstone, UK and ECOPA, Japan. Formula Student (FS) is Europe’s most established educational engineering competition and celebrated its 25th anniversary in 2023. The competition aims to develop innovative young engineers and encourage more young people to take up a career in engineering, with over 100 university teams taking part every year.



rFpro and AB Dynamics UK have sponsored Formula Student teams from Southampton and Bath University. This involved offering our technical expertise and guidance to the teams allowing both teams to build and design a car that fits the criteria to enter the formula student competition.

Our support of the programme has attracted talent into the AB Dynamics Group to foster and develop their engineering careers in the automotive and motorsport industry.

Chief Financial Officer's review

Delivering growth, margin improvement and strong cash generation



Sarah Matthews-DeMers
Chief Financial Officer

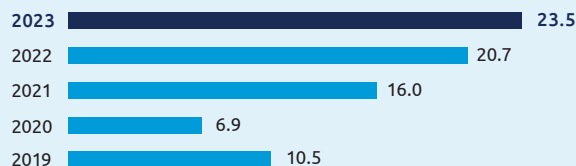
Adjusted operating profit

£16.6m +21%



Adjusted operating cash flow

£23.5m +14%



Overview

Our focus in 2023 has been on maintaining operational execution and delivering organic growth as well as acquisition integration. The performance demonstrates the results of our investment over the previous four years in strengthening our business model. The increase in revenue has dropped through to improved operating margins as the Group benefitted from operating leverage.

Track testing and laboratory and simulation segments made operational and financial 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 track 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. Track testing services was adversely impacted by macroeconomic factors as customers experienced delays in sourcing vehicles for testing and the first half of the year was still impacted by COVID-19 lockdowns in China.

Laboratory testing and simulation benefitted from the acquisition of Ansible Motion, which expands the Group's offering in the simulation area, and also from an increase in SPMM revenues driven by timing of conversion of the strong pipeline of opportunities.

ABD Solutions, our nascent business unit developing automated solutions for the mining, defence and specialist vehicle markets, remains in the pre-revenue phase and continues to reduce reported operating margins. Excluding this investment in overheads, Group adjusted operating margin increased to 18.3% (2022: 18.2%).

The Group maintained its very strong financial position, with net cash at 31 August 2023 of £32.0m (2022: £29.2m) underpinning a robust balance sheet and providing the resources to continue the Group's investment programme.

Chief Financial Officer's review continued

Trading performance

The Group delivered significant revenue growth of 21%, of which 7% related to organic growth and the remainder to the acquisition of Ansible Motion.

The proportion of recurring revenue was stable at 40% (2022: 40%).

Gross margin was 59.5%, up 290bps on 2022, due to operational efficiencies and mitigation of the ongoing impacts of inflation through price increases.

Group adjusted operating profit of £16.6m (2022: £13.7m) increased 21% against 2022. The adjusted operating margin increased against 2022 to 16.5% (2022: 16.4%), as a result of the increased levels of activity and the benefits of enhanced performance initiatives, partially offset by the investment in ABD Solutions to support the strategic long-term growth drivers. Excluding ABD Solutions, the operating margin increased to 18.3% (2022: 18.2%).

Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 18% to £20.5m (2022: £17.3m). Adjusted EBITDA margin was 20.4% (2022: 20.8%), an increase of 40 bps.

Adjusted net finance costs were consistent at £0.4m (2022: £0.4m).

Adjusted profit before tax was £16.3m (2022: £13.3m). The Group adjusted tax charge totalled £2.1m (2022: £2.2m), an adjusted effective tax rate of 13.2% (2022: 17.1%). The effective tax rate is lower than the current UK corporation tax rate due to allowances for research and development and patent box. In future years, the effective tax rate is expected to increase due to the full-year effect of the increase in the UK corporation tax rate.

Adjusted diluted earnings per share was 60.8p (2022: 48.1p), an increase of 26%, reflecting the increase in operating profit and a lower tax rate.

Statutory operating profit increased by 103% to £12.6m (2022: £6.2m) and after net finance costs of £1.1m (2022: £0.4m), statutory profit before tax increased by 98% from £5.8m to £11.5m,

giving statutory basic earnings per share of 48.0p (2022: 21.0p). The statutory tax charge was £0.5m (2022: £1.0m).

A reconciliation of statutory to underlying non-GAAP financial measures is provided below. The adjustments to operating profit of £4.0m comprise £7.2m of amortisation of acquired intangibles, £1.3m of ERP cloud computing costs and a credit of £4.5m in relation to the release of contingent consideration of Ansible Motion net of acquisition costs (2022: £7.5m comprising £5.5m of amortisation of acquired intangibles, £1.7m of ERP cloud computing costs and £0.3m of acquisition related costs). The £0.8m adjustment to the interest charge relates to the unwind of the discount on the contingent consideration for Ansible Motion (2022: £Nil). The tax impact of these adjustments was £1.7m (2022: £1.2m). The statutory net finance costs were £1.1m (2022: £0.4m).

Group financial position and cash generation

The Group delivered strong adjusted operating cash flow of £23.5m (2022: £20.7m) with cash conversion of 114% (2022: 119%). The strong cash generation was used to fund the acquisition of Ansible Motion, £3.4m of investment in product development, property, plant and equipment and dividends of £1.3m.

Net cash at the end of the year was £32.0m (2022: £29.2m), 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 £22.7m from £77.0m to £99.7m mainly due to the acquisition of Ansible which resulted in an increase in goodwill and intangible assets of £33.8m, offset by depreciation and amortisation of £11.1m.

Working capital was £6.2m (2022: £9.9m), a decrease of £3.7m in a year when revenue has grown by 21%. Working capital as a percentage of revenue has decreased from 11.9% to 6.2%. The improvement reflects our continued focus on commercial contracting, inventory levels and cash management, along with timing differences arising from long-term contract accounting. In

absolute terms, all areas of inventory, trade receivables and trade payables have increased as the business has grown. Our focus has been on ensuring this has been executed in a managed and balanced manner.

Since the year end there have been no significant changes to the financial position or significant cash flow transactions with the exception of a £1.8m initial purchase of shares by the employee benefit trust.

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 15.3% to 15.4%, benefitting from operating leverage.

Acquisitions

On 20 September 2022, the Group acquired 100% of the issued share capital of Ansible Motion Limited, a leading provider of advanced simulators to the global automotive market for an initial consideration of £17.6m, of which £3.2m was satisfied in new ordinary shares in AB Dynamics plc and the remainder in cash.

Contingent consideration of £5.7m out of a maximum of £12.0m has become payable in cash based on performance for the year ended 31 August 2023. The integration of Ansible Motion is progressing well with the product range having been incorporated into the Group's other simulation offerings.

Research and development

While research and development forms 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 £0.5m (2022: £1.7m) 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 £0.2m (2022: £0.4m).

Chief Financial Officer's review continued

Foreign currency exposure

The Group faces currency exposure on its foreign currency transactions and translation exposure in relation to its overseas subsidiaries.

The Group maintains a natural hedge whenever possible to transactional exposure by matching the cash inflows and outflows in the respective currencies.

Foreign exchange translation has provided a minor tailwind on revenue and profit, due to the weakening of sterling against the US dollar and euro. On a constant currency basis, restating the current year at 2022 average exchange rates, revenue would have been £1.2m lower and both adjusted and statutory operating profit £0.1m lower.

	2023	2022
Year-end rate		
US dollar	1.27	1.16
Euro	1.16	1.15
Yen	186	161
Average rate		
US dollar	1.21	1.31
Euro	1.15	1.19
Yen	165	158

Dividends

The Board is recommending a final dividend of 4.42p per share, giving a total dividend for the year of 6.36p 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 and adjusted earnings per share.

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:

	2023			2022*		
	Statutory	Adjustments	Adjusted	Statutory	Adjustments	Adjusted
EBITDA (£m)	23.6	(3.1)	20.5	15.3	2.0	17.3
Operating profit (£m)	12.6	4.0	16.6	6.2	7.5	13.7
Operating margin	12.5%		16.5%	7.4%		16.4%
Finance expense (£m)	(1.1)	0.8	(0.3)	(0.4)	—	(0.4)
Profit before tax (£m)	11.5	4.8	16.3	5.8	7.5	13.3
Tax expense (£m)	(0.5)	(1.7)	(2.2)	(1.0)	(1.2)	(2.2)
Profit after tax (£m)	11.0	3.1	14.1	4.7	6.3	11.0
Diluted earnings per share (pence)	47.4	13.4	60.8	20.7	27.4	48.1
Cash flow from operations (£m)	19.3	4.2	23.5	18.7	2.0	20.7

* Restated, see note 29.

Chief Financial Officer's review continued

Alternative performance measures continued

The adjustments comprise:

	2023		2022	
	Profit impact £m	Cash flow impact £m	Profit impact £m	Cash flow impact £m
Amortisation of acquired intangibles	7.2	—	5.5	—
Acquisition related (credit)/costs	(4.5)	2.8	0.3	0.3
ERP development costs	1.3	1.4	1.7	1.7
Adjustments to operating profit	4.0	4.2	7.5	2.0
Adjustments related to acquisition related finance costs	0.8	—	—	—
Adjustments to profit before tax	4.8	4.2	7.5	2.0

Amortisation of acquired intangibles

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

Acquisition related (credit)/costs

The credit in the current year relates to the £5.2m release of contingent consideration on the acquisition of Ansible Motion Limited less acquisition costs of £0.7m. The prior year also related to Ansible Motion acquisition costs. The 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.

Taxation

The tax impact of these adjustments was as follows: amortisation of £1.3m (2022: £0.8m), acquisition related costs of £0.1m (2022: £0.1m) and ERP development costs of £0.3m (2022: £0.3m).

Net cash

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

	2023 £m	2022 £m
Cash and cash equivalents	33.5	30.1
Lease liabilities	(1.5)	(0.9)
	32.0	29.2

Return on capital employed (ROCE)

ROCE is calculated as follows:

	2023 £m	2022 £m
Adjusted operating profit	16.6	13.7
Shareholders' equity	125.2	112.4
Net cash	(32.0)	(29.2)
Deferred tax	8.7	6.4
Contingent consideration	5.9	—
Capital employed	107.8	89.6
Return on capital employed	15.4%	15.3%

Sarah Matthews-DeMers

Chief Financial Officer

23 January 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.

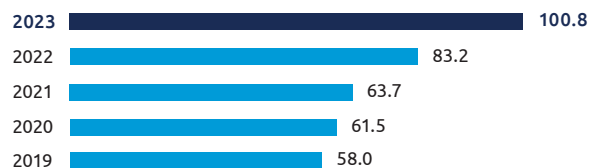
These KPIs enable progress to be monitored on the implementation of the Group strategy, level of investment and business development.

For other non-financial KPIs see the ESG strategy section for Health and Safety and emissions performance.

Financial figures

Revenue

£100.8m ^{+21%}



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 track test products, simulation software, and laboratory testing products as well as the contribution from Ansible Motion.

Link to strategy



Adjusted operating profit

£16.6m ^{+21%}



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

Product and innovation

Acquisitive growth

Service and support

Capability and capacity

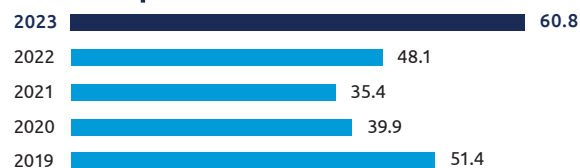
Diversification

International footprint

Financial figures continued

Adjusted diluted EPS

60.8p ^{+26%}



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

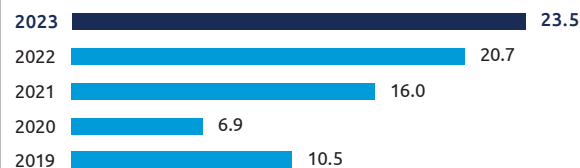
Adjusted diluted EPS increased by 26% as a result of the increase in adjusted operating profit and reduction in the tax rate.

Link to strategy



Adjusted operating cash flow

£23.5m ^{+14%}



Definition

Cash flow for 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 capital expenditure, interest payments, tax and dividends.

Comment on results

Adjusted operating cash flow increased by 14% to £23.5m as a result of the increase in operating profit. Cash conversion was 114% (2022: 119%).

Link to strategy



Return on capital employed

15.4% ^{+10bps}



Definition

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

Reason for choice

This measures efficient use of capital.

Comment on results

ROCE increased from 15.3% to 15.4% in the year due to operational improvements and operating leverage.

Link to strategy



ESG strategy

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 ESG credentials, as well as 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 of road based injuries and fatalities, is fundamentally aligned to ESG 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 continue to focus on our goal of becoming carbon neutral by 2030. Carbon neutral is defined by the Group as the offset of Scope 1, 2 and 3 emissions through reduction planning and monitoring followed by offsetting in line with the British Standards Institute PAS 2060:2014. 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 with the introduction of a Health and Safety Management System, associated procedures and stricter auditing.

Our key ESG achievements since our last Annual Report include:

- We have introduced an Occupational Health and Safety Management System for AB Dynamics Limited and AB Dynamics Europe GmbH which has achieved ISO 45001 accreditation
- 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
- We continue to use renewable energy in a number of our locations including the use of solar power, resulting in zero emissions for the majority of our electrical use in the UK and Europe
- We have seen increased usage and uptake of the electric vehicle salary sacrifice scheme resulting in a reduction of 115 tonnes of CO₂
- We have established the Carbon Neutral Working Group, with representation from all subsidiaries and locations
- We received a successful surveillance audit of our ISO 14001 accredited Environmental Management System
- We have rolled out our corporate social responsibility initiatives globally to all our offices and introduced two paid volunteering days each year for all employees
- We have successfully run our first development programme for future leaders

- We launched the Equality, Diversity & Inclusion (EDI) programme and enhanced systems to enable the collection of equality, diversity and inclusion data
- We have matched employee charitable donations to Macmillan Cancer Support, the Red Cross Ukraine Appeal and the earthquake appeal for Turkey
- We recruited a Group Head of Talent & Performance role to focus on employee communications, culture and values, talent strategy and corporate social responsibility for the Group

Our priorities for the next twelve months

- Continue to build on our medium-term plan of achieving carbon neutrality by 2030 by developing and implementing a carbon reduction plan
- Continue to determine our baseline emissions and further enhance our Scope 3 emissions disclosure
- Encourage 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
- Extension of the scope for our Occupational Health and Safety Management System and Environmental Management Systems to include our global subsidiaries
- Increased regular HSE audits globally
- Continue to enhance and develop our corporate social responsibility programmes globally, focusing on community engagement and volunteering efforts
- Expand our training programme for future leaders and potential top talent
- Identify further opportunities and continue to work with partners such as the Royal Academy of Engineering to develop ED&I opportunities and to promote careers in STEM
- Expand our social mobility outreach in the UK to primary and secondary schools

ESG strategy 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 ESG 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 ESG performance over the course of four meetings during FY 2023. The ESG Committee has overall responsibility for translating our ESG strategy into actionable plans, in compliance with relevant legal and regulatory requirements. The Board has received significant external input on ESG this year, with feedback from the auditor, investors and sustainability experts.

Sustainable business goals

We also 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 	Page 34
 5 GENDER EQUALITY	Our people	Achieve gender equality and empower all women and girls	<ul style="list-style-type: none"> 40% of the AB Dynamics plc's Board is female in line with best practice The proportion of women in our overall workforce is higher than average for our industry. We aim to further increase female representation across all levels throughout the business Sponsorship and support of women in STEM subjects 	Page 36
 7 AFFORDABLE AND CLEAN ENERGY	Environmental leadership	Accelerate action on modern renewable energy – especially in heating and transport	<ul style="list-style-type: none"> Rapid development of electric vehicles 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 	Page 42
 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 ABD Solutions' core mission is to accelerate the transition to autonomy by providing retrofit solutions that reuse existing vehicles to automate vehicle applications 	Page 48
 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
 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 	Page 44

ESG strategy continued



Health and safety

Working environment

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.

Our Flexible Working Policy includes a degree of working from home, part time 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 were 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 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 built further on the processes and procedures across its subsidiaries, standardising reporting, and this will enable us to continue setting further Group-wide health and safety targets in FY 2024. 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. With the growth of the Group and enhanced reporting, 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 introduction of the Health and Safety Management System further reminds staff at all levels of their specific health and safety responsibilities.

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.

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 also describe how workplace hazards are dealt with, how we apply control measures (including for our employees at work at our customers' sites) and are regularly reviewed. Finally, environmental issues are discussed with regard to the impacts we have on the environment with guidance on how to reduce the impact such as recycling and energy use.

In FY 2023, 30 health, safety and environmental inductions were completed at the Group's largest subsidiary, Anthony Best Dynamics Limited, as well as fire extinguisher training and first aid refresher 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.

ESG strategy continued

Health and safety continued

Safety performance

We have a proud track record of safety performance and in FY 2023 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 but during FY 2024 we will work towards standardising and harmonising our risk assessments across the Group. Detailed risk assessments have been completed for all operational and support departments of Anthony Best Dynamics Limited and AB Dynamics GmbH. These have been completed in consultation between the Health and Safety 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 and the introduction of the Company Health and Safety Management System reinforces our current health and safety policy and demonstrates the Company's commitment to employee safety. This will further reduce workplace risks, ensure our legal obligations are met and improve the overall health and safety performance of the Group. The achievement of accreditation to the ISO 45001 standard sends 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 2023 most were caused by slips or falls and were recorded as minor injuries. 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 Group reported two lost time incidents one of

which was reportable (under the UK Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) to the Health and Safety Executive. The incident was reportable due to the injury involved and time away from work for the employee. The injury was minor and the incident fully investigated with actions taken to prevent recurrence. These incidents together with an increase in minor injuries have seen a rise in the overall injury rate per 100 employees for the first time in two years.

Employee safety

	2023	2022	2021	2020	2019	2018
Average employees	473	434	333	275	181	128
Reportable incidents	1	—	—	—	—	—
Lost time incidents	2*	—	—	—	—	—
Near misses	26	26	15	9	13	7
Minor injury, first aid cases (FAC)	16	6	13	13	14	9
Injury rate per 100 employees	3.8	1.4	3.9	4.7	7.7	7
Injury rate per 100,000 hours worked	2.2	0.8	—	—	—	—

* 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.

Injury levels have increased during FY 2023, mainly due to regular and enhanced reporting of minor incidents to the Group HSE Manager and the increased size of the Group during the year. 95% of these injuries reported were minor in nature and required local first aid or minor medical treatment and did not result in any lost time injury.

ESG strategy continued



Engagement

Employee engagement and communication

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 to formally identify development needs and career aspirations. Based on local requirements, weekly and monthly 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 staff engagement all employees are invited to participate in staff surveys. These will be conducted every quarter starting January 2024. We are also launching a Group newsletter to all employees starting in December 2023 which will be produced on a regular basis.

As the Group has undergone significant change in the past few years, in FY 2021 an inter-disciplinary 'Values Team' was established to work with staff to define our renewed vision and values, which 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 2023. Values have been introduced as part of our performance appraisal process and managers are encouraged to discuss them with employees.

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 diversity and inclusion.

As a Group we believe training, development and progression opportunities must be available to all staff.

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 52 and 53

ESG strategy continued

Our people continued

Diversity and inclusion continued

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. Therefore, in FY 2023 we have chosen to continue as a Corporate Partner to the Women's Engineering Society (WES). Actions we take to increase our profile within WES' membership and to facilitate opportunities include targeted job advertisements to women and membership of WES for all female engineers. We also participate in the Arkwright Engineering Scholarship in the mentoring of 16 year old students who are considering 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. As advised by Engineering UK, only 12% of engineers are female on a national basis; therefore, the Group remains above average for our industry with women representing 18% 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 19% while the Group Board is at 40%, in line with these recommendations.

Set out below is an analysis of the Group's employees by gender in October each year.

Employees by gender

	2023			2022		2021	
	Male	Female	Prefer not to say	Male	Female	Male	Female
Board	67%	33%	0%	60%	40%	60%	40%
Executive Committee	84%	16%	0%	83%	17%	100%	—
Senior management	84%	16%	0%	83%	17%	80%	20%
Other employees	82%	16%	2%				
All employees	82%*	17%*	1%*	82%	18%	82%	18%

* Excludes VadoTech group.

Employees are able to request flexible working such as working from home or part-time and flexible hours according to the requirements of the position. The Group employs contract and temporary workers across some of its locations to fulfil local requirements. It should be noted that in FY 2023 we have seen a slight increase in the percentage of temporary employees within our workforce, reflecting somewhat unique conditions at some locations which have discrete projects ongoing and hence require short-term support. This is particularly the case in our manufacturing facilities globally, to ensure we meet our customer requirements. We are pleased that many of our temporary staff choose to become permanent employees.

Number of part-time and contract/temporary employees

	2023 ¹	2022 ¹	2021 ¹
Part-time employees (no.)	42	27	21
Part-time employees to total employees (%)	10%	7%	8%

¹ Excludes VadoTech group.

ESG strategy continued

Our people continued

Social

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 last year, our first graduates successfully completed the scheme in April 2023. We have a new graduate engineer in their second year. Of their time so far on the graduate scheme, Tarren Clark said:

“My time on the graduate scheme at AB Dynamics has been a journey of growth and learning. From the moment I joined, I was exposed to a fast-paced work environment that challenged me to adapt, innovate, and collaborate with talented colleagues. Throughout the programme, I’ve worked on diverse projects, each providing valuable insights into the Company and its various products. I’ve built lasting connections with the people who I have worked with during the rotations, and they all serve as valuable points of contact while doing my work. As I near the end of the scheme, I have joined the Real-Time Software team, using the knowledge I gained from working hands-on with the ABD products to allow me to make effective improvements straight away.”

Tarren Clark, Current graduate

Additionally, one student completed a placement year with AB Dynamics. DRI has a consistent flow of placement students assisting in their Human Factors department. We also re-instated our summer placements this year with three students joining ABD Solutions and one student joining AB Dynamics. We also had some of our apprentices completing their apprenticeships this year and we will continue with the scheme and recruit for one apprentice to join the UK team for FY 2024.

“My time at AB Dynamics has been an amazing experience. Throughout my electronics apprenticeship, I have gained many new skills and experience working within multiple departments on an array of products that we produce from the track test robots, to the SPMM, to the aVDS.

The support that has been offered to me from the team leaders and other colleagues, has allowed me to focus on continuously improving what I have learnt so far. Being able to expand my knowledge in electronic engineering and skills such as building PCBs, wiring/routing electrical products and fault finding both mechanical and electrical issues has helped me progress both in my career and outside of it.

I would definitely recommend an apprenticeship within AB Dynamics, as being able to work for a company that is at the forefront of automotive testing allows an apprentice to experience working at the highest level and allows for a lot of developmental skills and knowledge to be gained.”

Adam Cracknell, Current apprentice

Talent and career management

Attracting and retaining key talent are critical to driving strong operational performance, maintaining our market position and enabling us to deliver on our ambitious growth plans. Accordingly, the Group is committed to developing the capabilities of the existing workforce and hiring talented people to meet current and future requirements.

Average number of employees by region



In recent years our continued efforts to enhance staff engagement and wellbeing have resulted in consistently strong retention rates. Average length of service is currently 4.2 years, with annual employee turnover at 13% (FY 2022: 17%) across the Group (excludes VadoTech group).

Annual employee turnover by year

	2023	2022	2021 ¹
Total annual employee voluntary turnover (no.)	50	61	36
Total annual employee voluntary turnover (%)	14%	15%	13%
Total annual employee turnover (no.)	82	72	51
Total annual employee turnover (%)	13%	17%	18%

¹ 2021 VadoTech group data not included due to data availability.

ESG strategy continued

Our people continued

Talent and career management continued

Annual performance evaluations

	2023 ²	2022 ²	2021 ¹
Percentage of employees who receive annual performance evaluations	93%	83%	99%

1 Does not include VadoTech group.

2 Does not include VadoTech group and DRI.

Building upon the improvements made to recruitment practices in prior years, a new recruitment system has been employed this year 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.

In FY 2022, the Group made a proactive effort to promote internal applications for open positions and as a result 18% of UK employees have been promoted or had their responsibilities increased over the last year. This has been supported by the ongoing implementation of talent mapping processes.

Annual performance evaluations are undertaken across the Group, with 93% of employees having received a performance appraisal in this year (FY 2022: 83%). VadoTech, Zynit and DRI will introduce its formal performance review process in FY 2025. 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 pension 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.

Career development

The Group remains committed to retaining key staff 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 ABD Professional Development Programme (PDP) was launched in May 2022 and the first session completed successfully in 2023. The overarching aim of the PDP is to challenge and support potential future business leaders to set and meet their own professional goals, emphasising the role that each individual can play in modelling cultural change using business reality as the main arena for development. The first PDP had twelve initial participants and consisted of a series of on-the-job training projects which were tailored to each participant's existing role, in addition to senior manager mentorship workshops. The first PDP was very well received and resulted in three internal promotions. We aim to start the second PDP in FY 2024.

Training opportunities

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

The Group's training budget for FY 2023 was £121,000 (FY 2022: £170,000).

100% of employees received training in FY 2023 (FY 2022: 100%) and courses taken during the year included: Cranfield Management courses, St John's Ambulance First Aiders, Agile Foundation and Practitioner, ISTQB Software Testing Foundation, CMI Level 3 Diploma in Principles of Management and Leadership, TIG Welding Award L2 and Advanced Welding L3, MAKE UK Managing and Delivering Projects, Skid-Pan Training with DriveTech, scissor lift training, AUQC Units, mental health first aiders, dangerous goods training, fork lift truck training, counter balance training, Simulink Model Management and Architecture, INCOSE Systems

Engineering certification, working at height, environmental awareness, GDPR UK essentials, Microsoft Excel Intermediate Training and Microsoft Project Management.

During the year, we also rolled out mandatory compliance training modules globally to all employees which included: anti-bribery and corruption, cyber security awareness, desktop safety essentials (DSE), 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.

Training expense per employee

	2023	2022
Total training expense per employee (£)	255	399

Graduates and apprentices

Maintaining a diverse pipeline of talent is at the core of our ESG 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 2023, two graduates 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 2023 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, so to help increase social mobility in the local communities in which it operates. For FY 2024 we are extending our work experience to a local school in our community. All work experience applicants must meet the criteria of having a genuine interest in engineering and attend one of the local schools with which we are partnering with. All applicants are treated with equal consideration.

ESG strategy continued

Our people continued



Community partnerships

CSR strategy

In line with the Group's expanding global presence and the Group's global subsidiary governance framework, in FY 2022 we developed a new and updated corporate social responsibility (CSR) policy and strategy which we commenced in FY 2023. The new strategy encompasses 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 corporate core values and principles: customers; people; diversity; innovation; excellence; and responsibility.

Whilst our fundamental approach remains unchanged, our model takes a wider approach encompassing and 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.

Science, Technology, Engineering and Mathematics (STEM) and wider community initiatives

We have attended a number of in-person careers fairs (for students or veterans) and work experience placements. Throughout the year the Group has also continued to make donations towards several charitable and fundraising activities, primarily in support of STEM related institutions, and participate in events. Our annual budget is correlated with headcount, so as we have grown in size in recent years, we have seen an increase in the number of CSR initiatives. Our largest headcount is within the UK where we are headquartered and this remains the most active region.

In FY 2023 we continued to place heavy emphasis on creating opportunities for people at the start of their career, with the Group's early years programmes designed to attract diverse individuals from a range of backgrounds to seek new education and career options. Our initiatives and programmes throughout the year were centred around acknowledging talent and identifying opportunities, placing diversity and inclusion at the heart of our CSR strategy and demonstrating our understanding around breaking down barriers and inequalities around sex, gender identity, class and ethnicity to drive both our current and future workforce.

We want to enhance and expand on our global CSR initiative, placing emphasis around increasing social opportunities for both individuals and groups. Our model reflects our belief in engaging and developing global talent from all backgrounds, and our ability to be part of the social solution, improving participation in society. We aspire to create an impact now and leave an inspiring legacy in both the communities and individuals we benefit.

ESG strategy continued

Our people continued

“The next generation of engineers are a key part of the Group’s future success. We are continuously aiming to foster young talent and attract those looking to kick-start their careers within the Group.”

Community partnerships continued

Royal Academy of Engineering (RAEng)

We are one of twelve companies taking part in the Inclusive Leadership Programme with RAEng, a UK based 18-month leadership programme launched by the academy in 2023 to increase inclusivity within the engineering industry. The programme involves teams of engineers in various stages of their career who are challenged with suggesting changes to the workplace to increase the inclusivity of their organisation’s culture or the products/services their organisation delivers. Employees attend ongoing coaching sessions and workshops. We are committed to supporting the time commitment for full participation by our team in the programme.



Social

Manufacturing and Engineering Week

Through our partnership with the Women’s Engineering Society (WES) a cohort of our female engineers represented AB Dynamics at the Festival of Industrial Innovation which was held at the NEC in Birmingham as part of Manufacturing and Engineering Week.

On Women in Engineering Day one of our talented engineers was nominated as a finalist in the prestigious Women in Engineering 2023 Awards. AB Dynamics remains committed to the advancement of women in STEM careers.

ESG strategy continued



Environmental leadership

We have a long history of managing our environmental impact. It is our mission to empower our customers to accelerate the development of vehicles that are safer, more efficient and have less impact on the environment. Our commitment to the environment extends to ourselves, our customers and our shareholders. We are continually looking for opportunities to improve: environmental sustainability is essential.

We continue with our commitment to environmental sustainability and are actively seeking steps to reduce our environmental impact and to achieve our goals of carbon neutrality by 2030. We established the Carbon Neutral Working Group to facilitate a programme to meet this target.

The aim of the Carbon Neutral Working Group will be to oversee the programme and implementation of the activities and functions required to meet the carbon neutral goal for the Group by 2030. This will include the development of a comprehensive engagement programme and climate awareness groups throughout all our businesses. This step underlines our dedication to addressing climate change and moving towards a sustainable future.

The Carbon Neutral Working Group is comprised of representatives from all Group subsidiaries with Environmental Champions within each subsidiary to promote awareness and best practice. The Carbon Neutral Working Group will also develop and measure a baseline of our ongoing carbon performance to enable progress to be measured and evaluated on our journey to carbon neutrality.

We have also partnered with Auditel, a leading carbon solutions company, to assist us in reducing our carbon emissions and related costs as we aim for PAS 2060 verification.

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.

The Carbon Neutral Working Group was established following a MSCI AA rating in 2022 for AB Dynamics and ISO 14001 certification of our Environmental Management System for our UK and German operations.

We are focused on finding ways to reduce our impact across the whole value chain to achieve our commitment of carbon neutrality by 2030. That means minimising the impact we and our products have on the environment.

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. 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. Reflecting these efforts, and as part of the overall government target for the UK to be net zero by 2050, we have set ourselves the target to be carbon neutral by 2030, which will be the focus of our efforts.

In FY 2023, we continued to develop our approach towards reducing carbon across our operations. Some of the significant milestones include:

- 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 German subsidiary;
- continued to expand the scope of Group-wide data collection, in particular for Scope 3 emissions;
- the formation of the Carbon Neutral Working Group that will focus on a programme towards meeting the ESG goal of becoming carbon neutral by 2030;
- increased employee uptake of the electric vehicle scheme in the UK;
- continued use of green renewable energy in the UK including the use of solar panels at two of our UK sites;
- appointment and training of Environmental Champions at our UK sites; and
- engagement of Auditel to assist us with our carbon neutral journey.

ESG strategy continued

Environmental leadership continued

Managing environmental performance

The Group's activities can be summarised as largely manufacturing and assembly operations, combined with office based research, product development and other commercial functions, where we receive materials and products from suppliers, assemble them into product and dispatch to customers and some on-road vehicle testing. Therefore, the Group's main direct impact on the environment is limited to the consumption of heating and power and fuel or electricity for customer vehicles, while providing test services and developing and testing products.

We recognise the importance of monitoring, controlling and improving our environmental performance in order to meet our medium-term target of carbon neutrality in 2030. Enhanced monitoring of our environmental performance has resulted in an increase of annual emissions for the Group. This is most evident with our Scope 3 business travel emissions. This year we have collated more information to include all travel by air and land including the use of hire cars, train travel and hotel stays.

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. The Group's usage of water is minimal and predominantly relates to cleaning, bathrooms and staff refreshments.

This year the Group has built on the 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 Group subsidiaries, standardising reporting and enabling us to set further environmental targets in FY 2024.

We have continued to build on the environmental reporting processes across all Group subsidiaries and application of the Environmental Management System where appropriate.

Our environmental reporting covers all entities over which the Group has financial control for the financial year ended 31 August 2023. Data for businesses acquired or disposed of 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 or penalties either in the last twelve months or in the previous five years.



Social

Employee electric vehicle scheme

In March last year we introduced our new Electric Dreams Scheme which has been made available to UK based staff. The aim of the programme is to offer employees brand new electric vehicles through a cost-effective and tax-efficient leasing scheme.

The programme is run through our vehicle fleet partner, Octopus Electric Vehicles. Everything required to run the vehicle is included in a single monthly payment, including insurance, tax, maintenance and a home charging system. A range of vehicles is available to suit all budgets and requirements.

This is a significant addition to the benefits available to employees and also helps to reduce our workforce's carbon footprint. On top of this, the vehicles can be charged at reduced rates at one of the twelve charging points located at the Bradford on Avon facility, with some of the energy being produced by the facility's solar panels.

The scheme has been very successful with many employees joining the programme and contributing towards saving 11.5 tonnes of carbon.

ESG strategy continued

Environmental leadership continued

Energy and greenhouse gas emissions

Reducing global greenhouse gas emissions to combat climate change is one of the biggest global challenges of our time. We aim to minimise our carbon footprint as the UK and the rest of the world transition to a low-carbon economy. As the Group does not use its own logistics or freight, its primary direct energy usage and related CO₂ emissions arise from its facilities and vehicles. As a business, we continue to assess our impact on the environment and try to mitigate or reduce the Group's energy consumption wherever possible.

The Group has a target to achieve carbon neutrality by 2030. We have a range of initiatives underway to support this ambition such as solar panels on two sites in the UK, which generated a total of 114,933 kWh of power in FY 2023, and working with suppliers to reduce the embedded carbon across our product life cycle. ENGIE offers 100% UK generated renewable power from certified renewable sources and is fully certified as zero carbon emissions by UK Renewable Energy Guarantees of Origin (REGOs), providing complete traceability of the energy it supplies to the Group.

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. Targets were not met during the year mainly due to increased productivity and testing.

As a step towards focusing our efforts on the most impactful areas of our business, we have improved the collation of Group-wide data so we can better understand our emissions and energy usage and create a Group baseline.

The Group's data can be found on the next page. This is the fourth year the Group has reported emissions in this manner.

The Group's emissions are broken down by Scope 1, Scope 2 and some Scope 3 emissions. For the second time in FY 2023, Scope 2 emissions associated with the Greenhouse Gas Protocol 'market based' method have also been calculated, in addition to 'location based' Scope 2 emissions.

In FY 2023, the Group's total Scope 1, 2 and 3 emissions (market based) increased by 50% year on year on an absolute basis and 20% year on year on an intensity basis (per £m of revenue).

Our Scope 3 emissions include emissions from business travel and water supply and treatment. Compared with FY 2022, our FY 2023 Scope 3 emissions have increased significantly across the Group. The 140% increase can be attributed to a significant uplift in business travel since the relaxation of COVID-19 restrictions across the world. Our business travel data collection has also increased in scope since FY 2022 reporting, with data disclosure now including hotel stays and use of other modes of transportation, such as trains, that were not previously accounted for. In FY 2024 we will endeavour to improve the extent of our measurement of Scope 3 emissions further, in order to obtain a better understanding of our total emissions.

In FY 2023, our total energy consumption decreased by 1% year on year on an absolute basis. This was due to a decrease in mileage of vehicle testing, reported in Scope 1. There were increases in electricity usage and personal vehicles used for business purposes. In addition to the impact of the FY 2022 acquisitions, the increase in energy consumption in FY 2023 is also in part as a result of increased product manufacture and testing at our UK sites. Overall, the trend in our energy consumption data has generally followed our emissions data as our greenhouse gas emissions are mainly due to the use of energy at our sites.

ESG strategy continued

Environmental leadership continued

Energy and greenhouse gas emissions continued

GHG emissions

	Units	Absolute emissions (including Ansible Motion)							Like-for-like emissions (excluding Ansible Motion)						
		2023			2022			YoY % change in total	2023			2022			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	129	228	357	118	416	534	-33%	129	228	357	118	416	535	-33%
Gas	tCO ₂ e	109	18	127	93	14	107	-4%	109	18	127	93	14	107	19%
Company owned vehicle use	tCO ₂ e	20	210	230	25	402	427	-46%	20	210	230	25	402	427	-46%
Scope 2 (location based)	tCO ₂ e	184	371	555	142	298	440	26%	164	371	535	142	298	440	22%
Scope 2 (market based)	tCO ₂ e	112	362	474	5	300	305	55%	100	362	462	5	300	305	51%
Total Scope 1 and 2 (location based)	tCO ₂ e	313	599	912	260	715	975	-7%	293	599	892	260	715	975	-9%
Total Scope 1 and 2 (market based)	tCO ₂ e	241	590	831	123	716	839	-1%	229	590	819	123	716	839	-2%
Scope 3 total	tCO ₂ e	798	332	1,130	324	147	471	140%	662	332	994	324	147	471	111%
Business travel	tCO ₂ e	797	331	1,128	323	147	470	140%	661	331	992	323	147	470	111%
Water supply and treatment	tCO ₂ e	1	1	2	1	N/A	1	100%	1	1	2	1	N/A	1	100%
Total Scope 1, 2 and 3 (location based)	tCO ₂ e	1,111	931	2,042	584	862	1,446	41%	955	931	1,886	584	862	1,446	30%
Total Scope 1, 2 and 3 (market based)	tCO ₂ e	1,039	922	1,961	447	864	1,310	50%	891	922	1,813	447	864	1,311	38%

ESG strategy continued

Environmental leadership continued

Energy and greenhouse gas emissions continued

Emissions intensity

	Units	Absolute emissions (including Ansible Motion)			Like-for-like emissions (excluding Ansible Motion)		
		2023	2022	YoY % change in total	2023	2022	YoY % change in total
		Group	Group		Group	Group	
Revenue	£m	100.8	83.2	21%	89.0	83.2	7%
Intensity by revenue (Scope 1 and 2 market based)	tCO ₂ e per £m revenue	8.00	10.10	-21%	9.92	10.08	-2%
Intensity by revenue (Scope 1, 2 and 3 market based)	tCO ₂ e per £m revenue	19.45	15.75	23%	21.16	15.76	34%

Energy consumption by type

	Units	2023			2022			YoY % change in total
		UK	Global (excl. UK)	Group	UK	Global (excl. UK)	Group	
Total electricity	kWh	1,003,808	744,540	1,748,348	800,097	529,524	1,329,621	31%
Purchased electricity	kWh	888,875	744,540	1,633,415	732,983	529,524	1,262,507	29%
On-site generated electricity (solar)	kWh	114,933	—	114,933	67,114	—	67,114	71%
Gas	kWh	635,716	97,049	732,765	550,030	79,712	629,742	16%
Company owned vehicle use	kWh	78,372	892,995	971,367	61,716	1,630,061	1,691,777	-43%
Personal vehicle company use	kWh	72,462	143,970	216,432	35,651	47,789	83,440	159%
Total energy consumption	kWh	1,790,358	1,878,554	3,668,912	1,447,494	2,287,087	3,734,580	-2%

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 2023, the UK government's GHG Conversion Factors for Company Reporting 2023 (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 again for FY 2023. 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.

FY 2023 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.

Increase in 2022 figures due to inclusion of VadoTech data (previously not available for the 2022 Annual Report).

ESG strategy continued

Environmental leadership 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. 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 2023 has seen an increase in data reporting for water usage. A number of our subsidiary sites are based in shared or leased premises and water consumption is included in lease fees and water consumption data for our businesses is not available.

Group water withdrawal

	2023	2022
Freshwater withdrawal (m ³)	1,960	1,714
Intensity ratio (m ³ per £m revenue)	19.44	20.60

Waste management

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 supports our carbon neutral ambition.

Our Environmental Management System contains procedures for waste management and frequent reminders are made to ensure waste is recycled wherever possible.

In FY 2023, 99% of all waste produced by the Group was non-hazardous, with 20% being recycled and the remainder being treated, sent to landfill or used in waste to energy programmes. With a baseline now calculated, the Group can actively monitor initiatives to reduce the amount of waste generated across all operations and to divert waste from landfill.

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.

2023 waste management

	Unit	Non-hazardous waste	Hazardous waste	Total waste
Tonnes to landfill	Metric tonnes	194.16	—	194.16
Tonnes recycled	Metric tonnes	51.90	—	51.90
Tonnes incinerated	Metric tonnes	10.90	—	10.90
Tonnes treated	Metric tonnes	—	1.52	1.52
Total	Metric tonnes	256.96	1.52	258.48

Waste management intensity

	Unit	Non-hazardous waste	Hazardous waste	Total waste
Intensity ratio	Tonnes per £m revenue	2.5	0.1	2.6

Waste by type

Material type	Unit	Hazardous waste	Non-hazardous waste	2023 total waste	2022 total waste
Gases (in containers), paints, adhesives, oils, batteries, accumulators, etc.	Metric tonnes	1.52	—	1.52	1.74
Paper/cardboard	Metric tonnes	—	12.72	12.72	17.90
Other mixed commercial waste	Metric tonnes	—	205	205	13.50
Plastic and plastic packaging	Metric tonnes	—	28.45	28.45	11.90
Glass	Metric tonnes	—	—	—	7.12
Metal	Metric tonnes	—	4.98	4.98	11.18
Agricultural (garden, horticultural, forestry, etc.)	Metric tonnes	—	—	—	7.11
Wood	Metric tonnes	—	5.60	5.6	13.64
Electrical/electronic	Metric tonnes	—	0.22	0.22	7.55
Total		1.52	256.97	258.49	91.64

ESG strategy 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 electric vehicle 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 (physical track testing) 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) reduced 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 target to achieve carbon neutrality by 2030.

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, responsible for innovative products like our Advanced Driving Simulator.

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 (approximately 29% of the workforce) 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. In FY 2024 we will continue to focus on and roll out our supply base using 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.

ESG strategy 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 can be located on our website.

Employees (including part time and contractors) trained on business ethics policies in 2023

	2023	2022 ¹
Percentage (%) of employees trained on the Group's business ethics policies in the current fiscal year	87%	71%

¹ VadoTech group data not included due to data availability.

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, oversight and 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 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 encourages an environment where honest and open communication is expected, with employees feeling comfortable to bring forward any concerns or violations of Group policies. Whilst we believe we have a robust framework in place and an embedded commitment to doing the right thing, where these high standards have not been met, we encourage our workforce to come forward and speak up. This is embedded into our Whistleblowing Policy which provides legal protection for all whistleblowers and an online whistleblowing hotline, available 24/7 through an independent provider (EQS Group). Our employees are encouraged to raise any concerns anonymously via the hotline to an independent Non-Executive Director of the Group. Our Whistleblowing Policy aims to encourage openness and will support and safeguard staff who raise genuine concerns in good faith, with non-retaliation provisions under this policy, even if they turn out to be mistaken. All reports made through this tool shall be investigated in line with the Group's policy. Such investigations are supervised by the independent Non-

Executive Directors. Six whistleblowing reports were received and investigated during FY 2023 and resolved without the need for further action. The majority of cases were dismissed or treated as a local management matter and the reporting process enhanced to ensure appropriateness of use going forward.

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 on anti-bribery and corruption which has been circulated to every member of staff globally through the Company'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 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.

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. 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.

TCFD

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

We are not required to comply with the Task Force on Climate-related Financial Disclosures (TCFD) reporting requirements for FY 2023, however, we have commenced preparations to report in FY 2024.

We acknowledge that the automotive industry is under intense scrutiny for its climate impact and we support the TCFD recommendations requiring us to act, prepare and protect our businesses and to assess and reduce our greenhouse gas emissions.

Climate-related risks and opportunities will be key considerations in the strategy and planning of the Group as we aim to achieve carbon neutrality by 2030 and net zero by 2050 underlining our commitment to addressing climate change and contributing towards a sustainable future.

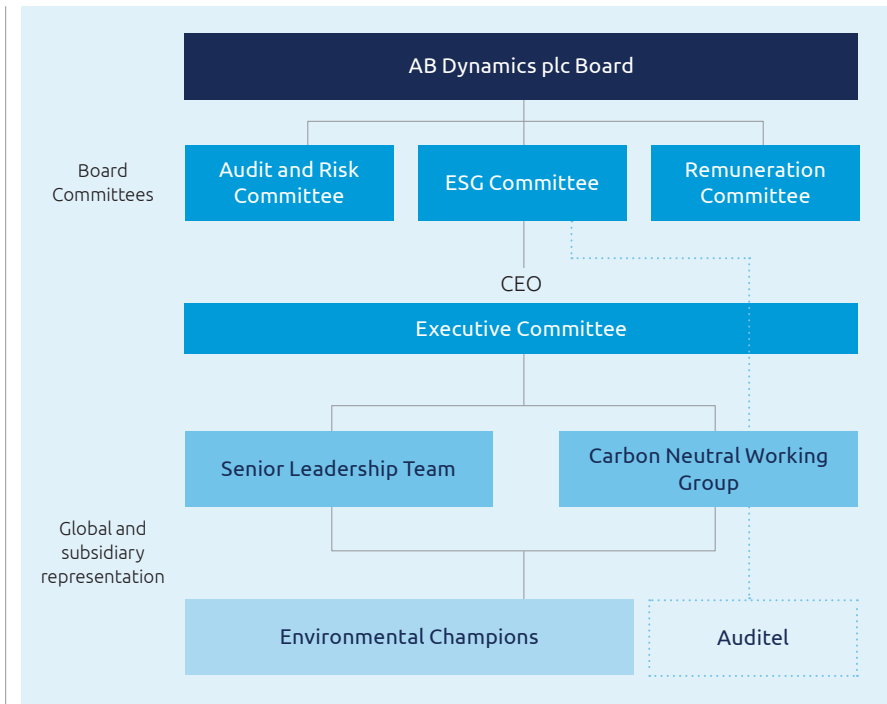
The following outlines our journey to date and our scope of planned work for FY 2024.

Governance Framework

The Board is ultimately responsible and accountable for ESG governance and strategy and ensuring risks are managed throughout the Group.

Oversight and responsibility of climate risk:

- The CEO has responsibility for delivering the ESG strategy of the Group. The CEO is a member of the ESG Committee and chairs the Carbon Neutral Working Group (CNWG) (page 42) with oversight by the ESG Committee.
- The CNWG was set up during FY 2023 and is driven by the ESG Committee and the Board in the delivery of the CNWG's objectives and the resources required to implement the TCFD recommendations.
- **Audit and Risk Committee** – oversees the risk management framework for the Group and this will include environmental and climate related risks.
- **ESG Committee** – oversees the CNWG and drives the implementation of the ESG strategy.
- **Remuneration Committee** – ensures that climate related targets are integrated into remuneration.
- **CNWG** – reports to the Executive Committee and the ESG Committee and recruits Environmental Champions from all of our global subsidiaries.
- **Senior Leadership Team** – members of the Executive Committee and direct reports who will have an active role in implementing the climate strategy within their respective areas and ensuring progress towards carbon neutrality and net zero.
- We have also engaged Auditel to advise and guide us in preparation for our FY 2024 disclosures.



TCFD continued

FY 2024 activities

The opportunities within the automotive industry include moving towards electrification. The end of new petrol and diesel car sales by 2030, and all cars be fully zero emissions capable by 2035 as required by the UK net zero 2050 mandate.

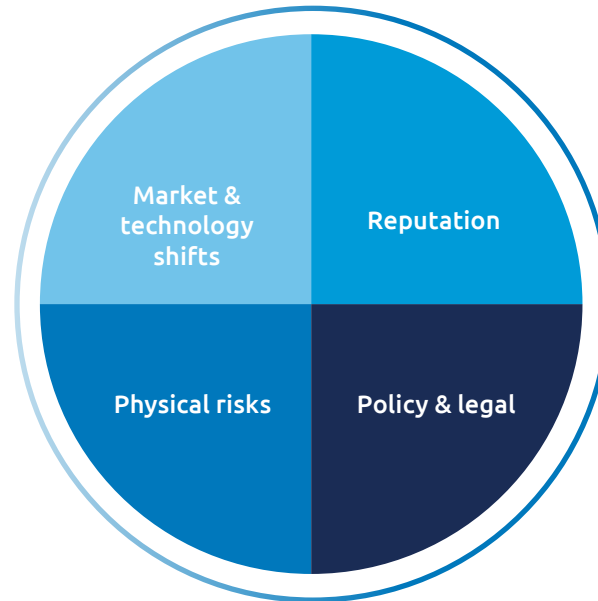
Developing and applying a scenario analysis

- Identify and define a range of scenarios, including a 2°C scenario or lower that will provide a range of potential future climate states
- Evaluate the potential resiliency of our strategy to the range of scenarios
- Assess the resiliency of our strategy to climate change

Climate scenario analysis

- 1 Conduct a TCFD gap analysis**
Identify the steps to comply and meet disclosure requirements
- 2 Identify the climate risks and opportunities**
This will include obtaining information from automotive manufacturers in assessing the risks and opportunities that exist for us and the industry
- 3 Assess the climate risks and opportunities**
Score and prioritise risks and opportunities
- 4 Financial impact**
Quantify the cost and potential capital impact
- 5 Integration**
Apply the scenario analysis to climate related risks and opportunities and integrate into our climate strategy

Categories of climate related risks and opportunities



We will also seek to target alignment with two additional UN SDGs (see page 33) in our climate strategy.



Clean water and sanitation

Improve water quality by reducing pollution, reducing untreated waste water and minimising the release of hazardous chemicals and materials.



Ensure sustainable consumption and production patterns

Reduce waste generation by prevention, reduction, recycling and reusing.

We look forward to sharing our full TCFD report in 2024.

S172(1) statement and stakeholder engagement

Engaging with our stakeholders

1 Customers

AB Dynamics works with the biggest names in the automotive industry (including original equipment manufacturers (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 the activities of the Board on page 70 and to our ESG report on pages 32 to 49 for more information

2 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

- Members of or engage 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

3 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
- ESG 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 2023
- 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 2023

For more information please refer to the activities of the Board on page 70 and to the ESG report on pages 32 to 49

S172(1) statement and stakeholder engagement continued

4 Employees

With over 400 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

Please refer to our ESG report on pages 32 to 49 for more information

5 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 48
- 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

6 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 revised its CSR criteria to allow each employee two volunteering days a year
- The revised CSR criteria allow employees to lead engagement in projects in their communities

For more information please refer to our ESG report on pages 32 to 49

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 control 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.

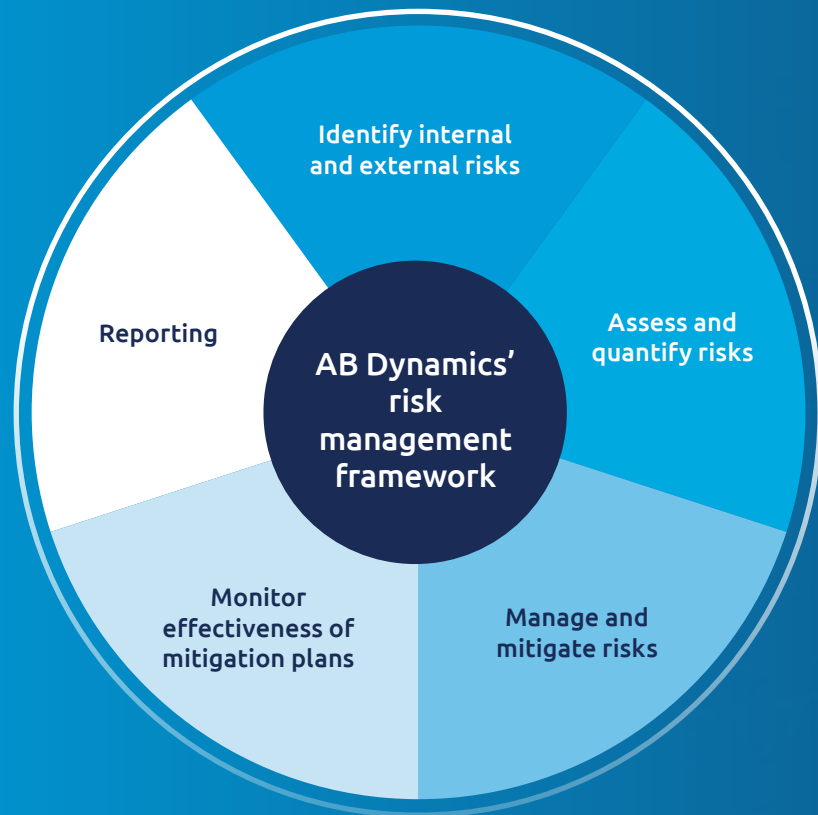
The Board has developed the framework to identify and manage risks, set the risk appetite of the Group and determine the overall risk tolerance levels.

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.

“Macroeconomic factors have increased risk in relation to inflation, foreign exchange and counterparty risk. To address this we have implemented price increases, hedged foreign exchange transactions where possible and continue to monitor credit ratings of counterparties.”

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 leads to pressure on margins.</p>	<p>Description</p> <p>Loss of a significant customer to competition could result in reduced revenues. 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; and 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 	<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 retention and incentivisation Recruitment of senior management to support acquisitions, including finance Close management and monitoring of business performance against budget
<p>Change</p> <p>No change </p>	<p>Change</p> <p>Decreased </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

Change

Increased

No change

Decreased

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 displaces the need for Group products and services. 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"> External audit 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 five years with over two-thirds of employees recruited in the last three 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 	<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 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>No change </p>	<p>Change</p> <p>No change </p>	<p>Change</p> <p>No change </p>

Principal risks and uncertainties continued

Change

Increased

No change

Decreased

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>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>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>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>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"> 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>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 	<p>Mitigation</p> <ul style="list-style-type: none"> Risk is assessed on a case-by-case basis and payment terms established according to risk Advance payments and letters of credit used where appropriate 	<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 is 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>Mitigation</p> <ul style="list-style-type: none"> ESG Committee formed in FY 2021 with responsibility for the creation of ESG policies and framework while promoting sustainable long-term growth Continued focus on building the medium-term plan for achieving carbon neutrality by 2030 Current development of a Group Environmental Policy
<p>Change</p> <p>Increased </p>	<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>

Dr James Routh
Chief Executive Officer
23 January 2024

Governance

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Chairman's introduction to corporate governance

Good governance – a core value of the Board



Richard Elsy CBE
Non-Executive Chairman

Dear shareholders,

I am pleased to introduce our Corporate governance report for the year ended 31 August 2023.

Board effectiveness and evaluation

Good governance is underpinned by an environment of constructive challenge and the open sharing of views at Board level. Maintaining this culture within the Board has been an important personal responsibility and I was pleased to see this positively reflected again in the internal Board performance review.

Growth and scale

It continues to be essential to scale our governance structures to meet the increasing demands of our Group today and allow for future growth whether organically or by acquisition. The Board has maintained a strong focus during the year on the Group's short, medium and long-term strategic objectives, including the integration of our recent acquisitions.

As we welcome the employees of Ansible Motion into our group of businesses, we are ensuring that they understand our governance values and best practices as they are integrated into the Group. These are further steps in the growth of the Group into a multinational business with 21 legal entities, all of which the Board has oversight of.

With regulation, risk and responsibilities for directors around the management of legal entities increasing, we understand that a strong global subsidiary governance framework enhances our value and prevents costly financial and reputational damage. We operate under a centralised, head office-controlled framework but devolve responsibility for compliance within this framework to operating divisional management, with the aim of global harmonisation around local legislation. This is achieved via a robust business-wide delegation of authority.

Culture and values

The Board recognises its leading role in establishing the culture and values of the Group and embedding these throughout our Group. The Group benefits from a very high degree of employee engagement, measured in our rolling programme of engagement surveys, and our employees are supported by our HR team, alongside a multifunctional group of colleagues who represent the wide range of expertise from our business units and are active in managing the communication and promotion of our culture and values. Our core values of customers, people, diversity, innovation, excellence and responsibility are reflected in our policies and our business ethics framework. This year, our ESG Committee has worked on improving our links and involvement with our local communities, as is detailed further in the ESG Committee report on pages 40 and 41.

Stakeholders

Consideration of the Group's full range of stakeholders, including our people, investors, strategic partners and suppliers, continues to be an integral part of the Board's discussions and decision making. The Section 172(1) statement on pages 52 and 53 describes how the Board took its wider responsibilities into account, including an overview of the Board's engagement activities with each of our key stakeholder groups.

AGM

Our AGM will take place on 28 February 2024. You can read more about our plans for the AGM later in this report and in the Notice of the AGM on pages 135 to 139.

Richard Elsy CBE
Non-Executive Chairman
23 January 2024

Statement of corporate governance

This statement of corporate governance is an explanation of how the Group has applied the ten principles of the Quoted Companies Alliance Corporate Governance Code ('QCA Code') throughout the year. The QCA Code and these standards are integrated into the Group's operations and compliance supports the achievement of our strategic objectives. Whilst day-to-day operational decisions are managed by the Chief Executive Officer, certain strategic decision-making powers and authorities of the Company are reserved as matters for the Board.

The Board recognises the value of good corporate governance and can confirm that it has complied with the QCA Code for the period under review, as required by the AIM Rules.

Board performance review and evaluation

During the year, an internal review of Board performance was conducted. Further details of the outcome of the report can be found on page 71.

Summary of compliance with the QCA Code

The Board has reviewed the principles and provisions of the QCA Code. Following this review, the Board is pleased to confirm that the Company has complied with the Code for the financial year ended 31 August 2023.

The QCA Code can be found on the QCA's website (www.theqca.com) and further information on compliance with the Code can be found below.

The Board held eight full meetings through the year ended 31 August 2023, and the Directors' attendance at those meetings is set out on page 69.

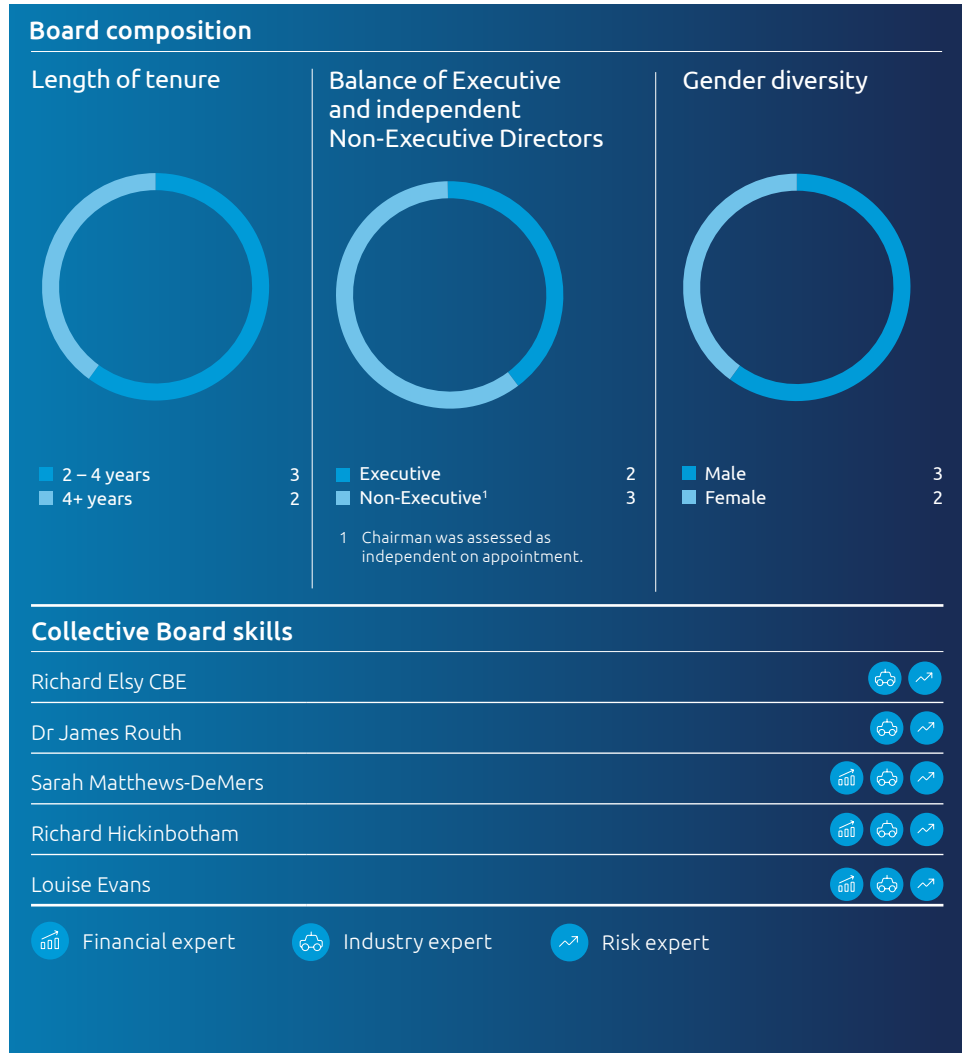
The Board is committed to the pursuit and maintenance of very high standards of corporate governance by promoting ethical and sustainable values and behaviours consistently across the Group's businesses. This report, along with the sections detailed below, aims to provide clear and meaningful explanations of how the Board and its Committees have discharged their governance duties and explains how the Group promotes open and transparent discussions and welcomes constructive challenge in every aspect of its business.

Continue reading about our Statement of corporate governance on page 67

“Good corporate governance supports and encourages high levels of professionalism in the Board.”

Board of Directors

A leadership team creating sustainable shareholder value



Richard (Dick) Elsy CBE
Non-Executive Chairman

Appointments:
Joined the Board as Non-Executive Director on 1 August 2020.
Non-Executive Chairman (assessed as independent on appointment) and Chairman of the Nomination Committee from 1 July 2021.

Skills and experience:
Dick is a career veteran from the automotive industry, with the bulk of his time spent at Land Rover and then Jaguar, where he was Engineering Director. He was Chief Executive of Torotrak plc, and was the founding CEO of the High Value Manufacturing Catapult, which he built into Europe’s largest advanced manufacturing research institution.

In 2020, Dick chaired the Ventilator Challenge UK Consortium, an extraordinary programme to repurpose the automotive, motorsport and aero industries to build thousands of complex medical devices in a matter of a few weeks in response to the pandemic crisis.

Number of Board meetings attended:
8 of 8

External appointments:
Dick is Non-Executive Director of AWE and chairs the Faraday Advisory Board for UKRI. He is a Fellow of the Royal Academy of Engineering and an honorary professor at Strathclyde University.



Dr James Routh
Chief Executive Officer

Appointments:
Joined the Group and was appointed to the Board as an Executive Director on 1 October 2018.

Skills and experience:
James brings significant engineering and management leadership experience gained across international businesses. Prior to joining the Group, James was Group Managing Director at FTSE 100 listed Diploma PLC for six years where he delivered a series of successful international acquisitions. His previous career involved engineering leadership positions predominantly in the aerospace and defence industry, including senior roles at Chemring Group PLC and Cobham PLC. James holds a PhD in Engineering and is a Chartered Mechanical Engineer and Fellow of the Institution of Mechanical Engineers.

Number of Board meetings attended:
8 of 8

External appointments:
James is Non-Executive Director and Senior Independent Director at Tracsis plc.

Board of Directors continued



Sarah Matthews-DeMers
Chief Financial Officer

Appointments:

Joined the Group and was appointed to the Board as an Executive Director on 4 November 2019.

Skills and experience:

Sarah has extensive experience of financial management in public company environments, investor relations and strategic development. Previous roles include Group Finance Director of Carclo plc and Director of Strategy at Rotork plc where she led a wide-reaching strategic review. Prior to this she was Deputy Group Finance Director at Avon Rubber plc, being part of the senior management team during a period of significant transformation. She began her career at PwC, working with many international manufacturing and technology companies. Sarah is a Chartered Accountant and Fellow of the ICAEW with a first-class degree in Accountancy Studies.

Number of Board meetings attended:
8 of 8

External appointments:

Council Member, University of Exeter.



Richard Hickinbotham
Non-Executive Director (Independent)

Appointments:

Joined the Board as a Non-Executive Director on 9 August 2017.

Chair of the Remuneration Committee.

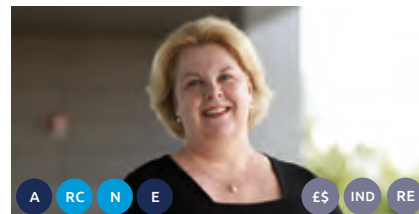
Skills and experience:

Richard holds a BSc in Mechanical Engineering from Imperial College and is a Chartered Accountant with over 30 years' City experience. He was Head of Research at Singer Capital Markets and was previously in research management roles at Cantor Fitzgerald Europe and Charles Stanley Securities. He has held several senior positions at Investec and S G Warburg & Co. (acquired by UBS).

Number of Board meetings attended:
8 of 8

External appointments:

Richard is a Non-Executive Chair of Directa Plus Plc.



Louise Evans
Non-Executive Director (Independent)

Appointments:

Joined the Board and appointed Chair of the Audit and Risk Committee on 6 April 2020.

Chair of the ESG Committee.

Skills and experience:

A qualified Chartered Accountant, Louise was previously Group Finance Director of Williams Grand Prix Holdings plc and Braemar Shipping Services plc and Non-Executive Director of SCB Brokers SA.

Number of Board meetings attended:
8 of 8

External appointments:

Louise is a Non-Executive Director and Chair of the Audit Committee of Gooch & Housego plc and Non-Executive Director of the International Foundation for Aids to Navigation.

- A Audit and Risk Committee
- RC Remuneration Committee
- N Nomination Committee
- E ESG Committee
- Committee Chair

- £\$ Financial expert
- IND Industry expert
- RE Risk expert

Executive Committee

A balance of skills

The Executive Committee includes the Group CEO and CFO as well as the following business leaders.

“The Executive Committee facilitates execution of the Group’s strategy though running the day-to-day operations of the business.”

The Executive Committee (Excom) oversees the delivery of the Group’s strategy, monitors the operational and financial performance of the business, allocates resources across the Group, manages risk and implements the Group’s governance policies.

The members of the Committee include the Executive Directors, the President Asia Pacific and North America, the Group Operational Excellence Director, the Managing Director – Simulation and the Managing Director – ABD Solutions.

Other individuals may be invited to attend Excom meetings as required.

During the year, four Excom meetings were held.



Dr James Routh
Chief Executive Officer



Sarah Matthews-DeMers
Chief Financial Officer

See pages 62 to 63 for biographies

Executive Committee continued



Andrew Ng
President Asia Pacific and North America

Appointments:

Joined the Group on 1 October 2021 and is a member of the Group Executive Committee.

Skills and experience:

Andrew brings senior management leadership experience and significant global commercial experience. Prior to joining the Group, Andrew was Group Managing Director – APAC at FTSE 100 listed Diploma plc for four years, Managing Director – Australia for FTSE 250 listed Fenner plc for ten years and held International Sales and Business Development Manager roles at NZ50 listed Skellerup for twelve years. He delivered successful acquisitions in the APAC region and has extensive experience in automotive, mining, mineral processing and oil and gas. Andrew has a BAS in Materials Science from the University of Technology, Sydney, and an MBA from Macquarie University, Sydney, Australia.



Tom Willis
Managing Director – AB Dynamics UK

Appointments:

Appointed Managing Director - AB Dynamics UK on 1 November 2023. Originally joined the Group on 11 July 2022 as Group Operational Excellence Director and member of the Group Executive Committee.

Skills and experience:

Tom brings significant operational and leadership experience in operations and supply chain activities across the UK, Europe, North America and APAC. Prior to joining the Group, Tom was Programme Director at FTSE 250 listed Diploma plc for two years, Global Operations Director for Hallite Seals, a Michelin company, for three years and Supply Chain Director for UK and Ireland at CAC Mid 60 listed Rexel for 18 years. He delivered global transformation projects in moving from an existing operational state into the next stage of business evolution to drive improved customer service, improvements through global sourcing and implementation of ERP systems, and in bringing to the businesses new technologies through robotics and software that had never been seen before.



Dan Clark
Managing Director – Simulation

Appointments:

Joined the Group as Managing Director of the simulation division in June 2022 which comprises the ABD subsidiaries Ansible Motion Limited and rFpro Limited. Member of the Group Executive Committee.

Skills and experience:

Dan is a successful business leader with a passion for engineering and technical disciplines. He has gained significant experience from a career in highly technical and commercially demanding environments in aerospace and defence engineering services and product development. Dan has held roles in engineering, technical management, project management, operations and senior leadership. Prior to joining AB Dynamics, Dan was the Managing Director of Stirling Dynamics and Vice President of the Expleo Group. Dan has a Master's degree in mechanical engineering from the University of Bath and is a Chartered Engineer with the Institution of Mechanical Engineers.



Matthew Price
Managing Director – ABD Solutions

Appointments:

Appointed Managing Director - ABD Solutions on 1 June 2021 and appointed as a member of the Group Executive Committee in June 2023. Originally joined AB Dynamics in January 2020 as Engineering Director.

Skills and experience:

Matthew brings extensive international engineering, management leadership and operational experience gained across a broad range of industry sectors. Prior to joining AB Dynamics Matthew was Head of Aerospace Aftermarket Services for Atkins, a global engineering consultancy, where he developed new revenue streams and delivered a series of successful international programmes. His previous career roles included engineering and programme leadership positions throughout the UK, the US, Europe and Australia, within the automotive, telecommunications, aerospace and defence industries, including senior roles at Ford, GKN and Airbus. Matthew is Chartered Aerospace Engineer and Fellow of the Royal Aeronautical Society.

Statement of corporate compliance

Summary of compliance with the QCA Corporate Governance Code (QCA Code)

Principle 1: Establish a strategy and business model which promote long-term value for shareholders.	The Group has built on its existing core strategy to diversify the business and enter larger, growth-focused markets. For more details regarding this strategy, please see the Strategic report on pages 1 to 58 and the Group's detailed analysis of its compliance with the QCA Code Principle 1 available on the Group's website.
Principle 2: Seek to understand and meet shareholder needs and expectations.	The Group maintains regular contact with its major shareholders and is committed to communicating openly with shareholders through announcements made via our RNS and presentations to institutional shareholders, private client brokers and investment analysts. Meetings and site visits are regularly held with existing and prospective investors. For further and more detailed explanations of how the Group applies Principle 2, see our commentary on the Group's Section 172(1) responsibilities on pages 52 and 53 and the Statement of corporate governance on pages 67 to 75.
Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success.	Social engagement and the Group's responsibilities to the communities within which we operate is one of the pillars of our ESG strategy. Our duties to our internal and external stakeholders remain key to our Group's success. We summarise the Group's community activities and general corporate social responsibilities on pages 36 to 41.
Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation.	The Group has implemented a risk management framework and management structure that ensure risks are identified, assessed and mitigated wherever possible. For further and more detailed explanations of how the Group applies Principle 4, see Principal risks and uncertainties on pages 56 to 58.
Principle 5: Maintain the Board as a well-functioning, balanced team led by the Chair.	The Board is supported by its Committees – Audit and Risk, Nomination, ESG and Remuneration, each of which is chaired by an independent Non-Executive Director with relevant expertise. The Board and Committees were well attended by all Board members during the year. The Nomination Committee is satisfied that each Director commits the time necessary to fulfil their roles effectively. For further and more detailed explanations of how the Group applies Principle 5, see the Statement of corporate governance on pages 67 to 75.
Principle 6: Ensure that between them the Directors have necessary up-to-date experience, skills and capabilities.	The composition of the Board is monitored by the Nomination Committee. The Board is satisfied that the Directors have a blend of skills, experience, knowledge and independence suited to the Group's needs and its continuing development. Information on the Directors' range of skills including details of their technical and/or financial experience and expertise can be found on pages 62 and 63.
Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	The Board and its Committees review their skills, experience, independence and knowledge to enable the discharge of their duties and responsibilities effectively. This year the Board conducted an internal Board performance review. For further and more detailed explanations of how the Group applies Principle 7, see our Statement of corporate governance on pages 67 to 75.
Principle 8: Promote a corporate culture that is based on ethical values and behaviours.	The Board is committed to the pursuit and maintenance of very high standards of corporate governance and the promotion of ethical and sustainable values and behaviours across the Group's businesses. For further and more detailed explanations of how the Group applies Principle 8, see our Statement of corporate governance on pages 67 to 75. For more information on the Group's vision and values, refer to page 36.
Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision making by the Board.	The Group operates under a centralised, head office-controlled framework and devolves responsibility for compliance within this framework to each operating division or jurisdictional management, with the aim of global harmonisation around local legislation. This is achieved via a robust business-wide delegation of authority. The roles and responsibilities of the Chief Executive and the Chairman are clearly defined. The Group's governance framework and the structures of the Board and its Committees are fully detailed within our Statement of corporate governance on pages 67 to 75.
Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	Engagement with our stakeholders is key to a successful business and is an ongoing part of managing our business. We summarise why and how we engage with our key stakeholders including our shareholders on pages 52 and 53. How the Board remains informed of this engagement and a statement summarising the effects of its consideration of stakeholder interests and the details of the principal decisions taken by the Board during the financial year can be found on page 70. For further and more detailed explanations of how the Group maintains a dialogue with its shareholders and other relevant stakeholders, refer to the Company's Section 172(1) statement on pages 52 and 53.

Further information on the Group's compliance with the QCA Code can be found on the Group's website, www.abdplc.com, on the AIM Rule 26 page.

Statement of corporate governance continued

Governance framework

Board

The Board of Directors (the 'Board') is collectively responsible to the Group's shareholders for the long-term success of the Group. This responsibility includes matters of strategy, performance, resources, standards of conduct and accountability as well as having regard for our employees, customers and suppliers and the impact of our activities on both the environment and the communities in which we operate. The Board also has ultimate responsibility for corporate governance, which it discharges either directly or through its Committees. The Board delegates certain responsibilities to the Board's Committees outlined below, whilst maintaining an appropriate level of oversight through regular reports from Committee Chairs. The matters reserved for the Board can be found on the Group's website at www.abdplc.com/about/corporate-governance.

The Board's role is to:

- Determine the Group's overall strategy and direction
- Ensure appropriate adherence to health and safety requirements and promote an appropriate safety culture
- Establish and maintain controls, audit processes and risk management policies to ensure they mitigate identified risks and that the Group operates efficiently
- Approve budgets and review performance relative to those budgets and approve the financial statements
- Approve material agreements and non-recurring projects
- Approve Board appointments
- Review and approve Group-wide remuneration policies and Executive remuneration
- Ensure effective communication with shareholders and other key stakeholders
- Promote a corporate culture based on sound ethical values and behaviours

Committees

Certain matters are delegated to the Board's four Committees (Nomination, Audit and Risk, Remuneration and ESG), which will consider and manage them in accordance with their terms of reference.

Nomination Committee	Audit and Risk Committee	Remuneration Committee	ESG Committee
<ul style="list-style-type: none"> • Board and Committee composition • Succession planning • Board diversity • Executive and Non-Executive Board appointments and strategy 	<ul style="list-style-type: none"> • External audit • Financial reporting • Risk management and internal controls • Internal audit 	<ul style="list-style-type: none"> • Remuneration policy • Remuneration principles • Incentive scheme design and setting of targets • Executive and senior management remuneration 	<ul style="list-style-type: none"> • Environmental policy • Diversity and inclusion • People and talent • CSR and community engagement • Ethical, diverse and robust supply chains
Read more on pages 76 and 77	Read more on pages 78 and 79	Read more on pages 81 to 88	Read more on page 80

Statement of corporate governance continued

Governance framework continued

Division of responsibilities

The Group strives for a clear division of responsibilities and the table below outlines the Directors' roles and remits. The majority of the Board is comprised of independent Non-Executive Directors (the Chair being assessed as independent upon appointment). Further information on the Directors' range of skills including details of their technical and/or financial experience and expertise can be found on pages 62 and 63.

Chair	Chief Executive Officer	Chief Financial Officer	Independent Non-Executive Directors
<ul style="list-style-type: none"> Responsible for the leadership and overall effectiveness of the Board and for ensuring appropriate strategic focus and direction Provides leadership to the Board, setting the agenda, style and tone of Board discussions to promote constructive debate and challenge between the Executive and Non-Executive Directors Ensures that there is a good information flow to the Board, and from the Board to its key stakeholders Supports and advises the Chief Executive Officer, particularly on the development of strategy Demonstrates ethical leadership and promotes the highest standards of integrity throughout the business Ensures effective operation of the Board's Committees 	<ul style="list-style-type: none"> Provides the day-to-day leadership of the Group Responsible for developing and defining strategic proposals for recommendation to the Board and the subsequent implementation of the agreed strategy Accountable for business performance Responsible for developing an organisational structure, and establishing processes and systems to ensure that the Group has the capabilities and resources required to achieve its plans Maintains a dialogue with the Chair on all important matters and strategic issues facing the Group Ensures that there is an effective framework of internal controls, including risk management, covering all business activities Oversees the application of Group policies and governance procedures Ensures that the Board is fully informed of all key matters Develops and promotes effective communication with shareholders and other key stakeholders 	<ul style="list-style-type: none"> Oversees the financial delivery and performance of the Group and provides insightful financial analysis that informs key decision making Leads investor relations activities and communication with investors alongside the Chief Executive Officer Works with the Chief Executive Officer to develop budgets and medium-term plans to support the agreed strategy Supports the Chief Executive Officer in developing and implementing strategy, allocating resources across the Group and managing risk 	<ul style="list-style-type: none"> Bring external perspectives and insight to the deliberations of the Board and its Committees Provide a range of knowledge and business experience from different sectors and undertakings (see their biographies on pages 62 and 63) Assist in the formulation and progression of the Board's agreed strategy and monitor the performance of the Executive management in the implementation of this strategy Constructively challenge management and decisions taken at Board level Oversee the performance of management in meeting agreed goals Support the Chair and Executive Directors to instil an appropriate culture, values and behaviours in the boardroom and across the Group Challenge the adequacy and quality of information received prior to Board meetings

Executive Committee

The Executive Committee comprises the Group's senior leadership below Board level and assists the Executive Directors in facilitating the execution of the strategy.

Statement of corporate governance continued

Governance framework continued

Board and Committee attendance record

Member	Independence	Board ¹	AGM	Strategy day	Audit and Risk	Remuneration	Nomination	ESG
Executive								
Dr James Routh	N	8/8	Yes	1/1	N/A	N/A	N/A	4/4
Sarah Matthews-DeMers	N	8/8	Yes	1/1	N/A	N/A	N/A	N/A
Non-Executive								
Richard Elsy CBE	Y ²	8/8	Yes	1/1	N/A	6/6	1/1	4/4
Richard Hickinbotham	Y	8/8	Yes	1/1	3/3	6/6	1/1	N/A
Louise Evans	Y	8/8	Yes	1/1	3/3	6/6	1/1	4/4

¹ The table shows attendance at full Board meetings only. Sub-Committees of the Board were convened with the authorisation of the Board throughout the course of the year for transactional activities.

² Richard Elsy CBE was considered independent at the time of his appointment as Chairman.

Effectiveness

For the Directors to effectively perform their responsibilities as set out in the matters reserved for the Board below, the Board meets at least eight times each financial year. The Board and Committees also meet on an ad-hoc basis when required by business priorities. In addition, the Board attends a strategy day at the beginning of each calendar year to discuss in depth the Group's strategic direction. Details of the Directors' attendance at scheduled meetings is shown above.

Richard Elsy CBE, Non-Executive Director, was considered independent on his appointment as Chairman. Louise Evans and Richard Hickinbotham, as Non-Executive Directors, are independent of the Executives and are free to exercise independence of judgement. Richard Hickinbotham has the longest tenure of the Non-Executive Directors at just over six years. The Board does not believe any of our Non-Executives have formed associations with management or others that may compromise their ability to exercise independent judgement or act in the best interests of the Group. The Board is satisfied that no conflict of interest exists for any Director.

Time commitments of the Non-Executive Directors

All Non-Executive Directors have been advised of the time required to fulfil their role and remit prior to their appointment and this requirement is included in their letters of appointment. The Nomination Committee reviews the time commitments of the Non-Executive Directors on an annual basis and is satisfied that the Chair and each of the independent Non-Executive Directors can devote sufficient time to the Group's business.

Matters reserved for the Board

Matters reserved for the Board include, but are not limited to:

- Strategy and management, including responsibility for the overall leadership of the Group, setting the Group's values and standards, and overview of the Group's operational management
- Structure and capital, including changes relating to the Group's capital structure and major changes to the Group's corporate structure, including acquisitions and disposals, and changes to the Group's management and control structure
- Financial reporting, including the approval of the Annual Report and Accounts, half year report, trading statements, preliminary announcement for the results and dividend, treasury and accounting policies
- Internal controls, ensuring that the Group manages risk effectively by approving its risk appetite and monitoring aggregate risk exposures
- Contracts, including approval of all major capital projects and major investments
- Ensuring satisfactory communication with the Group's stakeholders, including its shareholders
- Board membership and other appointments, including changes to the structure, size and composition of the Board, and succession planning for the Board and senior management
- Ensure appropriate adherence to health and safety requirements and promote an appropriate safety culture
- Promote a corporate culture based on sound ethical values and behaviours

Activities of the Board

The Group's governance framework is set out on pages 67 to 70. The core activities and calendar of the Board and its Committees are planned on an annual basis and this framework forms the structure within which the Board operates.

Statement of corporate governance continued

Governance framework continued

Activities of the Board continued

Key considerations	Key activities	In practice
Strategy	<ul style="list-style-type: none"> Annual strategy day (March 2023) to discuss the future strategic direction of the Group Assessment of the Group's performance against previously agreed strategic objectives Review of the CEO's proposals for the strategic future of the Group 	<p>The Board considered and agreed (in principle) to the CEO's proposals for the following:</p> <ul style="list-style-type: none"> M&A strategy Sales and marketing capability, including development of channels to market Leadership requirements, including leadership in operational excellence supported by recruitment activity Organisational design and structure review Product and technology development Enhanced systems and processes to support the Group's growth
Finance	<ul style="list-style-type: none"> Approval of the Group's budget for the financial year ending 31 August 2024 and three-year plan ERP system preparation and implementation activities Onboarding of Grant Thornton UK LLP as the Group's external auditor Integration of Ansible Motion Ltd 	<p>The Board debated the risks and benefits of the current dividend policy, including the options available in light of an economic environment underpinned by rising inflation and interest rates and continued exposure to geo-political uncertainty. It concluded that the total dividend for the year should be 6.36p.</p> <p>The Board reviewed the strategy for capital allocation and confirmed the priorities as new products, investment in ABD Solutions, implementing acquisitions and a progressive dividend policy.</p> <p>The Board welcomed Grant Thornton UK LLP as the Group's external auditor following shareholder approval at the AGM on 11 January 2023.</p>
Risk and compliance	<ul style="list-style-type: none"> Annual review of the Group's strategic risk register Continuation of due diligence on third party suppliers and agents Review of Group-wide policies Review of Group-wide insurance coverage Maintenance of the Group's whistleblowing platform 	<p>The Board continues to receive information to assess and mitigate risks associated with ongoing geopolitical conflicts.</p> <p>The Board was updated by the CEO about the Group's progress to de-risk its supply chain and improve its diversification of suppliers of its key components.</p> <p>The Board approved the new internal control manual for use throughout the Group.</p> <p>The Board received six whistleblowing issues through its whistleblowing platform. For further details please refer to page 49.</p>
People and culture	<ul style="list-style-type: none"> Professional Development Programme Group CSR criteria review Review of current structure of the Group 	<p>The Group completed the first year of its career development programme including a Professional Development Programme for emerging leaders with participants from across the Group's business units. The Group will continue with the Professional Development Programme with new participants within the Group.</p> <p>The Group revised its CSR criteria, underpinned by its corporate values, to ensure that its CSR activities enhance the links to the Group's local communities.</p>
Governance	<ul style="list-style-type: none"> Pursued growth of the Group's ESG agenda led by the ESG Committee Stakeholder engagement Internal Board performance review 	<p>The Group's ESG agenda this year continued its focus on reductions in its CO₂ emissions, waste and water usage and data collection to accurately measure its use of these finite resources. The Group appointed Auditel to assist with its carbon neutral goals. The Group maintained an MSCI AA rating.</p> <p>An internal Board performance review was conducted during the year and the Board approved and is implementing the development points highlighted. Please refer to page 71 for more information.</p>

Focus for 2024 – The Board will focus on succession planning, diversification and ESG initiatives.

Statement of corporate governance continued

Statement of corporate governance

Board meetings

During the period, the Board convened formally on nine occasions. The Board retains the services of a Company Secretary and receives its information on a secure platform, Board Intelligence. The routine Board and Committee papers are distributed seven days in advance of the scheduled meetings (a minority of papers may be circulated nearer to the time of a meeting on an exceptional basis).

Any Director can challenge proposals, with decisions reached after open discussions. Any Director can ask for a concern to be noted in the minutes of the meeting which are circulated to all Directors. Specific actions arising from meetings are agreed by the Board or relevant Committee and then followed up by management. The Board is supported by the Audit and Risk, Remuneration, Nomination and ESG Committees, each of which has access to information, resources and advice that it deems necessary, at the Group's cost, to enable each Committee to discharge its duties.

The Chair also meets separately with Non-Executive Directors, without Executive Directors or other managers present. Debate and discussion at Board and Committee meetings are encouraged to be open, challenging and constructive.

Board composition

As at 31 August 2023, the Board comprised a Non-Executive Chairman (who was deemed independent upon appointment), two Executive Directors and two independent Non-Executive Directors. A biography of each Director in office at the end of the year is set out on pages 62 and 63.

The composition of the Board is monitored by the Nomination Committee. The Board remains satisfied that each Director, whether Executive or Non-Executive, has the necessary time to devote to their role to effectively discharge their responsibilities and that, between them, the Directors have a blend of skills, experience, knowledge and independence suited to the Group's needs and its continuing development. The Board is also assured that it has a suitable balance between independence and knowledge of the Group to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and constructively challenge other Directors where appropriate.

Board performance review

The Board and its Committees review their skills, experience, independence and knowledge to enable the discharge of their duties and responsibilities effectively. An external Board performance review is conducted every three years in accordance with the Financial Reporting Council's Code of Governance (provision 21).

An internal Board performance review was conducted during the year, which confirmed an excellent Board culture with good balance between governance and active support for the Group's objectives.

Actions identified in the review for the forthcoming year include Board presence at the Group's locations internationally.

Powers of Directors

The powers of the Directors are set out in the Group's Articles of Association (the Articles). The Board may exercise all powers conferred on it by the Articles, in accordance with the Companies Act 2006 and other applicable legislation. The Articles are available for inspection online at www.abdplc.com and can also be viewed at the Group's registered office.

Directors' inductions, training and development

Following appointment to the Board, all new Directors receive an induction tailored to their individual requirements. These inductions cover some or all of the following (depending on the individual Director's experience and what is appropriate for their role):

- **Board and governance:** including the Board's calendar; procedures, including meeting protocols; Committee activities and terms of reference; and matters reserved for the Board.
- **Business introduction:** the nature of the Group, its business, markets and relationships; meetings with the relevant operational and functional senior management; and overviews of the business via monthly reports.
- **Finance:** budget and forecast papers; and analyst and investor overviews.
- **Risk:** the Group's approach to risk management.
- **Other:** meetings with the Company's official appointed advisers including registrar, solicitor, auditor, broker and nominated adviser (NOMAD).

The Group meets the cost of appropriate training for Directors, the requirement for which is kept under review by the Chairman. Directors are continually updated on the Group's businesses and the matters affecting the markets in which the Group operates.

Risk management and internal controls

The Board is responsible for the Group's system of internal controls and for reviewing the effectiveness of that system. It is designed to manage, rather than eliminate, the risk of failure to achieve the Group's strategic objectives and can only provide reasonable but not absolute assurance against material damage, deficiency or loss. The control framework includes:

- setting and approval of an annual budget;
- regular updates from all subsidiaries to the CEO and CFO;
- monthly business reviews by the CEO and CFO focused on business performance;
- quarterly reviews by Group finance focused on the quarter-end balance sheet;
- six-monthly confirmations from local controllers regarding operation of internal controls, results and financial position and compliance with bank requirements;
- automated controls and workflows built into the new ERP system; and
- physical verification of inventory every six months.

The principal risks which the Board has identified this year are set out in the section on Principal risks and uncertainties on pages 56 to 58 of the Strategic report.

Delegation of authority

The Group has in place defined authorisation levels for expenditure, the placing of orders and signing authorities.

Each year on behalf of the Board, the Audit and Risk Committee reviews the effectiveness of these systems. This is achieved primarily by a comprehensive review of the risks within a business risk assessment matrix that includes both financial and non-financial issues with the potential to affect the Group, and from discussions with the external auditor.

Statement of corporate governance continued

Statement of corporate governance continued

Anti-corruption

The Group has a policy on anti-bribery and corruption that fully addresses the requirements of the Bribery Act 2010 and the US Foreign Corrupt Practices Act 1977. This policy is circulated to every member of staff globally through the Group's HR portals or QMS systems and individuals receive online training on the core subject matter. To facilitate understanding and compliance, the policy and training are available in four languages (the key languages spoken across the Group).

The Group has formalised its due diligence with the use of the Dow Jones Risk Management tool. Dow Jones Risk and Compliance is a global provider of regulatory compliance and risk management solutions; its tool allows the Group to perform comprehensive due diligence on customers, agents and suppliers which supports its anti-corruption policies and procedures. This tool was one of the means by which the Group mitigated its risks in relation to the ongoing conflict in Ukraine (and associated restrictions on trade with Russia during the financial year).

Whistleblowing

The Board aims to encourage openness and will support staff who raise genuine concerns in good faith under this policy, even if they turn out to be mistaken. The Group retains an independent and online whistleblowing hotline operated by EQS Group. The hotline enables employees to raise any concerns anonymously through a third party tool (EQS) to an independent Director of the Group, and facilitates communications in all of the core languages of the Group. All reports made through the hotline are investigated in line with the Group's Whistleblowing Policy.

The Board received six whistleblowing reports during the financial year, the majority of which were deemed to be local management matters and were resolved without further action. Please refer to page 49 for further information.

Diversity and equality

The Group is proud of its Board diversity with 40% female Directors and it remains committed to strengthening its diversity beyond gender to ethnic diversity, when appropriate opportunities arise. Diversity across a wide range of criteria is valued, including skills, knowledge and experience as well as neurodiversity, religion or beliefs and membership or non-membership of any trade unions. It is also committed to creating equality of opportunity where people are appointed on merit, and without any form of positive or negative discrimination. Whilst the Nomination Committee reviews the structure, size, diversity, balance and composition of the Board, the principal objective of the Nomination Committee is to ensure that all candidates are suitably qualified and experienced for the role. Additional information on diversity can be found on pages 36 and 37 in our ESG strategy section.

Re-election

All Directors are subject to annual re-election by shareholders at the first Annual General Meeting following their appointment and annually thereafter.

Liability insurance

Each Director and Officer of the Group is covered by appropriate Directors' and Officers' liability insurance ('D&O insurance') at the Group's expense in line with market practice.

The D&O insurance provides coverage for the Directors and Officers for the costs of defending themselves in legal proceedings taken against them in their capacity as a Director and in respect of damages that may result from those proceedings. The insurance does not provide coverage where the Director or Officer has committed a deliberately fraudulent or deliberately criminal act.

Professional advice

Each Director is entitled to obtain independent professional advice at the Company's expense in furtherance of their duties as a Director of AB Dynamics plc. In addition, each Committee is authorised, through its terms of reference, to seek advice at the Company's expense. The Board retains the services of a Company Secretary who is available to all Directors to provide governance advice and acts as secretary to the Board and its Committees.

Conflicts of interest

The Group has policies and procedures to appropriately manage or resolve potential or actual conflicts of interest that may arise in the business. The policies are available in four languages and apply to the Company's Directors and personnel.

All Directors are also subject to a statutory duty under the Companies Act 2006 (the 'Companies Act') to avoid a situation where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. Directors of public companies may authorise conflicts and potential conflicts in accordance with the Companies Act where it is appropriate to do so and where the Articles of Association (the 'Articles') contain a provision to this effect. At each Board meeting, the Chair enquires if the Directors are aware of any potential or actual conflicts of interest. It is the Board's contention that all authorisation powers are being exercised in accordance with the Companies Act and the Company's Articles.

Accountability

The Board is responsible for ensuring that the Annual Report and Accounts, taken as a whole, presents a clear, fair and balanced assessment of the Group which provides the information necessary for shareholders to assess the Group's performance, strategy and business model.

The Board receives a detailed report from the Chief Financial Officer which sets out the key matters that impact or could impact the Group's Annual Report and financial statements and highlights areas of the financial statements where it has been necessary to rely upon a significant level of subjectivity.

Statement of corporate governance continued

Board Committees

Audit and Risk Committee

Chaired by Louise Evans
(finance and audit expert)

Number of meetings in the year: 3

Role of the Committee

The Audit and Risk Committee is responsible for ensuring that the financial performance of the Group is reported and monitored, and for meeting the auditor and reviewing the reports from the auditor relating to accounts and internal control systems.

The Audit and Risk Committee meets with the external auditor at least once a year without any Executive Directors being present. The Committee also confirms the independence and effectiveness of the external auditor. The Committee is also responsible for the review and management of the Group's risk management framework. This year the Committee welcomed Grant Thornton LLP as the new auditor to the Group.

Nomination Committee

Chaired by Richard Elsy CBE
(industry expert)

Number of meetings in the year: 1

Role of the Committee

The Nomination Committee is responsible for recommendations to the Board for the appointment of additional Directors or replacement of current Directors. The Committee reviews the structure, size and composition of the Board and its Committees and also considers succession planning for the Board and the Executive Committee. The Committee is also responsible for the annual Board performance review and makes recommendations to the Board in respect of development areas to continuously improve the effectiveness of the Board and its Committees.

Remuneration Committee

Chaired by Richard Hickinbotham
(industry and finance expert)

Number of meetings in the year: 5

Role of the Committee

The Remuneration Committee reviews the performance of the Executive Directors and sets and reviews the scale and structure of their remuneration and the terms of their service agreements with due regard to the interests of the shareholders. In determining the remuneration of Executive Directors, the Remuneration Committee seeks to enable the Group to attract and retain Executives of high calibre. No Director is permitted to participate in discussions or decisions concerning his or her own remuneration. The Remuneration Committee meets as and when necessary. This year the Remuneration Committee continued to be advised by FIT Remuneration Consultants. The Committee reviewed the Group's Executive Remuneration Policy, oversaw the award of Executive bonuses (and the allocation of a percentage of these bonuses to be awarded as shares), and authorised the award of an LTIP to the Executive and senior leadership of the organisation. The Executive LTIP is subject to malus and clawback provisions.

ESG Committee

Chaired by Louise Evans
(finance and audit expert)

Number of meetings in the year: 4

Role of the Committee

The aim of the Committee is to further the sustainability of the Group, promote the continuous improvement of the Group's ESG management and performance and promote and enhance the Group's ESG work to ensure it receives due attention and acknowledgement, enabling the Group to become an ESG leader in our selected industries. This year, the ESG Committee appointed Auditel, a leading cost, procurement and carbon solutions company, to assist with our carbon neutral journey.

The Board also has access to all relevant information and reviews other periodic management information and RNS announcements. The draft Annual Report and Accounts is circulated to each member of the Board in sufficient time to allow challenge of the disclosures where necessary. The Statement of Directors' responsibilities is set out on page 92 (within the Directors' report).

Statement of corporate governance continued

Stakeholder engagement

Consideration of all our stakeholders

See our report on Section 172(1) stakeholder engagement on pages 52 and 53 for details of how the Group engages with its stakeholders.

Our stakeholders	How the Board and Committees are kept informed
Customers	<ul style="list-style-type: none"> The Board reviews the Group's engagement with significant customers and regularly discusses the contractual requirements of the larger or more complex contracts
Industry bodies	<ul style="list-style-type: none"> The ESG Committee receives information regarding industry bodies with whom our subsidiaries are engaged. This year, the Committee intends to formalise this review to be able to give further direction to the business regarding with whom they should engage and at what level
Investors	<ul style="list-style-type: none"> The CEO and CFO engage with major shareholders and potential investors directly and indirectly throughout the year, and provide regular and detailed feedback to the Board after each consultation The Company's Executive and Non-Executive Directors are given regular updates as to the views of institutional shareholders and changes to significant shareholdings through research carried out quarterly by the Group's broker and adviser The Company's AGM is an opportunity for all shareholders to meet and question the Directors. Please refer to the Notice of the AGM 2024 on pages 135 to 139 The Board receives feedback from investors after the full and half-year results announcements from the Executive team
Employees	<ul style="list-style-type: none"> The ESG Committee receives updates from Human Resources regarding employee engagement The results from any employee engagement surveys are shared with the Board The Chairman and Non-Executive Directors have engaged directly with employees at several levels of seniority providing an opportunity to receive direct feedback
Supply chains	<ul style="list-style-type: none"> The Board receives reports from the businesses to update on performance of major suppliers, highlighting risks (and their proposed mitigations)
Communities	<ul style="list-style-type: none"> The Company's engagement with the communities is reviewed annually by the ESG Committee CSR criteria reviewed annually by the ESG Committee The Board receives updates on CSR initiatives

Statement of corporate governance continued

Stakeholder engagement continued

Consideration of all our stakeholders continued

We consider all stakeholders when formulating the Group's strategy and business model. More information on how stakeholder interests have influenced the Board's decision making this year is included below.

Key decisions and discussions	Stakeholders	How the Board considered stakeholders during the year	Annual Report sections
CSR criteria review	<ul style="list-style-type: none"> • Employees • Customers • Society 	Led by the ESG Committee, the Group's HR team and the emerging leaders from across the business revised and updated the Group's CSR criteria to strengthen and deepen the Group's relationships with the communities it serves. The Group Employee Volunteering Policy was introduced for all employees to take up two paid volunteering days p.a.	For more information on the Group's CSR criteria, refer to page 40 of the ESG report
Capital allocation	<ul style="list-style-type: none"> • Shareholders • Employees • Customers • Society 	During the year, the Group acquired Ansible Motion Ltd. An acquisition of this type impacts on a number of our stakeholders. The strengthening of our simulation business is seen as beneficial to our shareholders as we increase our market presence. We welcomed new employees to our Group and offer our existing employees the opportunity to exchange best practices with Ansible Motion Ltd. Our range of simulation products has expanded, which offers our customers more choice from our Group. The Board also considered the priorities for capital allocation and agreed that these should remain unchanged, being organic investment in the core business, investment in ABD Solutions, acquisitions and dividends.	
Growth of an ESG agenda led by an ESG Committee	<ul style="list-style-type: none"> • Society • Customers • Employees • Shareholders 	The ESG Committee has continued to progress the Group's ESG agenda. The ESG Committee has continued its focus on reductions in our CO ₂ emissions, waste and water usage and data collection to accurately measure our use of resources. The newly formed Carbon Neutral Working Group is responsible for the Group's initiative towards carbon neutrality. The Group maintained an MSCI AA rating in the financial year ended 31 August 2023. For more information, please refer to our ESG report on pages 32 to 49.	See page 80 for more information regarding the activities of the ESG Committee
Enhanced maternity and paternity for eligible employees	<ul style="list-style-type: none"> • Employees 	The Maternity Policy and Paternity Policy were updated to provide enhanced paid leave for employees who had been in service for over one year.	

Nomination Committee report

Maintaining a balance of skills and experience



Meetings

1

Nomination Committee members

- Richard Elsby CBE (Chair)
- Richard Hickinbotham
- Louise Evans

Key activities for the year

- Internal Board performance review
- Succession planning was reviewed and discussed during the year
- The composition of the Board and its Committees was reviewed and considered appropriate

Dear shareholders,

I am pleased to present the Nomination Committee's report for the year ended 31 August 2023.

Membership of the Committee

The Nomination Committee's key role is to ensure that the Board has the appropriate skills, knowledge and experience to operate effectively and deliver the Group's strategy. There were no changes in the membership of the Committee during the last twelve months and all members are considered to be independent Non-Executive Directors. I chair the Committee but will not do so where the Committee is dealing with my own re-appointment or my replacement as Chairman of the Board. The Company Secretary acts as secretary to the Committee. Details of attendance of members of the Committee at the one meeting held during the year are shown on page 69.

Meetings of the Committee are attended, at the invitation of the Chairman, by the Chief Executive Officer and the Chief Financial Officer when considered appropriate. Members of the Committee do not participate in any discussions relating to their own appointment or replacement.

Responsibilities

The Committee's key responsibilities are:

- to review the size, structure, composition and independence of the Board and its Committees;
- to make recommendations to the Board for the appointment of new Executive and Non-Executive Directors and their re-appointment following retirement by rotation;
- to manage the search for and selection of suitable candidates for the appointment or replacement of Directors;
- to consider succession planning for all Group Directors taking into account the challenges and opportunities facing the Group;
- to keep under review the time commitment of Non-Executive Directors and external appointments of Board members; and
- to implement, review and respond to the results of Board performance review.

The Committee remains focused on ensuring the Group benefits from strong leadership and that the Board continues to operate in an open and transparent manner. In considering changes to the Board and its Committees, the Nomination Committee is focused on the recruitment of the best available talent based on merit and assessed against a set of objective criteria of skills, knowledge and experience. Diversity and gender inclusiveness span the whole Group and are important and enduring considerations in the search for and selection of new Board members.

Nomination Committee report continued

Board composition

The Committee regularly reviews the composition and balance of the Board and its Committees, and considers Non-Executive Directors' independence, whether the balance between Non-Executive and Executive Directors remains appropriate, and whether the Board has the requisite skills and experience to oversee the delivery of the agreed strategy for the Group.

The Committee remains comfortable with the balance of two Executive and three Non-Executive Directors but will continue to keep this under review and will consider the appointment of additional Directors at an appropriate time having regard to the growing scale and complexity of the Group's activities and the collective skills, knowledge and experience available to the business.

Board performance review

The skills and experience of Board members are set out in their biographies on pages 62 and 63 of this Annual Report.

An external Board evaluation is conducted every three years in accordance with the Financial Reporting Council's Code of Governance. The Board undertook an external Board evaluation during the last financial year. During the current year, an internal Board performance review was carried out using a questionnaire which focused on the composition of the Board, its scope of duties, the overall performance of the Board in discharging these duties and Group dynamics.

The review was very positive with clear evidence of a collaborative Board which encourages constructive challenge and provides good support for the Executives. The improvements to Board processes following last year's external review have shown their benefits, in particular the quality of management information which has fostered excellent discussion and decision making.

In the spirit of continuous improvement, the review highlighted the opportunity for the Board to be more visible at the Group's many locations including internationally. We have taken action on this already and seen benefits of greater Board awareness and employee engagement.

Equality, diversity and inclusion

The Committee recognises the importance of equality, diversity and inclusion to the effective performance of the Board, and to our wider business operations. We are committed to promoting diversity across the Group in all forms, including diversity of age, sex, gender identity, gender reassignment, sexual orientation, marital status, nationality, ethnicity, geography, social and cultural background, disability, neurodiversity, religion or beliefs, or membership or non-membership of any trade unions.

The Committee is cognisant of the voluntary targets set out in the Hampton-Alexander Review that at least 33% of Board and Executive Committee members be female. We have met this target from a Board perspective and we continue to aspire to further improve female representation across the broader senior leadership team over the next few years. The Committee will also have regard to the recommendations set out in the Parker Review on ethnic diversity when recommending future appointments to the Board.

Succession planning

The Committee is responsible for promoting effective succession planning for the Board and the Executive Committee, to ensure that the leadership of the business remains aligned to the Group's strategy. The Committee reviewed the succession plan for individuals in key leadership roles at Group level. The Committee is satisfied that an appropriate succession plan is in place for the Board and key members of the Executive Committee, including emergency replacements over the short term. Over the longer term, the Committee will continue further work to ensure appropriate appointments are made when current tenures are approaching and as the organisation grows and evolves. These will be considered on a case-by-case basis, including internal candidates where available or external recruitment where deemed more appropriate.

The Directors will guard against any complacency to ensure the Board continues to operate in an open and transparent manner supported by high-quality debate and constructive challenge.

Richard Elsy CBE

Nomination Committee Chair
23 January 2024

Audit and Risk Committee report

Monitoring all aspects of financial reporting and risk



Meetings

3

Audit and Risk Committee members

- Louise Evans (Chair)
- Richard Hickinbotham

Key activities for the year

- Approval of the 2023 Annual Report and Accounts and 2023 half year report
- Onboarding Grant Thornton UK LLP as external auditor
- Review of the Group's risk and internal control framework

Dear shareholders,

I am pleased to present my report as Chair of the Audit and Risk Committee.

The Audit and Risk Committee continues to play a very important role in the governance of the Group's financial affairs, both through monitoring the integrity of the Group's financial reporting and reviewing material financial reporting judgements. During the early part of the financial year, the Committee was focused on matters relating to the 2022 financial statements, which were covered in detail in last year's report. This report therefore focuses on the Committee's activities in relation to the 2023 half-year and full-year results, and the external and internal audit activity during 2023.

Membership of the Audit and Risk Committee

The Audit and Risk Committee has been established by the Board and is responsible for monitoring the integrity of the Group's financial statements and the effectiveness of the internal and external audit process. Both members of the Committee are independent Non-Executive Directors, and each brings a broad range of financial and business expertise. I have previously served as the Finance Director of public companies and currently serve as an Audit Committee Chair on an additional listed company. Therefore, I possess recent and relevant financial experience. The Board considers that the Committee members possess an appropriate level of independence and offer a depth of financial and commercial experience across various industries. The qualifications and experience of the members of the Committee can be found on pages 62 and 63.

Operation of the Committee

Meetings of the Committee are attended, at the invitation of the Chair, by the external auditor, the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer and representatives of the Group finance function. The Committee meets with the external auditor at least once per year without the Executive

Directors being present. The Company Secretary acts as secretary to the Committee. A verbal report on key issues discussed by the Committee is provided to the Board after every meeting.

The Chair of the Committee meets regularly with both the Chief Financial Officer and the external audit lead partner outside of scheduled meetings.

The Committee is authorised to obtain any external legal or other professional advice it requires at the Group's expense.

The Committee relies on regular reports from the Executive Directors, the wider management team, and the external auditor in order to discharge its responsibilities. The Committee is satisfied that it received timely, sufficient and reliable information to enable it to fulfil its obligations during the year.

Audit and Risk Committee activities

The Committee's responsibilities are set out in its terms of reference which are available on the Group's website. The Committee reviews its terms of reference annually and recommends to the Board any changes required as a result of its review.

The key roles and responsibilities of the Committee are as follows:

- to review the Group's risk management framework, assist the Board in conducting a robust assessment of the Group's principal risks and ensure adherence to policies and effectiveness of mitigating actions;
- to review the published half year and annual financial reports and advise the Board on whether such information represents a fair, balanced and understandable assessment of the Group's position and prospects; monitor compliance with relevant statutory reporting requirements; review and consider any changes in accounting standards; and consider the suitability of, and any changes to, accounting policies used by the Group, including the use of estimates and judgements;

Audit and Risk Committee report continued

Audit and Risk Committee activities continued

- to manage the appointment of the Group's external auditor, agreeing the nature and scope of the external audit as well as the terms of remuneration, and assess the effectiveness of the audit and auditor independence, including approval of any non-audit services undertaken together with the level of non-audit fees;
- to review the internal control environment and consider the need for an internal audit function;
- to review the adequacy of the Group's procedures for employees to report wrongdoing or raise concerns and review the systems in place to detect and prevent bribery, fraud and money laundering; and
- to monitor compliance with the UK corporate governance guidelines contained in the QCA Code in respect of audit and risk committees.

Review of financial statements

The Committee monitors the integrity of the Group's financial statements and has reviewed the presentation and content of the Group's interim and preliminary results announcements and the Annual Report. It considered whether the Annual Report was fair, balanced and understandable, as well as the appropriateness and disclosure of accounting policies, key judgements and key estimates. As part of this review, it considered matters raised by the CFO together with reports presented by the external auditor summarising the findings of its annual audit.

The significant accounting judgements considered for the year ended 31 August 2023 were:

- Review of the valuation and recoverability of goodwill and other intangible assets: the Committee considered the carrying value of goodwill and intangible assets in relation to Ansible Motion, VadoTech, rFpro and DRI against the latest forecasts for the businesses concerned and the future strategic plan for the Group. The Committee was satisfied that the valuation is appropriate and that no impairment is required.
- Review of revenue recognition on long-term contracts: judgement is required on a contract by contract basis to determine whether revenue from contracts with customers for large capital equipment is recognised over time, depending on whether the Group has an enforceable right to payment for work completed to date. Following challenge by the Group's new auditor, Grant Thornton and in light of evolving interpretation of the accounting standard on revenue, a prior year adjustment has been made in relation to contracts with

two customers to reflect revenue recognition at a point in time rather than over time. In relation to over time recognition, the Group has established processes in relation to estimating the stage of completion, milestones and expected profitability of the contracts. The Committee reviewed the judgements made and was satisfied that they are appropriate.

- Review of inventory provisions: the Committee considered the level of the inventory provisions and was satisfied that the valuation of inventory is appropriate.
- Review of the going concern assumption: the Group has substantial cash resources and a £15m undrawn revolving credit facility at year end. In the current environment, particular emphasis was placed on the review of the going concern assessment, particularly with regard to the impact of the inflationary cost pressures and macro economic environment.
- The Committee reviewed the adequacy of the Group's financial resources to ensure there is sufficient headroom to enable the Group to continue trading for the foreseeable future. The Group's future funding requirements were also considered. Based on its review of the Group's forecasts and discussions with the external auditor, the Committee recommended to the Board the adoption of the going concern basis for the preparation of the interim and full year results.

The Committee reviewed the form and content of the 2023 Annual Report and confirmed to the Board that, taken as a whole, the Annual Report is fair, balanced and understandable. The Committee also concluded that the Annual Report provides the information necessary to assess the Group's position and performance, business model and strategy.

External audit

As indicated in last year's report, the Committee ran a tender process during 2022 for the appointment of a new external auditor. Grant Thornton UK LLP was appointed as external auditor at the 2023 AGM, completed the audit for the year ended 31 August 2023 and provided the Independent auditor's report on pages 94 to 102.

The Audit and Risk Committee reviewed the audit plan including scope and materiality thresholds. It also considered the independence and objectivity of the external auditor, and reviewed the effectiveness of the audit process through inviting feedback from people involved with the external auditor's work across the business, and additional meetings between the Chair of the Committee and the audit partner. The Committee received confirmation from the auditor that it had complied with independence rules and with the Ethical Standards

for Auditors. Having reviewed the audit plan, audit findings report and enquiries of management, the Committee concluded that audit effectiveness was satisfactory.

The Committee also reviewed the nature, extent, impact on objectivity and cost of non-audit services provided by the auditor. During the year, Grant Thornton provided no non-audit services. The Committee concluded that the external auditor was independent during the financial year.

The auditor independence policy, which was reviewed by the Committee during the year, prohibits the provision of certain non-audit services by the external auditor, in line with regulatory requirements and UK ethical guidance. It requires the Committee's prior approval of any individual non-audit services with a fee above £25,000, or £50,000 in aggregate in any financial year.

Risk and internal control framework

During the year, the Committee reviewed the Group's risk, compliance and internal control framework.

This included:

- reviewing and updating the Group's delegation of authority framework, in order to ensure appropriate controls are in place for the approval of certain matters and actions relating to expenditure, contractual exposure and other potential liability for the Group;
- reviewing the effectiveness of the Group's internal control environment and how this has been strengthened through the publication of the new internal control manual and the design and implementation of the new ERP system;
- reviewing the provision of internal oversight and the development of internal audit reviews;
- reviewing the ongoing development of the Group's risk management framework, including assessing the Group's emerging and principal risks and mitigating actions, more information on which can be found on pages 56 to 58; and
- reviewing the Group's insurance coverage.

Louise Evans
Audit and Risk Committee Chair
23 January 2024

ESG Committee report

Embedding sustainability across our business



Meetings

4

ESG Committee members

- Louise Evans (Chair)
- Richard Elsy CBE
- James Routh

Key activities for the year

- Promoting the Group's contribution to road safety and the associated reduction in road accidents and fatalities
- Promoting the Group's sustainability objectives by assisting in the roll-out of electric vehicles and other lower carbon transport technologies
- Overseeing the growth of the Group's ESG strategy
- Reviewing the Group's ESG policies, programmes, targets and initiatives

Dear shareholders,

I am delighted to present my third report as Chair of our ESG Committee.

ESG is an intrinsic part of our core purpose to accelerate our customers' drive towards net zero emissions and to improve road safety and the automation of vehicle applications through leadership and innovation in engineering and technology.

The ESG Committee has continued to set the overall ESG strategy for the Group and provide Board-level oversight of the various ESG activities which are embedded throughout our business.

Role and activities

The role of the Committee includes:

- promoting the Group's contribution to road safety and the associated reduction in road accidents and fatalities;
- promoting the Group's sustainability objectives by assisting in the roll-out of electric vehicles and other lower carbon transport technologies;
- promoting the Group's Equality, Diversity and Inclusion and Social Mobility Programme; and
- reviewing the Group's ESG policies, programmes, targets and initiatives.

Activities during the year

The Committee met four times during the year to develop the ESG strategy and bring together the current activities under coherent policies and procedures.

We have set our environmental goal to be carbon neutral by 2030 and are already making good progress against this objective.

We appointed Auditel, a leading carbon solutions company, to assist us in reducing our carbon emissions and our related costs. Achieving credible, trustworthy and substantiated environmental claims is key to our aim for verified PAS 2026 carbon neutral certification.

Employee health, safety and wellbeing continues to be of paramount importance. The Group was accredited with the ISO 45001 Occupational Health and Safety Management System certification for its UK and Germany operations. This involved a rigorous third party audit from a leading certification body and the accreditation reinforces our health and safety policy and demonstrates our commitment to employee safety.

The Carbon Neutral Working Group was newly formed and comprised of representatives from the Group's subsidiaries who will spearhead a comprehensive programme to achieve carbon neutrality throughout all the businesses in the Group by 2030.

The Committee recognises the significance of diversity and inclusion and social mobility and supporting future leaders. The Group's Equality, Diversity and Inclusion and Social Mobility Programme was launched during the year and activities have included improving our systems and processes to enable data generation, identifying and supporting apprenticeship opportunities and participation in the Inclusive Leadership Programme with the Royal Academy of Engineering.

Looking forward

In the coming year, we plan to continue with the implementation of our strategy and refine our ESG performance delivery.

Louise Evans

ESG Committee Chair

23 January 2024

“We are committed to embedding ESG principles throughout everything we do.”

Remuneration Committee report

Our remuneration policy aligns to the interests of our shareholders



Meetings

5

Remuneration Committee members

- Richard Hickenbotham (Chair)
- Richard Elsy CBE
- Louise Evans

Key activities for the year

During the year, the Committee considered:

- Salary reviews for the Executive Directors and senior management
- The 2023 annual bonus plan outturn
- Approval of the 2024 annual bonus plan financial targets and personal objectives for the Executive Directors
- Approval of 2023 LTIP awards and performance conditions
- Review of the Directors' remuneration report

Dear shareholders,

Foreword

I am pleased to present the Directors' remuneration report for the year ended 31 August 2023. As a Group listed on the Alternative Investment Market (AIM), we are required to comply with AIM Rule 19 in respect of remuneration disclosures. However, the Committee has chosen to provide additional disclosures in line with AIM best practice to enable shareholders to better understand and consider our remuneration arrangements. The report is divided into three sections, being:

- my annual report, which summarises the Committee and its work, remuneration outcomes in respect of the year just ended and how the remuneration policy will be operated for the forthcoming financial year;
- the Remuneration policy report, which summarises the Group's remuneration policy; and
- the annual report on remuneration, which discloses how the remuneration policy was implemented in the year ended 31 August 2023 in detail.

Consistent with AIM best practice, this Remuneration Committee report will be put to an advisory vote at the AGM in January 2024.

Remuneration policy

The Committee is conscious of the need to demonstrate good governance. Whilst we recognise our status as an AIM-quoted company, the Committee has adopted remuneration structures which reflect good practice. In particular, I would highlight the following:

- the annual bonus for Executive Directors is based on delivering against key financial and strategic performance metrics which are aligned to our business strategy;
- 20% of any bonus earned is deferred into shares for a period of three years;
- awards made under the long-term incentive plan (LTIP) vest based on sliding scale, three-year performance metrics measured over a three-year performance period with a further two-year holding period;
- LTIP awards are subject to malus and clawback provisions; and
- shareholding guidelines operate for the Executive Directors.

In addition, the Remuneration Committee will continue to keep abreast of corporate governance and regulatory developments to ensure the continued application of best practice and transparency.

Performance outcomes

The Group delivered a very strong set of financial results during the year, with record levels of revenue, operational profit and cash generation, despite the headwinds of global inflation and supply chain constraints. Revenue increased by 21% to £100.8m while adjusted operating profit grew by 21% to £16.6m.

Further developments against the Group's strategic priorities included the acquisition and integration of Ansible Motion, the launch of several new products, and delivering on our diversification plans through ABD Solutions.

Remuneration Committee report continued

Implementation of the policy for the year ended 31 August 2023

In respect of implementing the remuneration policy for the year ended 31 August 2023:

- As detailed in last year's Directors' remuneration report, Executive Director base salary levels were increased in line with the general workforce from 1 January 2023.
- Pension provision continued to be aligned to the Company's UK workforce at 10% of salary.
- As a result of the Company's performance against the financial and strategic/operational performance targets, the annual bonus paid out at 88% of the maximum for both the CEO and CFO. 20% of the bonus award will be deferred into shares for three years. Details of the performance against the targets are set out in the annual report on remuneration.
- LTIP awards were granted on 4 January 2023 over shares equal to 125% of salary for the CEO and CFO. Details of the number of shares awarded and the performance targets are set out in the annual report on remuneration.
- In relation to the LTIP awards granted in January 2020, threshold EPS and total shareholder return targets were not met and the award lapsed in full in January 2023.
- In relation to the awards granted in December 2020, the EPS target was met and this portion (50%) of the award will vest in full. The remaining portion relating to relative TSR performance will be in determined in December 2023.

Implementation of the policy for the year ending 31 August 2024

In respect of implementing the remuneration policy for the year ending 31 August 2024:

- Executive Director base salary levels will be increased from 1 January 2024 in line with the general workforce.
- Pension provision will continue to be aligned to the Group's UK workforce at 10% of salary.
- Annual bonus will continue to be capped at 125% of salary. Performance metrics will be based on adjusted EBIT (40%), order intake (10%), cash conversion (10%), operating margin (10%), strategic (5%), organisation/operations (15%), product development (5%), and ESG (5%).
- LTIP awards will be granted over shares equal to no more than 125% of salary with vesting based on sliding scale earnings per share, relative total shareholder return and three-year cash based targets. The targets for the next LTIP award, currently envisaged to be granted in January 2024, will be set out in an RNS to be announced to the market following their consideration by the Committee.

The Committee continues to welcome feedback from shareholders and I hope that we receive your support in future remuneration related votes at our forthcoming AGM.

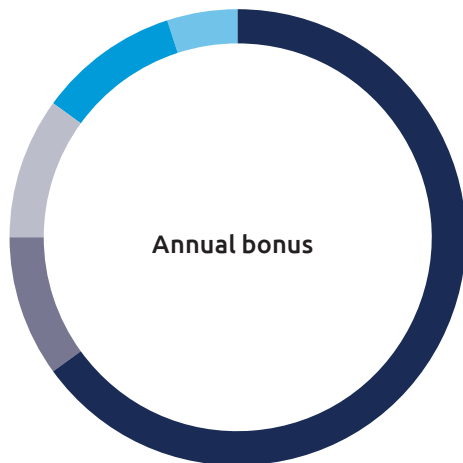
“Our remuneration policy accords with the long-term interests of our shareholders.”

Remuneration Committee report continued

Remuneration at a glance

This section provides an overview of our remuneration policy and outcomes for the year.

Strategic alignment of remuneration with FY 2023 KPIs

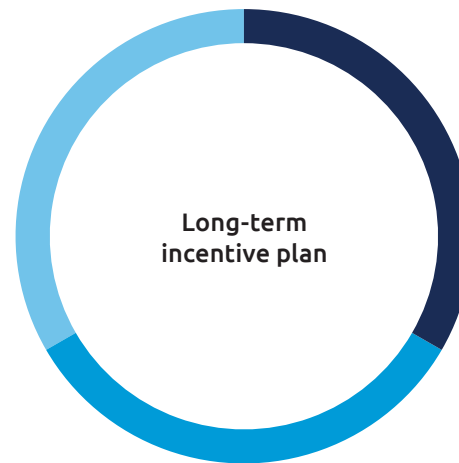


- 1. Financial 65%
- 2. Product development 10%
- 3. Operational/organisational 10%
- 4. Strategic 10%
- 5. ESG 5%

Link to strategy



Read more on page 11



- Total shareholder return 33.3%
- Earnings per share (EPS) 33.3%
- Cash conversion 33.4%

Total shareholder return vests between median and upper quartile performance.

EPS vests between 5% to 12% compound annual growth.

Cash conversion vests between 80% to 110%.

Remuneration policy and FY 2023 outturn

James Routh

Actual	£404k	£403k	
Minimum	£404k		
On target	£404k	£229k	£229k
Maximum	£404k	£458k	£458k

Sarah Matthews-DeMers

Actual	£303k	£302k	
Minimum	£303k		
On target	£303k	£172k	£172k
Maximum	£303k	£343k	£343k

■ Fixed pay ■ Annual bonus ■ LTIP

On target assumes the annual bonus and LTIP vest at 50% of maximum for FY 2023. No share price appreciation is included.

Remuneration Committee report continued

Remuneration policy report

Executive Directors

Element	Purpose	Operation	Maximum opportunity	Performance metrics
Base salary	To attract and retain Executive Directors with the required skills and experience to deliver ABD's continued growth strategy	Base salaries are normally reviewed on an annual basis with any changes normally effective 1 January each year	There is no maximum salary, although salary levels are set to progressively move towards median levels for companies of similar size and operational and geographic complexity	Base salary levels and corresponding increases are based on individual experience, skills and Group performance along with competitiveness against similar companies
Benefits	To provide market competitive benefits	Benefits may include medical cover and critical life and death in service insurance. Other benefits may be awarded as appropriate and include relocation	Benefits may vary by role and individual circumstances and are periodically reviewed	Not performance related
Pensions	Competitive to market to reward sustained contribution by Executive Directors	Contributions to a Director's pension as appropriate. This may include contribution to a money purchase scheme or payment of a cash allowance where appropriate	Aligned to the pension available to ABD's UK workforce	No performance metrics applicable
Annual performance related bonus	To reward and incentivise based on the performance against budget and other business related objectives	Financial and non-financial performance targets are set and reviewed by the Remuneration Committee 20% of any bonus earned is normally deferred into shares for three years	Maximum of 125% of base salary	Sliding scale financial and/or personal/ strategic targets
Long-term incentive plan (LTIP)	To align Executive Directors to the delivery of the long-term strategy of the Group and provide long-term value for shareholders	Performance is assessed against rolling three-year performance periods. Awards normally vest at the end of the three-year performance period with 60% released after year three and 20% in each of the following two years LTIP awards are subject to malus and clawback provisions	Maximum of 150% of base salary although normal awards will be set at 125% of salary	Performance metrics will be linked to financial and/or share price and/or strategic performance
Shareholding guidelines	To align Executive Directors with shareholder interests	Shareholding guidelines require a minimum shareholding (normally within five years)	150% of salary	Not performance related

Non-Executive Directors

Chairman and Non-Executive Directors' fees	To attract and retain a Chairman and independent Non-Executive Directors with the required skills and experience	Paid monthly in arrears and reviewed each year. Any reasonable business related expenses can be reimbursed	The Chairman's and Non-Executive Directors' fees are determined by relevant benchmark data	Annual review by the Board (Non-Executive Directors, Remuneration Committee Chairman)
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Discretion

The Committee has discretion to adjust:

- Formulaic bonus outcomes to ensure alignment of pay with the underlying performance of the business over the financial year and to take account of personal performance over the course of the year
- Formulaic LTIP outcomes to ensure alignment of pay with performance and to ensure the outcome is a true reflection of the performance of the Company

Recruitment policy

Upon recruitment of an Executive Director, the remuneration package will be in line with the remuneration policy, subject to the Committee having discretion that buy-out awards (or any other means in order to facilitate the recruitment of an Executive Director) are reasonably necessary.

Remuneration Committee report continued

Annual report on remuneration

This section sets out how the remuneration policy was applied for the year ended 31 August 2023 (and the prior year).

Single figure table for Executive Directors

Pay element	James Routh		Sarah Matthews-DeMers	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Base salary	366	350	275	263
Taxable benefits	1	1	1	1
Pensions	37	35	27	26
Annual bonus	403	376	302	226
LTIP ¹	—	—	—	—
Gain on exercise of share options ²	257	—	—	—
Total	1,064	762	605	516
Of which:				
Fixed remuneration	404	386	303	290
Variable remuneration	660	376	302	226

¹ As a result of threshold EPS and total shareholder return targets not being met, LTIP awards granted in January 2020, lapsed in full in January 2023.

² James Routh exercised 33,334 recruitment related market value options on 20 June 2023.

Annual bonus

As a result of the Group's performance against the financial and strategic/operational performance targets, the annual bonus paid out at 88% of the maximum for both the CEO and CFO. 20% of the bonus award will be deferred into shares for three years. Details of the performance against the targets are as follows:

	Outcome	Outcome	Weighting
EBIT	Above stretch	35%	35%
Order intake	Between budget and stretch	5%	10%
Cash conversion	Above stretch	10%	10%
Gross margin	Between budget and stretch	7%	10%
Strategic	Substantially met – the Committee was encouraged to see the progress made on the acquisition and integration of Ansible Motion, progress on the Group's diversification strategy and successful services contract wins	8%	10%
Organisation/operations	Substantially met – the Committee was pleased to see operational improvements across the Group's manufacturing facilities, upgrades to the testing facilities in the USA and delivery of a new talent development programme	8%	10%
Product development	Met – the Committee noted the progress made in respect of ABD Solutions in addition to a number of other important projects that were completed on schedule	10%	10%
ESG	Met – the Committee was pleased to see the achievement of a MSCI AA rating	5%	5%
Total (% of max)		88%	100%
Total (% of salary)		110% of salary	

Remuneration Committee report continued

Annual report on remuneration continued

LTIPs granted in the year

Details of the LTIP awards granted on 4 January 2023, which were set at 125% of salary for both the CEO and CFO, are as follows:

Executive Director	Awards granted	Award basis (% of salary)	Grant date	Face value of award at maximum vesting (£) ¹	Vesting date	Performance conditions
James Routh	28,457	125%	4 January 2023	£458,869	3 January 2026	See below
Sarah Matthews-DeMers	21,343	125%	4 January 2023	£344,156	3 January 2026	See below

¹ Based on the share price of £16.125 on 4 January 2023.

The performance conditions determining vesting over the three years to 3 January 2026 are as follows:

- 33.3% of awards vest based on EPS growth. 25% of this part of awards vest for EPS growth of 5% p.a., increasing on a straight-line basis to 100% of this part of awards vesting for EPS growth of 12% p.a.
- 33.4% of awards vest based on cash conversion. 0% of this part of an award vests for cash conversion of 80% increasing on a straight-line basis such that 50% of this part of awards vest for cash conversion of 100%. A further 50% of this part of awards vests for cash conversion of between 100% and 110%
- 33.3% of awards vest based on relative TSR versus the constituents of the AIM 100 (ex-Investment Trusts). 25% of this part of awards vest for median TSR, increasing on a straight-line basis to 100% of this part of awards vesting for upper quartile TSR

Directors' interests in shares

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

Directors	Ordinary shares of 1p each	Shareholding guidelines ¹	Shareholding guidelines met
James Routh	25,433	150%	No
Sarah Matthews-DeMers	2,735	150%	No

¹ Shareholdings of 150% of salary are targeted to be built up within five years of appointment.

Remuneration Committee report continued

Directors' interest in long-term incentive awards

Director	Award	Date of grant	Notes	Exercise price	1 September 2022	Awarded during the year	Exercised (Lapsed) during the year	31 August 2023
James Routh	Legacy options	12 October 2018	1	£12.30	33,334	—	33,334	—
	LTIP	17 January 2020	3	£0	18,278	—	(18,278)	—
	LTIP	2 December 2020	4	£0	21,917	—	—	21,917
	LTIP	11 March 2022	5	£0	51,220	—	—	51,220
	LTIP	4 January 2023	6	£0	—	28,457	—	28,457
Sarah Matthews-DeMers	Legacy options	5 December 2019	2	£21.40	60,000	—	—	60,000
	LTIP	17 January 2020	3	£0	11,085	—	(11,085)	—
	LTIP	2 December 2020	4	£0	13,292	—	—	13,292
	LTIP	11 March 2022	5	£0	38,415	—	—	38,415
	LTIP	4 January 2023	6	£0	—	21,343	—	21,343

1 Recruitment related grant of market value options. One-third vested on 12 October 2019 and on each subsequent anniversary.

2 Recruitment related grant of market value options. One-half vested on 4 December 2020 and the remainder vested on the second anniversary of grant.

3 50% based on EPS growth, 50% based on relative TSR versus the AIM 100 (median to upper quartile). Awards lapsed in full on threshold performance targets were not met.

4 50% based on EPS growth, 50% based on relative TSR versus the AIM 100 (median to upper quartile).

5 50% based on EPS growth, 50% based on relative TSR versus the AIM 100 (median to upper quartile).

6 See performance conditions detailed in the LTIPs granted in the year section above.

CEO pay ratio

The Group has a range of policies and practices to ensure that all employees are fairly rewarded for the work they undertake. For all employees, a total reward package is offered that includes market competitive salaries and a bonus scheme which allows employees to share in the success of the Group. The senior management team is also eligible for awards under the long-term incentive plan which provides closer alignment to the shareholder experience.

The table below shows the CEO's and average employee's total remuneration for 2021, 2022 and 2023.

The CEO pay ratio has increased during the year due to gains on exercise of legacy share options. The average pay per employee has increased by 11% due to a change in the mix of employees.

The Committee is satisfied that the pay ratio is consistent with the pay, reward and progression policies for our employees.

FY	Total remuneration		Ratio
	James Routh	Average employee	
2023	£1,064,000	£70,000	15:1
2022	£762,000	£69,000	11:1
2021	£870,000	£64,000	14:1

Remuneration Committee report continued

Directors' contracts

The Executive Directors have rolling service contracts that are subject to twelve months' notice. The Chair and Non-Executive Directors do not have contracts of service.

Single figure table for Non-Executive Directors

Pay element	Richard Elsy CBE		Richard Hickinbotham		Louise Evans	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Fees, including Committee Chair fees	100	95	58	55	58	55

Advisers

FIT Remuneration Consultants LLP provided independent advice to the Committee for the year ended 31 August 2023.

Payments to past Directors

On 1 July 2021, Anthony Best retired from the Board and was appointed as a special adviser to the Group on a retainer of £12,000 per annum.

Loss of office

There were no loss of office payments made during the year.

Richard Hickinbotham

Remuneration Committee Chair

23 January 2024

Directors' report

Index to principal Directors' report and other required governance and compliance disclosures

This section contains information which the Directors are required by law and regulation to include within the Annual Report and Accounts. Where relevant information (required to be disclosed in the Directors' report) is located in more detail elsewhere in this document, please refer to the table below:

Information	Section in Annual Report	Pages
Business review	Strategic report	1 to 58
Principal risks and uncertainties	Strategic report	56 to 58
Risk management and internal controls	Strategic report – Risk management	54 to 55
Disclosure of information to auditor	Governance – Directors' report	91
Dividend recommendation for the year	Strategic report – Chairman's statement	7
Strategy and future developments of the Company	Strategic report	8 to 15
Directors who held office during the year	Governance – Board of Directors	62 and 63
Directors' and Officers' liability insurance in place	Governance – Directors' report, Statement of corporate governance	72
Director skills, experience and independence	Governance – Board of Directors	62 and 63
Rules governing the appointment of Directors	Governance	77
Powers of Directors	Governance	71
Structure of share capital, including restrictions and the transfer of securities, voting rights and significant shareholders	Governance – Directors' report	90 and 91
Non-financial information statement	Strategic report	1 to 58
Articles of Association and the rules governing changes to them	Governance – Directors' report	90
Company's energy usage and greenhouse gas emissions	Strategic report – ESG strategy	42 to 47
Research and development	Strategic report	27
Director remuneration details	Governance – Remuneration Committee report	81 to 88
Corporate social responsibility	Strategic report – ESG strategy	36 to 41
Employee engagement	Strategic report – ESG strategy	36
Employment policies	Strategic report – ESG strategy	36 to 41
Company's Section 172(1) statement	Strategic report – ESG strategy	52 and 53
Stakeholder engagement	Strategic report – ESG strategy	52 and 53
Principal decisions taken by the Company arising from or influenced by stakeholder engagement	Statement of corporate governance	70
Accounting standards applied	Governance – Directors' report Financials – Note 1 of the financial statements	107
Board Performance Review	Governance – Nomination Committee report	77

Directors' report continued

Company information

Articles of Association

The Company's Articles of Association may be amended by special resolution of the Company's shareholders.

Strategic report

The Strategic report is set out on pages 1 to 58 and was approved by the Board on 23 January 2024. It is signed on behalf of the Board by James Routh, Chief Executive Officer.

Cautionary statement

The review of the business and its future development in the Annual Report has been prepared solely to provide additional information to shareholders to allow individual shareholders to consider the Group's strategies and make their own assessment of the potential for these strategies to succeed. It should not be relied on by any other party for any other purpose. The review contains forward-looking statements which are made by the Directors in good faith based on information available to them up to the time of the approval of these reports; as such they should be treated with caution due to inherent uncertainties associated with such statements.

Employees

The average number of persons, including Directors, employed by the Group including its overseas subsidiaries and their remuneration are set out on pages 81 to 88 and in note 8 to the financial statements. Other information about the Group's employee engagement, diversity and inclusion policies is set out in the Our people section of the ESG strategy on pages 36 and 37, and the Corporate social responsibility section starting on page 40. The Group-wide gender diversity split as at 1 September 2023 was 18.6% female and 81.4% male (excluding VadoTech and Zynit).

Greenhouse gas emissions (GHG)

The Group recognises and strives to minimise its impact on the environment. This year our main environmental focus has been on clean inputs and responsible consumption. Further information including the Group's carbon emissions and energy consumption data can be found on pages 42 to 47.

Shareholder information

Incorporation and principal activity

AB Dynamics plc is domiciled in England and registered in England and Wales under Company number 8393914. At 24 November 2023, there were 22,934,365 ordinary shares of 1p each in issue, all of which are fully paid up and quoted on the London Stock Exchange's AIM market. The principal activity of the Group is the design, manufacture and supply to the global transport market of advanced testing systems, simulation products and testing services. A description and review of the activities of the Group during the financial year and an indication of future developments are set out on pages 1 to 58.

Annual General Meeting

The Annual General Meeting (AGM) will be held at 11 am on Wednesday 28 February 2024 at 85 Fleet Street, London, EC4Y 1AE. The Notice of the AGM 2023 can be found on pages 135 to 139 and will be published on the AB Dynamics plc website.

Substantial shareholdings

At 24 November 2023, the Company had been notified of the following interests amounting to 3% or more of the voting rights in its ordinary share capital:

	Percentage of ordinary share capital
Anthony Best	24.9
Octopus Investments	8.34
Sandford DeLand Asset Management Ltd	5.93
Investec Wealth & Investment	5.12
Canaccord Genuity Wealth Management	4.65
Liontrust Asset Management	4.05

As far as the Directors are aware, there were no other interests above 3% of the issued ordinary share capital.

Share capital

The rights attaching to the Company's ordinary shares, as well as the powers of the Company's Directors, are set out in the Company's Articles of Association, copies of which can be obtained from the Company Secretary and are available on the Company's website. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfers of securities and/or voting rights. No person holds securities in the Company carrying special rights with regard to control of the Company.

Employee share plans

Details of the Company Share Option Plan, under which 138,872 non-transferable options were granted to employees in October 2019, and the Group's ongoing long-term incentive plan, the conditional arrangement under which contingent share awards can be made to selected senior management, including the Executive Directors, are set out in the Remuneration Committee report and in note 25 of the financial statements.

Restrictions on transfer of shares

The Board may in its absolute discretion refuse to register a transfer of a certificated share that is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register a transfer of a certificated share, unless the instrument of transfer is:

- (i) Duly stamped or duly certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty, lodged at the Transfer Office or at such other place as the Board may appoint and (save in the case of a transfer by a person to whom no certificate was issued in respect of the shares in question) accompanied by the certificate for the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do
- (ii) In respect of only one class of shares
- (iii) In favour of not more than four persons jointly

Directors' report continued

Shareholder information continued

Restrictions on transfer of shares continued

There are no other restrictions on the transfer of ordinary shares in the Company except certain restrictions which may from time to time be imposed by laws and regulations (for example insider trading laws) or where a shareholder with at least a 0.25% interest in the Company's certificated shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

Related party disclosures (AIM Rule 19)

There is no information to be disclosed by the Company in respect of related party transactions, except for:

- share options and long-term incentive schemes awarded to Executive Directors (see the Remuneration Committee report); and
- provision of services by controlling shareholder (see the Remuneration Committee report).

Financial information

Results and dividends

The profit for the financial year attributable to shareholders was £10,986,000 (2022: £4,741,000). The Directors recommend a final dividend of 4.42p per ordinary share (2022: 3.54p) to be paid, if approved, on 6 March 2024. The results are shown more fully in the consolidated financial statements on pages 103 to 128 and summarised in the Chief Financial Officer's review on pages 26 to 29.

Independent auditor

A resolution to re-appoint Grant Thornton UK LLP (Grant Thornton) as the Company's external auditor will be proposed at the forthcoming AGM, in accordance with Section 489 of the Companies Act 2006.

Disclosure of information to auditor

Each person who is a Director at the date of approval of this Directors' report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Directors' assessment of going concern

At 31 August 2023, the Company had net current assets of £5,220,000 (2022: £18,741,000) with the main current asset being amounts owed from its subsidiary Anthony Best Dynamics Limited, amounting to £8,677,000 (2022: £13,951,000).

Going concern

The Directors have assessed the principal risks discussed on pages 56 to 58, including by modelling a severe but plausible downside scenario over an extended assessment period to August 2025, whereby the Group experiences:

- a reduction in demand of 25% over the next two financial years, with no mitigations;
- a 10% increase in operating costs from supply chain disruption;
- an increase in cash collection cycle; and
- an increase in input costs resulting in reduction in gross margin to 40%.

At 31 August 2023, the Group had £33.5m of cash and a £15.0m undrawn revolving credit facility. Even in this severe downside scenario, the Group has sufficient headroom to be able to continue to operate for the foreseeable future. The Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least twelve months from the signing date of the financial statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Directors' insurance

The Group has in place a Directors' and Officers' liability insurance policy which provides cover for the personal liability which the Company's Directors and Officers may face. This remains in force at the date of this report.

Approved for and on behalf of the Board.

Dr James Routh
Chief Executive Officer
AB Dynamics plc
Company number: 8393914

Richard Elsy CBE
Non-Executive Chairman

23 January 2024

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, they have elected to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that year. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the Strategic report and the Directors' report and other information included in the Annual Report and Accounts are prepared in accordance with applicable law in the United Kingdom.

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

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 23 January 2024 and is signed on its behalf by:

Dr James Routh
Chief Executive Officer

Richard Elsy CBE
Non-Executive Chairman

Registered office:
Middleton Drive, Bradford on Avon, Wiltshire BA15 1GB

Financial statements

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Independent auditor's report

To the members of AB Dynamics plc

Opinion

Our opinion on the financial statements is unmodified.

We have audited the financial statements of AB Dynamics plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 August 2023, which comprise the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated statement of changes in equity, the Consolidated cash flow statement, the notes to the Consolidated financial statements including a summary of significant accounting policies, the Company statement of financial position, the Company statement of changes in equity and notes to the Company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 August 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

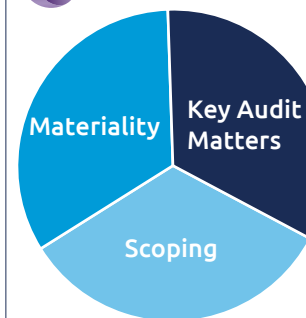
A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the results from that evaluation is included in the Key Audit Matters section of our report.

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

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

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

Our approach to the audit



Overview of our audit approach

Overall materiality:

Group: £1,000,000, which represents approximately 1% of the Group's revenue.

Parent Company (statutory audit): £1,920,000, which represents approximately 1.8% of the Parent Company's total assets.

Key Audit Matters were identified as:

- Revenue occurrence and accuracy from custom-built laboratory and simulator equipment contracts (same as previous year);
- Accuracy of acquired intangible assets and contingent consideration payable arising from significant business combinations (Ansible Motion Limited) (new this year); and
- The appropriateness of the use of the going concern assumption (new this year).

The auditor's report for the year ended 31 August 2022 included two Key Audit Matters which have not been reported as Key Audit Matters in our current year's report. These related to the recoverability of goodwill and acquired intangible assets and the valuation of inventory.

Independent auditor's report continued

To the members of AB Dynamics plc

Our approach to the audit continued

Overview of our audit approach continued

Overall materiality: continued

The recoverability of goodwill and acquired intangible assets has not been reported as a Key Audit Matter in the current year to reflect our risk assessment, wherein the Group has seen improved recent trading performance and therefore lower levels of management judgement has been required in assessing the recoverability of goodwill and acquired intangible assets.

The valuation of inventory has also not been reported as a Key Audit Matter in the current year due to a change in system and methodology used by management to determine the inventory valuation at year-end which has also lowered the level of management judgement required.

The Group engagement team and component auditor teams performed an audit of financial information using component materiality (full scope audit procedures) on four of the Group's components in the United Kingdom and specific-scope audit procedures on the financial information of a further three Group components in the United States of America, Singapore and Japan.

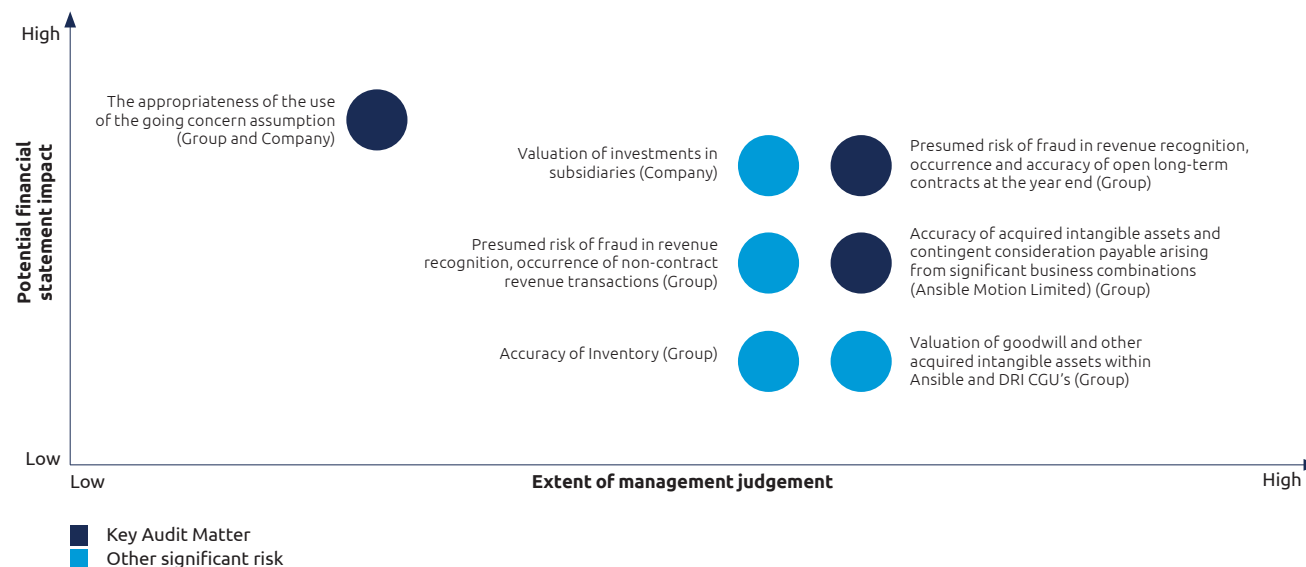
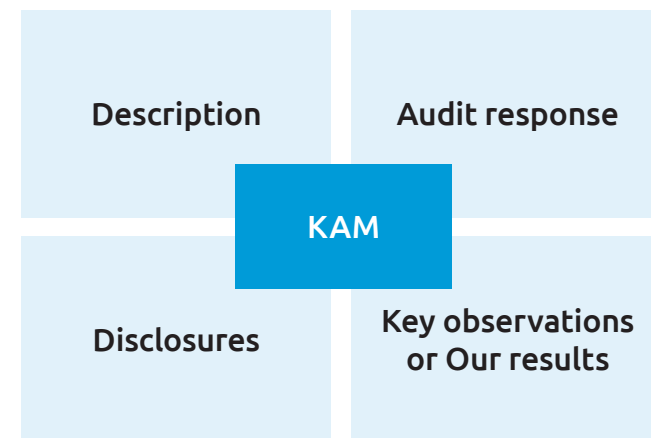
The components which were subject to either a full scope audit or specific-scope audit procedures contributed 80% of the Group's revenue, 94% of the Group's profit/loss before tax and 94% of the Group's total assets.

The Group engagement team performed analytical procedures on the financial information of all remaining Group components which are based in the United Kingdom, Germany, the United States of America, Romania, Spain, Singapore, China and Japan.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the graph below, we have presented the Key Audit Matters and significant risks relevant to the audit. Due to the potential financial statement impact, we have also identified a significant financial statement level risk due to management override of controls. This is not a complete list of all risks identified by our audit.



Independent auditor's report continued

To the members of AB Dynamics plc

Our approach to the audit continued

Key Audit Matters continued

Key Audit Matter – Group	How our scope addressed the matter – Group	Relevant disclosures in the Annual Report 2023	Key observations
<p>Revenue occurrence and accuracy from custom-built laboratory and simulator equipment contracts</p> <p>We identified the occurrence and accuracy of revenue from custom-built laboratory and simulator equipment contracts as one of the most significant assessed risks of material misstatement due to fraud or error.</p> <p>Under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a presumption that there are risks of fraud in revenue recognition.</p> <p>Revenue remains the key driver of the business. Historically, management have recognised revenue from custom-built laboratory and simulator equipment contracts over time, with stage of completion for each contract estimated using an input method.</p> <p>Initially, based on management's stated policy, we identified a risk of material misstatement due to fraud in respect of the occurrence and accuracy of long-term revenue contracts that were open at year-end, since the determination of stage of completion was anticipated to involve a high degree of management judgement.</p> <p>Whilst conducting our audit we became increasingly aware of the level of judgement required to be exercised by management when applying the Group's revenue recognition policy and its compliance with International Financial Reporting Standard 15 'Revenue from Contracts with Customers' (IFRS 15). The key judgements made by management when accounting for revenue include:</p> <ul style="list-style-type: none"> • The number of distinct performance obligations identified; • The point at which control of the goods transfers to the customer and whether that occurs at a point in time or over time; and • Where control is transferred over time, how stage of completion is measured. <p>As our understanding of these judgements and estimates developed, we identified a risk of material misstatement due to fraud, or error, due to management's potential incorrect application of IFRS 15 to custom-built laboratory and simulator equipment contracts and the associated occurrence and accuracy of such revenue.</p> <p>This is considered a significant risk and Key Audit Matter due to the significant judgements involved which are subject to possible management bias and which could materially affect the financial statements.</p>	<p>In responding to the Key Audit Matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • assessed whether the accounting policies adopted are in accordance with IFRS 15, including the identification of performance obligation. As part of testing performed checked the policies had been applied consistently; • selected a sample of custom-built laboratory and simulator equipment contracts and obtained an understanding of the relevant contractual clauses and terms and conditions to test whether the criteria for over time revenue recognition under IFRS 15 has been met. This evaluation included consultation with internal financial reporting and legal specialists. For those contracts within our sample where revenue is recognised over time, we; <ul style="list-style-type: none"> • agreed forecast revenue to signed contracts including any variations or other corroborative and supporting documentation; • tested whether the estimated contract costs had been accurately recorded based on the forecasts prepared by management. We also critically assessed the forecasts prepared by management. We also challenged any significant assumptions made in determining the costs to complete, specifically in respect of the current inflationary environment and anticipated delivery date to ensure any liquidated damages had been appropriately recorded; • substantively tested a sample of cumulative costs incurred to the year-end date to ensure that costs had been recorded accurately in assessing management's stage of completion; • considered the accuracy of management's judgements and estimates made in prior years and at the year-end by comparing the amounts included to actual subsequent costs incurred in completing the projects; • for those contracts within our sample where revenue is recognised at a point in time, we obtained evidence, such as proof of delivery or installation, to check the performance obligations had been satisfied during the year; and • assessed the completeness and accuracy of disclosures included within the financial statements for compliance with the requirements of IFRS 15. 	<ul style="list-style-type: none"> • Financial statements: Accounting policy: Revenue and long-term contracts (note 2c), note 5: Revenue from contracts with customers and note 29: Restatement of prior year balances. 	<p>Based on work performed, we identified errors in the current and prior year revenue recognition where contracts had previously been recognised over time despite not meeting the criteria required under IFRS 15. As a result of our audit challenge, management recorded material adjustments to revenue, cost of sales, inventories, contract assets and contract liabilities in the current year. These adjustments also resulted in adjustments to gross profit, profit before tax, profit after tax, net assets and shareholders' equity. A prior year adjustment has also been recorded as set out in note 29. We have not identified any further material misstatements in relation to the occurrence and accuracy of revenue from custom-built laboratory and simulator equipment contracts.</p>

Independent auditor's report continued

To the members of AB Dynamics plc

Our approach to the audit continued

Key Audit Matters continued

Key Audit Matter – Group	How our scope addressed the matter – Group	Relevant disclosures in the Annual Report 2023	Key observations
<p>Accuracy of acquired intangible assets and contingent consideration payable arising from significant business combinations (Ansible Motion Limited)</p> <p>We identified the accuracy of acquired intangible assets and contingent consideration payable arising from significant business combinations of Ansible Motion Limited as one of the most significant assessed risks of material misstatement due to error.</p> <p>The Group made the significant share purchase acquisition of Ansible Motion Limited (Ansible) in September 2022. Under International Financial Reporting Standard (IFRS) 3 'Business Combinations', management is required to recognise, separately from goodwill, the assets acquired and liabilities assumed, and then to recognise goodwill on purchase.</p> <p>Management makes significant judgements to identify specific fair value adjustments, including the identification of intangible assets that are acquired with a new business and makes significant estimates to value these assets.</p> <p>Given the nature of the entity acquired, management have recognised an intangible asset in respect of the brand and technology acquired. Management have utilised the support of a third-party valuation expert to assist with the valuation of the intangible assets, based on discounted cash flow forecasts, which require judgement concerning key assumptions such as revenue growth, margin, discount rates, brand royalty rates, customer attrition and long-term growth rates.</p> <p>Management performed a remeasurement of the contingent consideration payable at year-end which resulted in a material fair value remeasurement gain of £5.4m being recognised within profit and loss during the year. Given the quantum of the remeasurement, this was considered a significant area of challenge. Specifically, this is in respect of management's determination as to whether this represented events which should have been known as at the acquisition date which would instead decrease the consideration paid amount with a consequent reduction in the goodwill balance.</p>	<p>In responding to the Key Audit Matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> utilised our internal valuation experts to assist in assessing the work performed by management's valuation expert in relation to the valuation of acquired intangible assets. This included challenging whether the methodology used in the valuation is in line with acceptable valuation methods and whether inputs such as discount rates and long-term growth rates used were appropriate; assessing and challenging the reasonableness of the key assumptions such as revenue growth rates, margin, brand royalty rates and customer attrition used in management's assessment, including agreeing elements of these key assumptions to industry market data, observable comparators and historic performance achieved by Ansible; obtained management's calculation of the acquisition cost, identifiable net assets at acquisition and residual goodwill balance arising on acquisition. When considering the acquisition cost, we enquired of management to identify the contractual payments to be made and whether there is an element of contingent or deferred consideration that may in substance be a remuneration cost; assessed the competence, objectivity and capabilities of management's expert through reference to their qualifications and experience; assessed the acquisition balance sheet by agreeing material balances to supporting evidence, including cash balances on acquisition; agreed the consideration paid, including any elements of contingent consideration calculated by management and included in liabilities at the year-end, by reference to acquisition agreements, results of Ansible and to bank statements; and challenged the nature of the events which led to the contingent consideration remeasurement gain and agreed to corroborative evidence that these events could not have been foreseen by management at the acquisition date, including Board minutes and re-forecasts prepared during the year; assessed the adequacy of the accounting policy and relevant disclosures made in the financial statements with respect to the acquisition to determine whether they are complete, accurate and in accordance with IFRS 3. 	<ul style="list-style-type: none"> Financial statements: Accounting policy: Acquisitions (note 2e) and note 28: Acquisition of business. 	<p>Based on our audit work, we did not identify evidence of material misstatement in relation to the accuracy of acquired intangible assets and contingent consideration payable (including remeasurement gain recorded through profit and loss during the year) arising from significant business combinations of Ansible Motion Limited.</p>

Independent auditor's report continued

To the members of AB Dynamics plc

Our approach to the audit continued

Key Audit Matters continued

Key Audit Matter – Group	How our scope addressed the matter – Group and Company	Relevant disclosures in the Annual Report 2023	Our results
<p>The appropriateness of the use of the going concern assumption</p> <p>We identified the appropriateness of the use of the going concern basis assumption as one of the most significant assessed risks of material misstatement.</p> <p>Due to recent macro-economic factors such as high inflation and current national recessionary environment, we have assessed that there is a significant risk to the Group and Parent Company that the going concern assumption adopted in the preparation of the financial statements may be impacted.</p> <p>In assessing whether the financial statements should be prepared on the going concern basis, the Directors are required to consider all available information about the future for a period of at least 12 months from the date of approval of the financial statements. In conducting their assessment, the Directors have concluded that adopting the going concern basis is appropriate for the Group and Parent Company.</p> <p>The uncertainties arising from the wider macro-environment result in a greater level of judgement in forecasting the Group future trading results and Parent Company's funding positions, which include key assumptions such as revenue growth rates, margin and the impact of inflationary pressures.</p>	<p>In responding to the Key Audit Matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> obtaining management's assessment for the period to August 2025, which included a base case forecast, sensitised case and reverse stress test, obtaining an understanding of how management had compiled the forecasts and tested the mathematical accuracy of management's assessment; testing the reliability of management's forecasting by comparing the accuracy of the actual financial performance with forecast information from the prior year; assessing and challenging the reasonableness of the key assumptions used in management's forecasts approved by the Board, including agreeing elements of these key assumptions to industry market data and historic growth rates and margins achieved by the Group; challenging the sensitivity analysis performed by management on the key assumptions and estimates to determine the impact of reasonably possible movements and assessing the reasonableness of mitigating actions available to management; and assessing the adequacy of the going concern disclosures included within the accounting policies for compliance with the requirements of International Accounting Standard 1 'Presentation of financial statements' (IAS 1). 	<ul style="list-style-type: none"> Directors' Report: Directors' assessment of going concern and going concern sections. Financial statements: Accounting policy: Going concern (note 2a). 	<p>We have nothing to report in addition to that stated in the "Conclusions relating to going concern" section of our report.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Parent Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£1,000,000, which represents approximately 1% of the Group's revenue.	£1,920,000 (statutory audit), which represents approximately 1.8% of the Parent Company's total assets.

Independent auditor's report continued

To the members of AB Dynamics plc

Our approach to the audit continued

Our application of materiality continued

Materiality measure	Group	Parent Company
Significant judgements made by auditor in determining materiality	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> Revenue is considered to be the most appropriate benchmark for the Group because it is one of the Group's key performance indicators and increases commensurately with growth and expansion of the Group. Revenue is also a more stable benchmark and there is considerable volatility in profit before tax. 1% of revenue is considered to be an appropriate threshold to apply to the chosen benchmark having considered the expectations of the users of the financial statements and the engagement risk. <p>Materiality for the current year is higher than the level that was determined for the year ended 31 August 2022 due to a change in the benchmark applied in determining materiality and to reflect the increase in the size of the Group due to increased revenues as a result of acquisitions.</p>	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> Total assets are considered to be the most appropriate benchmark for the Parent Company as the Parent Company's purpose is that of holding the investments in the subsidiary undertakings. The Parent Company does not undertake any trading activities. 1.8% of total assets is considered to be an appropriate threshold to apply to the chosen benchmark having considered the expectations of the users of the financial statements and the engagement risk. <p>Materiality for the current year is higher than the level that was determined for the year ended 31 August 2022 to reflect a change in the benchmark applied.</p> <p>The Parent Company materiality is for the purposes of the Parent Company only statutory financial statement audit. A lower component materiality has been used in respect of the Parent Company for the Group financial statement audit.</p>
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£650,000, which is 65% of financial statement materiality.	£1,248,000, which is 65% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> Our risk assessment – we considered the previously reported control deficiencies and the potential impact on the current year's audit when performing our risk assessment procedures; and History of misstatements – we considered the level of misstatements identified in the previous year and the potential impact on the current year's audit. 	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> Our risk assessment – we considered the previously reported control deficiencies and the potential impact on the current year's audit when performing our risk assessment procedures; and History of misstatements – we considered the level of misstatements identified in the previous year and the potential impact on the current year's audit.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> Directors' Remuneration; and Related Party Transactions outside of the normal course of business. 	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> Directors' Remuneration; and Related Party Transactions outside of the normal course of business.
Communication of misstatements to the Audit Committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£50,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£96,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Independent auditor's report continued

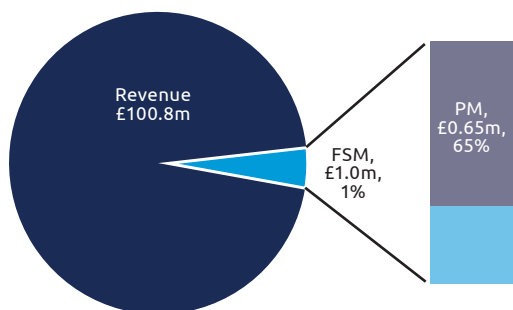
To the members of AB Dynamics plc

Our approach to the audit continued

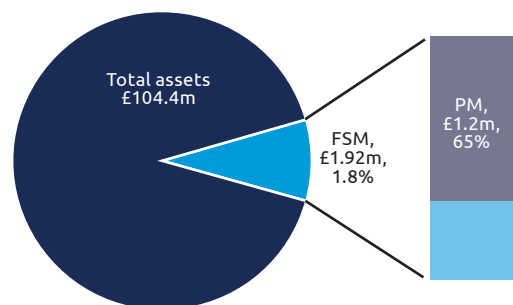
Our application of materiality continued

The graph below illustrates how performance materiality interacts with our overall materiality.

Overall materiality – Group



Overall materiality – Parent Company



FSM: Financial statements materiality.

PM: Performance materiality.

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's and the Parent Company's business and in particular matters related to:

Understanding the Group, its components, and their environments, including Group-wide controls

- Our audit approach was a risk-based approach founded on a thorough understanding of the Group's and Parent Company's business, its environment and risk profile. The Group's accounting is primarily resourced through a central function within the UK, with a local finance function in the United States of America, Germany, Singapore, Japan, Romania, Spain, South Korea and China. Each local finance function reports into the central Group finance function based in the Group's head office. The Group engagement team obtained an understanding of the Group and its environment, including Group-wide controls, and assessed the risks of material misstatement at the Group level.
- We obtained an understanding of the business processes for all significant classes of transactions, including significant risks, in order to confirm our understanding of the control environment across the Group; and
- We documented and assessed the design and implementation of controls related to key audit matters and other significant risks communicated in this report.

Identifying significant components

- Component significance was determined based on their relative share of the key Group financial metrics including revenue, absolute profit/loss before tax and total assets.
- A full-scope audit approach for all components evaluated as significant was determined based on their relative share of the key Group financial metrics including revenue, absolute profit/loss before tax and total assets. For components classified as 'individually financially significant to the Group' an audit of financial information of the component using component materiality (full-scope audit procedures) was performed. We also considered whether any components were likely to include significant risks of material misstatement to the Group financial statements due to their specific nature or circumstances. No further components were identified from this consideration.

Type of work to be performed on financial information of parent and other components (including how it addressed the Key Audit Matters)

- In order to address the audit risks identified during our planning procedures, the Group engagement team performed full-scope audit procedures on the financial information of the Parent Company. Component auditors performed full-scope audit procedures on the financial information of one other significant component in the United Kingdom and two other non-significant components in the United Kingdom.
- Specific-scope audit procedures relating to the risks of material misstatement of the Group financial statement were carried out by component auditor teams in the United Kingdom on three overseas components in the United States of America, Singapore and China.
- The financial information of the remaining operations of the Group were subject to analytical procedures using Group materiality.

Performance of our audit

Audit approach	No. of components	% of total Group revenue	% of total Group absolute profit/loss before tax	% of Group total assets
Full-scope audit	4	56	81	83
Specific-scope audit procedures	3	24	13	11
Analytical procedures	13	20	6	6

Communications with component auditors

- The Group engagement team communicated with one component auditor covering three components performing full-scope audit procedures, throughout the stages of their work, from planning, through fieldwork and as part of the concluding procedures. The component auditor reported to the Group engagement team in relation to the audit procedures communicated. Members of the Group engagement team visited the locations of all individually financially significant components.

Independent auditor's report continued

To the members of AB Dynamics plc

An overview of the scope of our audit continued

Communications with component auditors continued

- Across the Group audit, the Group engagement team and all component auditor teams carried out the majority of work in person with the respective finance teams.

Changes in approach from previous year

- The approach to the audit has changed since the previous year due to the increase/decrease in size of individual components in comparison to the size of the Group, ensuring sufficient coverage. Three components have been removed from the scope due to a decrease in their size, whilst one new component has been included in the current year scope following its acquisition during the year.

Other information

The other information comprises the information included in the annual report 2023, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report 2023. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities set out on page 92, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report continued

To the members of AB Dynamics plc

Auditor's responsibilities for the audit of the financial statements continued

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Parent Company and sector in which they operate and how the Group and Parent Company are complying with those legal and regulatory frameworks, through our commercial and sector experience, making enquiries of management and those charged with governance, and inspection of the Parent Company's and the Group's key external correspondence. We corroborated our enquiries through our inspection of Board minutes and other information obtained during the course of the audit.
- Through the understanding that we obtained, we determined that the most significant legal and regulatory frameworks which are directly relevant to specific assertions in the financial statements to be those related to the reporting frameworks, being UK-adopted international accounting standards for the Group, Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) for the Parent Company and the Companies Act 2006, the AIM Rules for Companies and the relevant tax compliance regulations in the jurisdictions in which the Group and Parent Company operates.
- We enquired of management and the Board of Directors whether they were aware of any non-compliance with laws and regulations.
- We assessed the susceptibility of the Group's and Parent Company's financial statements to material misstatement, including how fraud might occur by meeting with management from different parts of the business to understand where it is considered there was a susceptibility of fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programs and controls that the Group and Parent Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls.

Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.

- Our audit procedures included:
 - Gaining an understanding of the controls that management has in place to prevent and detect fraud;
 - Journal entry testing, with a focus on journals indicating large or unusual transactions or account combinations based on our understanding of the business;
 - Gaining an understanding of and testing significant identified related party transactions; and
 - Performing audit procedures to consider the compliance of disclosures in the financial statements with the applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the Group and Parent Company operate; and
 - understanding of the legal and regulatory requirements specific to the Group and Parent Company.

- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the Group financial statements.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Holland BSc BFP FCA
 Senior Statutory Auditor
 for and on behalf of Grant Thornton UK LLP
 Statutory Auditor, Chartered Accountants
 Reading
 23 January 2024

Consolidated statement of comprehensive income

For the year ended 31 August 2023

	Note	2023			Restated** 2022		
		Adjusted £'000	Adjustments* £'000	Statutory £'000	Adjusted £'000	Adjustments* £'000	Statutory £'000
Revenue	3	100,767	—	100,767	83,226	—	83,226
Cost of sales		(40,837)	—	(40,837)	(36,085)	—	(36,085)
Gross profit		59,930	—	59,930	47,141	—	47,141
General and administrative expenses		(43,326)	(9,229)	(52,555)	(33,473)	(7,514)	(40,987)
Fair value gain on release of contingent consideration		—	5,180	5,180	—	—	—
Operating profit		16,604	(4,049)	12,555	13,668	(7,514)	6,154
Operating profit is analysed as:							
Before depreciation and amortisation		20,517	3,140	23,657	17,288	(1,998)	15,290
Depreciation and amortisation		(3,913)	(7,189)	(11,102)	(3,620)	(5,516)	(9,136)
Operating profit		16,604	(4,049)	12,555	13,668	(7,514)	6,154
Net finance expense	6	(354)	(713)	(1,067)	(374)	—	(374)
Profit before tax	7	16,250	(4,762)	11,488	13,294	(7,514)	5,780
Tax expense	9	(2,146)	1,644	(502)	(2,274)	1,235	(1,039)
Profit for the year		14,104	(3,118)	10,986	11,020	(6,279)	4,741
Other comprehensive (expense)/income							
Items that may be reclassified to consolidated income statement:							
Cash flow hedges		124	—	124	(93)	—	(93)
Exchange (loss)/gain on foreign currency net investments		(2,059)	—	(2,059)	3,574	—	3,574
Total comprehensive income for the year		12,169	(3,118)	9,051	14,501	(6,279)	8,222
Earnings per share – basic (pence)	11			48.0p			21.0p
Earnings per share – diluted (pence)	11			47.4p			20.7p

* See note 4.

** See note 29.

Consolidated statement of financial position

As at 31 August 2023

	Note	2023 £'000	Restated* 2022 £'000	Restated* 2021 £'000
ASSETS				
Non-current assets				
Goodwill	12	36,939	23,818	22,221
Acquired intangible assets	13	32,831	23,665	28,282
Other intangible assets	13	2,746	2,971	1,577
Property, plant and equipment	14	25,739	25,708	25,815
Right-of-use assets	15	1,409	876	913
		99,664	77,038	78,808
Current assets				
Inventories	16	17,954	13,651	7,901
Trade and other receivables	17	14,494	13,782	15,500
Contract assets	5	3,152	4,328	4,319
Taxation		—	890	1,542
Cash and cash equivalents	18	33,486	30,141	23,282
		69,086	62,792	52,544
Assets held for sale	19	1,893	1,893	1,893
LIABILITIES				
Current liabilities				
Trade and other payables	20	20,127	16,810	10,933
Contract liabilities	5	9,234	5,068	5,258
Derivative financial instruments	21	—	123	31
Short-term lease liabilities	15	570	628	456
Contingent consideration	28	5,943	—	4,929
		35,874	22,629	21,607

	Note	2023 £'000	Restated* 2022 £'000	Restated* 2021 £'000
Non-current liabilities				
Deferred tax liabilities	22	8,708	6,397	6,552
Long-term lease liabilities	15	906	315	511
		9,614	6,712	7,063
Net assets		125,155	112,382	104,575
SHAREHOLDERS' EQUITY				
Share capital	23	229	226	226
Share premium	23	62,781	62,260	62,210
Other reserves	24	2,403	1,142	(2,339)
Retained earnings		59,742	48,754	44,478
Total equity		125,155	112,382	104,575

* See note 29.

The financial statements were approved by the Board of Directors and authorised for issue on 23 January 2024 and are signed on its behalf by:

Dr James Routh
Director

Sarah Matthews-DeMers
Director

Company registration number: 08393914

Consolidated statement of changes in equity

For the year ended 31 August 2023

	Note	Share capital £'000	Share premium £'000	Other reserves* £'000	Retained earnings £'000	Total equity £'000
At 1 September 2021 as previously reported		226	62,210	(2,339)	44,889	104,986
Prior period adjustment	29	—	—	—	(411)	(411)
At 1 September 2021 as restated		226	62,210	(2,339)	44,478	104,575
Share based payments		—	—	—	750	750
Total comprehensive income		—	—	3,481	4,741	8,222
Deferred tax on share based payments		—	—	—	(84)	(84)
Dividend paid	10	—	—	—	(1,131)	(1,131)
Issue of shares	23	—	50	—	—	50
At 31 August 2022 as restated		226	62,260	1,142	48,754	112,382
					*Restated retained earnings £'000	Total equity £'000
At 1 September 2022 as previously reported		226	62,260	1,142	48,333	111,961
Prior period adjustment	29	—	—	—	421	421
At 31 August 2022 restated		226	62,260	1,142	48,754	112,382
Share based payments		—	—	—	1,064	1,064
Total comprehensive income		—	—	(1,935)	10,986	9,051
Deferred tax on share based payments		—	—	—	193	193
Dividend paid	10	—	—	—	(1,255)	(1,255)
Issue of shares	23	3	521	3,196	—	3,720
At 31 August 2023		229	62,781	2,403	59,742	125,155

* See note 24 for further details of Other reserves.

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

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

The items included in the consolidated statement of changes in equity that relate to transactions with owners are share based payments, dividends paid and issues of shares.

Consolidated cash flow statement

For the year ended 31 August 2023

	Note	2023 £'000	*Restated 2022 £'000
Profit before tax		11,488	5,780
Depreciation and amortisation		11,102	9,136
Finance expense		1,067	374
Share based payment	25	1,263	795
Release of contingent consideration	28	(5,180)	—
Acquisition costs		—	290
Operating cash flows before changes in working capital		19,740	16,375
Increase in inventories		(2,612)	(5,751)
Decrease in trade and other receivables		2,514	1,707
(Decrease)/increase in trade and other payables		(369)	6,350
Cash flows from operations		19,273	18,681
Cash flows from operations are analysed as:			
Adjusted cash flows from operations		23,450	20,651
Cash impact of adjusting items	4	(4,177)	(1,970)
Cash flows from operations		19,273	18,681
Finance costs paid		(291)	(89)
Income tax received/(paid)		363	(684)
Net cash flows from operating activities		19,345	17,908
Cash flows used in investing activities			
Acquisition of businesses net of cash		(10,656)	(5,114)
Purchase of property, plant and equipment		(2,930)	(2,098)
Capitalised development costs and purchased software		(469)	(1,711)
Net cash used in investing activities		(14,055)	(8,923)

	Note	2023 £'000	*Restated 2022 £'000
Cash flows used in financing activities			
Drawdown of loans		6,000	—
Repayments of loans		(6,000)	—
Dividends paid	10	(1,255)	(1,131)
Proceeds from issue of share capital		457	50
Repayment of lease liabilities	15	(1,124)	(964)
Net cash used in financing activities		(1,922)	(2,045)
Net increase in cash, cash equivalents		3,368	6,940
Cash and cash equivalents at beginning of the year		30,141	23,282
Effects of exchange rate changes		(23)	(81)
Cash and cash equivalents at end of the year		33,486	30,141

* Restated to reflect an increase in profit of £925,000 and corresponding increase in working capital from a change in interpretation of revenue recognition, see note 29.

Notes to the consolidated financial statements

For the year ended 31 August 2023

1. General information

AB Dynamics plc is a public company limited by shares and registered in England and Wales with company number 08393914. The Company is domiciled in the United Kingdom and the registered office and principal place of business is Middleton Drive, Bradford on Avon, Wiltshire BA15 1GB. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group').

The principal activity of the Group is the design, manufacture and supply of advanced testing, simulation and measurement products to the global transport market. The Group's products and services are used primarily for the development of road vehicles, particularly in the areas of active safety and autonomous systems.

Basis of preparation

The consolidated financial statements are measured and presented in sterling. They have been prepared under the historical cost convention, except for financial instruments that have been measured at fair value through profit or loss.

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards. These statements have been prepared on the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

New accounting standards and interpretations

A number of amended standards became applicable for the current reporting period. The application of these amendments has not had any material impact on the disclosures, net assets or results of the Group.

Standards, amendments and interpretations to published standards not yet effective

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

2. Summary of significant accounting policies

(a) Going concern

The Group's activities and an outline of the developments taking place in relation to its products, services and marketplace are considered in the Chief Executive's review. The principal risks and uncertainties and mitigations are included in the Strategic report.

Note 21 to the consolidated financial statements sets out the Company's financial risks and the management of capital risks.

The Directors have assessed the principal risks, including by modelling a severe but plausible downside scenario over an extended assessment period to August 2025, whereby the Group experiences:

- a reduction in demand of 25% over the next two financial years, with no mitigation;
- 10% increase in operating costs from supply chain disruption;
- increase in cash collection cycle; and
- increase in input costs resulting in reduction in gross margins to 40%.

With £33.5m of cash at 31 August 2023 and a £15.0m undrawn revolving credit facility, in this severe downside scenario, the Group has sufficient headroom to be able to continue to operate for the foreseeable future. The Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily, and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least twelve months from the signing date of the financial statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

(b) Accounting judgements and sources of estimation uncertainty

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

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

Accounting judgements

Assessment of the percentage of completion of construction projects (laboratory testing and simulation)

Management judgements are required on a contract-by-contract basis to determine whether revenue from contracts with customers is recognised over time. If the criteria for recognition over time are not met, revenue is recognised at a point in time. Specifically, management judgements are required to determine whether the Group has an enforceable right to payment for work completed to date at all times throughout the duration of the contract. The assessment centres on whether, in the unlikely event of a cancellation of a contract, the customer would be required to compensate the Group for performance completed to date, either as a result of specific terms and conditions in the contract or by assessing the relevant common law interpretation in the relevant jurisdiction as appropriate.

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

2. Summary of significant accounting policies continued

(b) Accounting judgements and sources of estimation uncertainty continued

Accounting judgements continued

Assessment of the percentage of completion of construction projects (laboratory testing and simulation) continued

Where the criteria are not met, custom-built laboratory testing and simulator equipment revenue is recognised at a point in time as performance obligations are met on delivery and on installation.

Where laboratory testing and simulator equipment revenue is recognised over time, further management judgements are required in determining the profitability and stage of completion of contracts. This involves regular review by management of project milestones, actual costs incurred against budgeted costs, forecast costs to complete as well as other pertinent information.

The above estimates are made internally by the Group and any changes of these estimates will result in a corresponding change in revenue and profit. A 10% change in the stage of completion would not have a material impact on revenue or profit. Any potential losses on contracts are considered and appropriately recognised immediately upon occurrence, while contract revenue which cannot be estimated reliably is recognised only after confirmed by written agreement.

Key sources of estimation uncertainty

Acquisition accounting

When the Group makes an acquisition, it recognises the identifiable assets and liabilities, including intangible assets, at fair value with the difference between the fair value of net assets acquired and the fair value of consideration paid comprising goodwill. The key assumptions and estimates used to determine the valuation of intangible assets acquired are the forecast cash flows, the discount rate and the useful economic life or the acquired technology and/or customer/supplier relationships. Customer and supplier relationships are valued using a discounted cash flow model. Any changes in the discount rate or cash flow forecast would result in a change between recognised goodwill and intangible assets.

Identification of separable identifiable intangibles on acquisition

Intangible assets are recognised when they are controlled through contractual or other legal rights, or are separable from the rest of the business, and their fair value can be reliably measured. Technology and brand have been identified by management as a separate intangible asset as they are separable and can be reliably measured by valuation of future cash flows. Management do not believe there are any other intangible assets that have arisen on acquisition during the year which can be reliably measured.

Valuation of separable intangibles on acquisition

When valuing the technology and brand acquired in a business combination, management estimate the expected future cash flows from the asset and select a suitable discount rate in order to calculate the present value of those cash flows. Separable intangibles valued on acquisitions made in the year were £16.8m (2022: £Nil) in respect of technology, £16.1m and in respect of brand, £0.7m.

(c) Revenue and long-term contracts

The Group principally earns revenue through the sale of manufactured test products for automotive applications and the provision of test and consultancy services and recognises revenue based on the

satisfaction of the performance obligations in contracts with customers. A contract with a customer is confirmed and exists when a sales contract has been signed by both parties where the terms and conditions of the sale have been agreed by both parties and it is expected that the entity will be paid by the customer upon completion of the distinct performance obligations in the contract. Goods and services are distinct and accounted for as separate performance obligations if they are separately identifiable in the contract and the customer can benefit from the goods and services either on their own or together with other readily available resources available to the customer. Revenue is recognised in the amount the entity expects to receive for the performance of its obligations to the customer and net of sales taxes. Where contract modifications do occur and the remaining goods and services are not distinct from those already provided then the transaction price is updated, and where necessary a cumulative adjustment is made. This occurs infrequently where insignificant adjustments are made to the equipment supplied or services rendered. Transaction prices are set in the contract and are thus fixed upon agreeing to enter into a contract with a customer. The Group does not recognise variable consideration and does not estimate any other revenue other than that agreed upon in the contract which is not subject to estimation. Rights of return are present in some contracts, yet these are only triggered by non-performance of the obligations under the contract and after the Group's right to repair lapses. There have been no instances of any right of return clause being invoked for the Group, and correspondingly no return assets, or refund liabilities are recognised.

Where there are multiple performance obligations under a single contract, the Group allocates the transaction price in relation to the stand-alone selling prices for the performance obligations, in the contract. Where only one performance obligation is identified in the contract the transaction price is allocated in full. In instances where specific elements are not separated on a contract and invoice, such as training and initial support, these revenue elements are recognised independently with reference to the stand-alone selling prices of these services as if they were provided independently.

Revenue is recognised as the performance obligations in the contract are satisfied and control of the goods and services has transferred to the customer. For each performance obligation, the Group determines if the obligation has been settled over time or at a point in time. Performance obligations are satisfied over time if the performance obligation creates an asset with no alternative use for the Group and there is an enforceable right to payment for performance completed to date, or if the customer can simultaneously receive and consume the benefits provided by the Group. When revenue is recognised over time, the Group measures progress towards satisfaction of the performance obligations on an output measurement basis, unless input is more appropriate or provides a reasonable proxy for measuring progress of the stage of completion of the contract.

Variations in contract work and claims are recognised to the extent that they have been agreed with the customer. The probability of a profitable outcome of the contract is determined by regular review by management of project milestones, actual costs against budgeted costs and any other pertinent information. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. The aggregate of the cost incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year end.

Contract assets (accrued revenue) and contract liabilities (amounts received in advance of performance delivery) are recognised separately.

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

2. Summary of significant accounting policies continued

(c) Revenue and long-term contracts continued

Supply of manufactured products

The majority of the Group's revenue is derived from the sale of manufactured products, which is broken down into two categories, being standard products and bespoke products. Revenue recognition on standard products which the Group regularly manufactures and sells is measured at the transaction price that is expected to flow to the Group and recognised at a point in time when the Group has transferred control to the customer in line with the Incoterms as agreed with the customer.

Revenue from custom-built laboratory and simulator equipment is recognised over time when the Group has no alternative use for these custom-built pieces of equipment and the Group has an enforceable right to payment, plus a reasonable profit margin throughout the life of the contract. The Group performs an assessment on a contract by contract basis of the appropriate measure of progress towards satisfaction of performance obligations. Where an output measurement basis is used, surveys of work performed are used to assess the percentage of completion of the contract. Where this is not appropriate, progress is measured using an input basis by assessing the costs incurred over the total expected costs to satisfy the obligations in the contract as well as the costs to complete. When criteria for overtime recognition are not met, revenue is recognised at a point in time on delivery based on the Inco terms.

Supply of services

The Group recognises revenue from the provision of services to customers which include support, road testing, track testing, installation and training. Services are a single performance obligation in the contract with customers. For road testing, track testing, and training services, revenue is recognised over time as the services are delivered on a straight-line basis over the period in which the services are performed. For support services under a subscription contract with the customer, revenue is recognised at the transaction price on a straight-line basis over the contractual period. Installation service revenue is recognised when the installation is complete and the customer can obtain the benefits of the installation.

Supply of software

The Group's software products are sold on licencing arrangements for set contracted periods in contracts with customers. These contracts provide the customer the right to access the product during the licence period. A new or renewed licence is a single performance obligation and revenue is recognised on a straight-line basis over the licence period. Where perpetual licences are sold, revenue is recognised in full on delivery of the licence.

(d) Basis of consolidation

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control over the operating and financial decisions is obtained and cease to be consolidated from the date on which control is transferred out of the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All inter-company balances and transactions, including recognised gains arising from inter-group transactions, have been eliminated in full. Unrealised losses are eliminated in the same manner as recognised gains except to the extent that they provide evidence of impairment.

(e) Acquisitions

Acquisitions are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Goodwill at the acquisition date represents the cost of the business combination (excluding acquisition related costs, which are expensed as incurred) in excess of the fair value of the identifiable tangible and intangible assets and liabilities acquired. Any contingent consideration payable is recognised at fair value at the acquisition date and held at fair value through profit and loss with any corresponding interest amortisation changes recognised through the interest charge.

(f) Inventories

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

(g) Financial instruments

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

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

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

(i) Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss or financial assets measured at amortised cost. The Group does not hold any financial assets at fair value through other comprehensive income.

Financial assets at fair value through profit or loss

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

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

2. Summary of significant accounting policies continued

(g) Financial instruments continued

(i) Financial assets continued

Financial assets at amortised cost

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets held at amortised cost when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets held at amortised cost are recognised under an expected credit loss approach, in accordance with IFRS 9. The adoption of IFRS 9 has not had a material impact on the financial statements. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Financial liabilities

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

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

(iii) Equity instruments

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

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

(iv) Derivative financial instruments and hedging activities

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

(h) Property, plant and equipment

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

Plant and machinery	10% straight line
Motor vehicles	25% reducing balance
Furniture and fittings	10% straight line
Computer equipment	25%-33% straight line
General equipment	10% straight line
Test equipment	Between 10–20% straight line
Buildings	5% straight line

(i) Intangible assets

All intangible assets, excluding goodwill arising on a business combination, are stated at their amortised cost or fair value at initial recognition less any provision for impairment.

(i) Research and development costs

Research expenditure is written off as incurred. Development costs incurred on projects where the Group retains ownership of intellectual property and the related expenditure is separately identifiable and measurable, and management are satisfied as to the ultimate technical and commercial viability of the project, and that the asset will generate future economic benefits, are recognised as an intangible asset. The assets are amortised on a straight-line basis over the assets useful life of between three and five years.

(ii) Computer software costs

Where computer software is not integral to an item of property, plant or equipment, its costs are capitalised as other intangible assets. Amortisation is provided on a straight-line basis over its useful economic life of between three and seven years.

(iii) Acquired intangible assets – business combinations

Intangible assets that may be acquired as a result of a business combination, include, but are not limited to, customer lists, supplier lists, databases, technology and software and patents that can be separately measured at fair value, on a reliable basis. They are separately recognised on acquisition at fair value, together with the associated deferred tax liability. Amortisation is charged on a straight-line basis to the consolidated income statement over the expected useful economic lives.

	Economic life
Customer relationships	7–10 years
Brand	5–10 years
Technology	5–10 years

(iv) Goodwill – business combinations

Goodwill arising on the acquisition of a subsidiary represents the excess of the aggregate of the fair value of the consideration over the aggregate fair value of the identifiable intangible, tangible and current assets and net of the aggregate fair value of the liabilities (including contingent liabilities of businesses acquired at the date of acquisition). Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Transaction costs are expensed and are not included in the cost of acquisition.

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

2. Summary of significant accounting policies continued

(j) Impairment of tangible and intangible assets

An impairment loss is recognised to the extent that the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or CGU is the higher of: (i) its fair value less costs to sell; and (ii) its value in use. Its value in use is the present value of the future cash flows expected to be derived from the asset or CGU, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. The pre-tax discount rates are derived from the post-tax weighted cost of capital. Assumptions used in the calculation of the Group's weighted average cost of capital are benchmarked to externally available data. The pre-tax discount rate applied in the value in use calculations for the financial year ranged from 13.5% to 15%. The discount rate applied reflects the different markets, tax rates and associated risks within those jurisdictions in which the Group operates. Stress testing was performed on the value in use calculations to consider the impact of reasonably possible worst case scenarios over the forecast period including a 15% relative increase in the discount rate applied in the assessment of impairment combined with a corresponding 15% relative decrease in the growth rate. The Ansible Motion CGU is sensitive to assumptions around winning and delivering future contracts therefore an additional sensitivity was performed to decrease revenues by 19% with no cost mitigations, reducing the headroom to nil. None of these scenarios resulted in any CGUs requiring impairment.

Impairment losses are recognised immediately in the consolidated income statement.

(i) Impairment of goodwill

Goodwill acquired in a business combination is allocated to a CGU; CGUs for this purpose represent the lowest level within the Group at which the goodwill is monitored by the Group's Board of Directors for internal and management purposes. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the goodwill attributable to the CGU. Impairment losses cannot be subsequently reversed.

(ii) Impairment of other tangible and intangible assets

Other tangible and intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Impairment losses and any subsequent reversals are recognised in the consolidated income statement.

(k) Taxation

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

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to

situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

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

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

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

(l) Share based payments

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

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

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

(m) Foreign currencies

(i) Reporting foreign currency transactions in functional currency

The Group's consolidated financial statements are presented in pounds sterling. Items included in the financial statements of each of the Group's subsidiaries are measured using the functional currency of the primary economic environment in which the subsidiary operates.

Transactions in currencies other than the entity's functional currency ('foreign currencies') are initially recorded at the rates of exchange prevailing on the dates of the transactions. At each subsequent balance sheet date:

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

2. Summary of significant accounting policies continued

(m) Foreign currencies continued

(i) Reporting foreign currency transactions in functional currency continued

- (a) Foreign currency monetary items are retranslated at the rates prevailing at the balance sheet date. Exchange differences arising on the settlement or retranslation of monetary items are recognised in the consolidated income statement.
- (b) Non-monetary items measured at historical cost in a foreign currency are not retranslated.
- (c) Non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date the fair value was determined. Where a gain or loss on non-monetary items is recognised directly in equity, any exchange component of that gain or loss is also recognised directly in equity and conversely, where a gain or loss on a non-monetary item is recognised in the consolidated income statement, any exchange component of that gain or loss is also recognised in the consolidated income statement.

(ii) Translation from functional currency to presentational currency

When the functional currency of a Group entity is different from the Group's presentational currency, its results and financial position are translated into the presentational currency as follows:

- (a) Assets and liabilities are translated using exchange rates prevailing at the reporting date.
- (b) Income and expense items are translated at average exchange rates for the year, except where the use of such an average rate does not approximate the exchange rate at the date of the transaction, in which case the transaction rate is used.
- (c) All resulting exchange differences are recognised in other comprehensive income; these cumulative exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

(iii) Net investment in foreign operations

Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognised in the consolidated income statement in the separate financial statements of the reporting entity or the foreign operation as appropriate. In the consolidated financial statements, such exchange differences are initially recognised in other comprehensive income as a separate component of equity and subsequently recognised in the consolidated income statement on disposal of the net investment.

(n) Assets held for sale

Assets held for sale are assets previously classified as non-current which are expected to be sold rather than held for continuing use. These have principally arisen as part of a review of our physical estate. Assets held for sale have not been sold at the balance sheet date but are being actively marketed for sale, with a high probability of completion within twelve months.

(o) Alternative performance measures

Alternative performance measures are adjusted to exclude items of income and expense which, because of the nature, size and/or infrequency of the events giving rise to them, merit separate presentation. These specific items are presented separately in the income statement to provide greater clarity and a better understanding of the impact of these items on the Group's financial performance. In doing so, it also facilitates greater comparison of the Group's underlying results with prior periods and assessment of trends in financial performance. This split is consistent with how underlying business performance is measured internally.

Alternative performance measures may include but are not restricted to adjustments to the fair value of acquisition related items such as contingent consideration, acquired intangible asset amortisation and other items due to their significance, size or nature, and the related taxation.

(p) Leases

At the lease commencement date (i.e. the date the underlying asset is available for use), the Group recognises a right-of-use asset and a lease liability on the balance sheet. The lease liability is initially measured at the present value of future lease payments, discounted using the Group's incremental borrowing rate. This is the rate that we would have to pay for a loan of a similar term, and with similar security, to obtain an asset of similar value. The right-of-use asset is initially measured at cost, comprising the initial value of the lease liability, any lease payments made before commencement of the lease, any initial direct costs and any restoration costs. The asset is recorded as property, plant and equipment, and is depreciated over the shorter of its estimated useful economic life and the lease term on a straight-line basis. The finance cost is charged to the income statement over the lease term to produce a constant periodic rate of interest on the lease liability. The lease payment is allocated between repayment of the lease liability and finance cost. The Group applies the short-term lease recognition exemption to those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option. It also applies the low-value assets recognition exemption to leases of assets below £5,000. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

3. Segment reporting

The Group derives revenue from the sale of its advanced measurement, simulation and testing products used in assisting the global transport market in the laboratory, on the test track and on-road. The Group has one segment.

The operating segment is based on internal reports about components of the Group, which are regularly reviewed and used by the Board of Directors being the Chief Operating Decision Maker (CODM). Revenue is split into different streams in the information reviewed by the Board but all other aspects of performance are reviewed and managed together.

Revenues are disaggregated as follows:

Revenue by sector	2023 £'000	2022 £'000
Track testing	68,610	64,743
Laboratory testing and simulation	32,157	18,483
	100,767	83,226

Analysis of revenue by destination:

	2023 £'000	2022 £'000
United Kingdom	4,875	7,299
Rest of Europe	22,095	13,723
North America	25,171	20,547
Asia Pacific	46,409	40,941
Rest of the World	2,217	716
	100,767	83,226

No customers individually represent more than 10% of total revenue (2022: 12.0%).

Revenue recognised over time during the year was £12.3m (2022: £6.6m).

Assets and liabilities by segment are not reported to the Board of Directors, therefore are not used as a key decision making tool and are not disclosed here.

A disclosure of non-current assets by location is shown below:

	2023 £'000	2022 £'000
United Kingdom	66,199	39,565
Rest of Europe	1,049	1,262
North America	15,508	17,084
Asia Pacific	16,908	19,127
	99,664	77,038

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

4. 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 profit before tax, adjusted EBITDA and adjusted earnings per share.

The financial statements include 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.

	2023 £'000	2022 £'000
Amortisation of acquired intangibles	7,189	5,516
Acquisition related (credit)/costs	(4,502)	328
ERP development costs	1,362	1,670
Adjustments to operating profit	4,049	7,514
Acquisition related finance costs	713	—
Adjustments to profit before tax	4,762	7,514

Amortisation of acquired intangibles

The amortisation relates to the acquisition of Ansible Motion Limited on 20 September 2022, VadoTech Group on 3 March 2021 and the businesses acquired in 2019, DRI and rFpro.

Acquisition related (credit)/costs

The credit in the current year relates to the release of contingent consideration on the acquisition of Ansible Motion, less acquisition costs. The credit in the current year relates to the release of contingent consideration on the acquisition of Ansible Motion (£5.2m), less acquisition costs (£0.7m).

The prior year costs also related to Ansible Motion acquisition costs.

ERP development costs

These costs relate to the development, configuration and customisation of the Group's 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.

Tax

The tax impact of these adjustments was as follows: amortisation of acquired intangible assets £1.3m (2022: £0.8m), acquisition related costs £0.1m (2022: £0.1m) and ERP £0.3m (2022: £0.3m).

Cash impact

The operating cash flow impact of the adjustments was an outflow of £4.2m (2022: £2.0m) being £1.4m (2022: £1.7m) in relation to ERP development costs and £2.8m (2022: £0.3m) in relation to acquisition costs of which £2.1m (2022: £Nil) was in relation to a bonus paid to employees of the acquired entity for pre-acquisition service. The cash to pay this bonus was included within the cash acquired in the opening balance sheet, therefore the impact on the cash flow statement was a reduction in cash flows on acquisition of businesses and a corresponding decrease in cash flows from operations.

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

5. Revenue from contracts with customers

Contract balances

The Group has recognised the following revenue related contract assets and liabilities:

	2023 £'000	Restated* 2022 £'000
Contract assets (i)	3,152	4,328
Contract liabilities (ii)	9,234	5,068
Revenue recognised in the period from:		
Amounts included in contract liability at the beginning of the period:		
– Laboratory testing and simulation	1,156	5,242

* See note 29.

(i) Significant changes in contract assets

Contract assets have decreased by 27% during the year reflecting completion of three contracts during the year.

(ii) Significant changes in contract liabilities

This balance consists of deferred income and payments in advance. This increase of contract liabilities was due to deferred income which principally relates to the contracts in progress at Ansible Motion Limited which was acquired during the year. Within this figure is £3,158,000 relating to support which is recognised over the period in which these obligations are performed.

Remaining performance obligations as at 31 August 2023

	2023 £'000	Restated* 2022 £'000
Unsatisfied performance obligations		
Track testing	22,207	12,447
Laboratory testing and simulation	18,794	13,029

* See note 29.

The revenue on outstanding performance obligations at 31 August 2023 on the track testing systems will be recognised on delivery of these items, alongside the associated cost of sales, in the following financial year.

The revenue on outstanding performance obligations at 31 August 2023 on laboratory testing and simulation systems will be recognised over time alongside the associated cost of sales, in the following financial year. The typical length of time for these construction projects is 18–24 months.

Assets recognised from costs to obtain or fulfil customer contracts

No amounts have been recognised in relation to these categories of assets as at 31 August 2023 (2022: Nil).

6. Finance expense

	2023 £'000	2022 £'000
Finance income	(42)	—
Finance expense	396	374
Unwinding of discount on contingent consideration	713	—
Net finance expense	1,067	374

7. Profit before tax

	2023 £'000	*Restated 2022 £'000
The profit before tax is stated after charging/(crediting):		
Depreciation of tangible fixed assets	2,264	2,352
Depreciation of right-of-use assets	971	964
Amortisation of other intangible assets	679	305
Amortisation of acquired intangible assets	7,189	5,516
Realised loss/(gain) on foreign exchange	1,050	(368)
ERP development costs	1,362	1,670
Remeasurement of contingent consideration	(5,180)	—
Staff costs:		
– Wages and salaries	27,039	25,177
– Social security costs	2,781	2,291
– Other pension costs	1,219	1,118
Share based payments	1,263	795
Contractor costs	1,871	1,269
Research and development costs charged as an expense	247	356

* The prior year wages and salaries have been restated to exclude £1,269,000 of costs for contractors and labour which were not subject to an employment contract.

Auditor's remuneration

	2023 £'000	2022 £'000
Fees payable to the Group's auditor during the year for:		
– the audit of the Company's financial statements	76	90
– the audit of the Company's subsidiaries	447	51
	523	141

The increase in audit fees are due to a change in auditor from Crowe U.K. LLP to Grant Thornton UK LLP.

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

8. Employees

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

	2023 No.	2022 No.
Directors and commercial	23	23
Engineers and technicians	375	351
Administration	75	60
	473	434

The total number of employees at the year end was 471 (2022: 428).

Total remuneration of key management personnel, being the Directors of the Company and the members of the Executive Committee ('Excom') is set out below:

	2023 £'000	2022 £'000
Short-term employee benefits	2,634	2,212
Post-employment benefits	123	104
Social security costs	182	216
Share based payments – equity settled	852	691
	3,791	3,223

Further details relating to the remuneration of the Directors of the Company can be found on page 85 in the Remuneration Committee report. The total remuneration paid to or receivable by the Directors of the Group in respect of qualifying services is £1.7m (2022: £1.3m). Pension contributions totalling £4,000 (2022: £3,000) were made into the defined contribution scheme for two Directors in the year (2022: two).

9. Tax expense

	2023 £'000	2022 £'000
Current tax:		
– for the financial year	1,853	811
– adjustments in respect of prior year	8	6
	1,861	817
Deferred tax (note 22):		
– origination and reversal of temporary differences	(1,408)	(290)
– adjustments in respect of prior year	49	512
	502	1,039

* See note 29.

The statutory effective rate of tax for the year of 4.4% (2022: 17.9%) is lower than (2022: lower than) the standard rate of corporation tax in the UK of 21.5% (2022: 19.0%) as set out below.

The effective rate of tax on the adjusted profit before tax is 13.2% (2022: 17.1%).

The tax charge can be reconciled to the consolidated income statement as follows:

	2023 £'000	2022 £'000
Profit before tax	11,488	5,780
Tax at the applicable statutory rate of 21.5% (2022: 19%)	2,470	1,098
Tax effects of:		
Non-taxable (income)/ non-deductible expenses	(727)	238
Research and development tax credit	(135)	(196)
Adjustments in respect of prior year	58	175
Patent box relief**	(1,133)	(642)
Changes in tax rates	(14)	390
Overseas tax rates	(17)	(24)
Tax expense for the financial year	502	1,039

* See note 29.

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

In addition to the amount charged to the consolidated income statement, the following amounts relating to tax have been recognised directly in equity:

	2023 £'000	2022 £'000
Deferred tax		
Change in estimated excess tax deductions related to share based payments	(193)	84
Total income tax recognised directly in equity	(193)	84

Factors affecting the tax charge in future years

The main rate of corporation tax in the UK increased from 19% to 25% on 1 April 2023. In 2024, the effective rate will increase due to the full-year effect of this change.

The Group's future tax charge could be affected by several factors including: tax reform in the UK, USA, Germany, Japan, Singapore or China, including any arising from the European Commission initiatives such as the proposed Tax and Financial Reporting Directive; changes to eligibility for the R&D expenditure credit scheme (RDEC), any future acquisitions, and availability of R&D and Patent box relief.

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

10. Dividends paid

	2023 £'000	2022 £'000
Final 2021 dividend paid of 3.24p per share	—	733
Interim 2022 dividend paid of 1.76p per share	—	398
Final 2022 dividend paid of 3.54p per share	811	—
Interim 2023 dividend paid of 1.94p per share	444	—
	1,255	1,131

The Board has proposed a final dividend of 4.42p per share totalling £1,014,000. An interim dividend was paid of 1.94p per share totalling £444,000. If approved, the final dividend will be paid on 6 March 2024 to shareholders on the register on 9 February 2024.

11. Earnings per share

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

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

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

	2023	Restated* 2022
Weighted average number of shares ('000)		
– Basic	22,886	22,625
– Diluted	23,193	22,908
Earnings per share		
Profit for the year attributable to owners of the Group (£'000)	10,986	4,741
Basic earnings per share	48.0p	21.0p
Diluted earnings per share	47.4p	20.7p
Adjusted earning per share		
Adjusted profit for the year attributable to owners of the Group (£'000)	14,104	11,020
Adjusted earnings per share	61.6p	48.7p
Adjusted diluted earnings per share	60.8p	48.1p

* See note 29.

12. Goodwill

	VadoTech Group £'000	DRI £'000	rFpro £'000	Ansible Motion £'000	Total £'000
At 1 September 2022	6,347	9,936	7,535	—	23,818
Acquisitions	—	—	—	14,014	14,014
Exchange differences	(37)	(856)	—	—	(893)
At 31 August 2023	6,310	9,080	7,535	14,014	36,939
	VadoTech Group £'000	DRI £'000	rFpro £'000	Ansible Motion £'000	Total £'000
At 1 September 2021	6,298	8,388	7,535	—	22,221
Exchange differences	49	1,548	—	—	1,597
At 31 August 2022	6,347	9,936	7,535	—	23,818

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of the goodwill has been allocated to the CGUs to which they relate.

The Group tests goodwill at least annually for impairment. Tests are conducted more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations have been individually estimated for each CGU and include the discount rates and expected changes to cash flows during the period for which management has detailed plans.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to each of the CGUs. Pre-tax discount rates, derived from the Group's post-tax weighted average cost of capital which have been adjusted for a premium specific to each of the CGUs to account for differences in currency risk, country risk and other factors affecting specific CGUs, have been used to discount projected cash flows. The pre-tax discount rate applied in the value in use calculations for the financial year ranged from 13.5% to 15%.

Expected changes to cash flows during the period for which management has detailed plans relate to revenue forecasts and forecast operating margins in each of the operating companies. The relative value ascribed to each varies between CGUs as the budgets are built up from the underlying operating companies within each CGU, but the key assumption for each CGU is growth resulting from the long-term drivers in the industry, including the increase in ADAS and autonomy and increased regulation.

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

12. Goodwill continued

The calculations have used the Group's forecast figures for the next three years. This is based on data derived from the three-year plan that has been approved by the Board. At the end of three years, the calculations assume the performance of the CGUs will grow at a nominal weighted average annual rate of 2.5% in perpetuity. Growth rates are based on management's view of industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes. The weighted average cost of capital is derived using beta values of a comparator group of companies adjusted for funding structures as appropriate.

The pre-tax discount rates used for value in use calculations and the carrying value of goodwill by the principal CGU range from 13.5% to 15.0%.

Following a detailed review, no impairment losses were recognised in the year ended 31 August 2023.

Sensitivity testing was performed on the forecasts to consider the impact of reasonably possible worst case scenarios over the forecast period, including a 15% increase in the discount rate combined with a 15% decrease in the growth rate. None of these scenarios resulted in any CGUs requiring impairment.

13. Acquired and other intangible assets

	Customer relationships £'000	Brand £'000	Technology £'000	Total acquired intangible assets £'000	Capitalised development costs £'000	Total other intangible assets £'000
Cost						
At 1 September 2022	24,613	2,089	11,100	37,802	3,388	3,388
Additions	—	—	—	—	469	469
Acquisitions	—	700	16,100	16,800	—	—
Disposals	—	—	—	—	(88)	(88)
Exchange differences	(455)	(106)	(201)	(762)	(15)	(15)
At 31 August 2023	24,158	2,683	26,999	53,840	3,754	3,754
Amortisation						
At 1 September 2022	6,150	641	7,346	14,137	417	417
Charge for the year	3,119	344	3,726	7,189	679	679
Disposals	—	—	—	—	(88)	(88)
Exchange differences	(177)	(38)	(102)	(317)	—	—
At 31 August 2023	9,092	947	10,970	21,009	1,008	1,008
Net book value						
At 31 August 2022	18,463	1,448	3,754	23,665	2,971	2,971
At 31 August 2023	15,066	1,736	16,029	32,831	2,746	2,746

Internally generated additions total £395,770 (2022: £173,500).

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

13. Acquired and other intangible assets continued

	Customer relationships £'000	Brand £'000	Technology £'000	Total acquired intangible assets £'000	Capitalised development costs £'000	Investment £'000	Total other intangible assets £'000
Cost							
At 1 September 2021	23,837	1,897	10,738	36,472	1,677	12	1,689
Additions	—	—	—	—	1,711	—	1,711
Disposals	—	—	—	—	—	(12)	(12)
Exchange differences	776	192	362	1,330	—	—	—
At 31 August 2022	24,613	2,089	11,100	37,802	3,388	—	3,388
Amortisation							
At 1 September 2021	2,890	394	4,906	8,190	112	—	112
Charge for the year	3,020	195	2,301	5,516	305	—	305
Exchange differences	240	52	139	431	—	—	—
At 31 August 2022	6,150	641	7,346	14,137	417	—	417
Net book value							
At 31 August 2021	20,947	1,503	5,832	28,282	1,565	12	1,577
At 31 August 2022	18,463	1,448	3,754	23,665	2,971	—	2,971

Acquired intangible assets relate to items acquired through business combinations which are amortised over their useful economic life.

Other intangible assets comprise of acquired intellectual property and capitalised development costs.

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

14. Property, plant and equipment

	Land and buildings £'000	Plant and equipment £'000	Test equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 September 2022	22,569	4,731	4,349	505	32,154
Additions	128	1,906	763	133	2,930
Acquisition of businesses	—	31	—	—	31
Disposals	—	(758)	(2,000)	(29)	(2,787)
Exchange differences	(144)	(129)	(121)	(7)	(401)
At 31 August 2023	22,553	5,781	2,991	602	31,927
Accumulated depreciation					
At 1 September 2022	1,612	1,830	2,712	292	6,446
Charge for the year	520	951	683	110	2,264
Disposals	—	(581)	(1,822)	(4)	(2,407)
Exchange differences	(43)	(28)	(40)	(4)	(115)
At 31 August 2023	2,089	2,172	1,533	394	6,188
Net book value					
At 31 August 2022	20,957	2,901	1,637	213	25,708
At 31 August 2023	20,464	3,609	1,458	208	25,739

There were no capital commitments contracted and not yet provided in these financial statements.

	Land and buildings £'000	Plant and equipment £'000	Test equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 September 2021	22,135	3,665	4,201	402	30,403
Additions	193	1,500	312	93	2,098
Disposals	(18)	(579)	(239)	—	(836)
Exchange differences	259	145	75	10	489
At 31 August 2022	22,569	4,731	4,349	505	32,154
Accumulated depreciation					
At 1 September 2021	961	1,448	1,951	228	4,588
Charge for the year	612	854	828	58	2,352
Disposals	(18)	(575)	(100)	—	(693)
Exchange differences	57	103	33	6	199
At 31 August 2022	1,612	1,830	2,712	292	6,446
Net book value					
At 31 August 2021	21,174	2,217	2,250	174	25,815
At 31 August 2022	20,957	2,901	1,637	213	25,708

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

15. Leases

	Land and buildings £'000	Total £'000
Cost		
At 1 September 2022	2,540	2,540
Additions	1,141	1,141
Acquisitions	441	441
Disposals	(730)	(730)
Exchange differences	(112)	(112)
At 31 August 2023	3,280	3,280
Accumulated depreciation		
At 1 September 2022	1,664	1,664
Charge for the year	971	971
Disposals	(689)	(689)
Exchange differences	(75)	(75)
At 31 August 2023	1,871	1,871
Net book value		
At 31 August 2022	876	876
At 31 August 2023	1,409	1,409

	Land and buildings £'000	Total £'000
Cost		
At 1 September 2021	2,052	2,052
Additions	938	938
Disposals	(572)	(572)
Exchange differences	122	122
At 31 August 2022	2,540	2,540
Accumulated depreciation		
At 1 September 2021	1,139	1,139
Charge for the year	964	964
Disposals	(572)	(572)
Exchange differences	133	133
At 31 August 2022	1,664	1,664
Net book value		
At 31 August 2021	913	913
At 31 August 2022	876	876

Lease liabilities

	2023 £'000	2022 £'000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	624	631
One to five years	882	319
More than five years	85	—
Total undiscounted cash flows	1,591	950
Discount	(115)	(7)
Total lease liabilities	1,476	943
Current	570	628
Non-current	906	315

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

15. Leases continued

Amounts recognised in the consolidated statement of comprehensive income

	2023 £'000	2022 £'000
Depreciation of right-of-use assets	971	964
Interest on lease liabilities	55	40

Amounts recognised in the consolidated cash flow statement

	2023 £'000	2022 £'000
Principal lease payments	1,124	964
Interest payments on leases	55	40

16. Inventories

	2023 £'000	Restated* 2022 £'000
Raw materials	10,640	11,042
Work-in-progress	5,067	2,145
Finished goods	2,247	464
	17,954	13,651

* See note 29.

The value of inventories recognised as an expense during the year was £29,655,000 (2022: £24,755,000). During the year, the amount of write down of inventories recognised as an expense was £Nil (2022: £220,000).

17. Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	11,356	10,600
Less: credit loss provision	(970)	(508)
	10,386	10,092
Other receivables	2,122	2,394
Prepayments	1,986	1,296
	14,494	13,782

Other receivables consist mainly of VAT, withholding taxes and deposits.

The maximum exposure to credit risk for trade receivables at 31 August, by currency, was:

	2023 £'000	2022 £'000
Sterling	4,069	4,754
Euro	4,734	3,482
US dollar	1,133	1,386
Japanese yen	450	470
	10,386	10,092

Trade receivables, before credit loss provisions, are analysed as follows:

	2023 £'000	2022 £'000
Not past due	7,946	3,394
Past due, no credit loss for impairment	2,440	6,698
Past due, credit loss for impairment	970	508
	11,356	10,600

The ageing of trade receivables, classified as past due, but not impaired, is as follows:

	2023 £'000	2022 £'000
Less than three months past due	1,118	5,042
Over three months past due	1,322	1,656
	2,440	6,698

Credit loss provision

	2023 £'000	2022 £'000
At 1 September	508	592
Charged in the year	462	(84)
At 31 August	970	508

The Group's expected credit loss provision is £1.0m (2022: £0.5m).

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

18. Cash and cash equivalents

	2023 £'000	2022 £'000
Cash at bank:		
– Sterling	25,282	15,230
– Euro	3,058	8,867
– US dollar	3,916	4,111
– Japanese yen	916	1,596
– Other currencies	314	337
	33,486	30,141

Net cash

	2023 £'000	2022 £'000
Cash and cash equivalents	33,486	30,141
Lease liabilities	(1,476)	(943)
	32,010	29,198

19. Assets held for sale

Following a review of our existing manufacturing locations, previously acquired land is surplus to requirements and has been classified as held for sale at fair value less costs to sell of £1,893,000. The sale is expected to be completed during the first half of FY 2024.

20. Trade and other payables

	2023 £'000	Restated* 2022 £'000
Trade payables	4,946	4,956
Social security and other taxes	697	571
Other payables and accruals	14,484	11,283
	20,127	16,810

* See note 29.

Other payables and accruals comprise accrued expenses and accrued employee related costs.

The maximum exposure to foreign currency risk for trade payables at 31 August, by currency, was:

	2023 £'000	2022 £'000
Sterling	4,087	3,635
Euro	265	154
US dollar	518	1,096
Japanese yen	76	71
	4,946	4,956

21. Financial instruments

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

(a) Currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the functional currency of reporting entities. The transactional exposure arises on trade receivables, trade payables and cash and cash equivalents and these balances are analysed by currency in notes 17, 18 and 20. Currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group maintains a natural hedge whenever possible, by the cash inflows (revenue stream) and cash outflows used for purposes such as capital expenditure and operational expenditure in the respective currencies. Forward exchange contracts are used to manage transactional exposure where appropriate.

Management considers that the most significant foreign exchange risk relates to US dollar and euro. The Group's sensitivity to a 10% strengthening in sterling against each of these currencies (with other variables held constant) is as follows:

	2023 £'000	2022 £'000
Decrease in adjusted operating profit (at average rates):		
US dollar	262	230
Euro	382	310
Yen	163	310

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

21. Financial instruments continued

(b) Interest rate risk

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

A 100 basis points strengthening/weakening of the interest rate as at the end of the reporting period would have a £200,000 impact on profit after taxation and equity. This assumes that all other variables remain constant.

(c) Equity price risk

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

(d) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group seeks to minimise credit risk by dealing exclusively with high credit rating counterparties. An analysis of the ageing and currency of trade receivables is set out in note 17. An analysis of cash and cash equivalents is set out in note 18.

The Group establishes an allowance for impairment that represents its expected credit loss in respect of the trade and other receivables as appropriate. In addition to expected credit losses provision, the Group's policy is to provide in full for specific items within trade receivables, being those outstanding for more than 90 days beyond agreed terms and provide for balances when there is uncertainty regarding recoverability. Impairment is estimated by management based on prior experience and the current economic environment.

The Group's major concentration of credit risk at 31 August 2023 relates to the amounts owing by 20 customers which constituted approximately 69% of its trade receivables as at the end of the reporting period. As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

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

	2023 £'000	2022 £'000
USA	805	1,326
United Kingdom	134	541
Europe	3,072	2,407
Rest of the World	6,375	5,818
	10,386	10,092

(e) Liquidity risk

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

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

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

The Group's financial liabilities are as follows:

	2023 £'000	Restated* 2022 £'000
Trade payables	4,946	4,956
Other payables	14,484	11,284
Lease liabilities	1,476	943
Contingent consideration	5,943	—
Derivative financial instruments	—	123
	26,849	17,306
The maturities of the undiscounted liabilities are as follows (excluding leases):		
Less than one year	19,430	16,363

* See note 29.

(f) Capital risk management

Capital is defined as the total equity of the Group. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of the dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

At 31 August 2023, the Group's cash resources exceed its total debt. The Company hence has no net debt.

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

21. Financial instruments continued

(g) Classification of financial instruments

All financial instruments are categorised as follows:

	2023 £'000	Restated* 2022 £'000
Financial assets		
Trade receivables	10,386	10,092
Contract assets	3,152	4,328
Cash and bank balances	33,486	30,141
	47,024	44,561
Financial liabilities held at amortised cost		
Trade and accruals and other payables	19,430	16,363
Lease liabilities	1,476	943
	20,906	17,306
Financial liabilities held at fair value through profit and loss		
Contingent consideration	5,943	—
	5,943	—

* See note 29.

(h) Fair value hierarchy

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

- Level 1: Fair value measurements derive from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements derive from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Fair value measurements derive from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of all financial instruments approximates their fair value (valued using level 2 or level 3 in the case of assets held for sale).

22. Deferred tax

	2023 £'000	2022 £'000
At 1 September	(6,397)	(6,552)
Acquisitions	(3,917)	—
Recognised in profit or loss:		
– in respect of timing differences	1,290	290
– in respect of deferred tax on share options	68	(512)
Recognised in equity:		
– in respect of deferred tax on share options	193	84
Exchange differences	55	293
At 31 August	(8,708)	(6,397)

The deferred tax balance is analysed as follows:

	2023 £'000	2022 £'000
Deferred tax liability	(8,708)	(6,397)
	(8,708)	(6,397)

The deferred tax liabilities are attributable to:

	2023 £'000	2022 £'000
Short-term timing differences	(1,135)	199
Acquisitions	(7,573)	(6,596)
	(8,708)	(6,397)

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

23. Share capital

The allotted, called up and fully paid share capital is made up of 22,934,365 ordinary shares of £0.01 each.

	Note	Number of shares '000	Share capital £'000	Share premium £'000	Total £'000
At 1 September 2021		22,622	226	62,210	62,436
Issued during the year	(i)	4	—	50	50
At 31 August 2022		22,626	226	62,260	62,486
Issued during the year	(ii)	308	3	521	524
At 31 August 2023		22,934	229	62,781	63,010

(i) During the year ended 31 August 2022, 1,654 shares were issued to satisfy exercises of share options. A total of 1,536 shares and 932 shares were issued to James Routh and Sarah Matthews-DeMers respectively in satisfaction of 20% of their annual bonus payments for the year ended 31 August 2021.

(ii) During the year ended 31 August 2023, 45,226 shares were issued to satisfy exercises of share options of which 33,334 related to share options exercised by James Routh. A total of 2,424 shares and 1,454 shares were issued to James Routh and Sarah Matthews-DeMers respectively in satisfaction of 20% of their annual bonus payments for the year ended 31 August 2022.

A further 258,795 shares were issued in partial consideration for the acquisition of Ansible Motion Limited on 20 September 2022.

24. Other reserves

	Reconstruction reserve £'000	Merger relief reserve £'000	Translation reserve £'000	Hedging reserve £'000	Other reserves £'000
At 1 September 2021	(11,284)	11,390	(2,414)	(31)	(2,339)
Total comprehensive income	—	—	3,574	(93)	3,481
At 31 August 2022*	(11,284)	11,390	1,160	(124)	1,142
Total comprehensive expense	—	—	(2,059)	124	(1,935)
Issue of shares	—	3,196	—	—	3,196
At 31 August 2023	(11,284)	14,586	(899)	—	2,403

* Restated per note 29.

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

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

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

The current year increase in the merger relief reserve was due to the acquisition of 100% of the issued share capital of Ansible Motion of which part of the consideration was the issue of new ordinary shares in AB Dynamics plc. See note 28.

25. Share based payments

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

The schemes adopted by the Company are equity settled and a charge of £1,263,000 (2022: £795,000) has been charged to the consolidated statement of comprehensive income relating to these options.

Summary of movements in share options

	Number of shares	Weighted average exercise price (pence)
Outstanding at 1 September 2022	540,233	1,445
Options and awards granted	97,756	—
Options and awards exercised	(45,226)	1,010
Options and awards lapsed	(131,744)	833
Outstanding at 31 August 2023	461,019	709
Exercisable at 31 August 2023	28,545	395
Outstanding at 1 September 2021	466,306	691
Options and awards granted	135,581	1,271
Options and awards exercised	(1,654)	395
Options and awards lapsed	(60,000)	2,140
Outstanding at 31 August 2022	540,233	1,445
Exercisable at 31 August 2022	86,704	1,358

The weighted average share price on the date of exercise was 1,947p (2022: 978p). The weighted average remaining contractual life of the options outstanding at the statement of financial position date is 7.7 years (2022: 8.2 years).

The weighted average fair value of options granted in the year was £16.45 (2022: £12.71).

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

25. Share based payments continued

Summary of movements in share options continued

A number of the options and awards lapsed related to employees who left in previous years but deemed as lapses in the current year.

The fair values of the share option awards granted were calculated using a Black Scholes option pricing model. The long-term incentive plan awards have targets based on earnings per share total growth and shareholder return and were valued using a Monte Carlo simulation. The inputs into the model for awards granted were as follows:

	Date awarded				
	4 January 2023	11 March 2022	3 December 2021	2 December 2020	17 January 2020
Stock price	1,613p	1,025p	1,750p	1,768p	2,230p
Exercise price	£Nil	£Nil	£Nil	£Nil	£Nil
Interest rate	3.43%	1.25%	0.50%	0.02%	0.39%
Volatility	48%	64%	62%	53%	40%
Vesting period	3 years	3 years	3 years	3 years	3 years

The expected volatility was determined with reference to the published share price.

The long-term incentive plan awards vest on the third anniversary of the award date.

26. Related party disclosures

The remuneration of the key management personnel of the Group is set out in note 8.

27. Ultimate controlling party

There is no ultimate controlling party.

28. Acquisition of businesses

On 20 September 2022, the Group acquired 100% of the issued share capital of Ansible Motion Limited, a leading provider of advanced simulators to the global automotive market.

The initial £17,600,000 consideration comprised £14,400,000 of cash and £3,200,000 of new ordinary shares in AB Dynamics plc. A maximum additional £12,000,000 performance payment was available subject to certain performance criteria being met for the year ended 31 August 2023. An accrual for the contingent consideration was included in the balance sheet at fair value of £9,882,000 at the acquisition date, which has been adjusted at the year end to £5,417,000 following completion of the performance period. £528,000 of the total consideration has been retained against any potential warranties. The performance payment is payable in cash in January 2024.

The carrying amount of each class of Ansible Motion Limited's assets before combination is set out below:

	Ansible		
	Book value £'000	Fair value adjustments £'000	Provisional fair value £'000
Intangible assets	—	16,800	16,800
Property, plant and equipment	31	—	31
Right-of-use asset	441	—	441
Inventory	1,691	—	1,691
Trade and other receivables	2,049	—	2,049
Cash	3,744	—	3,744
Trade and other payables	(6,404)	—	(6,404)
Lease liabilities	(441)	—	(441)
Deferred tax liabilities	—	(4,137)	(4,137)
Deferred tax assets	222	—	222
Net (liabilities)/assets acquired	1,333	12,663	13,996
Goodwill arising on acquisition			14,014
			28,010

Total purchase consideration	£'000
Cash paid	14,400
New ordinary shares issued	3,200
Contingent consideration payable	10,410
Total consideration	28,010

	£'000
Cash consideration	14,400
Less cash acquired	(3,744)
Net cash outflow	10,656

Notes to the consolidated financial statements continued

For the year ended 31 August 2023

28. Acquisition of businesses continued

Contingent consideration	£'000
Performance payment net present value at acquisition date	9,882
Retained consideration	528
At acquisition	10,410
Unwind on discount	713
Less fair value adjustment to contingent consideration	(5,180)
At 31 August 2023	5,943

The initial cash consideration was satisfied with available cash resources and a short-term utilisation of part of the Group revolving credit facility, which has now been repaid. £528,000 of the initial purchase price has been retained against any potential warranties and is included within contingent consideration.

The valuation exercise to identify intangible assets acquired, as required under IFRS 3, was provisionally applied as at the half year with some adjustments required at the year end to account for open revenue contracts at the acquisition date balance sheet. Identifiable net assets with a total fair value of £16,800,000 and goodwill of £13,266,000 were initially recognised, the amount of goodwill recognised increase by £748,000 to £14,014,000 during the measurement period.

Ansible Motion Limited contributed revenue of £11,800,000, and operating profit of £2,400,000 for the period between acquisition and the balance sheet date. Acquisition related costs amounted to £678,000 which have been expensed when incurred. £713,000 of the discount on the contingent consideration unwound in the period and has been included in finance expenses.

VadoTech Group

On 3 March 2021, the Group acquired 100% of VadoTech Pte Ltd and Zynit Pte Ltd (collectively 'VadoTech Group'). In 2022, the final contingent consideration payment was made (£5,200,000) and the remaining £215,000 discount on this amount unwound, being included in finance expense in the prior year.

29. Restatement of prior year balances

The comparatives for the prior period have been restated to reflect a different interpretation of the accounting standard regarding revenue recognition following challenge by the Group's new auditor, Grant Thornton. The restatement relates to timing differences on contracts with two customers under which revenue was previously recognised over time as the equipment was built and has been restated to reflect recognition at a point in time on delivery and installation. The change in interpretation relates to judgement applied in determining how much profit the Group would be entitled to in the unlikely event of a cancellation of the contract. None of these contracts has been cancelled and all have concluded during FY 2023 and payment has been received in full.

The impact is detailed in the tables below and has resulted in an increase to revenue and profit for the prior period and a corresponding decrease in opening net assets at 1 September 2021. The net impact on the closing net assets at 31 August 2022 and hence on the profit for the year ended 31 August 2023 was £421,000.

	31-Aug-22			31-Aug-21		
	As reported £'000	Impact of restatement £'000	Restated £'000	As reported £'000	Impact of restatement £'000	Restated £'000
Balance sheet						
Non-current assets	77,038	—	77,038	78,808	—	78,808
Current assets						
Inventories	13,611	40	13,651	6,771	1,130	7,901
Taxation	882	8	890	1,443	99	1,542
Contract assets	3,917	411	4,328	4,269	50	4,319
Other current assets	43,923	—	43,923	38,782	—	38,782
	62,333	459	62,792	51,265	1,279	52,544
Assets held for sale	1,893	—	1,893	1,893	—	1,893
Current liabilities						
Contract liabilities	5,787	(719)	5,068	3,568	1,690	5,258
Other current liabilities	16,804	757	17,561	16,349	—	16,349
	22,591	38	22,629	19,917	1,690	21,607
Non-current liabilities	6,712	—	6,712	7,063	—	7,063
Net assets	111,961	421	112,382	104,986	(411)	104,575
Retained earnings	48,333	421	48,754	44,889	(411)	44,478
Share capital and other reserves	63,628	—	63,628	60,097	—	60,097
Total equity	111,961	421	112,382	104,986	(411)	104,575
Income statement				2022 £'000	Impact of restatement £'000	Restated 2022 £'000
Revenue				80,305	2,921	83,226
Cost of sales				(34,089)	(1,996)	(36,085)
Gross profit				46,216	925	47,141
Operating profit				5,229	925	6,154
Profit before tax				4,855	925	5,780
Tax expense				(946)	(93)	(1,039)
Profit for the year				3,909	832	4,741
Earnings per share				31 August 2022	Impact of restatement	Restated 2022
Basic				17.3p	3.7p	21.0p
Diluted				17.1p	3.6p	20.7p

Company statement of financial position

As at 31 August 2023

	Note	2023 £'000	2022 £'000
ASSETS			
Non-current assets			
Right-of-use assets		—	61
Investments	3	91,717	67,124
Deferred tax assets		—	202
		91,717	67,387
Current assets			
Other receivables	4	9,511	14,782
Cash and cash equivalents		3,163	6,131
		12,674	20,913
LIABILITIES			
Current liabilities			
Trade and other payables	5	1,511	2,110
Short-term lease liabilities		—	62
Contingent consideration		5,943	—
		7,454	2,172
Net current assets		5,220	18,741
Net assets		96,937	86,128
Shareholders' equity			
Share capital		229	226
Share premium		62,781	62,260
Merger reserve		3,197	—
Retained earnings		30,730	23,642
Total equity		96,937	86,128

The profit for the financial year dealt with in the financial statements of the Parent Company was £7,279,000 (2022: loss £328,000). The financial statements were approved by the Board of Directors and authorised for issue on 23 January 2024 and are signed on its behalf by:

Dr James Routh

Director

Sarah Matthews-DeMers

Director

Company registration number: 08393914

Company statement of changes in equity

For the year ended 31 August 2023

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained profits £'000	Total equity £'000
At 1 September 2021						
Share based payments		—	—	—	750	750
Total comprehensive expense		—	—	—	(328)	(328)
Dividends	7	—	—	—	(1,131)	(1,131)
Issue of shares, net of share issue costs		—	50	—	—	50
At 31 August 2022						
Share based payments		—	—	—	1,064	1,064
Total comprehensive income		—	—	—	7,279	7,279
Dividends	7	—	—	—	(1,255)	(1,255)
Issue of shares, net of share issue costs		3	521	3,197	—	3,721
At 31 August 2023						
		229	62,781	3,197	30,730	96,937

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

The current year merger reserve was due to the acquisition of 100% of the issued share capital of Ansible Motion of which part of the consideration was the issue of new ordinary shares in AB Dynamics plc.

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

Notes to the Company financial statements

For the year ended 31 August 2023

General information

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

Basis of accounting

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

Reduced disclosure exemptions

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12 as follows:

- no cash flow statement has been presented as the Company is included within the consolidated financial statements of the Group; and
- disclosures in respect of the Company's financial instruments have not been presented as equivalent disclosures are included in the consolidated financial statements of the Group.

The Company has also taken advantage of the disclosure exemptions in FRS 102 paragraph 33.1A as follows:

- related party transactions have not been disclosed with other wholly owned members of the Group.

Going concern

At 31 August 2023, the Company had net current assets of £5,220,000 (2022: £18,741,000) with the main current asset being amounts owed from its subsidiary Anthony Best Dynamics Ltd, amounting to £7,987,000 (2022: £13,568,000). The Company has assessed its ongoing costs with cash generated by its subsidiaries to ensure that it can continue to settle its debts as they fall due.

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

Investments

Investments held as fixed assets are stated at cost less provision for impairment. The review of the carrying value of the investment in Ansible Motion is sensitive to assumptions around winning and delivering future contracts therefore sensitivity analysis has been performed. A decrease in revenues by 19% with no cost mitigations reduces the headroom on this review to nil.

Tax

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

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

Financial instruments

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

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

Other receivables

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

Trade and other payables

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

Notes to the Company financial statements continued

For the year ended 31 August 2023

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Share based payment

The fair value of share based remuneration is determined at the date of grant and recognised as a capital contribution to its subsidiary on a straight-line basis over the vesting period, taking account of the estimated number of shares that will vest. The fair value is determined by use of option pricing models which include assumptions and estimates in the determination of the fair value.

1. Profit for the financial year

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

The Company's profit for the financial year was £7,279,000 (2022 loss: £328,000).

The Company's profit for the financial year has been arrived at after charging auditor's remuneration payable to Grant Thornton UK LLP for audit services to the Company of £96,000 (2022: £90,000). Statutory information on remuneration for other services provided by the Company's auditor and its associates is given on a consolidated basis in note 7 of the consolidated financial statements.

2. Employees and Directors' remuneration

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

	2023 £'000	*Restated 2022 £'000
Wages and salaries	2,939	2,602
Social security costs	206	158
Pension costs	79	49
	3,224	2,809

* Prior year pension costs have been disclosed where these were not in the prior period. There was a £Nil impact on the results of the Company.

7 employees have contracts of service with a subsidiary company however their services are provided to the Company and accordingly their employment costs are reflected in the Company accounts. All Directors' remuneration is in respect of qualifying services to AB Dynamics plc. See note 8 of the consolidated Annual Report.

Costs in relation to share based payments in respect of the Company's employees are borne by its subsidiary, Anthony Best Dynamics Limited.

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

	2023 Number	2022 Number
Directors and management	11	9

3. Investments

	2023 £'000	2022 £'000
Subsidiary undertaking		
Brought forward	67,124	61,295
Capital contribution arising on share based payment	1,064	750
AB Dynamics Overseas Holdings Ltd	—	5,114
Ansible Motion Ltd	23,527	—
Exchange differences	2	(35)
Carried forward	91,717	67,124

Notes to the Company financial statements continued

For the year ended 31 August 2023

3. Investments continued

Subsidiary undertaking	Class of share held	% shareholding	Registered office
Anthony Best Dynamics Ltd	Ordinary	100	Middleton Drive, Bradford on Avon, Wiltshire BA15 1GB
AB Dynamics GK	Ordinary	100	2-2-3 Shinyokohama, Dai-Ichi Takeo bldg. 6F 606 Kohoku-ku, Yokohama 222-0033, Japan
AB Dynamics Inc	Ordinary	100	48325 Alpha Drive, Suite 120, Wixom, MI 48393, USA
rFpro Ltd	Ordinary	100	Middleton Drive, Bradford on Avon, Wiltshire BA15 1GB
AB Dynamics UK Holdings Ltd	Ordinary	100	Middleton Drive, Bradford on Avon, Wiltshire BA15 1GB
AB Dynamics Overseas Holdings Ltd	Ordinary	100	Middleton Drive, Bradford on Avon, Wiltshire BA15 1GB
*AB Dynamics Singapore Holding Pte Ltd	Ordinary	100	77 Robinson Road, #13-00 Robinson 77, Singapore, 068896
*VadoTech Pte Ltd	Ordinary	100	77 Robinson Road, #13-00 Robinson 77, Singapore, 068896
*VadoTech Japan KK	Ordinary	100	Nichitochi Nishishinjyuku Building 8F, 6-10-1, Nishishinjyuku, Shinjyuku-ku, Tokyo, Japan
*VadoTech Deutschland	Ordinary	100	Bismarckstraße 7, 10625 Berlin, Germany
*VadoTech Services SL	Ordinary	100	Calle Madrid, n. 70, Edificio Irene II, local 1, Monachil, Granada, Spain
*VadoTech US Inc	Ordinary	100	The Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 1980, USA
*VadoTech Korea Ltd	Ordinary	100	301 ho, 10-1, Maebong-gil, Seongdong-gu, Seoul, South Korea
*Zynit Pte Ltd	Ordinary	100	77 Robinson Road, #13-00 Robinson 77, Singapore, 068896
*Zynit China Co Ltd	Ordinary	100	No.13, Jinma Yuan 2 Street, Gaoliying Town, Shunyi District, Beijing, China
*rFpro Inc	Ordinary	100	48325 Alpha Drive, Suite 120, Wixom, MI 48393, USA
*AB Dynamics Europe GmbH	Ordinary	100	Vogelsang 11, 35398 Gießen, Germany
*Dynamic Research Inc	Ordinary	100	355 Van Ness Avenue, Suite 200, Torrance, CA 90501, USA
*DRI Advanced Test Systems Inc	Ordinary	100	355 Van Ness Avenue, Suite 200, Torrance, CA 90501, USA
*ABD Solutions Ltd	Ordinary	100	Middleton Drive, Bradford on Avon, Wiltshire BA15 1GB
Ansible Motion Ltd	Ordinary	100	Middleton Drive, Bradford on Avon, Wiltshire BA15 1GB

* Denotes indirect shareholding.

Notes to the Company financial statements continued

For the year ended 31 August 2023

4. Other receivables

	2023 £'000	2022 £'000
Amounts owed by Group undertakings	9,440	14,709
Prepayments	71	73
	9,511	14,782

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

5. Trade and other payables

	2023 £'000	2022 £'000
Other payables and accruals	1,511	2,110
	1,511	2,110

6. Share capital

The allotted, called up and fully paid share capital is made up of 22,934,365 ordinary shares of £0.01 each.

	Note	Number of shares '000	Share capital £'000	Share premium £'000	Total £'000
At 1 September 2021		22,622	226	62,210	62,436
Issued during the year	(i)	4	—	50	50
At 31 August 2022		22,626	226	62,260	62,486
Issued during the year	(ii)	308	3	521	524
At 31 August 2023		22,934	229	62,781	63,010

(i) During the year ended 31 August 2022, 1,654 shares were issued to satisfy exercises of share options. A total of 1,536 shares and 932 shares were issued to James Routh and Sarah Matthews-DeMers respectively in satisfaction of 20% of their annual bonus payments for the year ended 31 August 2021.

(ii) During the year ended 31 August 2023, 45,226 shares were issued to satisfy exercises of share options of which 33,334 related to share options exercised by James Routh. A total of 2,424 shares and 1,454 shares were issued to James Routh and Sarah Matthews-DeMers respectively in satisfaction of 20% of their annual bonus payments for the year ended 31 August 2022.

A further 258,795 shares were issued in partial consideration for the acquisition of Ansible Motion Limited on 20 September 2022.

7. Dividends paid

	2023 £'000	2022 £'000
Final 2021 dividend paid of 3.24p per share	—	733
Interim 2022 dividend paid of 1.76p per share	—	398
Final 2022 dividend paid of 3.54p per share	811	—
Interim 2023 dividend paid of 1.94p per share	444	—
	1,255	1,131

The Board has proposed a final dividend of 4.42p per share totalling £1,014,000. An interim dividend was paid of 1.94p per share totalling £444,000. If approved, the final dividend will be paid on 6 March 2024 to shareholders on the register on 9 February 2024.

8. Related party disclosures

The only key management personnel of the Company are the Directors. Details of their remuneration are contained in the Remuneration Committee report.

Notes to the Company financial statements continued

For the year ended 31 August 2023

9. Share based payments

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

The schemes adopted by the Company are equity settled.

Summary of movements in share options

	Number of shares	Weighted average exercise price (pence)
Outstanding at 1 September 2022	540,233	1,445
Options and awards granted	97,756	—
Options and awards exercised	(45,226)	1,010
Options and awards lapsed	(131,744)	833
Outstanding at 31 August 2023	461,019	709
Exercisable at 31 August 2023	28,545	395
Outstanding at 1 September 2021	466,306	691
Options and awards granted	135,581	1,271
Options and awards exercised	(1,654)	395
Options and awards lapsed	(60,000)	2,140
Outstanding at 31 August 2022	540,233	1,445
Exercisable at 31 August 2022	86,704	1,358

The weighted average share price on the date of exercise was 1,947p (2022: 978p). The weighted average remaining contractual life of the options outstanding at the statement of financial position date is 7.7 years (2022: 8.2 years).

The fair values of the share option awards granted were calculated using a Black Scholes option pricing model. The long-term incentive plan awards have targets based on earnings per share total growth and shareholder return and were valued using a Monte Carlo simulation. The inputs into the model for awards granted were as follows:

	Date awarded				
	4 January 2023	11 March 2022	3 December 2021	2 December 2020	17 January 2020
Stock price	1,613p	1,025p	1,750p	1,768p	2,230p
Exercise price	£Nil	£Nil	£Nil	£Nil	£Nil
Interest rate	3.43%	1.25%	0.50%	0.02%	0.39%
Volatility	48%	64%	62%	53%	40%
Vesting period	3 years	3 years	3 years	3 years	3 years

The expected volatility was determined with reference to the published share price.

The long-term incentive plan awards vest on the third anniversary of the award date.

Notice of Annual General Meeting 2024

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser immediately.

If you have sold or transferred all of your shares in AB Dynamics plc, please forward this document, together with the accompanying report and accounts and form of proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

AB Dynamics plc

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting (AGM) of the members of AB Dynamics plc (the Company) will be held at 11 am on Wednesday 28 February 2024 at 85 Fleet Street, London, EC4Y 1AE for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 10 (inclusive) will be proposed as ordinary resolutions and resolution 11 will be proposed as a special resolution.

ORDINARY RESOLUTIONS

1. To receive the annual accounts of the Company for the year ended 31 August 2023, together with the reports of the Directors and the auditor on those accounts.
2. To approve the Directors' remuneration report, as set out on pages 81 to 88 of the Group's Annual Report and Accounts for the financial year ended 31 August 2023.
3. To declare a final dividend of 4.42p per share, to be paid to all shareholders on the Register of Members as at 9 February 2024.
4. To re-appoint Richard Elsy as a Director of the Company.
5. To re-appoint Louise Evans as a Director of the Company.
6. To re-appoint Richard Hickinbotham as a Director of the Company.
7. To re-appoint Sarah Matthews-DeMers as a Director of the Company.
8. To re-appoint Dr James Routh as a Director of the Company.
9. To re-appoint Grant Thornton UK LLP as the auditor of the Company from the conclusion of this AGM until the conclusion of the next AGM of the Company and to authorise the Directors to determine the auditor's remuneration.
10. That, in substitution for any previous authority but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities, the Directors from time to time be and are hereby generally and unconditionally authorised for the purpose of Section 551 of the Companies Act 2006 (the Act) to allot shares of the Company and/or grant rights to subscribe for, or convert any securities into, shares of the Company up to an aggregate nominal amount of £76,447, being approximately one-third of the current issued share capital of the Company provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in a general meeting) at the conclusion of the next AGM of the Company or 15 months after the passing of this resolution (if earlier), except that the Directors may before the expiry of such period make an offer or agreement which would or might require shares to be allotted or rights granted after the expiry of such period and the Directors may allot shares or grant rights in pursuance of that offer or agreement as if this authority had not expired.

Notice of Annual General Meeting 2024 continued

Notice of Annual General Meeting

SPECIAL RESOLUTION

11. That, subject to the passing of resolution 10 above, the Directors be empowered pursuant to Section 571 of the Companies Act 2006 (the Act) to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by resolution 10 above as if Section 561 of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities as follows:

- (a) the allotment of equity securities in connection with any offer by way of rights or an open offer of relevant equity securities where the equity securities respectively attributed to the interests of all holders of relevant equity securities are proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with equity securities which represent fractional entitlements or on account of either legal or practical problems arising in connection with the laws or requirements of any regulatory or other authority in any jurisdiction; and

- (b) otherwise than pursuant to paragraph (a) above, up to an aggregate nominal amount of £11,467, being approximately 5% of the current issued share capital of the Company,

provided that the powers conferred by this resolution shall expire (unless previously renewed, varied or revoked by the Company in a general meeting) on a date which is the earlier of 15 months from the date of the passing of this resolution and the conclusion of the next AGM of the Company (the Section 571 Period) but so that the Company may at any time prior to the expiry of the Section 571 Period make an offer or agreement which would or might require equity securities to be allotted pursuant to these authorities after the expiry of the Section 571 Period and the Directors may allot equity securities in pursuance of such offer or agreement as if the authorities hereby conferred had not expired.

Action to be taken

Each shareholder is entitled to appoint one or more proxies to attend, speak and vote instead of that shareholder. A proxy need not be a shareholder.

Shareholders should kindly complete and return the enclosed form of proxy as soon as possible, whether or not they expect to be able to attend the AGM. Return of a form of proxy will not prevent a shareholder from attending, speaking and voting in person at the meeting if that shareholder so wishes and is so entitled. If you are a CREST member you can submit your proxy electronically through the CREST system by completing and transmitting a CREST proxy instruction as described in the notes to this circular and in the form of proxy.

Recommendation

The Board is of the opinion that these proposals are in the best interests of the Company and its shareholders as a whole.

Accordingly, the Directors unanimously recommend all shareholders to vote in favour of the resolutions, as they intend to do in respect of their own beneficial shareholdings.

Explanatory notes in respect of the resolutions proposed are set out in the appendix to this Notice.

By Order of the Board

Dr James Routh
Chief Executive Officer
5 February 2024

Registered office:
AB Dynamics plc
Middleton Drive
Bradford on Avon
Wiltshire BA15 1GB

Registered number: 08393914

Notice of Annual General Meeting 2024 continued

Notice of Annual General Meeting

Notes

Pursuant to the Company's Articles of Association (the Articles), members are entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote at the meeting. A proxy need not be a shareholder of the Company.

A shareholder may appoint more than one proxy in relation to the AGM, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. In addition, the Chairman of the meeting will direct that voting on all resolutions will take place by way of a poll, rather than a show of hands, to ensure that proxy votes are recognised in order to accurately reflect the views of shareholders.

1. Only holders of ordinary shares are entitled to attend and vote at the AGM. A member is entitled to appoint another person as their proxy to exercise all or any of their rights to attend, speak and vote at the meeting. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the relevant member. A proxy need not be a member of the Company.
2. You can register your vote(s) for the AGM either:
 - (a) by visiting www.shareregistrars.uk.com, clicking on the 'Proxy Vote' button and then following the on-screen instructions;
 - (b) by post or by hand to Share Registrars Limited, 3 The Millennium Centre, Crosby Way, Farnham, Surrey GU9 7XX using the form of proxy accompanying this Notice. Instructions for completion are shown on the form. To appoint a proxy, the form of proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be completed; or
 - (c) in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with paragraphs 5 to 8 below.

In order for a proxy appointment to be valid the form of proxy must be received by Share Registrars Limited by 11am on 26 February 2024, being 48 hours (ignoring any part of any day that is not a working day) before the start of the AGM. Completion of one of the above proxy voting options will not preclude members from attending and voting in person at the AGM, should they so wish.

3. In the case of joint shareholders, the signature of the senior shareholder (seniority to be determined by the order in which the names stand in the Register of Members) shall be accepted to the exclusion of all other joint holders. The names of all joint shareholders should be stated at the top of the form.
4. In order to have the right to attend and vote at the meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the Register of Members of the Company at 11 am on 26 February 2024, being 48 hours (ignoring any part of any day that is not a working day) before the start of the AGM, or, in the event of any adjournment, 48 hours before the start of the adjourned meeting (ignoring any part of any day that is not a working day). Changes to entries on the Register of Members after this time shall be disregarded in determining the rights of any person to attend or vote at the AGM.

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.
6. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & International Limited's (Euroclear) specifications and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA36) by the latest time for the receipt of proxy appointments specified in note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
7. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or a sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
8. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
9. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of the powers as a member provided that no more than one corporate representative exercises powers over the same share.

Notice of Annual General Meeting 2024 continued

Notice of Annual General Meeting

Notes continued

10. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business dealt with at the meeting, but no such answer need be given if:
 - (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - (b) the answer has already been given on a website in the form of an answer to a question; or
 - (c) it is not in the interests of the Company or the good order of the meeting that the question be answered.
11. As at 2 February 2024 (being the last business day prior to the publication of this Notice), the Company's issued ordinary share capital consisted of 22,934,365 ordinary shares of 1p each, carrying one vote each. Therefore, the total voting rights in the Company as at 2 February 2024 were 22,934,365.
12. A copy of this Notice, and other information required by Section 311A of the Companies Act 2006 (the Act), can be found at www.abdplc.com.
13. You may not use any electronic address (within the meaning of Section 333(4) of the Act) provided in this Notice or in any related documents (including the Chairman's letter and form of proxy) to communicate with the Company for any purpose other than those expressly stated.
14. Your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your Reference Number (attributed to you by the Company). The Company determines the purposes for which and the manner in which your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company's registrars) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the shareholder rights you exercise.

Appendix: Explanatory notes on the resolutions to be proposed at the Annual General Meeting

Resolution 1 – Annual Report and Accounts

The Directors must present the annual audited accounts of the Company and the Directors' and Auditor's reports for the year ended 31 August 2023 (2023 Annual Report) to shareholders at the meeting.

You are voting to receive the 2023 Annual Report. Detailed information is contained within the 2023 Annual Report.

Resolution 2 – Directors' remuneration report

Shareholders will have the opportunity to cast an advisory vote on the Directors' remuneration report for the year ended 31 August 2023. The report is set out in full on pages 81 to 88 of the 2023 Annual Report. The Directors' entitlement to remuneration is not conditional on the report being approved.

Resolution 3 – Declaration of dividend

Final dividends must be approved by shareholders but cannot exceed the amount recommended by the Directors. The Directors propose a final dividend of 4.42p per ordinary share. If approved, the dividend is expected to be paid to shareholders on the Register of Members as of 9 February 2024. The Company paid an interim dividend this year; therefore, the total dividend distribution for the year shall be 6.36p per ordinary share.

Resolutions 4 to 8 – Re-appointment of Directors

Resolutions 4 to 8 relate to the re-appointment of the Company's Directors. Under the Company's Articles, one-third of the Directors are required to retire from office by rotation each year. Notwithstanding the provisions of the Articles, the Board has determined that all of the Directors shall retire from office at the AGM in line with the best practice recommendations of the Financial Reporting Council's UK Corporate Governance Code. Each of the Directors intends to stand for re-appointment by the shareholders. Biographical details, skills and experience for each of the Directors can be found on pages 62 and 63 of the 2023 Annual Report and at www.abdplc.com/about/board-of-directors.

Notice of Annual General Meeting 2024 continued

Appendix: Explanatory notes on the resolutions to be proposed at the Annual General Meeting continued

Resolution 9 – Re-appointment of the auditor and the auditor’s remuneration

The Company is required to appoint an auditor at each general meeting at which accounts are laid before the Company to hold office until the end of the next such meeting. Grant Thornton UK LLP has expressed its willingness to be re-appointed as the auditor to the Company. This resolution proposes the re-appointment of Grant Thornton UK LLP and, in accordance with standard practice, gives authority to the Directors to determine the remuneration to be paid to the auditor.

Resolution 10 – Directors’ authority to allot shares

Under the Act, the directors of a company may only allot unissued shares in the capital of the company or grant rights to subscribe for, or convert any security into, shares in the company if they are authorised to do so by the shareholders at a general meeting or by the company’s articles of association.

This resolution gives the Directors authority to allot shares in the Company up to an aggregate nominal amount of £76,447, representing approximately one-third of the Company’s issued ordinary share capital as at 2 February 2024 (being the last business day prior to the publication of this Notice). This authority will expire at the conclusion of the next Annual General Meeting to be held in 2025.

The Directors do not have any present intention of exercising this authority but consider it desirable that they should have the flexibility to allot shares, or grant rights to subscribe for, or convert any security into, shares if circumstances arise where it may be advantageous for the Company to do so.

Resolution 11 – Partial disapplication of pre-emption rights

This resolution will, if approved, renew the Directors’ authority to allot equity securities (as defined in the Act) for cash otherwise than to existing shareholders pro-rata to their holdings. This authority, which will expire at the conclusion of the Annual General Meeting of the Company to be held in 2025, is limited to the allotment of: (a) equity securities in connection with a rights issue; and (b) equity securities up to an aggregate nominal amount of £11,467, representing approximately 5% of the Company’s issued ordinary share capital as at 2 February 2024 (being the last business day prior to the publication of this Notice).

The Directors have no present intention to use this authority but consider that the proposed disapplication of pre-emption rights is desirable to give the Company the ability to issue a limited number of shares for cash to third parties, where to do so would be of benefit to the Company.



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