AB Dynamics plc

2015 Annual Report & Accounts

For the year ended 31 August 2015

Company Registration No. 08393914

Table of contents

Image on cover: The Company's Suspension Parameter Measurement Machine (SPMM 5000) testing a long wheel base SUV vehicle.

Officers and professional advisers

DIRECTORS

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

SECRETARY

Robert Andrew Leonard Hart

REGISTERED OFFICE
AB Dynamics Plc
Holt Road
Bradford on Avon
Wiltshire
BA15 1AJ

Registered number: 08393914 (England and Wales)

INDEPENDENT AUDITOR
Crowe Clark Whitehill LLP
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

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

NOMINATED ADVISER
Cairn Financial Advisers LLP
61 Cheapside
London
EC2V 6AX

REGISTRARS
Share Registrars Ltd
Suite E, First Floor
9 Lion & Lamb Yard
Farnham
GU9 7LL

BROKER
Panmure Gordon & Co
One New Change
London
EC4M 9AF

PUBLIC RELATIONS ADVISER
Newgate Threadneedle
Sky Light City Tower
50 Basinghall Street
London
EC2V 5DE

BANKERS
Bank of Scotland
Phase 2
2nd Floor
North East
Canons House
Canons Way
Bristol
BS99 7LB

Chairman's and Managing Director's Statement

Overview
We are very pleased to be publishing the third annual report for AB Dynamics Plc since its debut on the AIM market in May 2013.The Group has successfully grown its customer base and product offering, as well as injected a substantial amount of investment into its production facilities, business systems and manpower. This in turn has allowed us to achieve substantial growth in revenues, profits and margins.

Results
We have had another excellent year, with demand for our products and services increasing in line with R&D spending by the global automotive testing sector.

Our business in traditional markets in Europe and Asia continues to improve and when combined with additional sales into the new developing markets has led to our "Track Testing" revenues exceeding our expectations, with our sales of our "Laboratory Testing" product, the Suspension Parameter Measuring Machine ("SPMM") remaining in line with our forecasts.

Whilst sales of driving robots remain robust, we have seen a notable increase in sales of our high value Guided Soft Target (GST) further driving revenues. The upgraded SPMM 5000 continues to gain traction in the market resulting in a landmark sale to a Brazilian customer, the first machine of its type to be sold into this region.

We have finished this year with an excellent set of financial results that are ahead of market expectations, with year on year revenues growing by 19.3% to £16.52m (2014: £13.85m), operating profit increasing by 41% to £3.74m (2014: £2.65m) and finally the operating profit margin improving to 22.6% (2014: 19.1%).

Operations
Regional Growth Fund Grant
As previously announced, we elected to decline the Governments RGF Round 6 grant. The Directors felt that the very restrictive timeline within which to exercise the grant money, combined with some over-burdensome terms and conditions added later to the final offer letter were not in the best interests of the Group nor its shareholders.

We continue to seek ways to take advantage of any potential funding to support our product development. The Directors feel that as a result of the robust financial position and sound operational performance of the business, the Group has sufficient funds to facilitate its expansion plans for meeting increasing global demand.

Facilities
In the year, we have continued with our plans to build and locate to a new dedicated facility near our current offices in Bradford on Avon. Construction will start in the New Year with completion targeted for early 2017. In the meantime we have leased a further 3,100 sq ft of production space to meet the immediate need to support increased demand. As set out previously, the Directors remain confident that the Group has sufficient capacity requirements until such time as the new facility becomes available, estimated to be in Q1 2017.

Product Development
We continue to maintain our ability to deliver high quality solutions to our customers where we regularly look to improve our products. This year we completed a significant software upgrade to both our Track Testing and Laboratory Testing products, introducing to our customers a host of new operational enhancements that will keep us ahead of our competition. The team continues to work on new development opportunities with our customers to ensure we have a product pipe line for the future of the Group.

Employees
The business has always been about the quality and talent of the staff we employ. We continue to attract and retain some of the very best talent in UK engineering, with the Group reaching a landmark of over 70 direct employees. The Group has an ownership sharing structure so as to include its staff in the value creation of the business. The Board continues to review these arrangements, balanced as always against the best interests of shareholders.

Dividend

Our strong balance sheet and cash flow provides a good underpinning for a final dividend and we are pleased to announce that the Directors are recommending the payment of a final dividend of 1.65p per share, payable in December 2015 subject to shareholder approval at the AGM. The record date will be 20th November 2015 and the ex dividend date will be 19th November 2015. This will take the total dividend for the year to 2.75p an increase of 10%.

Current Trading and Outlook

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

The coming year will also see the Group focus on building our long awaited new factory HQ.

With a promising pipeline of orders, the expanded team and the new infrastructure that we have in place, we look forward to the future with confidence.

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

Tony Best
Executive Chairman
11 November 2015

Tim Rogers
Managing Director
11 November 2015

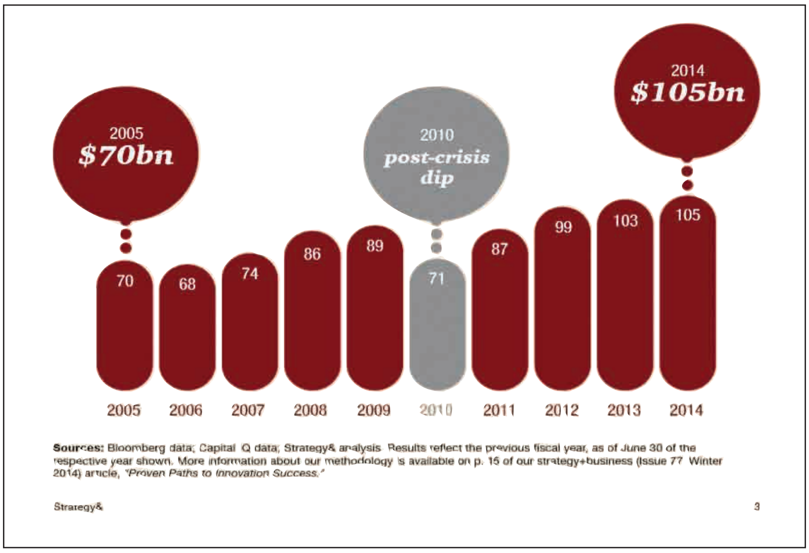
Strategic report for the year ended 31 August 2015

The Directors present the Strategic Report of AB Dynamics Plc for the year ended 31 August 2015.

Our Business – The Global Automotive Test Systems Market
The Group supplies advanced testing equipment to the global motor industry, for research and development and for production quality control.

According to Frost & Sullivan, the global automotive test systems market is evolving rapidly backed by stringent emission regulations, increasing safety requirements and the need for product differentiation. This dynamic market is growing through a major transformation of integration between the mechatronic test systems and electronic test systems to address the OEM's needs.

It further believes that the overall market is expected to record a compound annual growth rate (CAGR) of 6.7% until 2021. The **mechatronics** segment is likely to register a CAGR of 4.9% and the **electronics** segment a CAGR of 8.8% until 2021.



AB Dynamics specialises in machinery that tests the whole vehicle. It is our ability to combine mechanical, electrical/electronic and software design/know how that allows us to make the specialist testing equipment the industry needs. By bringing multiple technologies to one platform it allows us to provide the technological capabilities to meet the diverse demands of the original equipment manufacturers (OEMs).

From its facilities in Bradford on Avon, UK, the Group designs and manufactures specialised systems for the development of:

- Suspension, Chassis and Steering systems
- Vehicle Dynamics on the track
- Next generation of advanced safety system in vehicles (ADAS)
- Driverless cars
- Autonomous vehicle testing
- Noise/vibration (NVH) testing of power train assemblies

The Group retains over 40 engineers dedicated to the development of our products and by working directly with our customers they can provide unique engineered solutions particular to their needs. By retaining the knowhow and intellectual property the Group is able to expand its sales of these products to an ever expanding client base.

AB Dynamics Product Range:

Track Testing – Driver Assistance System (ADAS) testing and Vehicle Dynamics testing on the track

Guided Soft Target Vehicles

Pedestrian Targets

Steering Robots – Driverless Systems

Laboratory Test Equipment – Steering System testing and Kinematics and Compliance testing

Steering Rack Test Machine SSTM

Suspension Parameter Measuring Machine SPMM

AB Dynamics is the recognised leader in the supply of autonomous driving robots for vehicle testing. The performance, quality and reputation of its products have led to steady growth in their uptake, leading to an expansion of their global network of distributors and regional offices, to cope with demand, a network which now covers the major automotive producer countries of the world.

Global Reach

Review of the Business in the year
The Group this year experienced another record year in terms of sales; again this increase has been driven by the global market for Automotive Testing equipment expanding rapidly in both new sectors and geographies. Our traditional markets in Europe, Japan, Korea and the USA remain strong, whilst China continues to grow year on year as their car industry shows a commitment to produce products that compete at the international level.

The Group's current order book takes it well into the second half of the next financial year. In support of this significant improvements in the Group's supply chain and manufacturing capabilities have delivered improvements to lead-times and improved margins.

The Groups new product development continues apace. Despite the setback of not receiving the government's RGF funding, the management remains on track to introduce new versions of its Driving Robots and ADAS targets and explore opportunities for new and novel Laboratory Testing products.

The Group, as ever, undertakes a program of continual improvement and upgrades to existing products which benefit the customers in terms of better usability and functionality, allowing it to stay ahead of the competition.

Position of the Group's business at the end of the year
The Group continues to operate in the niche automotive research sector which has, for the past 5 years, experienced steady year on year growth. Management seeks to consolidate the Group's base to create a sound platform for the Group's expansion by investing in product development, facilities and retaining and recruiting high quality personnel. Measurements of the Group's performance are provided in the Key Performance Indicators in this section.

Key activities undertaken this year to support the Group's strategies include:
1. The continued expansion of the Group's core manufacturing and final assembly capabilities. We have recently taken an additional 3,100 sq ft of new offsite assembly facilities more than doubling our facilities space since our AIM listing in May 2013.

2. The active recruitment of key personnel to new roles in the Group, including software and electrical development engineers, production planning management and accounts/administration personnel. Our full time headcount has now reached 67, with new appointments expected by the end of 2015.

3. Continued improvements in the supply chain and product fulfilment, resulting from a reorganisation of the mechanical and electrical production units, with better utilisation of our resources shortening delivery times and increasing units delivered.

4. Overcoming final planning and contractual hurdles to bring on line the new enlarged facility at the Kingston Farm development nearby remains on course for Q1 2017. We hope to start construction in early 2016.

Group's Key performance indicators

1. Maintain sustainable growth in revenue and operating profit

The Directors aim to achieve steady sustainable growth in turnover and operating profit. Strong cash management is fundamental to delivering sustainable profit growth and the consistent delivery of cash-backed profit remains a key performance indicator for the Group. In 2015, there was a net cash inflow from operating activities of £4.0m (2014: outflow £0.7m) and our working capital (net current assets) increased by £2.68m to £11.87m (2014: £9.19m).

Aside from maintaining focus on current product lines, the Directors are ensuring that new product offerings are developed in order to meet customer requirements and demands.

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

The recruitment, development, retention and health and safety of our staff and everyone who works with us or is affected by our operations is paramount. We have the objective of ensuring that safe working practices are consistently adopted and supported by rigorous reviews and training. In 2015, no issues arose and we continue to review our HSE procedures, where we retain an external contractor to manage our systems in this respect.

3. Facilities

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

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

Representation of our new facility at Bradford on Avon

Principal risks and uncertainties facing the business

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

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

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

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

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

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

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

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

New facility
Plans for the Group's new facility are still in the development and planning stage. No formal documentation has yet been entered into and, although the Group has established estimated total costs, there can be no guarantee that the project will proceed or that it will proceed as planned. It is possible that costs will increase or other unforeseen issues will mean that the current development project does not proceed.

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

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

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

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

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

Research & development budgets of global automotive corporations can get squeezed or significantly reduced

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

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

Key suppliers

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

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

Exposure to exchange rate fluctuations

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

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

Exposure to economic cycle

Market conditions may affect the value of the Group's share price regardless of operating performance. The Group could be affected by unforeseen events outside of its control including economic and political events and trends, inflation and deflation, terrorist attacks or currency exchange fluctuation. The combined effect of these factors is difficult to predict and an investment in the Group could be affected adversely by changes in economic, political, administrative, taxation or other regulatory factors in any jurisdiction in which the Group may operate. Deterioration in the economic climate could result in a delay or cancellation of clients' projects.

Force majeure events

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

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

Approved by the board on 11 November 2015

Tim Rogers
Director

Directors' report

The directors present their report and the audited financial statements of AB Dynamics plc for the year ended 31 August 2015.

Dividends
During the year an interim dividend of £0.011 per share was paid and the Board has proposed a final dividend of £0.0165 per share.

Research and development
The Group continues to invest in research and development associated with the design and manufacture of test equipment for vehicle suspension, steering, noise and vibration. Costs attributed to this process have been charged to the consolidated statement of comprehensive income to the extent that they do not meet all of the criteria for capitalisation as set out in IAS 38 'Intangible Assets'. No development costs have been capitalised in the year.

Research cost of amounts expensed is separately identified and disclosed in Note 5, development expenditure is integral to the manufacturing process and not separately identified.

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

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

Directors
The following directors have held office during the year:

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

At the forthcoming Annual General Meeting in accordance with the Company's articles of association, Timothy Rogers will retire by rotation and being eligible will offer himself for re-election.

Conflicts of interest
Under the articles of association of the company and in accordance with the provisions of the Companies Act 2006, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. However, the directors may authorise conflicts and potential conflicts, as they deem appropriate. As a safeguard, only directors who have no interest in the matter being considered will be able to take the relevant decision, and the directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate. During the financial year ended 31 August 2015, the directors have authorised no such conflicts or potential conflicts.

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

	Ordinary shares of 1p each
Anthony Best	6,648,887
Timothy John Rogers	293,201
Robert Andrew Leonard Hart	16,522

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

Directors' interests in share options

	Exercise price1 (pence)	As at September 2014	Exercised during the year	As at 31 August 2015	Earliest date for exercise	Latest date for exercise
Timothy John Rogers	12.52	186,100	186,100	–	22 May 2014	1 February 2023
Timothy John Rogers	12.52	186,100	186,100	–	22 May 2015	1 February 2023
Timothy John Rogers	12.52	186,100	–	186,100	22 May 2016	1 February 2023
Robert Andrew Leonard Hart	12.52	5,133	5,133	–	22 May 2014	1 February 2023
Robert Andrew Leonard Hart	12.52	5,133	5,133	–	22 May 2015	1 February 2023
Robert Andrew Leonard Hart	12.52	5,134	–	5,134	22 May 2016	1 February 2023

Directors' remuneration and service contracts
The remuneration paid to the directors during 2015 is shown below:

	Short term benefits (Incl. bonus) £	Post employment benefits £	Share based payments £	2015 Total £	2014 Total £
Anthony Best	80,043	–	–	80,043	107,841
Timothy John Rogers*	188,420	6,300	5,770	200,490	195,486
Robert Andrew Leonard Hart	123,552	4,025	159	127,736	117,836
Graham Dudley Eves	30,000	–	–	30,000	30,000
Frederick Bryan Smart	30,000	–	–	30,000	30,000
	452,015	10,325	5,929	468,269	481,163

* Highest paid director

The gain made on the exercise of share options during the year was £435,017 of which £423,340 was attributable to share options of the highest paid director.

Other substantial shareholdings
As at 10 November 2015, being the latest practicable date before the issue of these financial statements, the company had been notified of the following shareholdings which constitute 3% or more of the total issued shares of the company.

	Ordinary shares No.	Shareholding %
Anthony Best	5,597,107	32.3
Anne Middleton	1,700,000	9.8
Naemi Best	1,000,000	5.8
UK Multicap Income	933,148	5.4
Amati Global Investors	651,960	3.8
YFM Private Equity Limited	537,175	3.1

Statement of Directors' responsibilities

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

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

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

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

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

The Directors are responsible for the maintenance and integrity of the website. Legislation in the United Kingdom concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Provision of information to auditors

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

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

Auditor

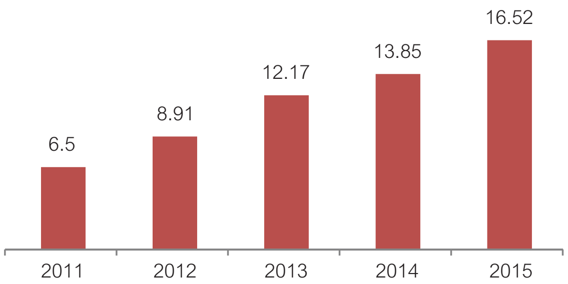
The auditors, Crowe Clark Whitehill LLP, will be proposed for re-appointment in accordance with Section 489 of the Companies Act 2006.

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

Tim Rogers
Director
11 November 2015

Finance Director's Report

Revenue £m

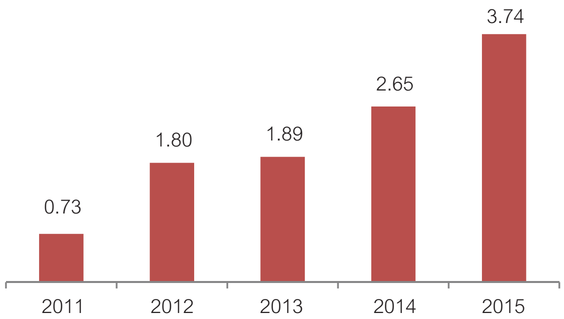


Revenue

The Group's revenue grew to £16.52m (2014: £13.85m).

The growth of 19.3% was again driven by strong demand for Track testing products, notably for the testing of Advanced Driver Assistance Systems (ADAS).

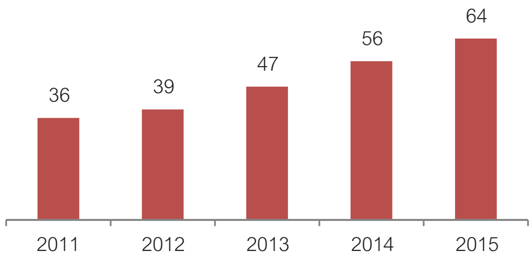
Operating Profit £m



Profitability

The operating profit margin increased to 22.6% (2014: 19.1%), reflecting the increase in gross margin from 29.1% in 2014 to 32.4% in 2015.

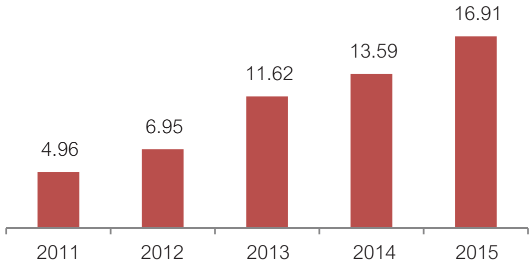
Employees – Monthly Average



Headcount

The average number of employees increased by 8 during the year. At the end of the year the headcount was 67.

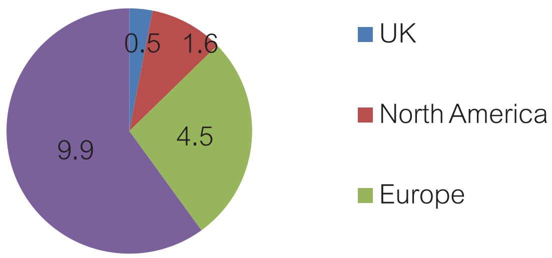
Total Assets £m



Total Assets

Total assets increased by approximately 24% during the year.

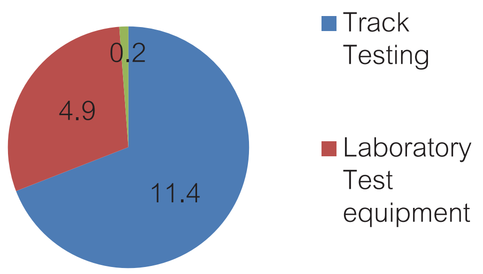
Turnover by Region £m



Turnover by Region

Rest of the world turnover now accounts for approximately 60% of total turnover with total exports accounting for 97%.

Turnover by Product £m



Turnover by Product
Track testing revenue has increased by approximately 21% and now accounts for 69% of turnover.

Taxation
The effective tax rate for the Group in 2015 was 15.0%.

This was significantly lower than the corresponding figure of 19.6% in 2014 predominantly as a result of prior year over provisions.

Cash
Cash flow from operations in 2015 was a healthy inflow of £4.45m (2014: outflow of £0.28m). Cash and cash equivalents increased by £3.1m to £8.0m (2014: £4.9m).

Further details can be found on page 23 of the financial statements.

Earnings per share
Underlying basic earnings per share was 19.16p (2014: 13.08p). This calculation is based on the underlying profit after tax of £3.25m and 16,940,438 shares, being the weighted average number of shares in issue during the year.

Diluted earnings per share were 18.26p (2014: 12.11p).

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

Working Capital
Working capital (net current assets) increased by £2.68m to £11.87m (2014: £9.19m).

Capital expenditure
Capital expenditure on tangible assets was £691,244 (2014: £347,486) and included approximately £351,000 of costs incurred in respect of the new facility. Capital expenditure in 2016 and 2017 is expected to be significantly higher given the new building project.

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

Exchange losses incurred in the year amounted to £12,903 compared to a loss of £33,887 in 2014.

Dividends
The Board has proposed a final dividend of 1.65p per share. Together with the interim dividend of 1.1p per share this gives a total Ordinary dividend of 2.75p for the year.

Corporate governance statement

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

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

Board structure

The Board consists of five directors of which three are executive and two non-executive.

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

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

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

Internal controls

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

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

Rob Hart
Finance Director – Company Secretary
11 November 2015

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

We have audited the financial statements of AB Dynamics plc for the year ended 31 August 2015 which comprise of the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Parent Company Balance Sheet and the related notes.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

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

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

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 August 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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

11 November 2015

Consolidated statement of comprehensive income

	Note	Year ended 31 August 2015 £	Year ended 31 August 2014 £
Continuing operations			
Revenue		16,522,627	13,846,562
Cost of sales		(11,172,617)	(9,816,570)
Gross profit		5,350,010	4,029,992
Administrative expenses		(1,609,448)	(1,378,718)
Operating profit		3,740,562	2,651,274
Finance income	4	76,432	25,692
Profit before taxation	5	3,816,994	2,676,966
Corporation tax expense	6	(570,986)	(525,055)
Profit after taxation		**3,246,008**	**2,151,911**
Other comprehensive income		**–**	**–**
Total comprehensive income for the year attributed to equity holders		**3,246,008**	**2,151,911**
Earnings per share – Basic (pence)	8	19.16p	13.08p
Earnings per share – Diluted (pence)	8	18.26p	12.11p

Consolidated statement of financial position
as at 31 August 2015

	Note	2015 £	2014 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,727,349	1,219,983
Deferred tax assets	17	48,548	–
		1,775,897	1,219,983
CURRENT ASSETS			
Inventories	10	2,541,704	1,998,831
Trade receivables	11	2,825,148	4,339,755
Other receivables, deposits and prepayments	12	464,462	185,007
Amount owing by contract customers	13	1,301,169	949,197
Derivative financial instruments	14	33,743	–
Cash and cash equivalents	15	7,967,808	4,896,206
		15,134,034	12,368,996
TOTAL ASSETS		16,909,931	13,588,979
EQUITY AND LIABILITIES			
Share capital	16	173,344	167,757
Share premium		2,540,711	2,385,910
Reconstruction reserve		(11,284,500)	(11,284,500)
Merger relief reserve		11,390,000	11,390,000
Retained profits		10,830,329	7,666,718
Total equity attributable to owners of the Company and total equity		13,649,884	10,325,885
NON-CURRENT LIABILITIES			
Deferred tax liabilities	17	–	79,273
CURRENT LIABILITIES			
Trade and other payables and accruals	18	3,089,487	2,913,843
Provision for taxation		170,560	269,978
		3,260,047	3,183,821
TOTAL LIABILITIES		3,260,047	3,263,094
TOTAL EQUITY AND LIABILITIES		16,909,931	13,588,979

The financial statements were approved by the Board of Directors and authorised for issue on 11 November 2015 and are signed on its behalf by:

Anthony Best
Director

Robert Hart
Director

COMPANY REGISTRATION NUMBER: 08393914

Consolidated statement of changes in equity

	Note	Share capital £	Share premium £	Merger relief reserve £	Recon-struction reserve £	Retained profits £	Total equity £
Balance at 1 September 2013		163,070	2,302,528	11,390,000	(11,284,500)	5,650,416	8,221,514
Share based payment expense		–	–	–	–	27,861	27,861
Profit after taxation and total comprehensive income for the financial year		–	–	–	–	2,151,911	2,151,911
Dividend paid	7	–	–	–	–	(163,470)	(163,470)
Issue of shares, net of share issue costs		4,687	83,382	–	–	–	88,069
Balance at 31 August 2014		167,757	2,385,910	11,390,000	(11,284,500)	7,666,718	10,325,885
Balance at 1 September 2014		167,757	2,385,910	11,390,000	(11,284,500)	7,666,718	10,325,885
Share based payment expense		–	–	–	–	13,410	13,410
Deferred Tax on Share Options		–	–	–	–	168,387	168,387
Profit after taxation and total comprehensive income for the financial year		–	–	–	–	3,246,008	3,246,008
Tax impact of exercised Share Options		–	–	–	–	172,632	172,632
Dividend paid	7	–	–	–	–	(436,826)	(436,826)
Issue of shares, net of share issue costs		5,587	154,801	–	–	–	160,388
Balance at 31 August 2015		173,344	2,540,711	11,390,000	(11,284,500)	10,830,329	13,649,884

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

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

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

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

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

Consolidated statement of cash flows

	2015 £	2014 £
Cash flow from operating activities		
Profit before taxation	3,816,994	2,676,966
Adjustments for:		
Depreciation of property, plant and equipment	183,836	135,645
Loss on sale of property, plant and equipment	42	257
Fair value gains on derivative instruments	(33,743)	–
Interest income	(42,689)	(25,692)
Share based payment	13,410	27,861
Operating profit before working capital changes	**3,937,850**	**2,815,037**
Increase in inventories	(542,873)	(512,441)
Decrease/(increase) in trade and other receivables	883,180	(2,337,786)
Increase/(decrease) in trade and other payables and accruals	175,644	(249,250)
Cash flow from operations	**4,453,801**	**(284,440)**
Interest received	42,689	25,692
Income tax paid	(457,206)	(416,046)
Net cash flow from operating activities	**4,039,284**	**(674,794)**
Cash flow from investing activities		
Purchase of property, plant and equipment	(691,244)	(344,942)
Sale of property, plant and equipment	–	1,167
Cash flow used in investing activities	(691,244)	(343,775)
Cash flow from financing activities		
Dividends paid	(436,826)	(163,470)
Proceeds from issue of share capital, net of share issue costs	160,388	88,069
Net cash flow from used in financing activities	(276,438)	(75,401)
Net increase/(decrease) in cash and cash equivalents	3,071,602	(1,093,970)
Cash and cash equivalents at beginning of the financial year	4,896,206	5,990,176
Cash and cash equivalents at end of the financial year	7,967,808	4,896,206

Notes to the consolidated financial statements

1. General information

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

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

Basis of preparation

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

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

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

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

The financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the EU (“IFRS”) issued by the International Accounting Standards Board (“IASB”), including related interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Standards, amendments and interpretations to published standards not yet effective

The Directors have considered those Standards and Interpretations, which have not been applied in the Financial Statements but are relevant to the Group's operations, that are in issue but not yet effective and, with the exception of IFRS 15 referred to below, do not consider that any will have a material impact on the future results of the Group.

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

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

2. Summary of significant accounting policies

(a) Going concern

The Group's activities and an outline of the developments taking place in relation to its products, services and marketplace are considered in the Chairman's & Managing Director's Statement on page 2.

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

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

(b) Critical accounting estimates and judgements

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

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

Assessment of the percentage of completion of construction projects

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

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

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

2. Summary of significant accounting policies (continued)

(b) Critical accounting estimates and judgements (continued)

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

(c) Basis of consolidation

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

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

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

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

(d) Work in progress

Contract revenue and contract costs are recognised over the period of the contract, respectively, as revenue and expenses. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to recognise in a given period. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

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

(e) Inventories

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

(f) Financial instruments

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

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

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

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

(i) Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

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

  As at the end of the reporting period, there were foreign currency forward contracts classified under this category.

- *Held-to-maturity investments*

  As at the end of the reporting period, there were no financial assets classified under this category.

- *Loans and receivables financial assets*

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

- *Available-for-sale financial assets*

  As at the end of the reporting period, there were no financial assets classified under this category.

(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.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

2. Summary of significant accounting policies (continued)

(g) Property, plant and equipment

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

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

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

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

(h) Impairment

(i) Impairment of non-financial assets

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

An impairment loss is recognised in profit or loss immediately.

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

2. Summary of significant accounting policies (continued)

(i) Income taxes

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

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

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

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

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

(j) Cash and cash equivalents

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

(k) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plans

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

(l) Provisions, contingent liabilities and contingent assets

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

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

2. Summary of significant accounting policies (continued)

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

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

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

(m) Revenue and other income

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

Revenues on long-term contracts are recognised according to the percentage of completion method (see note 2(b) for further information). Revenue is recognised on a pro-rata basis according to the work performed and the degree of completion of the contract. Where the value of the work performed on a contract exceeds the aggregate of payments received on account from customers, the resulting balance is included in trade and other receivables. Where the aggregate of payments received on account from customers exceeds the value of work performed on a contract, the resulting balance is included in current liabilities.

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

(n) Share-based payments

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

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

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

(o) Derivative financial instruments and hedging activities

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

3. Segment reporting

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

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

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

Material revenues attributable to individual foreign countries are as follows:

	2015 £	**2014** £
United Kingdom	498,948	1,705,775
Rest of the European Union	4,537,758	3,752,538
North America	1,588,822	1,388,510
Rest of the World	9,897,099	6,999,739
	16,522,627	13,846,562

Revenues derived from major customers, which individually represent 10% or more of total revenue are as follows:

	2015 £	**2014** £
Customer A	119,080	1,411,745
Other customers	16,403,547	12,434,817
	16,522,627	13,846,562

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

Revenues are derived from the following:

Revenue from sale of goods	11,670,526	9,609,493
Revenue from construction contracts	4,852,101	4,237,069
	16,522,627	13,846,562

4. Finance income

	2015 £	**2014** £
Interest received	42,689	25,692
Fair value gains on financial instruments:		
– Foreign currency forward contracts	33,743	–
	76,432	25,692

5. Profit before taxation

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

	2015 £	2014 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	15,225	15,000
Fees payable to the Company's auditors for other services:		
The audit of the company's subsidiary subject to legislation	15,225	15,000
Fees payable to the Company's auditors for tax compliance services	11,700	9,617
Fees payable to the Company's auditors for RGF Due Diligence	22,612	–
Total	64,762	39,617
Depreciation	183,836	135,645
Loss on sale of assets	42	257
Realised loss/(gain) on foreign exchange:	12,903	33,887
Staff costs:		
– salaries, allowances and bonuses	3,431,555	2,948,318
Social security costs	365,786	324,013
Defined contribution pension scheme costs	134,815	113,874
Share based payments	13,410	27,861
Research	130,541	152,069
Operating lease payments recognised as an expense	65,856	51,591

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

	2015 No.	2014 No.
Directors & Commercial	9	9
Engineers & Technicians	47	41
Administration	8	6
	64	56

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

	2015 £	2014 £
Short term employee benefits	900,988	871,462
Post employment benefits	24,713	24,325
Social security costs	108,342	105,670
Share based payments – equity settled	8,373	17,580
	1,042,416	1,019,037

Further details relating to the remuneration of each member of key management can be found in the Directors report on page 13.

6. Income tax expense

	2015 £	2014 £
Current tax expense:		
– for the financial year	675,098	507,068
– overprovision in the previous financial year	(144,679)	(19,363)
	530,419	487,705
Deferred tax liabilities: (Note 17):		
– origination and reversal of temporary differences	40,567	37,350
	570,986	525,055

During the year corporation tax movement of £172,632 and deferred tax movement of £168,387 in respect of excess tax deductions on share options have been credited directly to equity.

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

	2015 £	2014 £
Profit before taxation	3,816,994	2,676,966
Tax at the applicable statutory tax rate of 20.58% (2013 – 22.16%)	785,537	593,215
Tax effects of:		
Non-deductible expenses	710	47,214
Capital allowance in excess of depreciation	(13,470)	(34,308)
Adjustment in research and development tax credit	(34,141)	(42,126)
Over provision in the previous financial year	(144,679)	(19,363)
Non-taxable foreign currency forward contracts	(6,944)	–
Patent box relief	(52,153)	(56,927)
Other differences including change in rate of deferred tax provision	36,126	37,350
Income tax expense for the financial year	570,986	525,055

7. Dividends paid

	2015 £	2014 £
Interim dividend paid of £0.01 per share	–	163,470
Final 2014 dividend paid of £0.015 per share	251,634	–
Interim dividend paid of £0.011 per share	185,192	–
	436,826	163,470

The Board has proposed a final dividend of 1.65p per share totalling £286,018. Together with the interim dividend of 1.1p per share this gives a total Ordinary dividend of 2.75p for the year.

8. Earnings per share

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

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

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

	Years ended 31 August	
	2015	**2014**
Profit after tax attributable to owners of the Group (£)	£3,246,008	£2,151,911
Weighted average number of shares:		
Basic	16,940,438	16,452,254
Diluted	17,772,645	17,772,645
Earnings per share (pence)		
Basic	19.16p	13.08p
Diluted	18.26p	12.11p

9. Property, plant and equipment

	Test Equipment £	Furniture and fittings £	Motor Vehicles £	Plant and machinery £	Other fixed assets £	Land & Buildings £	Total £
Cost							
At 31 August 2014	**620,250**	**605,985**	**71,102**	**277,661**	**588,696**	**671,805**	**2,835,499**
Additions	57,513	128,364	16,320	8,750	20,891	459,406	691,244
Disposals	–	(183)	–	–	–	–	(183)
At 31 August 2015	**677,763**	**734,166**	**87,422**	**286,411**	**609,587**	**1,131,211**	**3,526,560**
Accumulated depreciation							
At 31 August 2014	**484,045**	**347,532**	**35,646**	**163,387**	**561,581**	**23,325**	**1,615,516**
Charge for the year	27,163	65,055	10,707	20,292	10,661	49,958	183,836
Disposals	–	(141)	–	–	–	–	(141)
At 31 August 2015	**511,208**	**412,446**	**46,353**	**183,679**	**572,242**	**73,283**	**1,799,211**
Net book value							
At 31 August 2014	**136,205**	**258,453**	**35,456**	**114,274**	**27,115**	**648,480**	**1,219,983**
At 31 August 2015	**166,555**	**321,720**	**41,069**	**102,732**	**37,345**	**1,057,928**	**1,727,349**

Included within land and buildings is property under the course of construction with a total net book value of £537,540 (2014: £186,196). Depreciation will not be charged until the property is ready for use.

9. Property, plant and equipment (continued)

	Test Equipment £	Furniture and fittings £	Motor Vehicles £	Plant and machinery £	Other fixed assets £	Land & Buildings £	Total £
Cost							
At 31 August 2013	**578,310**	**497,566**	**66,107**	**220,289**	**581,698**	**589,320**	**2,533,290**
Additions	41,940	149,246	4,995	61,222	7,598	82,485	347,486
Disposals	–	(40,827)	–	(3,850)	(600)	–	(45,277)
At 31 August 2014	**620,250**	**605,985**	**71,102**	**277,661**	**588,696**	**671,805**	**2,835,499**
Accumulated depreciation							
At 31 August 2013	**461,263**	**334,980**	**24,200**	**147,334**	**553,404**	**–**	**1,521,181**
Charge for the year	22,782	51,359	11,446	18,556	8,177	23,325	135,645
Disposals	–	(38,807)	–	(2,503)	–	–	(41,310)
At 31 August 2014	**484,045**	**347,532**	**35,646**	**163,387**	**561,581**	**23,325**	**1,615,516**
Net book value							
At 31 August 2013	**117,047**	**162,586**	**41,907**	**72,955**	**28,294**	**589,320**	**1,012,109**
At 31 August 2014	**136,205**	**258,453**	**35,456**	**114,274**	**27,115**	**648,480**	**1,219,983**

10. Inventories

	2015 £	**2014** £
Work in progress	1,024,683	855,709
Raw materials	1,517,021	1,143,122
	2,541,704	1,998,831

The value of inventories (being materials used and consumables) recognised as an expense was £4,929,994 (2014: £4,012,273).

The amount of write down of inventories recognised as an expense was £Nil (2014: £Nil).

11. Trade receivables

	2015 £	**2014** £
Trade receivables	2,825,148	4,339,755

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

12. Other receivables and prepayments

	2015 £	**2014** £
Other receivables	340,530	–
Prepayments	123,932	185,007
	464,462	185,007

13. Amount owing by contract customers

	2015 £	2014 £
Cost incurred to date	9,957,735	7,863,520
Attributable profits	3,626,535	2,818,838
	13,584,270	10,682,358
Progress billings	(12,353,253)	(9,812,622)
	1,231,017	869,736
Represented by:		
Amounts received in advance	(70,152)	(79,461)
Amount owing by contract customers	1,301,169	949,197
	1,231,017	869,736
Amount of contract revenue recognised to date	4,852,101	4,237,069

No retentions were held by customers for contract work.

14. Derivative financial instruments

Derivative financial instrument balances comprise:

	2015 £	2014 £
Forward foreign exchange contracts	33,743	–
	33,743	–

Further analysis of financial instruments is given in note 19.

15. Cash and cash equivalents

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

	2015 £	2014 £
Cash and bank balances	7,967,808	4,896,206

16. Share capital

The allotted, called up and full paid share capital is made up of 17,334,406 ordinary shares of £0.01 each.

	Note	Number of shares	Share Capital £	Share premium £	Total £
At 1 September 2013		16,306,976	163,070	2,302,528	2,465,598
On 21 December 2013	(i)	40,000	400	34,000	34,400
On 24 May 2014	(ii)	428,664	4,287	49,382	53,669
At 31 August 2014		16,775,640	167,757	2,385,910	2,553,667
On 4 December 2014	(iii)	60,000	600	51,000	51,600
On 5 June 2015	(iv)	63,069	630	53,609	54,239
On 5 June 2015	(v)	435,697	4,357	50,192	54,549
At 31 August 2015		17,334,406	173,344	2,540,711	2,714,055

(i) On 21 December 2013, Cairn Financial Advisers LLP exercised 40,000 warrants of £0.01 each for 86p.

(ii) On 24 May 2014, a total of 428,664 share options were exercised of £0.01 each for £0.1252.

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

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

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

17. Deferred tax

	2015 £	2014 £
At 1 September	79,273	41,923
Recognised in profit or loss	40,566	37,350
Deferred tax on share options	(168,387)	
At 31 August	(48,548)	79,273

The deferred tax liabilities are attributable to.

	2015 £	2014 £
Accelerated capital allowances	119,839	79,273
Deferred tax on share options	(168,387)	–
	(48,548)	79,273

The deferred tax on share options has been recognised in equity.

18. Trade and other payables and accruals

	2015 £	2014 £
Trade payables	823,493	798,460
Payments in advance	432,004	464,712
Social security and other taxes	79,964	132,414
Other payables and accruals	1,754,026	1,518,257
	3,089,487	2,913,843

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

19. Financial instruments

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

(a) Financial risk management policies

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

(i) Market risk

(i) *Foreign currency risk*

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

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

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

19. Financial instruments (continued)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

(i) *Foreign currency risk (continued)*

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

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

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

	Great Britain Pound £	Euro £	United States Dollar £	Japan Yen £	Total £
2014					
Financial assets					
Trade receivables	3,943,764	263,394	132,597	–	4,339,755
Construction contract receivables	611,413	–	337,784	–	949,197
Other receivables	–	–	–	–	–
Cash and bank balances	4,214,024	405,695	276,415	72	4,896,206
	8,769,201	669,089	746,796	72	10,185,158
Financial liabilities					
Trade payables	777,898	19,787	775	–	798,460
Other payables and accruals	918,455	–	–	–	918,455
Construction contract payments on account	327,241	65,580	71,891	–	464,712
	2,023,594	85,367	72,666	–	2,181,627
Net financial assets					8,003,531
Less: Net financial assets denominated in the functional currency					6,745,607
Currency exposure					1,257,924

19. Financial instruments (continued)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

(i) *Foreign currency risk (continued)*

The Group seeks to offset foreign currency risk exposure by way of forward exchange contracts. At 31 August 2015 the Group had sold forward 250,000 USD and 120,000,000 JPY. Hedge accounting has not been applied to these transactions.

The consolidated statement of comprehensive income would be affected by a gain/loss of approximately £15k (2014 – £67k) by a reasonable 10 percentage point fluctuation down/up in the exchange rate between sterling and the US dollar, a gain/loss of approximately £122k (2014 – £58k) by a reasonable 10 percentage point fluctuation down/up in the exchange rate between sterling and the Euro, a gain/loss of approximately £41k (2014 – £nil) by a reasonable 10 percentage point fluctuation down/up in the exchange rate between sterling and the Japanese Yen and a gain/loss of approximately £20k (2014 – £nil) by a reasonable 10 percentage point fluctuation down/up in the exchange rate between sterling and the Chinese RMB.

(ii) *Interest rate risk*

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

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

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

(iii) *Equity price risk*

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

(ii) Credit risk

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

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

<u>Credit risk concentration profile</u>

The Group's major concentration of credit risk at 31 August 2015 relates to the amounts owing by three customers which constituted approximately 54% of its trade receivables as at the end of the reporting period.

19. Financial instruments (continued)

(a) Financial risk management policies (continued)

(ii) Credit risk (continued)

<u>Exposure to credit risk</u>

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

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

	2015 £	2014 £
United States	425,554	394,775
United Kingdom	118,396	1,634,138
Europe	746,886	1,022,830
Rest of the World	1,534,312	1,288,012
	2,825,148	4,339,755

<u>Ageing analysis</u>

The ageing analysis of the Group's trade receivables as at each of the two years ended 31 August 2015 is as follows:

	Gross amount £	Individual impairment £	Carrying value £
2015			
Not past due	1,423,554	–	1,423,554
Past due:			
– less than 3 months	1,232,288	–	1,232,288
– 3 to 6 months	176,588	7,282	169,306
	2,832,430	7,282	2,825,148
2014			
Not past due	3,004,612	–	3,004,612
Past due:			
– less than 3 months	962,138	–	962,138
– 3 to 6 months	373,005	–	373,005
	4,339,755	–	4,339,755

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

Trade receivables that are past due but not impaired

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

19. Financial instruments (continued)

(a) Financial risk management policies (continued)

(iii) Liquidity risk

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

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

(b) Capital risk management

Capital is defined as the total equity of the Group. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

At 31 August 2015, the Group's cash resources exceed its total debt. The Company hence has no net debt.

(c) Classification of financial instruments

All financial instruments are categorised as follows.

	2015 £	2014 £
Loans and receivables		
Trade receivables	2,825,148	4,339,755
Construction contract receivables	1,301,169	949,197
Other receivables	340,530	–
Cash and bank balances	7,967,808	4,896,206
Financial assets at fair value through profit or loss		
Derivative financial instruments	33,743	–
	12,468,398	10,185,158
Financial liabilities held at amortised cost		
Trade and accruals and other payables	2,017,580	1,716,914
Construction contract payments on account	432,004	464,713
	2,449,584	2,181,627

19. Financial instruments (continued)

(d) Fair value hierarchy

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

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

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

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

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

20. Lease commitments

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

	2015	**2014**
	£	**£**
Property leases		
Payable within one year	57,282	65,323
Payable within 2-5 years	13,858	71,154
	71,140	136,477

21. Related party disclosures

Mr. A. Best, a director of the company, is a trustee and beneficiary of the Best Middleton Trust. Rental payments of £38,000 (2014 – £38,000) were made in the year. No amounts were due to or from the trust at any year end.

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

The remuneration of the key management personnel of the Group is set out in the Directors’ report on page 13.

During the year, the directors received dividends from the Company totalling £180,819.

22. Share options and warrants

The share option scheme, which was adopted by the company during the year ending 31 August 2013, was established to reward and incentivise the executive management team and staff for delivering share price growth. The share option scheme is administered by the Remuneration Committee.

The scheme is equity settled and a charge of £13,410 (2014: £27,861) has been charged to the statement of comprehensive income for the year relating to these options.

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

	Number 31 August 2015	WAEP (pence) 31 August 2015	Number 31 August 2014	WAEP (pence) 31 August 2014
Outstanding as at 1 September	873,936	12.52	1,302,600	12.52
Granted during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Expired during the year	–	–	–	–
Exercised during the year	(435,697)	12.52	(428,664)	12.52
Options outstanding at 31 August	438,239	12.52	873,936	12.52
Exercisable at 31 August	–	–	5,533	12.52

The weighted average remaining contractual life of the options outstanding at the statement of financial position date is 7.5 years.

Warrants

On 16 May 2013, AB Dynamics plc executed a warrant instrument to create and issue warrants to Cairn Financial Advisers LLP to subscribe for an aggregate of 163,069 ordinary shares. The warrants were due to expire five years after admission and were be exercisable from the date of admission (22 May 2013) at the placing price of 86p. The remaining warrants of 123,069 were exercised during the year.

23. Ultimate controlling party

There is no ultimate controlling party.

Company balance sheet

	Note	2015 £	2014 £
Fixed assets			
Investments	3	193,884	180,474
Current assets			
Other debtors	4	3,393,066	2,741,726
		3,393,066	2,741,726
Creditors: amounts falling due within one year	5	20,225	28,167
Net current assets		3,372,841	2,713,559
Total assets less current liabilities		3,566,725	2,894,033
Capital and reserves			
Called up share capital	6	173,344	167,757
Share premium account	7	2,540,711	2,385,910
Profit and loss account	8	852,670	340,366
Equity – attributable to the owners of the parent	9	3,566,725	2,894,033

The financial statements were approved by the Board of Directors and authorised for issue on 11 November 2015 and are signed on its behalf by:

Anthony Best
Director

Robert Hart
Director

COMPANY REGISTRATION NUMBER: 08393914

Notes to the Company financial statements

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the historical cost convention and in accordance with applicable United Kingdom law and United Kingdom accounting standards. The principal accounting policies are described below. They have all been applied consistently throughout the period.

No company cash flow statement has been prepared as no cash is held in the company.

GOING CONCERN

At 31 August 2015, the Company had net current assets of £3,372,841 (2014 – £2,713,559) with the main current asset being amounts owed from its subsidiary Anthony Best Dynamics Ltd, amounting to £3,384,759 (2014 – £2,732,973). The Company has assessed its ongoing costs with cash generated by its subsidiary to ensure that it can continue to settle its debts as they fall due.

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

INVESTMENTS

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

TAXATION

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Taxation arising on disposal of a revalued asset is split between the profit and loss account and the statement of total recognised gains and losses on the basis of the tax attributable to the gain or loss recognised in each statement.

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 £935,720 (2014 – £835,394).

The company's profit for the financial year has been arrived at after charging auditor's remuneration payable to Crowe Clark Whitehill LLP for audit services to the company of £15,225 (2014 – £15,000).

2. EMPLOYEES AND DIRECTORS' REMUNERATION

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

	2015 £	2014 £
Non-executive directors fees	66,173	65,955
	66,173	65,955

The executive management team is remunerated by the operating subsidiary Anthony Best Dynamics Limited. Details of their remuneration is in the Directors' report on page 13.

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

	2015 Number	2014 Number
Directors and management	5	5

3. INVESTMENTS

	2015 £	2014 £
Subsidiary undertaking		
Brought forward	180,474	152,613
Addition (capital contribution arising on share based payment)	13,410	27,861
Carried forward	193,884	180,474

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

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

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

4. OTHER DEBTORS

	2015 £	2014 £
Amounts owed by group undertakings	3,384,759	2,732,973
Prepayment	8,307	8,753
	3,393,066	2,741,726

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £	2014 £
Accruals and deferred income	20,225	28,167
	20,225	28,167

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

6. SHARE CAPITAL

The allotted, called up and full paid share capital is made up of 17,334,406 ordinary shares of £0.01 each.

	Note	Number of shares	Share Capital £	Share Premium £	Total £
At 1 September 2013		16,306,976	163,070	2,302,528	2,465,598
On 21 December 2013	(i)	40,000	400	34,000	34,400
On 24 May 2014	(ii)	428,664	4,287	49,382	53,669
At 31 August 2014		16,775,640	167,757	2,385,910	2,553,667
On 4 December 2014	(iii)	60,000	600	51,000	51,600
On 5 June 2015	(iv)	63,069	630	53,609	54,239
On 5 June 2015	(v)	435,697	4,357	50,192	54,549
At 31 August 2015		17,334,406	173,344	2,540,711	2,714,055

(i) On 21 December 2013, Cairn Financial Advisers LLP exercised 40,000 warrants of £0.01 each for 86p.

(ii) On 24 May 2014, a total of 428,664 share options were exercised of £0.01 each for £0.1252.

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

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

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

6. SHARE CAPITAL (continued)

Share options:

The Company had a total of 438,239 options outstanding over ordinary shares.

7. SHARE PREMIUM ACCOUNT

	2015 £	2014 £
Balance brought forward	2,385,910	2,302,528
Premium on issue of new shares	154,801	83,382
Balance carried forward	2,540,711	2,385,910

8. PROFIT AND LOSS ACCOUNT

	2015 £	2014 £
Balance brought forward	340,366	(359,419)
Share based payments	13,410	27,861
Profit for the financial period	935,720	835,394
Dividends paid	(436,826)	(163,470)
Balance carried forward	852,670	340,366

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2015 £	2014 £
Profit for the financial period	935,720	835,394
Net increase in shareholders' funds	935,720	835,394
Exercise of options and warrants	160,388	88,069
Share based payments	13,410	27,861
Dividend paid	(436,826)	(163,470)
Opening shareholders' funds	2,894,033	2,106,179
Closing shareholders' funds	3,566,725	2,894,033

10. DIVIDENDS

	2015 £	2014 £
Interim dividend paid of £0.01 per share	–	163,470
Final 2014 dividend paid of £0.015 per share	251,634	–
Interim dividend paid of £0.011 per share	185,192	–
	436,826	163,470

The Board has proposed a final dividend of 1.65p per share totalling £286,018. Together with the interim dividend of 1.1p per share this gives a total Ordinary dividend of 2.75p for the year.

11. RELATED PARTY TRANSACTIONS

The only key management personnel of the Company are the Directors. Details of their remuneration are contained in the Director's Report on page 13 of the consolidated financial statements.

During the year dividends were declared by the subsidiary, Anthony Best Dynamics Ltd, totalling £1,175,000 (2014: £1,050,000) and amounts recharged totalling £523,214 (2014: £269,854). At the year end £3,384,759 (2014: £2,732,973) was due from Anthony Best Dynamics Ltd.

During the year, the directors received dividends from the Company totalling £180,819.

Perivan Financial Print 238475

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

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

Stock code: ABDP