



AB Dynamics plc

Placing and Admission to AIM



Broker



Nominated Adviser



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This Document, which is an admission document prepared in accordance with the AIM Rules for Companies, has been issued in connection with the application for Admission. Admission will not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA or the Prospectus Rules published by the Financial Conduct Authority (“FCA”) (as amended) and accordingly this Document does not constitute a prospectus for these purposes and has not been pre-approved by the United Kingdom Listing Authority pursuant to section 85 of FSMA.

The Company (whose registered office appears on page 6 of this Document) and the Directors (whose names appear on page 6 of this Document) accept responsibility, both individually and collectively, for the information contained in this Document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company, who have taken all reasonable care to ensure that such is the case, the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information. In connection with this Document no person is authorised to give any information or make any representations other than as contained in this Document and, if given or made, such information or representations must not be relied upon as having been so authorised.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

The London Stock Exchange has not itself examined or approved the contents of this Document.

Application has been made to the London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will be effective and that dealings in the Ordinary Shares will commence on 22 May 2013.

AB Dynamics plc

(Incorporated and registered in England & Wales under the Companies Act 2006 with registered number 8393914)

**Placing of 2,906,976 new Ordinary Shares and 2,906,976 Vendor Shares
each at a price of 86p per share
and**

Admission of the Enlarged Issued Share Capital to trading on AIM

Nominated Adviser



Cairn Financial Advisers LLP

Authorised and regulated by the Financial Conduct Authority

Broker



Charles Stanley & Co. Limited

Authorised and regulated by the Financial Conduct Authority

SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

16,306,976 issued and fully paid Ordinary Shares of 1p each

Cairn Financial Advisers LLP and Charles Stanley & Co. Limited, which are regulated in the UK by the FCA, are acting as the Company’s nominated adviser and broker, respectively, in connection with the proposed Admission. Cairn Financial Advisers LLP’s responsibilities as the Company’s nominated adviser under the AIM Rules for Nominated Advisers and Charles Stanley & Co. Limited’s responsibilities as the Company’s broker under the AIM Rules for Companies are owed solely to the London Stock Exchange and are not owed to the Company or to any Director, or to any other person in respect of his decision to acquire Ordinary Shares in reliance on any part of this Document without limiting the statutory rights of any person to whom this Document is issued. No representation or warranty, express or implied, is made by Cairn Financial Advisers LLP or Charles Stanley & Co. Limited as to, and no liability whatsoever is accepted by Cairn Financial Advisers LLP or Charles Stanley & Co. Limited for, the accuracy of any information or opinions contained in this Document or for the omission of any material information from this Document for which the Company and the Directors are solely responsible. Neither Cairn Financial Advisers LLP nor Charles Stanley & Co. Limited will be offering advice and will not otherwise be responsible for providing customer protections to recipients of this Document in respect of any acquisition of Ordinary Shares.

Copies of this Document will be available free of charge during normal business hours on any weekday (except Saturdays and public holidays) at the offices of Cairn Financial Advisers LLP, 61 Cheapside, London EC2V 6AX from the date of this Document and shall remain available for a period of one month from Admission.

IMPORTANT INFORMATION

The information below is for general guidance only and it is the responsibility of any person or persons in possession of this Document to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. No person has been authorised by the Company to issue any advertisement or to give any information or to make any representation in connection with the contents of this Document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company. This Document should not be forwarded or transmitted to or into the Prohibited Territories or to any resident, national, citizen or corporation, partnership or other entity created or organised under the laws thereof or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The distribution of this Document may be restricted and accordingly persons into whose possession this Document comes are required to inform themselves about and to observe such restrictions.

Prospective investors should inform themselves as to: (a) the legal requirements of their own countries for the purchase, holding, transfer or other disposal of the Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. Statements made in this Document are based on the law and practice currently in force in the UK and are subject to change. This Document should be read in its entirety. All holders of Ordinary Shares are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles.

The delivery of this Document or any subscriptions or purchases made hereunder and at any time subsequent to the date of this Document shall not, under any circumstances, create an impression that there has been no change in the affairs of the Company since the date of this Document or that the information in this Document is correct.

PROSPECTIVE INVESTORS SHOULD READ THE WHOLE TEXT OF THIS DOCUMENT AND SHOULD BE AWARE THAT AN INVESTMENT IN THE COMPANY IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS ARE ADVISED TO READ, IN PARTICULAR, PART I “INFORMATION ON THE GROUP AND THE PLACING” AND THE RISK FACTORS SET OUT IN PART II OF THIS DOCUMENT.

The distribution of this Document outside the UK may be restricted by law. No action has been taken by the Company, the holders of the Ordinary Shares, Cairn Financial Advisers LLP or Charles Stanley & Co. Limited that would permit a public offer of Ordinary Shares or possession or distribution of this Document where action for those purposes is required. Persons outside the UK who come into possession of this Document should inform themselves about and observe any restrictions on the holding of Ordinary Shares and/or the distribution of this Document in their particular jurisdiction. Failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdiction.

This Document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe or buy, Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation. In particular, this Document is not for distribution (directly or indirectly) in or into the Prohibited Territories. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered directly or indirectly in or into the Prohibited Territories. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the Prohibited Territories and they may not be offered or sold directly or indirectly within the Prohibited Territories or to or for the account or benefit of any national, citizen or resident of the Prohibited Territories.

FORWARD-LOOKING STATEMENTS

This Document includes forward-looking statements. These statements relate to, among other things, analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to the Company's future prospects, developments and business strategies.

These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will" or the negative of those variations, or comparable expressions, including references to assumptions. These statements are contained in all sections of this Document. The forward-looking statements in this Document, including statements concerning projections of the Company's future results, operating profits and earnings, are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

Certain risks relating to the Group are specifically described in Part II "Risk Factors". If one or more of these risks or uncertainties arises, or if underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. Given these uncertainties, potential Shareholders should not place over-reliance on forward-looking statements.

These forward-looking statements speak only as at the date of this Document. The Company undertakes no obligation to update forward-looking statements or risk factors other than as required by the AIM Rules or applicable law, whether as a result of new information, future events or otherwise.

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KEY INFORMATION

PLACING STATISTICS

Placing Price (pence)	86p
Existing Issued Share Capital	13,400,000
Number of new Ordinary Shares issued pursuant to the Placing	2,906,976
Number of Vendor Shares sold pursuant to the Placing	2,906,976
Number of Ordinary Shares in issue immediately following the Placing and Admission	16,306,976
Number of Options and Warrants in issue following the Placing and Admission	1,465,669
Number of Ordinary Shares on a fully-diluted basis following the Placing and Admission	17,772,645
Percentage of Enlarged Issued Share Capital constituted by the new Ordinary Shares issued pursuant to the Placing	17.8
Gross proceeds of the Placing (excluding sale proceeds of the Vendor Shares)	£2.5 million
Gross proceeds receivable by the Vendors in respect of the sale of the Vendor Shares	£2.5 million
Market capitalisation of the Company at Admission at the Placing Price	£14.0 million
International Security Identification Number (“ISIN”)	GBOOB9GQVG73
AIM symbol	ABDP

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2013
Publication of this Document	16 May
Admission and dealings expected to commence in the Ordinary Shares on AIM	22 May
CREST stock accounts credited in respect of Placing Shares in uncertificated form	22 May
Despatch of definitive share certificates for the Placing Shares in certificated form by no later than	29 May

The above dates are indicative only and may be subject to change

DIRECTORS, SECRETARY AND ADVISERS

Directors	Anthony Best, <i>Executive Chairman</i> Timothy John Rogers, <i>Managing Director</i> Robert Andrew Leonard Hart, <i>Finance Director</i> Graham Dudley Eves, <i>Non-Executive Director</i> Frederick Bryan Smart, <i>Non-Executive Director</i>
Registered Office	Holt Road Bradford on Avon Wiltshire BA15 1AJ
Company Secretary	Robert Andrew Leonard Hart
Telephone Number	+44 (0) 1225 860 200
Website	www.abd.uk.com
Nominated Adviser	Cairn Financial Advisers LLP 61 Cheapside London EC2V 6AX
Broker	Charles Stanley & Co. Limited 131 Finsbury Pavement London EC2A 1NT
Solicitors to the Company	Pinsent Masons LLP 30 Crown Place Earl Street London EC2A 4ES
Solicitors to the Nominated Adviser and Broker	Field Fisher Waterhouse LLP 35 Vine Street London EC3N 2PX
Auditors & Reporting Accountants	Crowe Clark Whitehill LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
Tax Adviser to the Company	Marcussen Consulting LLP Bath Brewery Toll Bridge Road Bath BA1 7DE
Financial Reporting Adviser	Hazlewoods LLP Windsor House Bayshill Road Cheltenham GL50 3AT
Public Relations	Newgate Threadneedle 5th Floor 33 King William Street London EC4R 9AS
Registrars	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL

DEFINITIONS

The following definitions apply throughout this Document, unless the context requires otherwise:

“ADAS”	advanced driver assistance systems;
“Admission”	the admission of the Enlarged Issued Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules;
“AIM”	the market of that name operated by the London Stock Exchange;
“AIM Rules”	together, the AIM Rules for Companies and the AIM Rules for Nominated Advisers, as amended from time to time;
“AIM Rules for Companies”	the AIM Rules for Companies, together with the guidance notes set out in Part Two thereof, issued by the London Stock Exchange, as amended from time to time;
“AIM Rules for Nominated Advisers”	the AIM Rules for Nominated Advisers issued by the London Stock Exchange, as amended from time to time;
“Articles”	the Company’s articles of association as at the date of this Document, a summary of which is set out in paragraph 5 of Part V of this Document;
“Cairn”	Cairn Financial Advisers LLP, the Company’s nominated adviser;
“Cairn Warrants” or “Warrants”	the warrants granted, conditional on Admission, to Cairn, as more particularly described in paragraph 11.5 of Part V of this Document;
“Charles Stanley”	Charles Stanley & Co. Limited, the Company’s broker;
“City Code”	The City Code on Takeovers and Mergers issued and administered by the UK Panel on Takeovers and Mergers, as amended from time to time;
“Company”	AB Dynamics plc, a public limited company incorporated in England and Wales with registration number 8393914;
“Concert Party”	Anthony Best, Naemi Best and Anne Middleton further information on which is set out in paragraph 17 of Part I and paragraph 6 of Part V of this Document;
“CREST”	the computerised settlement system to facilitate the holding of and transfer of title to or interests in securities in uncertificated form, operated by Euroclear;
“CREST Regulations”	the UK Uncertificated Securities Regulations 2001 (as amended) including any modification or re-enactment thereof for the time being in force and such other regulations as are applicable to Euroclear and/or CREST;
“Directors” or “Board”	the board of directors of the Company as at the date of this Document, whose names are set out on page 6;
“Document”	this admission document;
“DTR”	the Disclosure Rules and Transparency Rules published by the FCA from time to time;
“DTR 5”	Chapter 5 of the DTR;

“EIS”	the enterprise investment scheme, as particularised in Part V of the Income Tax Act 2007;
“Enlarged Issued Share Capital”	the Ordinary Shares in issue immediately following Admission, as enlarged by the Placing;
“Euroclear”	Euroclear UK & Ireland Limited, a company incorporated in England and Wales with registration number 2878738, the address of which is 33 Cannon Street, London EC4M 5SB;
“Existing Issued Share Capital”	the Ordinary Shares of the Company in issue as at the date of this Document, comprising 13,400,000 Ordinary Shares;
“FCA”	the Financial Conduct Authority of the United Kingdom;
“FSMA”	the Financial Services and Markets Act 2000, as amended from time to time;
“GBP” or “£”	Pounds Sterling, being the lawful currency of the UK;
“GPS”	global positioning system;
“Group”	the Company and its subsidiaries at Admission, or at another time as the context requires;
“HMRC”	Her Majesty’s Revenue and Customs;
“Lock-In & Orderly Market Agreements”	the lock-in & orderly market agreements dated 16 May 2013 between the Company, Cairn, Charles Stanley and the Locked-In Persons, details of which are set out in paragraph 11.3 of Part V of this Document;
“Locked-In Persons”	the Directors and the Vendors;
“London Stock Exchange”	London Stock Exchange plc;
“OEM”	original equipment manufacturer;
“Official List”	the Official List of the UKLA;
“Operating Subsidiary”	Anthony Best Dynamics Limited, the Group’s operating subsidiary;
“Options”	the share options described in paragraph 11 of Part I of this Document;
“Option Exchange Letter Agreement”	the option exchange letter agreement dated 12 April 2013, further details of which are set out in paragraph 11.9 of Part V of this Document;
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company;
“Placee”	a subscriber or purchaser of Placing Shares;
“Placing”	the conditional placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement;
“Placing Agreement”	the conditional agreement dated 16 May 2013 between Cairn, Charles Stanley, the Company, the Directors and the Vendors relating to the Placing, further details of which are set out in paragraph 11.1 of Part V of this Document;
“Placing Price”	86 pence per Placing Share;
“Placing Shares”	both (i) the 2,906,976 new Ordinary Shares to be issued conditional on Admission by the Company pursuant to the Placing and (ii) the Vendor Shares;

“Prohibited Territories”	Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa and the US;
“Registrar”	Share Registrars Limited;
“Relationship Agreement”	the relationship agreement dated 16 May 2013 between the Company, Cairn, Charles Stanley, Anthony Best and Naemi Best, further details of which are set out at paragraph 11.2 of Part V of this Document;
“Share Exchange Agreement”	the share exchange agreement dated 8 May 2013 between the Company, the Vendors and the Operating Subsidiary, further details of which are set out at paragraph 11.8 of Part V of this Document;
“Share Scheme”	the Company’s share option scheme, details of which are set out in paragraph 11 of Part I and paragraph 15 of Part V of this Document;
“Shareholder”	a holder of Ordinary Shares;
“Significant Shareholder”	a Shareholder of 3 per cent. or more of the Ordinary Shares, current details of whom are set out in paragraph 7.2 of Part V of this Document;
“Subsidiary”	a subsidiary of the Company on Admission;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UK Companies Act”	the Companies Act 2006 of the United Kingdom, as amended;
“UK Corporate Governance Code”	the code published by the Financial Reporting Council which sets out standards of good practice for listed companies on board composition and development, remuneration, shareholder relations, accountability and audit;
“UKLA”	the United Kingdom Listing Authority, being the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
“uncertificated” or “in uncertificated form”	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“US”	the United States of America;
“US\$” or “\$”	Dollars, being the lawful currency of the United States of America;
“VAT”	value added tax;
“VCT”	a company satisfying the requirements of Chapter 3 of Part 6 of the Income Tax Act 2007, as amended, for venture capital trusts;
“Vendors”	the sellers of the Vendor Shares, being Anthony Best, Naemi Best, Anne Middleton, Stephen Neads, Andrew Rumble and Matthew Hubbard; and
“Vendor Shares”	the 2,906,976 existing Ordinary Shares being sold in the Placing by the Vendors.

PART I

INFORMATION ON THE GROUP AND THE PLACING

1. Introduction

The Group is engaged in the design, manufacture and supply to the global automotive industry of advanced testing and measurement products for vehicle suspension, brakes and steering both in the laboratory and on the test track. The Group's products are used for research, development and production quality control. The Directors believe that the Group is one of the leading UK suppliers in its market, with customers including, *inter alia*, the research and development divisions of some of the world's leading vehicle manufacturers, including Ford, Toyota, Daimler, BMW, Volkswagen and Honda.

The Group's products service the following key automotive development sectors:

- Kinematics and compliance testing – development of chassis, suspension and steering components;
- Vehicle dynamics testing on the track – testing of suspension, steering and brake systems;
- Driver assistance system testing – evaluation of the latest Advanced Driver Assistance Systems (ADAS);
- Driverless vehicle track testing – remote vehicle path following under dangerous conditions;
- Steering system testing – allowing engineers to develop desirable steering and handling characteristics; and
- Noise/vibration (NVH) testing of power train assemblies – rapid and non-destructive testing of drive trains.

The Directors believe that the Placing will provide the Group with equity finance to support its growth strategy, as described in this Document, and that Admission will, *inter alia*, increase the Company's corporate profile and provide for equity-linked employee incentivisation. In addition, Admission will provide the Vendors (including Anthony Best, the Group's founder and Executive Chairman who is now 75 years old) with the opportunity to dispose of some of their Ordinary Shares in the Placing. Their remaining Ordinary Shares will be retained pursuant to the Lock-In & Orderly Market Agreements. The Company is raising approximately £2.5 million (gross) pursuant to the Placing (excluding the proceeds from the sale of the Vendor Shares).

2. History and Background

Anthony Best Dynamics Limited, the Operating Subsidiary, was founded in 1982 by Anthony Best as a design consultancy in mechanical vibration and vehicle suspension to the automotive and wider engineering industry. In 1983, Andrew Middleton joined the Group and added expertise in noise consultancy to the Group's service offering.

In the 1980s and 1990s, the Group was involved in a number of consultancy projects, including the design of the suspension of the McLaren F1 road car, an active suspension system for Jaguar and the development for Land Rover of a measurement and analytical system for end-of-line noise vibration and harshness called PLATO.

In the 1990s, as the UK automotive industry continued to decline, the Group shifted its focus away from consultancy towards the design and production of vehicle test equipment for automotive manufacturers and suppliers. This led to the design and manufacture of the Suspension Parameter Measurement Machine (SPMM), one of the Group's key products. The SPMM measures the kinematic and compliance characteristics of vehicles by employing a method of moving the vehicle's body in a manner that simulates the real motion of a vehicle on the road. This method also allows accurate measurements to be made of a vehicle's inertial properties and centre of gravity. The Group's first SPMM was delivered to the Motor Industry Research Association (MIRA) in the UK in 1997.

The Group has expanded its range of vehicle testing products to meet the growing demands of the industry. In 1998, the Group supplied its first steering robot for quantitative vehicle testing on the track and has, to date, supplied over 300 driving robot systems around the world. The Group was also a pioneer in using inertial GPS motion packs to control the path of a vehicle in 2003 and, in 2007, was one of the first manufacturers to sell a driverless system for testing vehicles on the track. The Group's driverless vehicle test system was awarded Development Tool of the Year for 2009 by Vehicle Dynamics International.

The Group is profitable and has net cash in hand. In the year ended 31 August 2012, revenues were £8.9 million, of which over 90 per cent. was generated from exports to markets in Europe, Asia and North America. In the same year, earnings before interest and tax were £1.8 million.

The Directors expect continued demand for the Group's products and services as new vehicle safety legislation is enacted in numerous jurisdictions and as the automotive industry expands in growing markets in Asia, particularly in China. In the current financial year commencing 1 September 2012, the Group has enjoyed continued demand from Asia and Europe for its products and, in the six months to 28 February 2013, unaudited revenues were £5.9 million compared to £4.3 million in the same period in 2012, an increase of 37 per cent. and profit before tax of £1.01 million compared to £901,357 for the same period in 2012.

The Group currently employs approximately 50 staff in one combined factory and office location in Bradford on Avon. Due to the complexity of the product development and production process, the Directors believe it is necessary for the Group to maintain full control of product development, supply chain and production, which it has sought to do by establishing an integrated and incentivised team of mechanical, electrical, electronic and software engineers. In addition, the Directors consider that to empower the Group to be at the forefront of new product development, an in-house team of specialist engineers focused on generating high levels of innovation and product development in close co-operation with its customers should be retained. Many of the Group's key personnel have been employed for over twenty years and have been instrumental in the Group's continued growth.

In order to meet the growing demand for its products, the Group is seeking to build a new specialised facility close to its existing facility, which is intended to provide approximately three times the current manufacturing capacity. A suitable site has been identified and the Company has entered into a conditional agreement to purchase the land. Planning permission has been applied for which is expected to be granted later this year. Completion of the new facility is targeted for the second half of 2015. However, there can be no guarantee that the new facility will be completed to this timescale or at all. Further details of the new facility are included in paragraph 5.6 of this Part I and in paragraph 11.10 of Part V of this Document.

3. Investment Case

The Directors believe that the Group's business model has a number of competitive advantages which differentiate it in its market place and establish it as an attractive investment opportunity. These include the following:

3.1 *Attractive market sector*

The Group supplies high value advanced engineering technology and products into global automotive product research and development programmes (on which spending in 2011 was estimated by Booz & Co. to be around US\$96 billion) and is therefore not subject to the normal issues associated with companies which supply high volume, low cost components to the vehicle manufacturing supply chain. The Group's products are designed and produced to rigorous standards and specifications set by customers who require an improved quality and speed of development of their own automotive products. Consequently, the Group's products are regarded as high value items by its customers.

3.2 *A market leader*

The Group sells its technology and products to many of the major automotive producing countries and supplies many major automotive companies. Seventeen of the top twenty automotive manufacturers routinely use the Group's products as part of their new vehicle development cycle. The Directors believe that the Group is well-placed to maintain its competitive position by virtue of its ability to create innovative concepts and products for its customers.

3.3 *Organic profit growth*

The Group has experienced significant historic profit growth as shown in paragraph 6 below. Collaborative partnerships with key customers provide good visibility for its 2013/14 order book.

3.4 *Expansion opportunities*

The Group is also seeing an increased demand for its expertise and technology in other industries, specifically relating to testing and measurement. The Directors have provided for an allocation of resources to explore areas in complementary sectors where the Group has expertise.

3.5 *Financially robust*

The Group is profitable, generates significant cash flows and, on 28 February 2013, had unaudited net cash of approximately £3 million. The Group has received proposed outline terms and conditions for a secured bank loan of £1.8 million, further details of which are set out in paragraph 11.11 of Part V of this Document.

3.6 *Barriers to entry*

It has taken the Group many years to establish itself as a leader in its niche market and to develop its customer relationships together with an incentivised team capable of supplying high quality, innovative products that meet the criteria of OEM suppliers and the demands of the global automotive sector. Product development is often undertaken in direct response to customer demands. Furthermore, the Group retains a high level of know-how and market experience through its Directors and senior management.

4. **Market Overview**

The Group operates within the well-funded, global automotive research and development (“R&D”) sector, an area that the Directors believe possesses significant growth potential with high barriers to entry.

“Global Innovation 1000”, a report published by consultants Booz & Co. in 2012, analyses the 1,000 largest companies worldwide in terms of R&D budgets between 2004 and 2011. The report shows that annual R&D spending by the automotive industry increased by over 45 per cent. from an estimated US\$66 billion in 2004 to US\$96 billion in 2011, and was consistently third largest by sector, being 16 per cent. of the total US\$603 billion spent globally on R&D in 2011, behind “Computing & Electronics” (28 per cent.) and “Healthcare” (21 per cent.). Automotive R&D spending increased by US\$13.2 billion in 2011, an annual increase of 15 per cent., largely to meet fuel economy standards, improve electronics and meet new safety standards.

Analysis by region illustrates that Asia contains both the largest growth market (India and China) and the current leader (Japan) for automotive R&D expenditure.

According to Booz & Co.’s report, automotive R&D spending in India and China increased from around US\$100 million in 2004 to over US\$2.5 billion in 2011. This is illustrative of Chinese automotive companies seeking to upgrade their capabilities to facilitate development of Chinese vehicles for increased domestic output and to make them more competitive internationally, particularly in European and North American markets. The trend also reflects the Group’s recent growth, which has been driven predominantly by sales of products to China.

Toyota, the Japanese vehicle manufacturer, spent more on R&D than any other company in the world in 2011, increasing its 2010 spending by 16.5 per cent. to US\$9.9 billion. Moreover, Japan has consistently had the largest R&D expenditure in the automotive sector of any region since 2004, both in terms of absolute spend and as a percentage of revenue. In 2011, R&D expenditure in the Japanese automotive industry was US\$39 billion.

Behind Japan, Europe has consistently been the second largest market in annual R&D expenditure. In 2011, the European automotive industry spent US\$34 billion on R&D and, according to EUCAR, the European Council for Automotive R&D, European automobile manufacturers are the largest private

investors in R&D in Europe. For example, Daimler reported in its 2011 annual report that it has allocated a substantial proportion of its research budget for new technologies to achieve sustained improvements in, *inter alia*, safety and advanced driver aids for road traffic.

New vehicle safety legislation is being brought into force in a number of jurisdictions in which the Group operates, which is expected to increase demand for the Group’s products. The European New Car Assessment Programme (Euro NCAP), a car safety performance assessment programme based in Brussels, announced in 2012 that, by 2014, an ADAS will be required as standard on a vehicle in order for it to score top marks in safety testing. In 2013, the US Department of Transportation’s Highway Traffic Safety Administration, the US equivalent to Euro NCAP, announced that ADAS is to be included in its star rating process.

The Directors are unaware of any single competitor that provides the range of products and services offered by the Group. However, there are a number of competitors for each of the Group’s product categories. The Directors believe that the Group’s ability to respond quickly to recent changes in the automotive market 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.

5. Operating Overview

5.1 Products

The Group’s products are used by the automotive industry to test that new vehicles are dynamically sound and safe to drive. The products fall under three sub-categories, namely: “Laboratory Test Equipment”, “Track Testing Systems” and “Measurement and Analysis Software”. An overview of the Group’s products is set out below.

Laboratory Test Equipment

Laboratory Test Equipment products are large stationary items typically located at vehicle testing laboratories. They are high-value, capital intensive items, produced in low volumes which ordinarily have a lead time of at least twelve months and have a long useful economic life. These are highly customised products, tailored to suit customers’ specific requirements and, as a result, revenues and margins are variable. Typically, these products generate revenues of £1.5–£2.2 million each.

- **Suspension Parameter Measurement Machine (SPMM)**

The SPMM measures the kinematic and compliance characteristics of vehicles by employing a method of moving the vehicle’s body in a manner that simulates the real motion of a vehicle on the road. This method also allows accurate measurements to be made of a vehicle’s inertial properties and centre of gravity.

The SPMM is available in two-wheel or, for higher throughput, four-wheel station configuration. In addition, quiet electromechanical actuators eliminate the need for high pressure hydraulics providing a cleaner and more pleasant customer working environment.



Fig 1: Suspension Parameter Measurement Machine

- **Steering System Test Machine (SSTM)**

This is a very high precision computer-controlled machine for the rapid development of vehicle steering systems. Direct drive electrical motors allow for superior actuator control and provide exceptional levels of feedback to the designer in terms of steering feel and accuracy. The machine can also be interfaced with the Group's driving robots to provide controlled position or torque inputs to the steering column.



Fig 2: Steering System Test Machine

Track Testing Systems

Track Testing Systems can be broadly split into two categories, namely driving robots and the higher value soft crash vehicles. Compared with the larger Laboratory Test Equipment, these products are lower-value and higher-volume and provide repeat business to the Group. Lead times are ordinarily two to five months and, typically, revenue per product is in the range of £70,000 to £300,000.

- **Driving robots**

The Group is a leading supplier of driving robots, evidenced by the fact that seventeen of the top twenty automotive companies routinely use the Group's products as part of their new vehicle development cycle.

The Group supplies robots to test a vehicle's steering, pedals and gear shift. These systems are easy to install and the vehicle can still be driven with robots installed. Intuitive software allows for easy setup and monitoring and the robots are designed to allow testing to be performed quickly, accurately and with a high degree of repeatability, without the need for highly skilled drivers.

The core product ranges are:

- steering robots
- pedal robots (brake, accelerator and clutch)
- gear shift robots

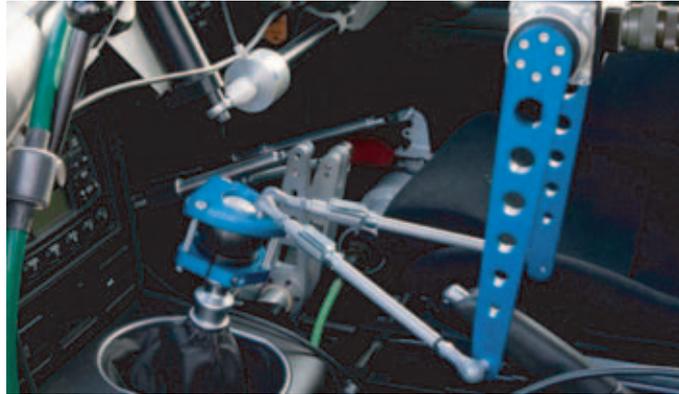


Fig 3: Gear Shift Robot

- **Driverless Test Systems**

By combining the Group's robot range with a proprietary GPS-aided inertial navigation system, the user can guide the driverless vehicle along a pre-defined path with the vehicle's position, speed and time all very precisely controlled. User-friendly software allows for rapid system set up and full remote test control and monitoring. This eliminates the risk of driver injury during vehicle testing.



Fig 4: Driverless Test System

- **Soft Crash Target Vehicles (SCTV)**

These driverless platforms are designed for the testing of vehicle Advanced Driver Assistance Systems (ADAS), including vehicle collision detection, pre-crash systems and crash mitigation systems, whilst limiting damage to the test vehicle. The SCTV integrates seamlessly with vehicles driven by the Group's robots.

There are two types of SCTV manufactured by the Group:

- The original SCTV is a proven solution for testing scenarios where collision speeds are less than 50 km/h, although capable of speeds of over 70 km/h.
- Guided Soft Target Vehicle (GSTV) is a low profile, drive over platform, designed for higher speed collisions of up to 110 km/h.



Fig 5: Soft Crash Test Vehicle

Measurement and Analysis Software

The Group produces the following Measurement and Analysis Software:

- **Powertrain NVH Testing**

The Group’s “PLATO” system measures and analyses noise and vibration (“NVH”), primarily from rotating machinery, such as automotive powertrains (gearboxes, axles, power take-off units, 4x4 transfer cases and engines) and power steering systems. Application areas include fast cycle-time, end-of-line quality assurance and defect diagnostic testing in manufacturing plants to add objectivity to driver/passenger assessments of powertrain noise.



Fig 6: End-of-line defect diagnostic testing equipment incorporating the Group’s PLATO NVH test system

5.2 **Design**

The Group specialises in three main design areas, in which it has considerable expertise and know-how:

- **mechanical design:** extensive use of the computer-aided design and modelling tools;
- **electrical and electronic design:** design of electronic controllers and electromechanical layouts; and
- **software design:** compilation of direct operating software for programmable multi-axis controllers combined with Windows-based software for front-end user operator interfaces. The Group’s software engineers apply in-house mathematical models to calculate displacement and movement in three dimensions in formats that suit the application.

The Directors believe that through the effective integration of these design areas, the Group is able to design machinery suitable for the application and environment in which they are used.

The Group actively researches and develops existing products and new technology, working closely with key technology suppliers in the UK.

5.3 *Manufacture*

The Group's finished products comprise components that are manufactured in-house and also third party specialist sub-components, which are typically a combination of mechanical, electrical, electronic and software components. The assembly of the Group's finished products takes place at its facility in Bradford on Avon.

Over the past thirty years, the Group has developed what the Directors believe to be a reliable supplier base for its externally sourced components. Where possible, the Group uses its extensive design capabilities to source components from two or more suppliers and from UK-based companies with a strong trading position.

The Group employs the following manufacturing techniques at its facility:

- **mechanical assembly and construction:** special surface table areas for accurate assembly of large laboratory test equipment, robots and other ancillary mechanical equipment;
- **component manufacture:** the Group operates a fully-equipped machine shop for the production and machining of the special precision components required to manufacture its finished products. These include machines for turning, drilling, milling, grinding and sawing;
- **large electrical builds, wiring and assembly:** specialist function for the build and construction of electrical control cabinets, containing the prerequisite switch gear and amplifiers for the translation of software commands to the electronic actuators on its Laboratory Test Equipment;
- **microprocessor circuit boards and electronic control boxes:** a dedicated build area for the construction of the electronics required to drive and operate its Track Testing Systems; and
- **software and calibration:** programming and calibration of the controllers for applications.

5.4 *Sales and Marketing*

The Group's sales and marketing function is controlled from its offices in Bradford on Avon.

The Group's customers include automotive manufacturers, tier one suppliers and test houses, predominantly based outside of the UK. The Group has a well-established network of sales representatives, agents and distributors located in key automotive areas across the world.

The Directors and senior management regularly attend exhibitions, trade shows, testing shows (including automotive testing EXPOs), demonstrations and road-shows and the Group regularly publishes press releases, articles and advertisements in journals and magazines.

5.5 *Intellectual Property (IP)*

While the Group does not have a formal policy on IP, it retains proprietary knowledge on processes, manufacturing techniques, inventions, designs, drawings and formulae, all of which are used in the production of its products and services. This knowledge is derived mainly from personnel and the Directors consider it to be an important and valuable asset. The Group's contracts of employment include provisions for the Group's ownership of and rights to the know-how of its employees. Furthermore, where appropriate the Group protects itself by the use of confidentiality (non-disclosure) agreements.

The Group has applied for patents in two key areas in the development of driverless robot systems. These are (i) "Pitch Line Run Out Detection Apparatus" for driverless systems and (ii) "Steering Robot" for use with driver airbag in situ.

5.6 ***Business Strategy & Development***

The Group's key strategy and development plans are summarised as follows:

- **New facility**

The Group's forward order book is outgrowing the current manufacturing capacity at its existing premises. The Group has identified a site for a new enlarged facility in Bradford on Avon which would facilitate increased manufacturing output and enable the Group to satisfy anticipated increased demand for its products for the foreseeable future. The Group has entered into a conditional agreement with the landowner dated 11 April 2013 to purchase the land, conditional on the grant of planning permission to construct the new facility and the provision of a bond agreement to provide surety in relation to the development of the site's roads and services. The Group has also entered into a project management agreement dated 11 April 2013 with Bradford on Avon Property Limited pursuant to which the new factory and site will be constructed and developed. Construction of the facility is targeted to commence in the second half of 2014 and to be completed in the second half of 2015. Planning permission is expected to be granted later this year. However, there can be no guarantee that planning permission for the new facility will be granted or that construction will commence or be completed to this timescale, or at all. Further details of the new facility are set out in paragraph 11.10 of Part V of this Document.

The Board has, from time to time, considered relocating to alternative existing facilities in the South West region and, should planning permission not be granted, alternatives will be explored.

The total cost of the new facility is estimated to be £5.8 million. The Group has received proposed outline terms and conditions for a secured bank loan of £1.8 million, further details of which are set out in paragraph 11.11 of Part V of this Document. The remaining costs are to be funded out of a combination of the Group's cash resources and the proceeds from the Placing.

Whilst the new facility is being developed, in order to provide additional space in the current premises, new offices are being built on land close to the existing facility. Further details of the new offices are set out in paragraph 11.12 of Part V of this Document.

- **Establish presence in Japan and China**

The Directors intend to develop the Group's marketing, sales support and distribution channels in the rapidly growing Asian markets by establishing a presence to facilitate operations in Japan and China as soon as practicable after Admission.

- **Personnel recruitment**

The Directors intend that the Group will continue to seek out and recruit exceptional, motivated individuals who enjoy working in an entrepreneurial environment.

- **Complementary technologies**

Although the Directors consider that the automotive sector will provide ongoing demand for the Group's expertise and product development, the Directors may explore opportunities to deploy the Group's expertise in other sectors from time to time, either in-house or by acquisition.

6. Financial Information & Current Trading

Set out below are extracts from the comprehensive income statement and statement of financial position of the Operating Subsidiary for each of the three years ended 31 August 2012 (audited) and for the six months ended 28 February 2013 (unaudited), further details of which are provided in Part III of this Document.

	Years ended 31 August			6 months ended
	2010	2011	2012	28 February
	(audited)	(audited)	(audited)	(unaudited)
	£000s	£000s	£000s	£000s
Revenue	2,655	6,501	8,911	5,874
Gross profit	363	1,344	2,466	1,726
(Loss)/profit before tax	(129)	677	1,883	1,068
Gross assets	3,573	4,961	6,955	7,910
Net assets	2,950	3,451	4,683	5,372
Cash & cash equivalents	1,181	2,369	2,481	3,045

The Group's current trading since 1 March 2013 is in line with management's expectations.

7. Directors, Senior Management & Employees

The Directors and senior management of the Group are comprised as follows:

Directors

Anthony Best

Executive Chairman

Aged 75

Mr Best was called up for National Service in 1955 obtaining a commission in the Royal Electrical and Mechanical Engineers. In 1957, he went to Cambridge University and graduated in Mechanical Sciences Tripos (Engineering). He joined Rolls-Royce Cars in 1960, initially as a graduate apprentice and then into the design department working on vehicle suspensions. In 1963, he moved to Avon Rubber Limited, initially as a Project Engineer working on the design and development of tyre manufacturing equipment, followed by a move into production management at the tyre plant in Melksham before becoming Production Manager in 1965.

In 1967, he joined Dr Alex Moulton at Moulton Developments as Chief Engineer working on vehicle suspensions for cars, trucks and coaches. Following the closure of Moulton Developments in 1982, he founded Anthony Best Dynamics Limited.

Mr Best has written a number of technical papers on vehicle suspension, ride and handling. He was awarded the Institution of Mechanical Engineers' Thomas Hawksley medal and the Automobile Division's Crompton Lanchester Medal in 1979. He is a Fellow of the Royal Academy of Engineering, Fellow of the Institution of Mechanical Engineers and is on the Court of the Worshipful Company of Engineers.

Timothy John Rogers

Managing Director

Aged 51

For the past 15 years, Mr Rogers has had extensive experience managing companies in the engineering and chemical sectors. Between 2004 and 2011, he was CEO and Executive VP of Clean Diesel Technologies, Inc ("CDT"), which specialises in vehicle emission reduction technology. During this period, Mr Rogers gained capital market experience as CDT was admitted to trading on AIM between 2001 and 2009 and dual-listed on NASDAQ in 2007. Mr Rogers oversaw a two way merger of CDT with Catalytic Solutions, Inc in 2010, which resulted in a US\$65 million company.

Prior to this, Mr Rogers worked at Exxon Corporation, Inc (1984-1990), Ethyl Petroleum Additives Limited (1990-1993) and The Associated Octel Co. Ltd (1993-2002) before being appointed Director of Sales & Marketing at ADAS Consulting Limited, an environment research consultancy. Mr Rogers joined the Group in October 2012.

Mr Rogers studied engineering at Oxford Brookes University and has a strong grounding in mechanical and production engineering.

Robert Andrew Leonard Hart *Finance Director*

Aged 44

Mr Hart joined the Group in 2008 as Commercial Manager and is primarily responsible for all financial aspects of the business. Mr Hart has prior experience of working at public companies: he was a Commercial Financial Analyst at First Group plc from 2000 to 2002 before joining Unite Group plc, where he spent six years as Financial Controller of the manufacturing division.

Mr Hart has an honours degree in Mathematics and Computing from The University of East Anglia and is a Fellow of the Association of Chartered Certified Accountants.

Graham Dudley Eves *Non-Executive Director*

Aged 67

Mr Eves joined GKN plc in 1967 where he spent 13 years operating across multiple overseas jurisdictions including, for the last 5 years, setting up and running a special operation for GKN plc's head office in Switzerland. He returned to the UK in 1980 to work in venture capital and establish his own international business consultancy. His main activities included advising a range of German, North American and Japanese automotive component/technology suppliers and he co-founded and was chairman of an automotive technology company, Mechadyne (now part of KolbenschmidtPierburg AG). He was also chairman of PCB manufacturer, Lyncolec Limited, chairman of a special security company and a director of 3PC Investment Trust.

Mr Eves was directly involved in the AIM flotations of Antonov plc and Transense Technologies plc.

Mr Eves has a Master of Arts degree in Modern and Medieval Languages from the University of Cambridge.

Frederick Bryan Smart *Non-Executive Director*

Aged 61

Mr Smart spent 25 years at DaimlerChrysler (UK) Limited, where he worked initially in internal audit before moving up from Financial Controller to Chief Financial Officer. He resigned from DaimlerChrysler in 2006 having overseen turnover increase from £1.3 billion in 1995 to over £3.0 billion in 2006 and managing the acquisition, assimilation and reorganisation of Chrysler & Jeep in the UK. He remains Trustee Director of DaimlerChrysler Pension Fund.

Since leaving DaimlerChrysler, Mr Smart has advised a number of public and private companies. Between 2006 and 2010, he was Chairman of the supervisory board of CarboTech AG, a Salzburg-based designer and manufacturer of complex carbon fibre structures for automotive and industrial use. He has significant experience of AIM-quoted companies. Mr Smart is a Non-Executive Director and member of the audit and remuneration committees of Greka Drilling Limited and Rangers International Football Club plc and, until recently, held the same positions at SCOTTY Group SE.

Mr Smart is a fellow of the Institute of Chartered Accounts in England and Wales.

Senior Management

Stephen John Neads *Director, Steering & Suspension Systems*

Aged 52

Dr Neads is a PhD graduate from the University of Bath's School of Engineering. He joined the Group in 1986 as a project engineer, working on a wide range of consulting projects in the field of noise and vibration and was project manager responsible for the development of the SPMM, which was designed in 1993 and is now one of the Group's key products. Since becoming a director of the Operating Subsidiary in 1998, Dr Neads' responsibilities have extended to include the range of driving robots that are now widely used around the world.

Matthew James Hubbard

Technical Director

Aged 37

Mr Hubbard has an undergraduate degree in Electronic Engineering and postgraduate degree in Manufacturing and Management, both from the University of Cambridge. He joined the Group in 1999 and initially worked on consultancy projects including the testing of viscous dampers used to repair the ‘wobbling’ Millennium Bridge.

Mr Hubbard became a director of the Operating Subsidiary in 2008 and is now primarily responsible for electronic system research and development.

Andrew Walter Rumble

Business Director

Aged 52

Mr Rumble graduated in Mechanical Engineering from the University of Bath in 1983 and joined the Group in 1984 to lead the development of production line based noise/vibration testing of automotive powertrain products, including gearboxes and 4x4 transfer cases, many of which are used at tier 1 manufacturing sites across the world today.

Mr Rumble was appointed director of the Operating Subsidiary in 1992 and is responsible for NVH and quality systems.

Colin Martin

Chief Engineer, Mechanical Design

Aged 46

Dr Martin has a degree in Mechanical Engineering and a PhD in the area of Vehicle Dynamics from the University of Edinburgh.

Dr Martin joined the Group in 2003 and has been significantly involved in the mechanical design of all of the Group’s current products.

Employees

As at the date of this Document, the Group employs approximately 50 staff. All of the employees of the Group are located in the UK. Please refer to paragraph 10 of Part V of this Document for further details.

8. Use of Proceeds and Reasons for Admission

The net proceeds of the Placing (excluding the proceeds of the sale of the Vendor Shares) of approximately £2.0 million will be used to finance the Group’s business development and strategy, as set out in paragraph 5.6 of this Part I, and for general working capital purposes.

The Company has applied for the Enlarged Issued Share Capital to be admitted to trading on AIM in order to:

- enhance the Group’s corporate profile with customers and other stakeholders;
- assist in recruiting, retaining and motivating high calibre personnel through share ownership and share incentives; and
- broaden the Company’s shareholder base.

9. Details of the Placing and Admission

On Admission, the Company will have 16,306,976 Ordinary Shares in issue and a market capitalisation of £14.0 million at the Placing Price. The Placing involves the sale of the 2,906,976 Vendor Shares and the issue of 2,906,976 new Ordinary Shares. The Placing will raise approximately £2.0 million (excluding the proceeds of the sale of the Vendor Shares), net of expenses, for the Company.

Pursuant to the Placing Agreement, Charles Stanley has agreed to use its reasonable endeavours to place (a) as agent for the Company, 2,906,976 Placing Shares to be issued by the Company and (b) as agent for the Vendors, the 2,906,976 Vendor Shares, in each case at the Placing Price, with institutional and other investors. The Placing is conditional, *inter alia*, upon:

- the Placing Agreement not having been terminated in accordance with its terms prior to Admission; and
- Admission taking place on 22 May 2013 or such later date as Cairn, Charles Stanley and the Company may agree, being not later than 21 June 2013.

Further details of the Placing Agreement are set out in paragraph 11.1 of Part V of this Document. The Placing has not been underwritten.

The 2,906,976 new Ordinary Shares to be issued pursuant to the Placing will represent approximately 17.8 per cent. of the Enlarged Issued Share Capital of the Company immediately following Admission, will be issued credited as fully paid and will, on issue, rank *pari passu* with the Existing Issued Share Capital, including the right to receive all dividends and other distributions thereafter declared, made or paid. Immediately following Admission, approximately 75.6 per cent. of the Enlarged Issued Share Capital will not be in public hands.

Application has been made to the London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will be effective and that dealings in the Ordinary Shares will commence on 22 May 2013.

10. Lock-in & Orderly Market Arrangements

The Locked-in Persons, who in aggregate will, on Admission, hold 10,493,024 Ordinary Shares (representing 64.3 per cent. of the Enlarged Issued Share Capital), have entered into the Lock-In & Orderly Market Agreements pursuant to which they have each agreed with the Company, Cairn and Charles Stanley that they will not (without the prior written consent of each of the Company, Cairn and Charles Stanley) dispose of any interest in Ordinary Shares for the period of 12 months following Admission except pursuant to the acceptance of a general, partial or tender offer made to acquire the whole or part of the issued share capital of the Company, an intervening court order, a scheme of arrangement under section 110 of the Insolvency Act 1986 or in the event of the death of the relevant Locked-in Person. Such persons have also agreed for a further 12 months following the expiry of the initial 12 month period to only dispose of an interest in Ordinary Shares through Charles Stanley (or the broker for the time being of the Company, if it is not Charles Stanley) and in such manner as Charles Stanley (or such other broker) may reasonably require with a view to the maintenance of an orderly market in the Ordinary Shares.

11. Share Options

In January 2013, the Operating Subsidiary established an option scheme to incentivise certain Directors and employees and to align their interests with the interests of Shareholders. In April 2013, the Company established the Share Scheme and, pursuant to the Option Exchange Letter Agreement, all optionholders in the Operating Subsidiary were invited to exchange all options granted over ordinary shares in the Operating Subsidiary for options over Ordinary Shares on the same terms. At the date of this Document, all optionholders had accepted the exchange of options.

The Board's intention is that no further options will be granted under the Share Scheme and that a new scheme, for future share option awards, will be introduced by the Company following Admission which will be overseen by the remuneration committee. The Board's intention is that the number of options granted under the Share Scheme and any future scheme will, in aggregate, represent no more than ten per cent. of the Company's issued share capital from time to time.

The total number of options over Ordinary Shares in issue as at the date of this Document is 1,302,600 (representing approximately 8.0 per cent. of the Enlarged Issued Share Capital), all of which are exercisable at a price of £0.1252 per Ordinary Share. The options may only be exercised following Admission and only vested options may be exercised. One third of the options vests on each of the first, second and third anniversaries of the date of Admission.

Further details of the terms of the Company's share options are included in paragraph 15 of Part V of this Document.

12. Warrants

The Company has, conditional on Admission, issued warrants to Cairn to subscribe for 163,069 Ordinary Shares at the Placing Price. These warrants are exercisable at any time up to the fifth anniversary of Admission, at which time they will lapse. Further details of the Cairn Warrants are set out in paragraph 11.5 of Part V of this Document.

13. Dividend Policy

The Directors recognise the importance of dividend income to Shareholders and dividends have been paid historically with a dividend of £100,500 being paid prior to Admission. Following Admission, the Directors will seek to pay dividends subject to the availability of distributable reserves and the need to retain funds to finance the future growth of the Group.

14. EIS and VCT

The Company has received advance assurance from HMRC that the new Ordinary Shares to be issued pursuant to the Placing will rank as "eligible shares" for the purposes of EIS and are capable of being a "qualifying holding" for the purposes of investment by VCTs. However, neither the Company nor the Directors nor any of the Company's advisers give any warranties or undertakings that such reliefs will continue to be available and not withdrawn at a later date. Further information on taxation for UK taxpayers is given in paragraph 18 of Part V of this Document.

15. Corporate Governance

Companies that are admitted to trading on AIM are not required to comply with the UK Corporate Governance Code. However, the Directors will 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 Company has adopted, and will operate a share dealing code for Directors and other applicable employees under the equivalent terms to those provided by Rule 21 of the AIM Rules for Companies.

An audit committee has been established. The audit committee will meet at least three times a year and is responsible for ensuring that the financial performance of the Group is properly reported and monitored and for meeting the auditors and reviewing the reports from the auditors relating to accounts and internal control systems. The external auditors will attend all meetings and the audit committee will have discussions with the external auditors at least once a year without any executive Directors being present. The audit committee comprises Mr Smart as Chairman and Mr Eves.

A remuneration committee has been established. The remuneration committee reviews the performance of the executive Directors and sets and reviews the scale and structure of their remuneration and the terms of their service agreements with due regard to the interests of the Shareholders. In determining the remuneration of executive Directors, the remuneration committee seeks to enable the Company to attract and retain executives of high calibre. No director is permitted to participate in discussions or decisions concerning his own remuneration. The remuneration committee will meet as and when necessary. The remuneration committee comprises Mr Eves as Chairman, Mr Smart and Mr Best.

A nomination committee has been established. The nomination committee is responsible for recommendations to the Board for the appointment of additional directors or replacement of current directors and for succession planning for the Company. The nomination committee comprises Mr Eves as Chairman, Mr Smart and Mr Best.

16. CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations.

The Ordinary Shares will be eligible for CREST settlement. Accordingly, following Admission, settlement of transactions in the Ordinary Shares may take place within the CREST system if a Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates are able to do so.

For more information concerning CREST, Shareholders should contact their broker or Euroclear.

17. City Code

The City Code applies to all offers for public companies (and to offers for certain private companies) which have their registered office in the United Kingdom and which are considered to have their place of central management and control in the United Kingdom. The Company is such a company and Shareholders are entitled to the protections afforded by the City Code.

Certain Shareholders in the Company, namely Anthony Best, Naemi Best and Anne Middleton are deemed to be acting in concert for the purposes of the City Code.

Further details of the City Code and the Concert Party are set out in paragraph 6 of Part V of this Document.

18. Taxation

Your attention is drawn to paragraph 18 of Part V of this Document. These details are intended only as a general guide to the current tax position under UK taxation law and practice. If an investor is in any doubt as to his or her tax position he or she should immediately consult his or her own independent financial adviser.

19. Pre-emption Rights

In addition to the authorities granted to the Directors to allot securities in connection with the Placing (including the Cairn Warrants and pursuant to the Share Scheme), the Directors have been granted authority to allot up to 10,871,317 new Ordinary Shares on a pre-emptive basis and up to 5,435,659 new Ordinary Shares other than on a pre-emptive basis. Accordingly, following Admission, it is possible that Shareholders may be diluted if new Ordinary Shares are issued.

20. Further Information and Risk Factors

Prospective investors should read the whole of this Document which provides additional information on the Company and the Placing and not rely on summaries or individual parts only. In particular, the attention of prospective investors is drawn to Part II which contains a summary of the risk factors relating to an investment in the Company.

PART II

RISK FACTORS

In addition to all other information set out in this Document, the following specific risk factors should be considered carefully by potential investors in evaluating whether to make an investment in the Company. The investment described in this Document may not be suitable for all of its recipients. Before making a final decision, investors in any doubt are advised to consult their stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to FSMA if resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

You should carefully consider the risks described below and ensure that you have read this Document in its entirety before making a decision to invest in the Company.

Prospective investors should be aware that an investment in the Company is speculative and involves a high degree of risk. In addition to the other information contained in this Document, the Directors believe that the following risk factors are the most significant for potential investors and should be considered carefully in evaluating whether to make an investment in the Company. If any of the risks described in this Document actually occurs, the Company may not be able to conduct its business as currently planned and its financial condition, operating results and cash flows could be seriously harmed. In that case, the market price of the Ordinary Shares could decline and all or part of an investment in the Ordinary Shares could be lost. However, the risks listed do not necessarily comprise all those associated with an investment in the Company. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect on the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements. The risks listed below are not set out in any particular order of priority.

1. Risks Relating to the Business and Operations of the Group

New facility

Plans for the Group's new facility are still in the development and planning stage. Although a conditional agreement to acquire the land and a property management agreement have been entered into, other formal documentation has yet to be entered into. Moreover, although the Company 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 arise such that the current development project does not proceed. If the facility is not constructed, it may have an adverse impact on the Company's future growth. In addition, although the Group is in receipt of outline terms and conditions for a new bank facility to assist in the proposed factory development there is no certainty that such facility will ultimately be made available to 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. Mr Best is aged 75. Whilst he intends to remain actively involved in the business for the foreseeable future, his long term involvement cannot be guaranteed due to his age. The loss of Mr Best's services to the Group in the short to medium term could have a materially adverse impact on its performance or prospects. However, as part of the Group's succession planning Mr Best may in due course, take a non-executive chairman's role.

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.

As set out in Part I of this Document, the Group intends to carry out certain expansion strategies. 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 then 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.

Past performance

The past performance of the Group is not a guide to future performance of the Group and no representation is made or warranty given regarding future performance of the Group.

Taxation

The attention of potential investors is drawn to paragraph 18 of Part V of this Document headed "United Kingdom Taxation". Any change in the Group's tax status or in taxation legislation or its interpretation could affect the value of the investments held by the Company. Representations in this Document concerning the taxation of the Group and its investors are based upon current tax law and practice which is subject to change.

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

The Group's objectives

The Group's objectives may not be fulfilled. The value of an investment in the Group is dependent upon it achieving the aims set out in this Document. There can be no guarantee that it will achieve the level of success that the Directors expect.

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 Company 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.

Debtor payments

The Group's customers have an excellent record of payment. However, some of the Group's products are high value items. In the event that one or more customers do not pay their debts, it could result in a cash flow shortage in the Group.

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 markets 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. 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 hedge sale 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 Company'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 Company could be adversely affected 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 Company, 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.

3. Risks Relating to the Ordinary Shares

Investment in AIM Securities

Although the Company is applying for the admission of its Enlarged Issued Share Capital to trading on AIM, there can be no assurance that an active trading market for the Ordinary Shares will develop, or if developed, that it will be maintained. An investment in shares traded on AIM may be less liquid and is perceived to involve a higher degree of risk than an investment in a company whose shares are listed on the Official List. Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Group. Investors may therefore realise less than, or lose all of, their investment.

AIM Rules for Companies

The AIM Rules for Companies are less onerous than those of the Official List. Neither the FCA nor the London Stock Exchange has examined or approved the contents of this Document. Shareholders and prospective investors (as appropriate) should be aware of the risks of investing in AIM quoted shares and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Volatility of share price

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, announcements of innovations or new services by the Group or its competitors, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Group, news reports relating to trends in the Group's markets, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory changes and general economic conditions. These fluctuations may adversely affect the trading price of the Ordinary Shares, regardless of the Group's performance.

EIS & VCT status

The Company is a qualifying company for the purposes of the EIS and new Ordinary Shares issued pursuant to the Placing are expected to be capable of being a "qualifying holding" for the purposes of investment by VCTs, as described in paragraph 14 of Part I of this Document. Although it is intended that the Company will be managed so that this status continues, there is no guarantee that such status will be maintained. Changes in the Company's circumstances may result in such status being withdrawn, in which case investors who had participated in the Placing as an EIS or VCT investment may lose the tax benefits associated with such an investment and any tax relief that has been claimed may be reduced or withdrawn.

Future payment of dividends

There can be no assurance as to the level of future dividends (if any). The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Directors and shareholders of the Company and will depend upon, *inter alia*, the Company's earnings, financial position, cash requirements and availability of profits as well as the provisions of relevant laws and/or generally accepted accounting principles from time to time.

Valuation of shares

The Placing Price has been determined by the Company and may not relate to the Company's net asset value, net worth or any established criteria or value. There can be no guarantee that the Ordinary Shares will be able to achieve higher valuations or, if they do so, that such higher valuations can be maintained.

Market perception

Market perception of the Company may change, potentially affecting the value of investors' holdings and the ability of the Company to raise further funds by the issue of further Ordinary Shares or otherwise.

Suitability

A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her. An investment in the Company involves a high degree of risk and may not be suitable for all recipients of this Document. Prospective investors are advised to consult a person authorised by the FCA (or, if outside the UK, another appropriate regulatory body) before making their decision.

Disapplication of pre-emption rights

Following Admission, the Directors have been granted authority to allot up to 10,871,317 new Ordinary Shares on a pre-emptive basis and up to 5,435,659 new Ordinary Shares other than on a pre-emptive basis. Accordingly, potential investors should consider the risk that, following Admission, Shareholders may be diluted if new Ordinary Shares are issued.

Concert Party

On Admission, the Concert Party will, in aggregate, hold 9,196,280 Ordinary Shares, representing approximately 56.4 per cent. of the Enlarged Issued Share Capital. As the Concert Party will hold in aggregate greater than 50 per cent. of the Enlarged Issued Share Capital, (for so long as they continue to be treated as acting in concert) the acquisition of any additional Ordinary Shares by members of the Concert Party will not normally result in an obligation on the part of the Concert Party under Rule 9 of the City Code to make a general offer. However, an individual member of the Concert Party will not be able to increase his percentage interest in Ordinary Shares through or between a Rule 9 threshold without Panel consent. The Concert Party has effective control of the Company. Anthony Best and Naemi Best, being members of the Concert Party, have entered into the Relationship Agreement (further details of which are set out in paragraph 11.2 of Part V of this Document) pursuant to which each has undertaken to exercise their voting rights, *inter alia*, to ensure that the Company is capable at all times of carrying on its business independently of them, the Board is not influenced by them and acts in the best interests of all Shareholders, and that all transactions between them and the Company are and will be made at arm's length and on normal commercial terms. If the principal members of the Concert Party do not comply with the terms of the Relationship Agreement there is a material risk to the independence, business and prospects of the Company and the rights of other Shareholders may be adversely affected.

PART III (A)

ACCOUNTANTS' REPORT ON THE COMPANY



Crowe Clark Whitehill LLP
Chartered Accountants
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16 May 2013

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

The Members
Cairn Financial Advisers LLP
61 Cheapside
London EC2V 6AX

Dear Sirs

Introduction

We report on the audited financial information set out below of AB Dynamics plc (the "Company"). This financial information has been prepared for inclusion in Part III (A) of the AIM Admission Document dated 16 May 2013 of the Company (the "Document"), on the basis of the accounting policies set out in Note 2 to the financial information. This report is required by paragraph (a) of Schedule Two to the AIM Rules for Companies (the "AIM Rules") and is given for the purposes of complying with the AIM Rules and for no other purpose.

Responsibilities

The Directors are responsible for preparing the financial information on the basis of preparation set out in Note 2 below and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Document and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Document.

Basis of Opinion

We conducted our work in accordance with Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant

estimates and judgments made by those responsible for the preparation of the underlying financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Document, a true and fair view of the state of affairs of the Company as at the date stated and of the results, cash flows and changes in equity for the period then ended in accordance with the basis of preparation set out in Note 2 to the financial information and has been prepared in accordance with IFRS and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Paragraph (a) of Schedule Two of the AIM Rules for Companies.

Yours faithfully

Crowe Clark Whitehill LLP

STATEMENT OF FINANCIAL POSITION

The statement of financial position of the Company as at 28 February 2013 is stated below:

	£
Assets	
<i>Current assets</i>	
Trade and other receivables	1
Total assets	<u><u>1</u></u>
Equity and liabilities	
<i>Capital and reserves</i>	
Share capital	1
Total equity attributable to equity holders	—
Total liabilities	—
Total equity and liabilities	<u><u>1</u></u>

STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income of the Company for the period from incorporation on 7 February 2013 to 28 February 2013 is stated below:

	<i>Note</i>	£
Total comprehensive income attributable to equity owner		—
Earnings per share	3	
Basic and diluted (£ per share)		—

STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity of the Company for period from incorporation on 7 February 2013 to 28 February 2013 is set out below:

	<i>Share capital</i>
	£
On incorporation*	1
Result for the period	—
As at 28 February 2013	<u>1</u>

The share capital comprises the ordinary issued share capital of the Company.

* Issued share capital was 1 share of £1.

STATEMENT OF CASH FLOWS

The statement of cash flows of the Company for the period from incorporation on 7 February 2013 to 28 February 2013 is as follows:

	£
Financing activities	
Proceeds from issue of share capital	—
Net cash from financing activities	<u>—</u>
Net increase in cash and cash equivalents	—
Cash and cash equivalents at end of period	<u>—</u>

NOTES TO THE FINANCIAL INFORMATION

1. General Information

The Company was incorporated in England and Wales, on 7 February 2013 as a private company limited by shares under the name AB Dynamics 2013 Limited with Registered Number 8393914.

On 9 May 2013 the Company swapped names with another Group company and the Company re-registered as a public company under the name AB Dynamics plc.

The registered office of the Company is Holt Road, Bradford on Avon, Wiltshire BA15 1AJ and the nature of operations is to act as the holding company of a group involved in the specialised area of design and manufacture of test equipment for vehicle suspension, steering, noise and vibration. The Company did not trade during the period under review.

2. Accounting Policies

Basis of preparation

This financial information of the Company has been prepared on a historical basis as varied by the use of fair value in accordance with IFRS, International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union.

The financial information of the Company is presented in Pound Sterling.

Standards, amendments and interpretations to published standards not yet effective

The Company has not applied the new IFRSs that have been issued but are not yet effective. The transfer to these new or revised standards and interpretation is not expected to have a material impact on the combined financial statements. At the date of this report, the following standards and interpretations were in issue but not yet effective:

- IAS 1 (amended) – Presentation of items of other comprehensive income
- IAS 12 (amended) Deferred tax: Recovery of Underlying Assets
- IAS 19 (amended) – Employee benefits
- IAS 27 Separate financial statements
- IAS 28 Investments in associates and joint ventures
- IAS 32 (amended) – Offsetting of financial assets and financial liabilities
- IFRIC 20 Stripping costs in the production phase of a surface mine
- IFRS 1 (amended) – Government loans
- IFRS 7 (amended) Financial Instruments Disclosures
- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of Interests in other entities
- IFRS 13 Fair value measurement

At the date of this report the following standards and interpretations had been issued by the IASB but not yet EU approved.

- IFRS 9 Financial instruments
- IFRS 10, 11 and 12 (amended) – Transition guidance
- IFRS 10, 12 and 27 (amended) – Investment entities

Comparative figures

No comparative figures have been presented as the financial information covers the period from incorporation to 28 February 2013.

Cash and cash equivalents

The Company considers any cash on short-term deposits and other short term investments to be cash equivalents.

3. Earnings per share

The calculation for earnings per share (basic and diluted) for the relevant period is based on the profit after income tax attributable to equity holder for the period from incorporation on 7 February 2013 to 28 February 2013 and is as follows:

Profit attributable to equity holders (£)	—
Weighted average number of shares	1
Earnings per share (£)	—

4. Share capital

On 7 February 2013, the Company was incorporated and had issued share capital of 1 ordinary share of £1.

5. Subsequent events

On 8 May 2013 the Company acquired the entire issued share capital of Anthony Best Dynamics Limited in consideration for the issue of 133,999 ordinary shares.

On 9 May 2013 the Company re-registered as a public company under the name AB Dynamics plc.

6. Nature of financial Information

The financial information presented above does not constitute statutory accounts for the period under review.

PART III (B)

ACCOUNTANTS' REPORT ON THE OPERATING SUBSIDIARY



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16 May 2013

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

The Members
Cairn Financial Advisers LLP
61 Cheapside
London EC2V 6AX

Dear Sirs

Introduction

We report on the audited financial information set out below of Anthony Best Dynamics Limited (the "Operating Subsidiary"). This financial information has been prepared for inclusion in Part III (B) of the AIM Admission Document dated 16 May 2013 ("the Document") of AB Dynamics plc ("the Company"), on the basis of the accounting policies set out in Note 3 to the financial information. This report is required by paragraph (a) of Schedule Two to the AIM Rules for Companies (the "AIM Rules") and is given for the purposes of complying with the AIM Rules and for no other purpose.

Responsibilities

The Directors are responsible for preparing the financial information on the basis of preparation set out in Note 1 below and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Document and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Document.

Basis of Opinion

We conducted our work in accordance with Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the underlying financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Document, a true and fair view of the state of affairs of the Operating Subsidiary as at the date stated and of the results, cash flows and changes in equity for the period then ended in accordance with the basis of preparation set out in Note 1 to the financial information and has been prepared in accordance with IFRS and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Paragraph (a) of Schedule Two of the AIM Rules for Companies.

Yours faithfully

Crowe Clark Whitehill LLP

STATEMENTS OF COMPREHENSIVE INCOME

The statements of comprehensive income of the Operating Subsidiary for each of the three years ended 31 August 2010, 2011 and 2012 is set out below:

	<i>Note</i>	<i>2010</i> £	<i>2011</i> £	<i>2012</i> £
Revenue	3	2,654,578	6,501,226	8,910,839
Cost of sales		<u>(2,291,788)</u>	<u>(5,157,576)</u>	<u>(6,445,056)</u>
Gross profit		362,790	1,343,650	2,465,783
Administrative expenses		<u>(538,929)</u>	<u>(613,866)</u>	<u>(666,616)</u>
Operating (loss)/profit		<u>(176,139)</u>	<u>729,784</u>	<u>1,799,167</u>
Net finance income and (costs)	4	<u>47,482</u>	<u>(52,702)</u>	<u>84,236</u>
(Loss)/profit before taxation	14	<u>(128,657)</u>	<u>677,082</u>	<u>1,883,403</u>
Income tax	15	<u>82,038</u>	<u>(176,341)</u>	<u>(451,044)</u>
(Loss)/profit after taxation		<u>(46,619)</u>	<u>500,741</u>	<u>1,432,359</u>
Other Comprehensive Income				
Actuarial loss attributable to defined benefit pension scheme		(26,000)	–	–
Deferred tax attributable to actuarial loss on defined benefit pension scheme		<u>9,540</u>	<u>–</u>	<u>–</u>
Total comprehensive income for the period		<u><u>(63,079)</u></u>	<u><u>500,741</u></u>	<u><u>1,432,359</u></u>
Pro forma (loss)/earnings per share – Basic	23	(0.35) pence	3.74 pence	10.69 pence
Pro-forma (loss)/earnings per share – Diluted	23	(0.35) pence	3.74 pence	10.69 pence

STATEMENTS OF FINANCIAL POSITION

The statements of financial position of the Operating Subsidiary at 31 August 2010, 2011 and 2012 are set out below:

	Note	2010 £	2011 £	2012 £
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	5	299,114	303,808	428,838
Retirement benefit scheme asset	20	57,000	–	–
		<u>356,114</u>	<u>303,808</u>	<u>428,838</u>
CURRENT ASSETS				
Inventories	6	921,224	784,342	1,475,105
Trade receivables	7	301,134	548,692	1,353,301
Other receivables and prepayments	8	110,758	163,033	184,372
Corporation tax receivable		68,000	–	–
Amount owing by contract customers	9	599,727	791,698	986,990
Derivative financial instruments	13	34,650	–	44,821
Cash and bank balances	17	1,181,280	2,369,050	2,481,476
		<u>3,216,773</u>	<u>4,656,815</u>	<u>6,526,065</u>
TOTAL ASSETS		<u><u>3,572,887</u></u>	<u><u>4,960,623</u></u>	<u><u>6,954,903</u></u>
EQUITY AND LIABILITIES				
Share capital	10	134,000	134,000	134,000
Share premium		43,000	43,000	43,000
Revaluation reserve		2,000	–	–
Capital redemption reserve		62,500	62,500	62,500
Retained profits		2,708,946	3,211,687	4,443,046
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY AND TOTAL EQUITY		<u>2,950,446</u>	<u>3,451,187</u>	<u>4,682,546</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities	11	63,329	50,092	71,136
CURRENT LIABILITIES				
Trade and other payables and accruals	12	559,112	1,245,469	1,771,221
Derivative financial instruments	13	–	23,875	–
Provision for taxation		–	190,000	430,000
		<u>559,112</u>	<u>1,459,344</u>	<u>2,201,221</u>
TOTAL LIABILITIES		<u>622,441</u>	<u>1,509,436</u>	<u>2,272,357</u>
TOTAL EQUITY AND LIABILITIES		<u><u>3,572,887</u></u>	<u><u>4,960,623</u></u>	<u><u>6,954,903</u></u>

STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	<i>Share capital £</i>	<i>Share premium £</i>	<i>Revaluation reserve £</i>	<i>Capital redemption reserve £</i>	<i>Retained profits £</i>	<i>Total equity £</i>
Balance at 1 September 2009		134,000	43,000	13,073	62,500	2,894,952	3,147,525
Loss after taxation		–	–	–	–	(46,619)	(46,619)
Other comprehensive income		–	–	–	–	(16,460)	(16,460)
Transfer from revaluation reserve		–	–	(11,073)	–	11,073	–
Total comprehensive Income for the financial year		–	–	(11,073)	–	(52,006)	(63,079)
Dividend paid	16	–	–	–	–	(134,000)	(134,000)
Balance at 31 August 2010		134,000	43,000	2,000	62,500	2,708,946	2,950,446
Profit after taxation		–	–	–	–	500,741	500,741
Transfer from revaluation reserve		–	–	(2,000)	–	2,000	–
Total comprehensive income for the financial year		–	–	(2,000)	–	502,741	500,741
Balance at 31 August 2011		134,000	43,000	–	62,500	3,211,687	3,451,187
Profit after taxation and total comprehensive income for the financial year		–	–	–	–	1,432,359	1,432,359
Dividend paid	16	–	–	–	–	(201,000)	(201,000)
Balance at 31 August 2012		<u>134,000</u>	<u>43,000</u>	<u>–</u>	<u>62,500</u>	<u>4,443,046</u>	<u>4,682,546</u>

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

The revaluation reserve is a non-distributable reserve arising from the recognition of certain items of test equipment at market value rather than historical cost.

The capital redemption reserve is a statutory reserve required under UK company law that is created when a company redeems its own shares and arises from a transfer from distributable reserves equal to the nominal value of shares redeemed. This reserve is not distributable.

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

STATEMENTS OF CASH FLOWS

The statements of cash flows of the Operating Subsidiary for each of the three years ended 31 August 2010, 2011 and 2012 are set out below:

<i>Note</i>	<i>2010</i> £	<i>2011</i> £	<i>2012</i> £
Cash flow from operating activities			
(Loss)/profit before taxation	(128,657)	677,082	1,883,403
Adjustments for:			
Depreciation of property, plant and equipment	69,203	77,428	78,445
Profit on sale of property, plant and equipment	–	–	(679)
Profit on sale of investments	(22,085)	–	–
Decrease in pension assets recognised in profit or loss	30,000	57,000	–
Finance income and costs	(34,650)	58,525	(68,696)
Interest income	(17,832)	(5,823)	(15,540)
Operating (loss)/profit before working capital changes	(104,021)	864,212	1,876,933
(Increase)/decrease in inventories	(314,387)	136,882	(690,763)
Increase in trade and other receivables	(690,683)	(491,804)	(1,021,240)
(Decrease)/increase in other payables	(28,162)	686,357	525,752
Cash flow from operations	(1,137,253)	1,195,647	690,682
Interest received	17,832	5,823	15,540
Income tax (paid)/repayment	(176,696)	68,422	(190,000)
Net cash flow from (used in) operating activities	(1,296,117)	1,269,892	516,222
Cash flow from investing activities			
Purchase of plant and equipment	(32,506)	(82,122)	(205,341)
Sale of plant and equipment	–	–	2,545
Sale of investments	784,486	–	–
Net cash flow from (used in) investing activities	751,980	(82,122)	(202,796)
Cash flow used in financing activities			
Dividends paid	(134,000)	–	(201,000)
Net cash flow used in financing activities	(134,000)	–	(201,000)
Net (decrease)/increase in cash and cash equivalents	(678,137)	1,187,770	112,426
Cash and cash equivalents at beginning of the financial year	1,859,417	1,181,280	2,369,050
Cash and cash equivalents at end of the financial year	1,181,280	2,369,050	2,481,476

NOTES TO THE FINANCIAL INFORMATION

1. General information

The Operating Subsidiary is a private company limited by shares and incorporated under the UK Companies Act. The Operating Subsidiary 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 activities included in the financial information for each of the three financial years ended 31 August 2012 is the specialised area of design and manufacture of test equipment for vehicle suspension, steering, noise and vibration. The Operating Subsidiary also offers a range of services which include analysis, design, prototype manufacture, testing and development.

Basis of preparation

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”).

The financial information present the results of the Operating Subsidiary for the three years ended 31 August 2012.

The financial information is measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The financial information of the Operating Subsidiary is presented in pounds sterling (“currency”), which is the presentation currency for the financial information.

Standards, amendments and interpretations to published standards not yet effective

The Operating Subsidiary has not applied the new IFRSs that have been issued but are not yet effective. The transfer to these new or revised standards and interpretation is not expected to have a material impact on the financial statements. At the date of this report, the following standards and interpretations were in issue but not yet effective:

- IAS 1 (amended) – Presentation of items of other comprehensive income
- IAS 12 (amended) Deferred tax: Recovery of Underlying Assets
- IAS 19 (amended) – Employee benefits
- IAS 27 Separate financial statements
- IAS 28 Investments in associates and joint ventures
- IAS 32 (amended) – Offsetting of financial assets and financial liabilities
- IFRIC 20 Stripping costs in the production phase of a surface mine
- IFRS 1 (amended) – Government loans
- IFRS 7 (amended) Financial Instruments Disclosures
- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of Interests in other entities
- IFRS 13 Fair value measurement

At the date of this report the following standards and interpretations had been issued by the IASB but not yet EU approved.

- IFRS 9 Financial instruments
- IFRS 10, 11 and 12 (amended) – Transition guidance
- IFRS 10, 12 and 27 (amended) – Investment entities

2. Summary of significant accounting policies

(a) Critical accounting estimates and judgments

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 Operating Subsidiary recognises revenue and costs by reference to the stage of completion of the contract activity at the statement of financial position, measured based on the proportion of contract costs incurred for work performed to date relative 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.

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

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

The Operating Subsidiary'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.

Estimation of useful life

The charge in respect of periodic amortisation and depreciation is derived after determining an estimate of an asset's expected useful life. The useful lives of the Operating Subsidiary's assets are determined by management at the time the asset is acquired and are reviewed continually for appropriateness.

(b) Work in progress

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and contract costs are recognised when incurred. When the outcome of a contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenue and expenses. The Operating Subsidiary uses the percentage of completion/technical milestone 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.

In determining costs incurred up to the year end, any costs relating to future activity on a contract are excluded and are shown as contract work in progress. 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 due from the customers on contracts, under receivables and prepayments. Where the progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on contracts, under trade and other payables.

(c) ***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.

(d) ***Intangible assets***

Research and development expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

- (i) its ability to measure reliably the expenditure attributable to the asset under development;
- (ii) the product or process is technically and commercially feasible;
- (iii) its future economic benefits are probable;
- (iv) its ability to use or sell the developed asset; and
- (iv) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over a period of 5 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

Whereas the research cost of amounts expensed is separately identified by the Operating Subsidiary and disclosed in Note 14, development expenditure is integral to the manufacturing process and not separately identified.

(e) ***Financial instruments***

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

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

Financial instruments are offset when the Operating Subsidiary 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 periods, there were no financial assets classified under this category.

- Held-to-maturity investments

As at the end of the reporting periods, 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 periods, 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.

(f) ***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:

Test equipment	10–20% straight line
Fixtures and fittings	10% straight line
Motor vehicles	25% reducing balance
Plant and machinery	10% straight line
Other – general equipment	10–25% 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.

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 Operating Subsidiary 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 Operating Subsidiary 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.

Construction in progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Construction in progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

Construction in progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the acquisition of the assets to the date that the assets are completed and put into use.

(g) **Impairment**

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.

(h) **Income taxes**

Income tax for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

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

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

(i) ***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.

(j) ***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 Operating Subsidiary.

(ii) *Defined contribution plans*

The Operating Subsidiary'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 Operating Subsidiary has no further liability in respect of the defined contribution plans.

(iii) *Defined benefit plans*

The Operating Subsidiary operated a defined benefits pension scheme. On 23 November 2010 a Deed of Termination was signed by the Trustees of the pension scheme to wind up the assets of the scheme and all members were transferred out.

In accordance with accounting standards, the Operating Subsidiary has adopted the requirements of IAS19 (Employee Benefits) in respect of its defined benefit pension scheme.

This adoption resulted in the assets and liabilities of these arrangements being included in the Operating Subsidiary's balance sheet. Current service costs, curtailment and settlement gains and losses, and net financial returns are included in profit or loss in the period to which they relate. Actuarial gains and losses are recognised as other comprehensive income.

The Operating Subsidiary now operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Operating Subsidiary to the fund in respect of each year.

(k) ***Provisions, contingent liabilities and contingent assets***

Provisions are recognised when the Operating Subsidiary 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 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 Operating Subsidiary. 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.

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 Operating Subsidiary. Contingent assets are not recognised by the Operating Subsidiary but are disclosed where inflows of economic benefits are probable, but not virtually certain.

(l) ***Related parties***

A party is related to an entity if:

- (i) directly, or indirectly through one or more intermediaries, the party:
 - controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the entity that gives it significant influence over the entity; or
 - has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(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. 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 accrual basis based on the effective yield on the investment.

(n) Operating segments

An operating segment is a component of the Operating Subsidiary that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Operating Subsidiary's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Operating Subsidiary operates as a single operating segment.

3. Analysis of revenue by geographical area and major customers

The Operating Subsidiary operated from one location in the years under review and management information is provided to the chief operating decision maker as a whole. As a result, the Operating Subsidiary is a single operating segment.

Material revenues attributable to individual foreign countries are as follows:

	2010 £	2011 £	2012 £
United Kingdom	225,877	375,325	690,907
Rest of the European Union	1,112,228	1,173,490	2,802,019
North America	310,827	567,468	788,587
Asia	939,783	3,858,433	4,392,373
Rest of the World	65,863	526,510	236,953
	<u>2,654,578</u>	<u>6,501,226</u>	<u>8,910,839</u>

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

	2010 £	2011 £	2012 £
Customer A	533,473	816,481	–
Customer B	–	–	1,035,906
Customer C	–	–	963,199
Customer D	–	–	917,702
Customer E	362,130	–	–
Other customers	1,758,975	5,684,745	5,994,032
	<u>2,654,578</u>	<u>6,501,226</u>	<u>8,910,839</u>

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

Revenues are derived from the following:

Revenue from sale of goods	1,758,663	4,169,323	5,393,268
Revenue from contract customers	895,915	2,331,903	3,517,571
	<u>2,654,578</u>	<u>6,501,226</u>	<u>8,910,839</u>

4. Finance income and (costs)

	2010 £	2011 £	2012 £
Interest received	17,832	5,823	15,540
Fair value gains (losses) on financial instruments:			
–Foreign currency forward contracts	34,650	(58,525)	68,696
Other finance costs	(5,000)	–	–
	<u>47,482</u>	<u>(52,702)</u>	<u>84,236</u>

5. Property, plant and equipment

	<i>Test equipment</i> £	<i>Fixtures and fittings</i> £	<i>Motor vehicles</i> £	<i>Plant and machinery</i> £	<i>Other</i> £	<i>Total</i> £
Cost						
At 1 September 2009	495,217	469,765	25,253	188,701	542,424	1,721,360
Additions	1,678	27,636	–	960	2,232	32,506
Disposals	(805)	(52,591)	–	–	–	(53,396)
At 31 August 2010	496,090	444,810	25,253	189,661	544,656	1,700,470
Additions	53,821	17,303	–	–	10,998	82,122
At 31 August 2011	549,911	462,113	25,253	189,661	555,654	1,782,592
Additions	20,011	75,606	34,112	29,048	46,564	205,341
Disposals	(10,045)	(98,204)	(13,760)	–	–	(122,009)
At 31 August 2012	559,877	439,515	45,605	218,709	602,218	1,865,924
Accumulated Depreciation						
At 1 September 2009	393,428	368,223	15,212	82,575	526,111	1,385,549
Charge for the year	15,955	27,188	2,511	16,018	7,531	69,203
Disposals	(805)	(52,591)	–	–	–	(53,396)
At 31 August 2010	408,578	342,820	17,723	98,593	533,642	1,401,356
Charge for the year	23,633	29,971	1,883	15,146	6,795	77,428
At 31 August 2011	432,211	372,791	19,606	113,739	540,437	1,478,784
Charge for the year	18,947	30,303	7,456	15,994	5,745	78,445
Disposals	(10,045)	(98,204)	(11,894)	–	–	(120,143)
At 31 August 2012	441,113	304,890	15,168	129,733	546,182	1,437,086
Net Book Value						
At 31 August 2010	87,512	101,990	7,530	91,068	11,014	299,114
At 31 August 2011	117,700	89,322	5,647	75,922	15,217	303,808
At 31 August 2012	118,764	134,625	30,437	88,976	56,036	428,838

6. Inventories

	2010 £	2011 £	2012 £
Work in progress	188,767	148,072	618,748
Raw materials	732,457	636,270	856,357
	<u>921,224</u>	<u>784,342</u>	<u>1,475,105</u>

The value of inventories (being materials used and consumables) recognised as an expense was:

	2010 £	2011 £	2012 £
	<u>395,477</u>	<u>2,137,216</u>	<u>2,154,391</u>

No inventory has been written down and recognised as an expense.

7. Trade receivables

	2010 £	2011 £	2012 £
Trade receivables	<u>301,134</u>	<u>548,692</u>	<u>1,353,301</u>

No provision has been made in respect of irrecoverable receivables.

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

8. Other receivables and prepayments

	2010 £	2011 £	2012 £
Other receivables	110,758	103,995	143,681
Prepayments	–	59,038	40,691
	<u>110,758</u>	<u>163,033</u>	<u>184,372</u>

9. Amount owing by contract customers

	2010 £	2011 £	2012 £
Cost incurred to date	387,620	989,727	4,363,517
Attributable profits	212,107	323,916	1,655,636
	<u>599,727</u>	<u>1,313,643</u>	<u>6,019,153</u>
Progress billings	–	581,133	5,148,195
	<u>599,727</u>	<u>732,510</u>	<u>870,958</u>

	2010 £	2011 £	2012 £
Represented by:			
Amounts received in advance	–	(59,188)	(119,032)
Amount owing by contract customers	<u>599,727</u>	<u>791,698</u>	<u>986,990</u>
	<u>599,727</u>	<u>732,510</u>	<u>870,958</u>
Amount of contract revenue recognised as revenue to date in respect of incomplete contracts	<u>599,727</u>	<u>1,313,643</u>	<u>6,019,153</u>

No retentions were held by customers for contract work.

10. Share capital

The allotted, called up and full paid share capital is as follows:

	2010	2011	2012	2010	2011	2012
		Number of Shares		£	£	£
Ordinary shares of £1 each:	134,000	134,000	134,000	134,000	134,000	134,000

11. Deferred tax liabilities

	2010	2011	2012
	£	£	£
At 1 September	86,603	63,329	50,092
Recognised in profit or loss	(13,734)	(13,237)	21,044
Recognised in total comprehensive income	(9,540)	–	–
At 31 August	<u>63,329</u>	<u>50,092</u>	<u>71,136</u>

The deferred tax liabilities are attributable to.

	2010	2011	2012
	£	£	£
Accelerated tax depreciation	37,669	56,292	60,386
Retirement benefit scheme surplus	15,960	–	–
Derivative financial instruments	9,700	(6,200)	10,750
	<u>63,329</u>	<u>50,092</u>	<u>71,136</u>

12. Trade and other payables and accruals

	2010	2011	2012
	£	£	£
Trade payables	256,783	399,227	625,078
Payments in advance	171,051	376,386	420,486
Social security and other taxes	40,996	42,387	50,342
Other payables and accruals	90,282	427,469	675,315
	<u>559,112</u>	<u>1,245,469</u>	<u>1,771,221</u>

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

13. Derivative financial instruments

Derivative financial instrument balances comprise:

	2010	2011	2012
	£	£	£
Forward foreign exchange contracts	34,650	(23,875)	44,821
	<u>34,650</u>	<u>(23,875)</u>	<u>44,821</u>

Further analysis of financial instruments is given in Note 19.

14. (Loss)/profit before taxation

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

	2010	2011	2012
	£	£	£
Auditors remuneration – audit fees	11,250	11,500	15,000
Auditors remuneration – non-audit fees	8,515	–	19,531
Depreciation	69,203	77,428	78,445
Profit on sale of investments	(22,085)	–	–
Profit on sale of assets	–	–	(679)
Loss/(gain) on foreign exchange:			
– realised	(4,728)	29,199	(41,056)
Staff costs:			
– salaries, allowances and bonuses	1,314,390	1,489,709	1,915,262
Social security costs	160,191	146,548	190,988
Defined contribution pension scheme costs	90,084	80,857	85,355
Defined benefit pension scheme costs	10,000	48,000	–
Rental of property	38,000	38,000	38,000
Research costs	97,149	17,882	99,151

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

	2010	2011	2012
	£	£	£
Short term employee benefits	253,386	295,254	397,468
Post employment benefits	9,150	9,150	9,700
Social security costs	32,572	29,940	38,404
	<u>295,108</u>	<u>334,344</u>	<u>445,572</u>

15. Income tax expense

	2010	2011	2012
	£	£	£
Current tax expense:			
– for the financial year	(68,000)	190,000	430,000
– overprovision in the previous financial year	(304)	(422)	–
	<u>(68,304)</u>	<u>189,578</u>	<u>430,000</u>
Deferred tax liabilities: (Note 11):			
– origination and reversal of temporary differences	(13,734)	(13,237)	21,044
	<u>(82,038)</u>	<u>176,341</u>	<u>451,044</u>

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

	2010 £	2011 £	2012 £
Profit before taxation	<u>(128,657)</u>	<u>677,082</u>	<u>1,883,403</u>
Tax at the applicable statutory tax rate of 25.17% (2011 – 27.16%, 2010 – 29.75%)	(38,275)	183,895	474,053
Tax effects of:			
Non-deductible expenses	6,096	13,461	9,630
Tax exempt income on sale of investments	(6,570)	–	–
Capital allowance in excess of depreciation	2,733	(7,226)	(8,836)
Adjustment in research and development tax credit	(21,676)	(3,644)	(27,556)
Over provision in the previous financial year:			
– current tax	(304)	(422)	–
Non-taxable foreign currency forward contracts	(10,308)	15,895	(17,291)
Other differences including change in rate of deferred tax provision	<u>(13,734)</u>	<u>(25,618)</u>	<u>21,044</u>
Income tax expenses for the financial year	<u>(82,038)</u>	<u>176,341</u>	<u>451,044</u>

16. Dividends

	2010 £	2011 £	2012 £
Final dividends paid	<u>134,000</u>	<u>–</u>	<u>201,000</u>

17. Cash and cash equivalents

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

	2010 £	2011 £	2012 £
Cash and bank balances	<u>1,181,280</u>	<u>2,369,050</u>	<u>2,481,476</u>

18. Related party disclosures

Mr. A Best, a director of the Operating Subsidiary, is a trustee and beneficiary of the Best Middleton Trust. Rental payments of £38,000 (2011 – £38,000, 2010 – £38,000) were made in the year ended 31 August 2012. No amounts were due to or from the trust at any year end.

19. Financial instruments

The Operating Subsidiary'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 the unpredictability of financial markets and seeks to minimise potential adverse effects on the Operating Subsidiary's financial performance.

(a) **Financial risk management policies**

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

(i) *Market risk*

Foreign currency risk

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

The Operating Subsidiary's exposure to foreign currency is as follows:

	<i>Great Britain Pound £</i>	<i>Euro £</i>	<i>United States Dollar £</i>	<i>Japan Yen £</i>	<i>Total £</i>
2012					
Financial assets					
Trade receivables	976,434	148,928	227,939	–	1,353,301
Contract customers receivables	224,048	74,536	688,406	–	986,990
Other receivables	143,681	–	–	–	143,681
Cash and bank balances	2,185,695	27,748	261,278	6,755	2,481,476
	<u>3,529,858</u>	<u>251,212</u>	<u>1,177,623</u>	<u>6,755</u>	<u>4,965,448</u>
Financial liabilities					
Trade payables	599,042	218	25,818	–	625,078
Other payables and accruals	474,647	308	5,499	–	480,454
Contract customers payments on account	230,975	39,142	150,369	–	420,486
	<u>1,304,664</u>	<u>39,668</u>	<u>181,686</u>	<u>–</u>	<u>1,526,018</u>
Net financial assets					3,439,430
Less: Net financial assets denominated in the functional currency					<u>2,225,194</u>
Currency exposure					<u><u>1,214,236</u></u>

Although there is no formal hedge the Operating Subsidiary seeks to offset foreign currency risk exposure by way of forward exchange contracts to sell US dollars and Euro. At 31 August 2012 the Operating Subsidiary had sold forward \$2,600,000 and €300,000. A 10 per cent. strengthening/weakening of the foreign exchange rate as at the end of the reporting period would have had an impact of £176,700/(£110,344) on profit after taxation and equity. This assumes that all other variables remain constant.

	<i>Great Britain Pound £</i>	<i>Euro £</i>	<i>United States Dollar £</i>	<i>Yen £</i>	<i>Total £</i>
2011					
Financial assets					
Trade receivables	359,747	160,193	28,752	–	548,692
Contract customers receivables	141,064	650,634	–	–	791,698
Other receivables	103,995	–	–	–	103,995
Cash and bank balances	1,849,881	229,522	289,612	35	2,369,050
	<u>2,454,687</u>	<u>1,040,349</u>	<u>318,364</u>	<u>35</u>	<u>3,813,435</u>
Financial liabilities					
Trade payables	323,927	2,004	73,296	–	399,227
Other payables and Accruals	405,371	5,626	16,472	–	427,469
Contract customers payments on account	218,717	7,664	150,005	–	376,386
	<u>948,015</u>	<u>15,294</u>	<u>239,773</u>	<u>–</u>	<u>1,203,082</u>
Net financial assets					2,610,353
Less: Net financial assets denominated in the functional currency					<u>1,506,672</u>
Currency exposure					<u>1,103,681</u>

Although there is no formal hedge the Operating Subsidiary seeks to offset foreign currency risk exposure by way of forward exchange contracts to sell US dollars and Euro. At 31 August 2011 the Operating Subsidiary had sold forward €1,600,000.

A 10 per cent. strengthening/weakening of the foreign exchange rate as at the end of the reporting period would have had an impact of £86,443/(£147,108) on profit after taxation and equity. This assumes that all other variables remain constant.

	<i>Great Britain Pound £</i>	<i>Euro £</i>	<i>United States Dollar £</i>	<i>Yen £</i>	<i>Total £</i>
2010					
Financial assets					
Trade receivables	273,562	14,648	12,924	–	301,134
Contract customers receivables	–	66,254	533,473	–	599,727
Other receivables	110,758	–	–	–	110,758
Cash and bank balances	1,063,517	98,962	18,768	33	1,181,280
	<u>1,447,837</u>	<u>179,864</u>	<u>565,165</u>	<u>33</u>	<u>2,192,899</u>
Financial liabilities					
Trade payables	255,019	1,764	–	–	256,783
Other payables and Accruals	79,379	1,104	9,799	–	90,282
Contract customers payments on account	149,251	12,426	9,374	–	171,051
	<u>483,649</u>	<u>15,294</u>	<u>19,173</u>	<u>–</u>	<u>518,116</u>
Net financial assets					1,674,783
Less: Net financial assets denominated in the functional currency					<u>964,188</u>
Currency exposure					<u><u>710,595</u></u>

Although there is no formal hedge the Operating Subsidiary seeks to offset foreign currency risk exposure by way of forward exchange contracts to sell US dollars and Euro. At 31 August 2010 the Operating Subsidiary had sold forward \$2,000,000 and €800,000.

A 10 per cent. strengthening/weakening of the foreign exchange rate as at the end of the reporting period would have had an impact of £235,678/(£130,402) on profit after taxation and equity. This assumes that all other variables remain constant.

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 Operating Subsidiary's exposure to interest rate risk arises mainly from interest-bearing financial assets being interest bearing bank deposits. The Operating Subsidiary's policy is to obtain the most favourable interest rates available. Any surplus funds are placed with licensed financial institutions to generate interest income.

Interest rate risk sensitivity analysis

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

Equity price risk

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

(ii) *Credit risk*

The Operating Subsidiary's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Operating Subsidiary 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 Operating Subsidiary seeks to minimise credit risk by dealing exclusively with high credit rating counterparties.

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

Credit risk concentration profile

The Operating Subsidiary's major concentration of credit risk at 31 August 2012 relates to the amounts owing by three customers which constituted approximately 29 per cent. of its trade receivables as at the end of the reporting period.

Exposure to credit risk

As the Operating Subsidiary 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:

	<i>2010</i> £	<i>2011</i> £	<i>2012</i> £
United States	12,924	28,752	227,939
United Kingdom	273,562	359,747	976,434
Europe	14,648	160,193	148,928
	<u>301,134</u>	<u>548,692</u>	<u>1,353,301</u>

Ageing analysis

The ageing analysis of the Operating Subsidiary's trade receivables as at each of the three years ended 31 August 2012 is as follows:

	<i>Gross amount</i> £	<i>Individual impairment</i> £	<i>Carrying value</i> £
2012			
Not past due	778,947	–	778,947
Past due:			
– less than 3 months	556,230	–	556,230
– 3 to 6 months	18,124	–	18,124
	<u>1,353,301</u>	<u>–</u>	<u>1,353,301</u>
2011			
Not past due	363,451	–	363,451
Past due:			
– less than 3 months	148,649	–	148,649
– 3 to 6 months	36,592	–	36,592
	<u>548,692</u>	<u>–</u>	<u>548,692</u>

	<i>Gross amount</i> £	<i>Individual impairment</i> £	<i>Carrying value</i> £
2010			
Not past due	189,376	–	189,376
Past due:			
– less than 3 months	98,332	–	98,332
– 3 to 6 months	13,426	–	13,426
	<u>301,134</u>	<u>–</u>	<u>301,134</u>

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

Trade receivables that are past due but not impaired

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

(iii) *Liquidity risk*

Liquidity risk is the risk that the Operating Subsidiary 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 Operating Subsidiary 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 Operating Subsidiary. The Operating Subsidiary's objectives when managing capital are to safeguard the Operating Subsidiary'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 Operating Subsidiary may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Operating Subsidiary 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 2012, the Operating Subsidiary's cash resources exceed its total debt. The Operating Subsidiary hence has no net debt.

(c) **Classification of financial instruments**

Apart from derivative financial instruments held for hedging purposes, all financial instruments are categorised as receivables and loans.

	2010 £	2011 £	2012 £
Financial assets			
Trade receivables	301,134	548,692	1,353,301
Contract customers receivables	599,727	791,698	986,990
Other receivables	110,758	103,995	143,681
Derivative financial instruments	34,650	–	44,821
Cash and bank balances	1,181,280	2,369,050	2,481,476
	<u>2,227,549</u>	<u>3,813,435</u>	<u>5,010,269</u>
Financial liabilities			
Trade and other payables and accruals	347,065	826,696	1,105,532
Derivative financial instruments	–	23,875	–
Contract customers payments on account	171,051	376,386	420,486
	<u>518,116</u>	<u>1,226,957</u>	<u>1,526,018</u>

(d) **Fair value hierarchy**

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

- Level 1: Fair value measurements derive from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements derive from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Fair value measurements derive from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The only financial instruments carried at fair values were derivative financial instruments falling within Level 2.

20. Retirement benefit scheme asset

On 1 September 1988 the Operating Subsidiary introduced a funded defined benefit pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the company, being invested with insurance companies. On 23 November 2010, a Deed of Termination was signed by the Trustees of the pension scheme to wind up the assets of the scheme and all members were transferred out.

The Operating Subsidiary has no further liabilities relating to the scheme as it was wound up in the year ending 31 August 2011. The pension cost and provision for the year ending 31 August 2010 are based on the advice of a professionally qualified actuary. The most recent valuation is dated 31 August 2010, the results of this valuation being shown below.

The main assumptions used by the actuaries in their valuations are as follows:

Discount rate	4.8% pa
Price inflation	3.0% pa
Increases to pensionable pay	n/a
Limited price indexation pension increases	3.0% pa
Pre-retirement increases for deferred pensions – Excess over the GMP	n/a
Post retirement mortality rate	SIPXA

GMP stands for Guaranteed Minimum Pension.

Value of scheme assets and liabilities at 31 August 2010

	£
Fair value of assets	280,000
Present value of scheme liabilities	(223,000)
Surplus in the scheme	<u>57,000</u>

It was assumed in 2010 that the investment returns would be 2 per cent. per annum for cash being the only asset class held.

Movements in surplus during the period

	2010 £	2011 £	2012 £
Surplus at beginning of year	113,000	57,000	–
Contributions	–	3,000	–
Loss on settlement	(12,000)	(48,000)	–
Other finance expenses	(5,000)	–	–
Actuarial loss	(26,000)	–	–
Costs of operating scheme	(13,000)	(12,000)	–
Net pension asset	<u>57,000</u>	<u>–</u>	<u>–</u>

21. Lease commitments

The Operating Subsidiary had total commitment at the end of each financial year in respect of non-cancellable operating leases of:

	2010 £	2011 £	2012 £
Property leases			
Payable within one year	38,000	38,000	34,833
Payable within 2-5 years	72,833	34,833	–
	<u>110,833</u>	<u>72,833</u>	<u>34,833</u>

22. Ultimate controlling party

Mr A Best, the managing director, is the ultimate controlling party by virtue of his controlling interest in the Operating Subsidiary's equity share capital.

23. Pro forma earnings/(loss) per share

This financial information represents the historical information prior to group reconstruction on 8 May 2013 whereby the Company became the new parent company of the Operating Subsidiary. It is of limited significance to calculate earnings per share based on the historical equity of the Operating Subsidiary.

Accordingly, a pro forma earnings per share has been included based on the relevant number of shares in the Company following the acquisition but prior to the issue of shares by the Company to raise new funds. The calculation of earnings per share is based on the following earnings and number of shares.

	<i>2010</i> £	<i>2011</i> £	<i>2012</i> £
(Loss)/profit after tax attributable to owners of the Operating Subsidiary	(46,619)	500,741	1,432,359
Weighted average number of shares:			
Basic	13,400,000	13,400,000	13,400,000
Diluted	13,400,000	13,400,000	13,400,000
(Loss)/earnings per share:			
Basic	(0.35) pence	3.74 pence	10.69 pence
Diluted	(0.35) pence	3.74 pence	10.69 pence

24. Nature of financial information

The financial information presented above does not constitute the statutory financial statements of the Operating Subsidiary for each of the three years ended 31 August 2012.

25. Subsequent events

On 19 April 2013 the Operating Subsidiary paid an interim dividend of £100,500 to its shareholders.

On 8 May 2013 the entire issued share capital of the Operating Subsidiary was acquired by the Company pursuant to the Share Exchange Agreement.

PART III (C)

ACCOUNTANTS' REPORT ON THE UNAUDITED INTERIM HISTORICAL FINANCIAL INFORMATION ON THE OPERATING SUBSIDIARY



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16 May 2013

Private and Confidential

The Directors
AB Dynamics plc
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Wiltshire BA15 1AJ

The Members
Cairn Financial Advisers LLP
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London EC2V 6AX

Dear Sirs

Introduction

We have been engaged by AB Dynamics Plc (the "Company") to review the condensed set of financial statements of Anthony Best Dynamics Limited (the "Operating Subsidiary") for the six month period ended 28 February 2013 which comprises the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes.

This report is made solely to the Company, as a body, in accordance with our instructions. Our review has been undertaken so that we might state to the Company those matters we are required to state to them in a review 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, for our work, for this report, or for the opinions we have reached.

Directors' Responsibilities

The financial report is the responsibility of, and has been approved by, the directors of the Company. The directors are responsible for preparing the financial report.

As disclosed in Note 1, the accountants' report on the condensed set of financial statements of the Operating Subsidiary is prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Operating Subsidiary's financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the financial report of the Operating Subsidiary for the six month period ended 28 February 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Yours faithfully

Crowe Clark Whitehill LLP

STATEMENT OF COMPREHENSIVE INCOME

		<i>Unaudited</i> 6 months ended 28 February 2013 £	<i>Unaudited</i> 6 months ended 29 February 2012 £	<i>Audited</i> Year ended 31 August 2012 £
Revenue		5,873,883	4,302,833	8,910,839
Cost of sales		<u>(4,147,700)</u>	<u>(3,106,487)</u>	<u>(6,445,056)</u>
Gross profit		1,726,183	1,196,346	2,465,783
Administrative expenses		<u>(586,603)</u>	<u>(350,681)</u>	<u>(666,616)</u>
Operating profit		1,139,580	845,665	1,799,167
Net finance income and (costs)		<u>(71,469)</u>	<u>55,692</u>	<u>84,236</u>
Profit before taxation		1,068,111	901,357	1,883,403
Income tax expense	4	<u>(244,452)</u>	<u>(231,492)</u>	<u>(451,044)</u>
Profit after taxation and total comprehensive income for the period		<u>823,659</u>	<u>669,865</u>	<u>1,432,359</u>
EARNINGS PER SHARE				
Pro forma earnings per share-Basic	2	6.15 pence	5.00 pence	10.69 pence
Pro forma earnings per share-Diluted	2	6.15 pence	5.00 pence	10.69 pence

STATEMENT OF FINANCIAL POSITION

	<i>Unaudited 6 months ended 28 February 2013 £</i>	<i>Unaudited 6 months ended 29 February 2012 £</i>	<i>Audited Year ended 31 August 2012 £</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	534,686	326,021	428,838
CURRENT ASSETS			
Inventories	1,423,450	865,128	1,475,105
Trade receivables	1,000,614	706,850	1,353,301
Other receivables, deposits and prepayments	289,543	170,268	184,372
Amount owing by contract customers	1,616,979	167,918	986,990
Derivative financial instruments	—	26,729	44,821
Cash and cash equivalents	3,044,632	3,677,262	2,481,476
	<u>7,375,218</u>	<u>5,614,155</u>	<u>6,526,065</u>
TOTAL ASSETS	<u><u>7,909,904</u></u>	<u><u>5,940,176</u></u>	<u><u>6,954,903</u></u>
EQUITY AND LIABILITIES			
Called up share capital	134,000	134,000	134,000
Share premium account	43,000	43,000	43,000
Capital redemption reserve	62,500	62,500	62,500
Retained earnings	5,132,705	3,747,552	4,443,046
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY AND TOTAL EQUITY	<u>5,372,205</u>	<u>3,987,052</u>	<u>4,682,546</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	36,219	55,785	71,136
CURRENT LIABILITIES			
Trade and other payables	1,759,375	1,481,539	1,771,221
Derivative financial instrument	32,736	—	—
Provision for taxation	709,369	415,800	430,000
	<u>2,501,480</u>	<u>1,897,339</u>	<u>2,201,221</u>
TOTAL LIABILITIES	<u>2,537,699</u>	<u>1,953,124</u>	<u>2,272,357</u>
TOTAL EQUITY AND LIABILITIES	<u><u>7,909,904</u></u>	<u><u>5,940,176</u></u>	<u><u>6,954,903</u></u>

STATEMENT OF CHANGES IN EQUITY

	<i>Share capital £</i>	<i>Share premium £</i>	<i>Capital redemption reserve £</i>	<i>Retained profits £</i>	<i>Total equity £</i>
At 31 August 2012	134,000	43,000	62,500	4,443,046	4,682,546
Profit after taxation and total comprehensive income for the financial period	—	—	—	823,659	823,659
Dividends paid	—	—	—	(134,000)	(134,000)
At 28 February 2013	<u>134,000</u>	<u>43,000</u>	<u>62,500</u>	<u>5,132,705</u>	<u>5,372,205</u>
At 31 August 2011	134,000	43,000	62,500	3,211,687	3,451,187
Profit after taxation and total comprehensive income for the financial period	—	—	—	669,865	669,865
Dividends paid	—	—	—	(134,000)	(134,000)
At 29 February 2012	<u>134,000</u>	<u>43,000</u>	<u>62,500</u>	<u>3,747,552</u>	<u>3,987,052</u>
At 31 August 2011	134,000	43,000	62,500	3,211,687	3,451,187
Profit after taxation and total comprehensive income for the financial year	—	—	—	1,432,359	1,432,359
Dividends paid	—	—	—	(201,000)	(201,000)
At 31 August 2012	<u>134,000</u>	<u>43,000</u>	<u>62,500</u>	<u>4,443,046</u>	<u>4,682,546</u>

STATEMENT OF CASH FLOWS

	<i>Unaudited 6 months ended 28 February 2013 £</i>	<i>Unaudited 6 months ended 29 February 2012 £</i>	<i>Audited Year ended 31 August 2012 £</i>
Cash flow from operating activities			
Profit before taxation	1,068,111	901,357	1,883,403
Adjustments for:			
Depreciation of property, plant and equipment	44,142	37,092	78,445
Loss (profit) on sale of property, plant and equipment	2,846	(223)	(679)
Finance income and costs	77,557	(50,604)	(68,696)
Interest income	(6,088)	(5,088)	(15,540)
Operating cash flows, before working capital changes	1,186,568	882,534	1,876,933
Decrease/(increase) in inventories	51,655	(80,786)	(690,763)
(Increase)/decrease in trade and other receivables	(382,473)	458,387	(1,021,240)
(Decrease)/increase in other payables	(11,846)	236,070	525,752
Cash flow from operations	843,904	1,496,205	690,682
Interest received	6,088	5,088	15,540
Income tax paid	—	—	(190,000)
Net cash flow from operating activities	849,992	1,501,293	516,222
Cash flow used in investing activities			
Purchase of property, plant and equipment	(152,836)	(60,375)	(205,341)
Sale of property, plant and equipment	—	1,294	2,545
Net cash flow used in investing activities	(152,836)	(59,081)	(202,796)
Cash flow used in financing activities			
Dividends paid	(134,000)	(134,000)	(201,000)
Net cash used in financing activities	(134,000)	(134,000)	(201,000)
Net increase in cash and cash equivalents	563,156	1,308,212	112,426
Cash and cash equivalents at beginning of period	2,481,476	2,369,050	2,369,050
Cash and cash equivalents at end of period	3,044,632	3,677,262	2,481,476

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

The Operating Subsidiary is a private company limited by shares and incorporated under the Companies Act. The Operating Subsidiary is domiciled in England and Wales and the registered office and principal place of business is Holt Road, Bradford on Avon, Wiltshire BA15 1AJ.

The condensed unaudited interim financial statements of the Operating Subsidiary for the six months ended 28 February 2013 has otherwise been prepared using the same accounting policies, presentation, method of computation and estimation techniques as are adopted in the financial information of the Group for the year ending 31 August 2012 set out in Part III of this Document and as are expected to be adopted for the year ending 31 August 2013.

The auditors have reported on the statutory accounts for the year ended 31 August 2012. Their report was unqualified and did not contain a statement under section 498 (2), or Section 498 (3). A copy of those financial statements has been filed with the Registrar of Companies. The audited accounts for the year ended 31 August 2012 were, however, prepared in accordance with UK GAAP. The comparative financial information for the year ended 31 August 2012 has been restated in compliance with IFRS.

The condensed un audited consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) as adopted in the EU.

The condensed unaudited consolidated interim financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

2. Pro forma earnings per share

The financial information represents the historical information prior to group reconstruction on 8 May 2013 whereby the Company became the new parent company of the Operating Subsidiary. It is of limited significance to calculate earnings per share on the historical equity of the Company. Accordingly, a pro forma earnings per share has been included based on the relevant number of shares in AB Dynamics plc following the group reorganisation but prior to the issue of shares to raise new funds. The calculation of earnings per share is based on the following earnings and number of shares:

	<i>Unaudited 6 months ended 28 February 2013 £</i>	<i>Unaudited 6 months ended 29 February 2012 £</i>	<i>Audited Year ended 31 August 2012 £</i>
Profit after tax attributable to owners of the Operating Subsidiary	823,659	669,865	1,432,359
<i>Weighted average number of shares</i>			
Basic	13,400,000	13,400,000	13,400,000
Diluted	13,400,000	13,400,000	13,400,000
<i>Earnings per share</i>			
Basic	6.15 pence	5.00 pence	10.69 pence
Diluted	6.15 pence	5.00 pence	10.69 pence

3. Analysis of revenue by geographical area and major customers

Material revenues attributable to individual foreign countries are as follows:

	<i>Unaudited</i> <i>6 months ended</i> <i>28 February</i> <i>2013</i> £	<i>Unaudited</i> <i>6 months ended</i> <i>29 February</i> <i>2012</i> £	<i>Audited</i> <i>Year ended</i> <i>31 August</i> <i>2012</i> £
United Kingdom	1,137,804	110,010	690,907
Rest of the European Union	1,575,020	1,475,091	2,802,019
North America	672,630	463,736	788,587
Asia	2,476,107	2,122,017	4,392,373
Rest of the World	12,322	131,979	236,953
	<u>5,873,883</u>	<u>4,302,833</u>	<u>8,910,839</u>

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

	<i>Unaudited</i> <i>6 months ended</i> <i>28 February</i> <i>2013</i> £	<i>Unaudited</i> <i>6 months ended</i> <i>29 February</i> <i>2012</i> £	<i>Audited</i> <i>Year ended</i> <i>31 August</i> <i>2012</i> £
Customer A	—	—	1,035,906
Customer B	—	642,930	963,199
Customer C	—	658,368	917,702
Customer D	—	499,970	—
Customer E	—	468,696	—
Customer F	1,052,035	—	—
Other customers	<u>4,821,848</u>	<u>2,052,869</u>	<u>5,994,032</u>
	<u>5,873,883</u>	<u>4,302,833</u>	<u>8,910,839</u>

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

Revenues are derived from the following:

Revenue from sale of goods	3,934,769	2,844,467	5,393,268
Revenue from contract customers	<u>1,939,114</u>	<u>1,458,366</u>	<u>3,517,571</u>
	<u>5,873,883</u>	<u>4,302,833</u>	<u>8,910,839</u>

4. Income Tax expense

The tax charge on profits assessable has been calculated at the rates of tax prevailing, based on existing legislation, interpretation and practices in respect thereof.

5. Share capital

	<i>Unaudited</i> <i>6 months ended</i> <i>28 February</i> <i>2013</i>	<i>Unaudited</i> <i>6 months ended</i> <i>29 February</i> <i>2012</i>	<i>Audited</i> <i>Year ended</i> <i>31 August</i> <i>2012</i>
Authorised, issued and fully paid:			
Ordinary share of £1 each	<u>134,000</u>	<u>134,000</u>	<u>134,000</u>
	<u>134,000</u>	<u>134,000</u>	<u>134,000</u>

6. Subsequent events

On 19 April 2013 the Operating Subsidiary paid an interim dividend of £100,500 to its shareholders.

On 8 May 2013 the entire issued share capital of the Operating Subsidiary was acquired by the Company pursuant to the Share Exchange Agreement.

7. Significant related party transactions

Details of the related party transactions undertaken during the period under review are set out in paragraph 13 of Part V of this Document.

8. Nature of financial information

The financial information does not constitute Statutory Accounts for the period under review.

PART IV

UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET ASSETS OF THE GROUP



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16 May 2013

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

The Members
Cairn Financial Advisers LLP
61 Cheapside
London EC2V 6AX

Dear Sirs

Introduction

We report on the unaudited pro forma financial information of AB Dynamics plc (the “Company”) and its subsidiary, Anthony Best Dynamics Limited (the “Operating Subsidiary”) (together, the “Group”) set out in Part IV of the AIM Admission Document (the “Admission Document”) dated 16 May 2013 (the “Document”). This pro forma financial information has been prepared on the basis of the notes thereto, for illustrative purposes only, to provide information about how the Placing, which took place prior to Admission, might have affected the financial information presented on the basis of the accounting policies adopted by the Group in preparing its financial information for the period ended 28 February 2013 for the Company and the year ended 31 August 2012 for the Operating Subsidiary. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that scheduled and for no other purpose.

Responsibilities

It is the responsibility of the Directors of the Company to prepare the unaudited pro forma financial information. It is our responsibility to form an opinion on the financial information as to the proper compilation of the unaudited pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the unaudited pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information,

consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors of the Company.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with reasonable assurance that the unaudited pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Group.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Group.

Declaration

For the purposes of Paragraph a of Schedule Two of the AIM Rules we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Crowe Clark Whitehill LLP

Set out below is an unaudited pro forma statement of consolidated net assets of the Company, which has been prepared on the basis of the Company's financial information at 28 February 2013 and the financial information of the Operating Subsidiary at 31 August 2012, as adjusted for the Placing proceeds, as set out in the notes below. The unaudited pro forma statement has been prepared for illustrative purposes only and, because of its nature, will not represent the actual consolidated financial position of the Company at the date of Admission.

	<i>Company (Note 1)</i>	<i>Operating Subsidiary (Note 2)</i>	<i>Placing proceeds (Note 3)</i>	<i>Consolidated pro forma net assets</i>
	£	£	£	£
	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Unaudited</i>
<i>Non-current asset</i>				
Property, plant and equipment	—	428,838	—	428,838
	—	428,838	—	428,838
<i>Current assets</i>				
Inventories	—	1,475,105	—	1,475,105
Trade receivables	1	1,353,301	—	1,353,302
Other receivables, deposits and prepayments	—	184,372	—	184,372
Amount owing by contract customers	—	986,990	—	986,990
Derivative financial instruments	—	44,821	—	44,821
Cash and cash equivalents	—	2,481,476	2,017,999	4,499,475
	1	6,526,065	2,017,999	8,544,065
<i>Non-current liabilities</i>				
Deferred tax liabilities	—	71,136	—	71,136
	—	71,136	—	71,136
<i>Current liabilities</i>				
Trade and other payables and accruals	—	1,771,221	—	1,771,221
Provision for taxation	—	430,000	—	430,000
	—	2,201,221	—	2,201,221
<i>Net assets</i>	1	4,682,546	2,017,999	6,700,546

Notes:

1. The audited statement of financial position of the Company as at 28 February 2013 has been extracted, without further adjustments from the Company's financial information set out in Part III (A) of the Admission Document. No account has been taken of the activities of the Company subsequent to 28 February 2013.
2. The audited statement of financial position of the Operating Subsidiary as at 31 August 2012 has been extracted without adjustment from its financial information set out in Part III (B) of the Admission Document. No account has been taken of the activities of the Operating Subsidiary subsequent to 31 August 2012, nor of the interim dividend of £100,500 paid to shareholders on 19 April 2013.
3. The Company raised £2,499,999 (gross) from the Placing. Associated costs of the Placing were approximately £482,000 (excluding VAT). The net proceeds from the Placing received by the Company were approximately £2,017,999.
4. The Directors consider that the substance of the acquisition of the Operating Subsidiary by the Company is effectively a reverse acquisition and that, in order to give a true and fair view, the reverse acquisition accounting method, as permitted by IFRS 3 'Business combinations', will be adopted as the basis for consolidation in the first published accounts of the Company following completion of the acquisition.

PART V

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Company (whose registered office appears on page 6) and the Directors (whose names also appear on page 6) accept responsibility individually and collectively for the information contained in this Document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors, each of whom has taken all reasonable care to ensure that such is the case, the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 Crowe Clark Whitehill LLP accepts responsibility for its reports contained in each of sections A, B and C of Part III and in Part IV of this Document. To be best of the knowledge of Crowe Clark Whitehill LLP, which has taken all reasonable care to ensure that this is the case, the information contained in such reports is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 The business address of each Director and their respective functions are set out on page 6 of this Document.

2. The Company

- 2.1 The Company was incorporated in England and Wales under the UK Companies Act on 7 February 2013 as a private company limited by shares under the name “AB Dynamics 2013 Limited” with registered number 8393914.
- 2.2 On 9 May 2013, the Company was re-registered as a public limited company under the UK Companies Act and, following a name swap with another Group company, its name was changed to AB Dynamics plc. Upon re-registration, the Company adopted the Articles in substitution for its then existing articles of association.
- 2.3 The issued share capital of the Company is £134,000 comprising 13,400,000 Ordinary Shares which are all fully paid. The par value of each Ordinary Share is £0.01. On Admission, the issued share capital of the Company will be £163,069.76 comprising 16,306,976 Ordinary Shares which will be fully paid.
- 2.4 The liability of the Shareholders is limited. The principal legislation under which the Company was formed and now operates is the UK Companies Act.
- 2.5 The registered office and head office of the Company is at Anthony Best Dynamics Limited, Holt Road, Bradford on Avon, Wiltshire, United Kingdom BA15 1AJ and its telephone number is +44 (0) 1225 860 200.
- 2.6 The Company’s web site address is www.abd.uk.com.

3. The Group

- 3.1 The Company is the holding company of the Group.
- 3.2 Anthony Best Dynamics Limited, a company incorporated in England and Wales as a private company limited by shares with registered number 01658222, is the Operating Subsidiary and is a wholly owned subsidiary of the Company.
- 3.3 AB Dynamics 2013 Limited, a dormant company incorporated in England and Wales as a private company limited by shares with registered number 03863323, is a wholly owned subsidiary of the Operating Subsidiary.

- 3.4 At the date of this Document, save for the Company, the Operating Subsidiary and AB Dynamics 2013 Limited, there are no other companies within the Group.
- 3.5 The Group's principal activity is the supply of advanced testing systems to the global automotive industry for research and development and for production quality control.

4. Share capital of the Company

- 4.1 There have been the following changes to the share capital of the Company between the date of incorporation and the date of this Document:

4.1.1 on incorporation one ordinary share of £1.00 was subscribed by and issued to Anthony Best;

4.1.2 on 8 May 2013 the Company issued 133,999 ordinary shares of £1.00 each to the shareholders of the Operating Subsidiary in consideration for the transfer of the entire issued share capital of the Operating Subsidiary to the Company pursuant to the Share Exchange Agreement summarised at paragraph 11.8 of this Part V; and

4.1.3 by a resolution dated 8 May 2013 each of the issued ordinary shares of £1 was subdivided into 100 ordinary shares of £0.01.

- 4.2 The issued ordinary share capital of the Company as at the date of this Document and as it is expected to be immediately following Admission is as follows:

	<i>Prior to Placing and Admission</i>		<i>Immediately following Placing and Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Nominal Value (£)</i>	<i>Number of Ordinary Shares</i>	<i>Nominal Value (£)</i>
<i>Fully paid Ordinary Shares in issue</i>	13,400,000	134,000	16,306,976	163,069.76

- 4.3 Save as disclosed in this Document, the Company has not used more than 10 per cent. of the issued share capital for the purchase of assets other than cash during the period of the financial information set out in Parts III and IV of this Document. It is to be noted that the Company has issued in excess of 10 per cent. of the issued share capital for the purchase of assets other than cash in 2013 by virtue of the Share Exchange Agreement.

- 4.4 As at the date of this Document options are outstanding over a total of 1,302,600 Ordinary Shares. Cairn Warrants, which are conditional on Admission, will be outstanding over a total of 163,069 Ordinary Shares on Admission. The number of Ordinary Shares subject to such outstanding options and the Cairn Warrants will remain the same immediately following the Placing and Admission.

- 4.5 The options over Ordinary Shares are replacement options for those options that were granted by the Operating Subsidiary prior to the Share Exchange Agreement. The optionholders were invited to accept an exchange of options, in accordance with the terms of the share option plan rules, and, where they accepted an exchange of options, were granted replacement options in the Company under the Share Scheme.

- 4.6 On 8 May 2013, the Shareholders passed resolutions on the following terms:

4.6.1 the Directors were generally and unconditionally authorised for the purposes of section 551 of the UK Companies Act to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any securities into, shares up to an aggregate nominal amount of £147,026 in connection with the Share Exchange Agreement and the Option Exchange Letter Agreement; and

4.6.2 the Directors were given power pursuant to sections 570(1) and 573 of the UK Companies Act to allot equity securities (as defined in section 560 of the UK Companies Act) of the Company for cash pursuant to the authority granted by paragraph 4.6.1 above as if section 561 of the UK Companies Act did not apply to any such allotment.

4.7 On 8 May 2013, the Shareholders passed resolutions on the following terms:

4.7.1 in addition to any existing authorities, the directors were generally and unconditionally authorised pursuant to section 551 of the UK Companies Act to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company (“**Relevant Securities**”) up to a maximum aggregate nominal amount of £30,700.45 such authority to expire on 31 July 2013 (unless previously renewed, revoked, varied or extended by the Company in general meeting) but the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the directors may allot Relevant Securities and/or grant rights in pursuance of that offer or agreement as if the authority had not expired;

4.7.2 in addition to the above and any existing authorities, the directors were generally and unconditionally authorised pursuant to section 551 of the UK Companies Act to exercise all powers of the Company to allot Relevant Securities comprising equity securities (as defined in section 560(1) of the UK Companies Act) up to an aggregate nominal amount of £108,713.17 in connection with an offer by way of a rights issue, open offer or other pre-emptive share offering:

- (a) in favour of the holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and
- (b) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary

and subject to such exclusions or other arrangements as the Board considers expedient in relation to fractional entitlements, legal, regulatory or practical problems under the laws of, or the requirements of any regulatory body or stock exchange in, any territory, or any other matter, such authority to expire at the conclusion of the next Annual General Meeting of the Company or, if earlier on the date 15 months from the date the resolution was passed (unless previously renewed, revoked, varied or extended by the Company in general meeting) but the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the director may allot Relevant Securities and grant rights in pursuance of that offer or agreement as if the authority had not expired;

4.7.3 in addition to the authorities above and any existing authorities, the directors were generally and unconditionally authorised pursuant to section 551 of the UK Companies Act to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company (“**Relevant Securities**”) up to a maximum aggregate nominal amount of £54,356.59 such authority to expire at the conclusion of the next Annual General Meeting of the Company or, if earlier on the date 15 months from the date the resolution was passed (unless previously renewed, revoked, varied or extended by the Company in general meeting) but the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the director may allot Relevant Securities and grant rights in pursuance of that offer or agreement as if the authority had not expired.

4.8 On 8 May 2013, the Shareholders passed resolutions on the following terms:

4.8.1 in addition to any existing authorities, the directors were empowered pursuant to section 570 of the UK Companies Act to allot equity securities (within the meaning of section 560 of the UK Companies Act) pursuant to the authority conferred by the resolution described at paragraph 4.7.1 of this Part V as if section 561 of the UK Companies Act did not apply to the allotment. This power is limited to:-

- (a) the allotment of equity securities up to a maximum aggregate nominal amount of £29,069.76 in connection with the Placing; and
- (b) the grant of the Cairn Warrants over equity securities up to a maximum aggregate nominal amount of £1,630.69,

and will expire on 31 July 2013 (unless previously renewed, revoked, varied or extended by the Company in general meeting) but the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of that offer or agreement as if the power had not expired;

4.8.2 in addition to any existing authorities, the directors were empowered pursuant to section 570 of the UK Companies Act to allot equity securities (within the meaning of section 560 of the UK Companies Act) pursuant to the authority conferred by the resolution described at paragraph 4.7.2 of this Part V up to an aggregate nominal amount of £108,713.17 as if section 561 of the UK Companies Act did not apply to the allotment. This power is limited to the allotment of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company and, if in accordance with their rights the Directors so determine, holders of other equity securities of any class made in proportion (as nearly as may be) to their existing holdings of ordinary shares or (as the case may be) other equity securities of the class concerned (so that any offer to holders of other equity securities of any class shall be on the basis of their rights to receive such offer and, failing which, shall be on the basis that their holdings had been converted into or that they had subscribed for ordinary shares on the basis then applicable) but subject in either case to the Directors having a right to make such exclusions or other arrangements in connection with the offering as they deem necessary or expedient:

- (a) to deal with equity securities representing fractional entitlements; and
- (b) to deal with legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange,

and will expire at the conclusion of the next Annual General Meeting of the Company or, if earlier on the date 15 months from the date the resolution was passed (unless previously renewed, revoked, varied or extended by the Company in general meeting), but the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of that offer or agreement as if the power had not expired; and

4.8.3 in addition to any existing authorities, the Directors were generally empowered pursuant to section 570 of the UK Companies Act to allot equity securities (within the meaning of section 560 of the UK Companies Act) pursuant to the authority conferred by the resolutions described at paragraph 4.7.3 as if section 561 of the UK Companies Act did not apply to the allotment. This power is limited to the allotment of equity securities pursuant to the authority granted in the resolutions described at paragraph 4.7.3 above up to an aggregate nominal amount of £54,356.59 and will expire at the conclusion of the next Annual General Meeting of the Company or, if earlier on the date 15 months from the date the resolution was passed (unless previously renewed, revoked, varied or extended by the Company in general meeting), but the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of that offer or agreement as if the power had not expired.

4.9 Certain of the Ordinary Shares issued by the Company were issued for non-cash consideration in respect of the Share Exchange Agreement (referred to above).

4.10 Save as disclosed in this Document, since 7 February 2013 (being the date of incorporation of the Company):

4.10.1 no share or loan capital in the Company is under option or is the subject of an agreement, conditional or unconditional, to be put under option;

4.10.2 no share or loan capital of the Company has been issued, or is now proposed to be issued, fully or partly paid, either for cash or other consideration to any person;

- 4.10.3 no person has any preferential subscription rights for any share capital of the Company;
 - 4.10.4 no commissions, discounts, brokerages or other special terms, have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company;
 - 4.10.5 the Company does not hold any of its own Ordinary Shares and none of the Company's subsidiaries hold any of the Ordinary Shares;
 - 4.10.6 the Company has no securities not representing share capital, convertible debt securities, exchangeable debt securities or debt securities with warrants in issue; and
 - 4.10.7 there are no acquisition rights or obligations over the authorised but unissued share capital of the Company and there is no undertaking to increase the share capital of the Company.
- 4.11 The Ordinary Shares have been created under the UK Companies Act.
 - 4.12 The Ordinary Shares are in registered form and may be held either in certificated form or in uncertificated form through CREST. The Articles permit the Company to issue shares in uncertificated form.
 - 4.13 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
 - 4.14 Save for the Options and the Cairn Warrants, the Company does not have in issue any securities not representing share capital.
 - 4.15 There are no issued but not fully paid Ordinary Shares.
 - 4.16 None of the Ordinary Shares have been marketed or are being made available to the public in whole or in part in conjunction with the application for Admission.
 - 4.17 The Existing Issued Share Capital has not been admitted to dealing on any recognised investment exchange or other trading facility, nor has any application for such admission been made and it is not intended to make any arrangements for dealings in the Ordinary Shares on any such exchange other than the application to be made in connection with Admission.
 - 4.18 The Company has the contractual capacity of a natural person and is empowered to borrow, guarantee and give security.

5. Articles

The Articles include provisions to the following effect:

5.1 *Objects*

The Articles contain no restriction on the objects of the Company.

5.2 *Capital structure*

The share capital of the Company is represented by an unlimited number of Ordinary Shares having the rights described in the Articles. Under the Articles, the directors of the Company from time to time (the "**Directors**") are given authority to effect the issue of further shares of the same class and to create new classes of shares, and have discretion to accept or reject an application for shares.

5.3 *Variation of class rights*

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class of the shares in issue may from time to time be varied or abrogated, whether or not the Company is being wound up, with the sanction of a special resolution passed at a separate meeting of holders of the issued shares of the class held in accordance with the Articles (but not otherwise).

The special rights conferred on the holders of any shares or class of shares shall, unless otherwise provided by the Articles or the terms of issue of the shares concerned, be deemed to be varied by a reduction of capital paid up on those shares but shall be deemed not to be varied by the creation or issue of further shares ranking *pari passu* with them or subsequent to them. The rights conferred on the holders of shares shall be deemed not to be varied by the creation or issue of any further shares ranking in priority to them nor shall any consent or sanction of the holders of Ordinary Shares be required to any variation or abrogation effected by a resolution on which only the holders of Ordinary Shares are entitled to vote.

5.4 *Alteration of share capital*

The Company may, from time to time, by ordinary resolution:

- (a) increase its share capital;
- (b) consolidate and divide all or any of its share capital into shares of a larger nominal amount than its existing shares;
- (c) cancel or reduce the nominal value of shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled or the amount of the reduction; and
- (d) subject to the UK Companies Act, sub-divide its shares, or any of them, into shares of a smaller amount, and as between the holders of the shares resulting from the sub-division, any of them may have any preference or advantage or deferred rights or be subject to any restrictions as compared with the others.

5.5 *Purchase of own shares*

Subject to the provisions of the UK Companies Act, the Company may purchase its own shares (including any redeemable shares) and any shares to be so purchased may (subject to any resolution of the Company in general meeting) be selected by the Directors or any of them acting as the board of directors of the Company (the “**Board**”) in any manner.

5.6 *Reduction of capital*

Subject to the provisions of the UK Companies Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account or other undistributable reserve.

5.7 *Issue of Ordinary Shares*

Subject to the provisions of the Articles, unissued Ordinary Shares shall be at the disposal of the Board which may allot, grant options over (including, without limitation, by way of granting stock appreciation rights or other similar rights) or otherwise dispose of them to such persons on such terms and conditions and at such times as the Board determines but so that the amount payable on application on each share shall be fixed by the Board.

5.8 *Voting rights*

Subject to any rights or restrictions attached to any shares, on a show of hands every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, shall have one vote, and on a poll every member shall have one vote for every Ordinary Share of which he is the holder.

5.9 *Dividends*

Subject to the UK Companies Act and as set out in the Articles, the Company may by ordinary resolution declare dividends but no dividend shall exceed the amount recommended by the Board. No dividend may be paid otherwise than in accordance with the UK Companies Act. The Board may at any time declare and pay such interim dividends as appears to be justified by the position of the Company.

Except as otherwise provided by the rights attached to the shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid but (for the purposes of this Article only) no amount paid on a share in advance of calls shall be treated as paid

on the share. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but, if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

Any dividend or other moneys payable in respect of a share may be paid:

- (a) in cash;
- (b) by cheque or warrant sent by post to the address in the register of members of the person entitled to the moneys or, if two or more persons are the holders of the share or are jointly entitled to it by reason of the death or bankruptcy of the holder or otherwise by operation of law, to the address in the register of members of that one of those persons who is first named in the register of members in respect of the joint holding or to such person and to such address as the person or persons entitled to the moneys may in writing direct. Every such cheque or warrant shall be made payable to the person or persons entitled to the moneys or to such other person as the person or persons so entitled may in writing direct and shall be sent at the risk of the person or persons so entitled. Any such cheque or warrant may be crossed "account payee" although the Company shall not be obliged to do so;
- (c) by bank transfer to such account (of a type approved by the Board) as the person or persons entitled to the moneys may in writing direct; or
- (d) by such other method of payment approved by the Board as the person or persons entitled to the moneys may in writing agree to.

5.10 ***Redemption***

The Ordinary Shares do not carry a right to redemption by Shareholders.

5.11 ***Form and transfer of shares***

The Board may issue shares as certificated or uncertificated shares, subject to any restrictions on transfers described below:

A share held in certificated form may be transferred by an instrument of transfer in any usual form or in any other form which the Board may approve, which shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. A share held in uncertificated form may be transferred by means of a relevant system. The transferor shall be deemed to remain the holder of the share until the transferee is entered on the Register as its holder.

The Board may, in the case of shares held in certificated form, in its absolute discretion refuse to register the transfer of a share which is not fully paid provided that, where any such shares are admitted to the Official List of the UKLA, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

The Board may also refuse to register a transfer of shares held in certificated form unless the instrument of transfer is:

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

If the Board refuses to register a transfer of shares held in certificated form, it shall as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal together with its reasons for the refusal.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share or for making any entry in the register affecting the title to any share.

The Company shall be entitled to retain any instrument of transfer which is registered, but (except in the case of fraud) any instrument of transfer which the Board refuses to register shall be returned to the person lodging it when notice of the refusal is given.

For all purposes of these Articles relating to the registration of transfers of shares, the renunciation of the allotment of any shares by the allottee in favour of some other person shall be deemed to be a transfer and the Board shall have the same powers of refusing to give effect to such a renunciation as if it were a transfer.

If a member dies the survivor or survivors where he was a joint holder, and his personal representatives where he was a sole holder or the only survivor of joint holders, shall be the only persons recognised by the Company as having any title to his interest but nothing contained in these Articles shall release the estate of a deceased member from any liability in respect of any share which had been held (whether solely or jointly) by him.

5.12 ***Directors***

Unless otherwise determined by the Board, the number of Directors shall be not less than two.

The Directors may be paid all travelling, hotel and other expenses as they may incur in connection with their attendance at meetings of the Board or of committees of the Board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company or otherwise in connection with the discharge of their duties.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any Director employee or former employee who has held but no longer holds any office or employment with the Company or with any body corporate which is or has been a subsidiary undertaking or a predecessor in business of the Company or of any subsidiary undertaking, and for any member of his family (including a spouse and a former spouse) or any person who is or was dependent on him and may (as well before as after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or provision of any such benefit. The power conferred by the UK Companies Act to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries, in connection with the cessation or the transfer to any person of the whole or party of the undertaking of the Company or any subsidiary shall be exercised by the Board.

5.13 ***Retirement of Directors***

At every annual general meeting, with the exception of the first annual general meeting, any Directors who are required to retire under the Articles and one third of the other Directors or, if their number is not a multiple of three, then the number nearest to but not exceeding one third, shall retire from office by rotation.

Subject to the provisions of the UK Companies Act and of the Articles, the Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last election but, as between persons who became or were re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the Board at the start of business on the date of the notice convening the annual general meeting notwithstanding any change in the number or identity of the Directors after that time but before the close of the meeting. If the Company, at the meeting at which a Director retires under the Articles,

does not fill the vacancy the retiring Director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the reappointment of the Director is put to the meeting and lost.

Subject to the provisions in the Articles, the Company may by ordinary resolution appoint a person who is willing to act to be a Director either to fill a vacancy or as an additional Director.

The Company may by special resolution remove any Director before the expiration of his period of office. Such removal shall be without prejudice to any claim such Director may have for damages for breach of any contract of service between him and the Company.

The Board may appoint a person who is willing to act to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with these Articles as the maximum number of Directors. Save as set out below, a Director so appointed shall hold office only until the next following annual general meeting when he shall retire from office and be eligible for reappointment. If not reappointed at such annual general meeting, he shall vacate office at its conclusion. The Directors appointed by the Board prior to the Company's first annual general meeting will not be required to retire at the first annual general meeting.

5.14 *Directors' interests*

A Director who to his knowledge is in any way directly or indirectly interested in a contract or arrangement or proposed contract or arrangement with the Company shall disclose the nature of his interest at a meeting of the Board.

A Director may not vote (or be counted in the quorum) in respect of any resolution of the Directors or committee of the Directors concerning a contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he has an interest which (together with any interest of any person connected with him) is, to his knowledge, a material interest (otherwise than by his interest in Ordinary Shares or debentures or other securities of or otherwise in or through the Company). This is subject to certain exceptions including (i) where the contract, arrangements, transaction or proposal concerns general employee privileges or insurance policies for the benefit of Directors or (ii) in circumstances where a Director acts in a personal capacity in the giving of a guarantee, security or indemnity for the benefit of the Company or any of its subsidiary undertakings.

Any Director may act by himself or his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

A Director may continue to be or become a director, managing director, manager or other officer, employee or shareholder of any company in which the Company may be interested, which may be promoted by the Company or with which the Company has entered into any transaction, arrangement or agreement and no such Director shall be accountable to the Company for any remuneration or other benefits received thereby.

5.15 *Disclosures of beneficial interests in shares*

Subject to the provisions of the UK Companies Act, and provided that he has disclosed to the Board the nature and extent of any interest of his in accordance with the Articles, a Director notwithstanding his office may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested.

5.16 *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to give guarantees, hypothecate, mortgage, charge or pledge the assets, property and undertaking of the Company or any part thereof and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

5.17 *Annual General Meetings and General Meetings*

An annual general meeting shall be held at such time and place as the Board may determine. The Board may call general meetings and, on the requisition of members pursuant to the provisions of the UK Companies Act, shall forthwith convene a general meeting. If there are not sufficient Directors capable of acting to call a general meeting, any Director may call a general meeting. If there is no Director able to act, any two members may call a general meeting for the purpose of appointing Directors.

An annual general meeting shall be called by at least 21 days' clear notice in writing. A meeting of the Company other than an annual general meeting shall be called by not less than 14 days' clear notice. The notice shall specify the place, the day and the time of the meeting and, in the case of special business, the general nature of that business. A notice calling an annual general meeting shall specify the meeting as such and a notice for the passing of a special resolution shall specify the intention to propose the resolution as a special resolution and the terms of the resolution. Every member entitled to attend and vote is entitled to appoint one or more proxies to attend, vote and speak instead of him and that a proxy need not be a member.

The accidental omission to give notice of a meeting, or to send an instrument of proxy or invitation to appoint a proxy as provided by these Articles, to any person entitled to receive notice, or the non-receipt of notice of a meeting or instrument of proxy or invitation to appoint a proxy by such a person, shall not invalidate the proceedings at that meeting.

Every notice of meeting shall state with reasonable prominence that a member entitled to attend and vote is entitled to appoint one or more proxies to attend, vote and speak instead of him and that a proxy need not be a member.

5.18 *Annual Report and Financial Statements*

Save as provided in the Articles, a copy of the annual accounts of the Company together with a copy of the auditors' report and the Directors' report and any other documents required to accompany or to be annexed to them shall, not less than 21 clear days before the date of the general meeting at which copies of those documents are to be laid, be sent to every member and to every debenture holder of the Company and to every other person who is entitled to receive notices from the Company of general meetings.

Copies of the documents referred to in the Articles need not be sent:

- (a) to a person who is not entitled to receive notices of general meetings and of whose address the Company is unaware; or
- (b) to more than one of the joint holders of shares or debentures in respect of those shares or debentures,

provided that any member or debenture holder to whom a copy of such documents has not been sent shall be entitled to receive a copy free of charge on application at the office.

The Company may send a summary financial statement to any of the persons otherwise entitled to be sent copies of the documents referred to in the Articles instead of or in addition to those documents and, where it does so, the statement shall be delivered or sent to such person not less than 21 clear days before the general meeting at which copies of those documents are to be laid.

5.19 *Winding up*

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the UK Companies Act, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the like sanction determines, but no member shall be compelled to accept any assets upon which there is a liability.

5.20 *Untraceable Shareholders*

The Company shall be entitled to sell at the best price reasonably obtainable any member's shares or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or otherwise by operation of law if:

- (c) for a period of twelve years, no cash dividend payable in respect of the shares has been claimed, no cheque or warrant sent by the Company through the post in a pre-paid envelope addressed to the member or to the person entitled to the shares at his address on the register or (if different) the last known address given by the member or the person so entitled to which cheques and warrants are to be sent has been paid, each attempt to make a payment in respect of the shares by means of bank transfer or other method for the payment of dividends or other moneys in respect of shares has failed and no communication has been received by the Company from the member or the person so entitled (in his capacity as member or person entitled);
- (d) in such period of twelve years at least three dividends (whether interim or final) have become payable on the shares;
- (e) the Company has at the expiration of the said period of twelve years by advertisement in both a national newspaper and in a newspaper circulating in the area in which the address referred to in the Articles is located given notice of its intention to sell such shares; and
- (f) during the period of three months following the publication of the said advertisements the Company has received no communication in respect of such share from such member or person entitled.

If at any time during or after the said period of twelve years further shares have been issued in right of those held at the commencement of that period or of any issued in right during that period and, since the date of issue, the requirements of the Articles have been satisfied in respect of such further shares, the Company may also sell the further shares.

To give effect to a sale pursuant to the preceding Article the Board may authorise any person to execute an instrument of transfer or otherwise effect the transfer of the shares to be sold. If the shares concerned are in uncertificated form, in accordance with the Uncertificated Securities Regulations 2001 (SI 2001 No 3755) (the "**Regulations**"), the Company may issue a written notification to a person approved by the Treasury under the Regulations ("**Operator**") requiring conversion of the shares into certificated form. The purchaser shall not be bound to see to the application of the purchase moneys and the title of the transferee to the shares shall not be affected by any irregularity in or invalidity of the proceedings relating to the sale. The net proceeds of sale shall belong to the Company which shall be obliged to account to the former member or other person previously entitled to the shares for an amount equal to the net proceeds, which shall be a debt of the Company, and shall enter the name of such former member or other person in the books of the Company as a creditor for such amount. No trust shall be created and no interest shall be payable in respect of the debt, and the Company shall not be required to account for any money earned on the net proceeds, which may be employed in the business of the Company or invested in such investments for the benefit of the Company as the Board may from time to time determine.

The provisions of the Articles applying to the Ordinary Shares will apply to the Placing Shares following their creation to the same extent.

5.21 *Pre-emption rights*

There are no pre-emption rights incorporated into the Articles in relation to the allotment and/or issue of new shares. However, the Company has passed resolutions (please refer to paragraph 4 of Part V of this Document) relating to, *inter alia*, the Directors' authorities to issue shares and disapplication of pre-emption rights on new share issues.

6. City Code

6.1 *Mandatory Bid*

The City Code applies to the Company for so long as its central management and control remain in the UK. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers (“**Panel**”)) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months.

This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person’s percentage of the total voting rights of the Company.

6.2 *Squeeze-out*

Under the UK Companies Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders.

The consideration offered to the Shareholders whose shares are compulsorily acquired under the UK Companies Act must, in general, be the same as the consideration that was available under the takeover offer unless the Shareholders can show that the offer value is unfair.

6.3 *Sell-out*

The UK Companies Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising.

The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

6.4 *Concert Party*

Pursuant to Rule 9 of the City Code, any person who acquires shares which, when taken together with shares already held by him or shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company subject to the City Code, is normally required to make a general offer to all shareholders in that company in cash to acquire the remaining shares in the company not already held by them at the highest price paid for any shares in the Company in the previous 12 months by the person required to make the offer or any person acting in concert with him.

Further, when any person, or group of persons acting in concert, holds shares which carry not less than 30 per cent. but not more than 50 per cent. of the voting rights of a company subject to the City Code, such person or persons, may not normally acquire further shares which increase the percentage of the voting rights in the company held by them, without making a general offer to all shareholders in that company in cash to acquire the remaining shares in the company not already held by them at the highest price paid for any shares in the Company in the previous 12 months by the person required to make the offer or any person acting in concert with him.

Under the City Code, persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate control of that company. **Anthony Best, Naemi Best and Anne Middleton are deemed to be acting in concert for the purposes of the City Code.**

Following Admission, the Concert Party's shareholding will amount to approximately 56.4 per cent. of the Enlarged Issued Share Capital which will be held as follows:

	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Issued Share Capital</i>
Anthony Best	5,597,107	34.3
Naemi Best	1,599,173	9.8
Anne Middleton	2,000,000	12.3
TOTAL	<u>9,196,280</u>	<u>56.4</u>

When a concert party holds over 50 per cent. of the issued voting share capital in a company, no obligations under Rule 9 normally arise from acquisitions by any member of the concert party. However, the acquisition by a single member of the concert party who holds less than 50 per cent. of shares sufficient to increase his holding to 30 per cent. or more, may be regarded by the Panel as giving rise to an obligation to make an offer for the entire company.

Following Admission, the members of the Concert Party will between them hold more than 50 per cent. of the issued voting share capital of the Company and (for so long as they continue to be treated as acting in concert) may accordingly increase their aggregate holding without incurring any further obligation under Rule 9 of the City Code to make a general offer although individual members of the Concert Party will not be able to increase their percentage holding through or between a Rule 9 threshold (a holding of between 30 and 50 per cent.) without Panel consent.

Each of the Vendors (except for the members of the Concert Party) has confirmed that he is not acting in concert.

7. Disclosure of Interests

7.1 *Directors' and other interests*

7.1.1 As at the date of this Document and following Admission, the interests of the Directors (including persons connected with the Directors within the meaning of section 252 of the UK Companies Act) in the issued share capital of the Company excluding any options in respect of such capital (details of which are set out at paragraph 15 of this Part V) are as follows:

<i>Director</i>	<i>At the date of this Document</i>		<i>Immediately following the Placing and Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Issued Share Capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Issued Share Capital</i>
Anthony Best*	9,000,000	67.2	7,196,280	44.1
Timothy Rogers	—	—	—	—
Robert Hart	—	—	—	—
Graham Eves	—	—	—	—
Frederick Bryan Smart	—	—	—	—
	<u>9,000,000</u>	<u>67.2</u>	<u>7,196,280</u>	<u>44.1</u>

* At the date of this Document, Anthony Best is deemed interested in the 2,000,000 Ordinary Shares held by his wife, Naemi Best, which are included in the figures set out beside his name in the table above; immediately following the Placing and Admission Anthony Best will be deemed interested in the 1,599,173 Ordinary Shares held by his wife which are included in the figures set out beside his name in the table above.

7.1.2 As at the date of this Document and following Admission, the following Options have been granted to the Directors:

<i>Director</i>	<i>Date of Grant</i>	<i>Option Shares</i>	<i>Expiry of Option</i>	<i>Exercise Price (£)</i>
Timothy Rogers	1 February 2013	558,300	31 January 2023	0.1252
Robert Hart	1 February 2013	15,400	31 January 2023	0.1252

One third of the Options vest and may be exercised on each of the first, second and third anniversaries of the date of Admission. On 1 February 2013, the above directors were granted options under the Operating Subsidiary's share scheme; these options have now been exchanged for new Options under the Company's Share Scheme (pursuant to the Option Exchange Letter Agreement referred to in paragraph 11.9 of this Part V).

7.1.3 Save as disclosed in this paragraph 7 none of the Directors nor any member of their families, nor any person connected with them within the meaning of section 252 of the UK Companies Act, has any interest in the issued share capital of the Company or its subsidiaries.

7.1.4 Save as disclosed in this paragraph 7 as at the date of this Document, no Director has any option over or warrant to subscribe for any Ordinary Shares in the Company.

7.1.5 Save as disclosed in this Document (including the Placing Agreement referred to in paragraph 11.1 of this Part V, the service agreements and letters of appointment referred to in paragraph 9.1 of this Part V, the Lock-In & Orderly Market Agreements referred to in paragraph 11.3 of this Part V, the Relationship Agreement referred to in paragraph 11.2 of this Part V, the Share Exchange Agreement referred to in paragraph 11.8 of this Part V, the Option Exchange Letter Agreement referred to in paragraph 11.9 of this Part V, the compromise agreement referred to in paragraph 13.6 of this Part V and the consultancy services provided by Graham Eves' consultancy company referred to in paragraph 11.16 of this Part V), there are no agreements, arrangements or understandings (including compensation agreements) between any of the Directors, recent directors, shareholders or recent shareholders of the Company connected with or dependent upon Admission or the Placing.

7.1.6 No Director or any member of their family holds or has held any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of Ordinary Shares.

7.2 *Significant Shareholders*

7.2.1 The Company is aware of the following persons who, at 15 May 2013 (being the latest practicable date before publication of this Document) and following Admission, have interests in voting rights over 3 per cent. or more of the issued share capital of the Company:

<i>Shareholder</i>	<i>At the date of this Document</i>		<i>Immediately following the Placing and Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Issued Share Capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Issued Share Capital</i>
Anthony Best	7,000,000	52.2	5,597,107	34.3
Anne Middleton	3,000,000	22.4	2,000,000	12.3
Naemi Best	2,000,000	14.9	1,599,173	9.8
Miton Income Opportunities Trust*	—	—	920,877	5.6
UK Multicap Income*	—	—	913,539	5.6
Amati Global Investors	—	—	721,960	4.4
Stephen Neads	800,000	6.0	720,000	4.4
Andrew Rumble	400,000	3.0	388,372	2.4

* The aggregate holding of funds managed by Miton Group plc is 1,834,416 Ordinary Shares, representing 11.2 per cent. of the Enlarged Issued Share Capital

7.2.2 Save as disclosed above, the Directors are not aware of any person or persons who, directly or indirectly, have an interest in the Company which represents 3 per cent. or more of its issued share capital or voting rights who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

7.3 Neither the Directors nor any Significant Shareholders have different voting rights to other holders of the share capital of the Company.

8. Additional information on the Directors

8.1 The Directors currently hold (other than the Company) the following Directorships and are partners in the following partnerships and have held the following Directorships and have been partners in the following partnerships within the five years prior to the publication of this Document:

<i>Name</i>	<i>Current Directorships/Partnerships</i>	<i>Former Directorships/Partnerships</i>
Anthony Best	Anthony Best Dynamics Limited AB Dynamics 2013 Limited (non-trading)	None
Timothy Rogers	Anthony Best Dynamics Limited	Clean Diesel Technologies Inc Total Vehicle Technology Limited T Rogers Limited
Robert Hart	None	None
Graham Eves	Evesco International Business Services (partner) ExpatrioDesk International Limited ExpatrioDesk USA Limited	Groundwell Logistics (Swindon) Holdings Limited
Frederick Bryan Smart	Brooklands Museum Trust Limited Daimler UK Trustees Limited Greka Drilling Limited Rangers International Football Club plc Tradelinens Limited	Brooklands Estates Management Limited Carbotech AG Mercedes-Benz Brooklands Limited Mercedes-Benz Computer Services UK Limited Mercedes-Benz Limited Mercedes-Benz Retail Group UK Limited Mercedes-Benz UK Limited SCOTTY Group Europe Limited SCOTTY Group SE Woking Motors Limited

8.2 Save as set out in this Document, no Director has:

8.2.1 any unspent convictions in relation to indictable offences (including fraudulent offences);

8.2.2 ever had any bankruptcy order made against him or entered into any individual voluntary arrangements with his creditors;

8.2.3 ever been a director of a company which has been placed in receivership, creditors' voluntary liquidation, compulsory liquidation or administration, or been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

8.2.4 ever been a partner in any partnership which has been placed in compulsory liquidation or administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

- 8.2.5 owned, or been a partner in a partnership which owned, any asset which, while he owned that asset, or while he was a partner or within 12 months after his ceasing to be a partner in the partnership which owned that asset, entered into receivership;
- 8.2.6 received any official public criticism and/or sanction by any statutory or regulatory authority (including recognised professional bodies); or
- 8.2.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

9. Directors' Service Agreements and Terms of Appointment

9.1 Summarised details of the service agreements and letters of appointment entered into between the Company and the Directors are set out below:

9.1.1 Anthony Best (Executive Chairman) entered into a service agreement with the Company on 16 May 2013. Mr Best's employment commencement date for the purposes of his continuous employment is 1 August 1982. His appointment is terminable on 6 months' notice by either party.

Mr Best's salary is £70,750 per annum. Mr Best is entitled to participate in the Company's pension and bonus scheme.

9.1.2 Timothy Rogers (Managing Director) entered into a service agreement with the Company on 16 May 2013. Mr Rogers' employment commencement date for the purposes of his continuous employment is 1 October 2012. His appointment is terminable on 6 months' notice by either party.

Mr Rogers' salary is £120,000 per annum. Mr Rogers is entitled to participate in the Company's pension, life assurance scheme, Group Income Protection (GIP) scheme and bonus scheme.

9.1.3 Robert Hart (Finance Director) entered into a service agreement with the Company on 16 May 2013. Mr Hart's employment commencement date for the purposes of his continuous employment is 13 October 2008. His appointment is terminable on either 3 months' notice by Mr Hart or 6 months' notice by the Company.

Mr Hart's salary is £75,000 per annum. Mr Hart is entitled to participate in the Company's pension, life assurance scheme, GIP scheme and bonus scheme.

9.1.4 Graham Eves (Non-Executive Director) entered into a letter of appointment with the Company on 16 May 2013. The appointment is for an initial term of 12 months' and terminable by either side by 3 months' notice thereafter. The annual fee payable is £24,000 plus an additional £3,000 for each board committee to which Mr Eves is appointed.

9.1.5 Frederick Bryan Smart (Non-Executive Director) entered into a letter of appointment with the Company on 16 May 2013. The appointment is for an initial term of 12 months' and terminable by either side by 3 months' notice thereafter. The annual fee payable is £24,000 plus an additional £3,000 for each board committee to which Mr Smart is appointed.

9.2 Save as set out above there are no contracts providing for benefits upon termination of employment of any Director.

10. Employees

10.1 The Operating Subsidiary currently employs 48 employees.

10.2 The number of employees (on average for each financial year and at the end of the period covered by the historical financial information in Part III and at the date of this Document) and a breakdown of the main categories of employment are as follows:

	<i>As at 31 August</i>			<i>As at 28</i>	<i>As at the</i>
	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>February</i>	<i>date of this</i>
				<i>2013</i>	<i>Document</i>
Operating Subsidiary					
directors	5	5	5	5	5
Engineers	18	18	21	23	23
Technicians	8	8	11	12	12
Commercial	1	1	1	2	2
Administration	4	4	5	6	6
Total	36	36	43	48	48

10.3 In addition to the executive Directors, there are 4 employees of the Operating Subsidiary who are key employees and members of senior management (the “**ABD Management**”). Biographies of the ABD Management are set out in paragraph 7 of Part I of this Document.

11. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the two years immediately preceding the date of this Document and are, or may be, material:

- 11.1 On 16 May 2013, the Company, each of the Directors, Charles Stanley, Cairn and the Vendors entered into the Placing Agreement pursuant to which, subject to certain conditions, Charles Stanley has agreed to use its reasonable endeavours to procure subscribers or purchasers (as appropriate) for the Placing Shares at the Placing Price. The Placing Agreement contains customary indemnities and warranties from the Company, and warranties from the Directors and the Vendors in favour of Cairn and Charles Stanley together with provisions which enable Cairn and Charles Stanley to terminate the Placing Agreement in certain circumstances, including circumstances where any of the warranties are found to be untrue or inaccurate in any material respect. The Company has agreed to pay to Charles Stanley: (i) the sum of £30,000; (ii) a commission of 4 per cent. (four per cent.) on the aggregate value at the Placing Price of the new Ordinary Shares comprising Placing Shares (but not being Vendor Shares) subscribed by Placees procured by Charles Stanley; and (iii) a commission of 1 per cent. (one per cent.) on the aggregate value at the Placing Price of the new Ordinary Shares comprising Placing Shares (but not being Vendor Shares) subscribed by Placees procured by the Company. In consideration of Charles Stanley’s agreement to use its reasonable endeavours to procure purchasers for the Vendor Shares, each Vendor agrees to pay to Charles Stanley (i) a commission of 4 per cent. (four per cent) on the aggregate value at the Placing Price of the Vendor Shares to be sold by him or her under the Placing Agreement to Placees procured by Charles Stanley; and (ii) a commission of 1 per cent. (one per cent) on the aggregate value at the Placing Price of the Vendor Shares to be sold by him or her to Placees procured by the Company (together in each case with any applicable VAT).
- 11.2 On 16 May 2013, the Company, Cairn, Charles Stanley, Anthony Best and Naemi Best entered into the Relationship Agreement under which Anthony Best and Naemi Best undertake that, for as long as they or any of their Associates (as defined therein) hold 30 per cent. or more of the voting rights attaching to the Ordinary Shares of the Company, they would exercise such voting rights to ensure that, *inter alia*, the Company is capable at all times of carrying on its business independently of them, the Board is not influenced by them and acts in the best interests of all Shareholders, and that all transactions between them and the Company are and will be made at arm’s length and on normal commercial terms. The agreement will terminate automatically upon either (a) following Admission, the Ordinary Shares ceasing to be traded on AIM or (b) Anthony Best and Naemi Best or any of their Associates ceasing to have an aggregate interest in 30 per cent. or more of the voting rights attaching to the Company’s Ordinary Shares.

- 11.3 On 16 May 2013, the Locked-in Persons each entered into Lock-In & Orderly Market Agreements pursuant to which they agreed with the Company, Cairn and Charles Stanley that they will not (without the prior written consent of each of the Company, Cairn and Charles Stanley (acting in their absolute discretion)) dispose of an interest in Ordinary Shares for the period of 12 months following Admission, except pursuant to acceptance of a general, partial or tender offer made to acquire the whole or part of the issued share capital of the Company, an intervening court order, a scheme of arrangement under section 110 of the Insolvency Act 1986 or in the event of the death of the relevant Locked-in Person. Such persons have also agreed for a further 12 months following the expiry of the initial 12 month period to only dispose of an interest in Ordinary Shares through Charles Stanley (or the broker for the time being of the Company, if it is not Charles Stanley) and in such manner as Charles Stanley (or such other broker) may reasonably require with a view to the maintenance of an orderly market in the Ordinary Shares.
- 11.4 On 16 May 2013, the Company, the Directors and Cairn entered into an agreement pursuant to which Cairn has agreed to act as nominated adviser to the Company following Admission as required by the AIM Rules for Companies. Cairn shall provide, *inter alia*, such independent advice and guidance to the directors of the Company and the Company as they may require from time to time, as to the nature of their responsibilities and obligations to ensure compliance by the Company on a continuing basis with the AIM Rules for Companies. The Company has agreed to pay Cairn a fee of £100,000 on Admission and in addition to grant Cairn the Warrants and to pay Cairn a retainer fee as well as payment of any disbursements and expenses reasonably incurred by Cairn in the course of carrying out its duties as a nominated adviser. The appointment of Cairn under the agreement continues for an initial twelve month period from the date of the agreement and shall continue until terminated by either the Company or Cairn giving three months' written notice to the other. If notice is given during the initial twelve month period, the notice period of three months shall be deemed to commence upon the expiry of such twelve month period. The agreement also contains provisions for early termination in certain circumstances and an indemnity given by the Company to Cairn in relation to the provision by Cairn of its services.
- 11.5 On 16 May 2013, the Company and Cairn entered into an agreement pursuant to which the Company created, conditional on Admission, the Cairn warrants which give Cairn the right to subscribe for up to 163,069 Ordinary Shares at the Placing Price at any time between the date of issue of such warrants and the date falling on the fifth anniversary of Admission.
- 11.6 On 16 May 2013, the Company and Charles Stanley entered into an agreement pursuant to which the Company has appointed Charles Stanley to act as broker to the company for the purposes of the AIM Rules. The Company has agreed to pay Charles Stanley an annual retainer fee. The agreement continues until terminated by either the Company or Charles Stanley giving three months' written notice to the other (such notice not to expire prior to the initial one year period).
- 11.7 On 16 May 2013, the Company and the Registrar entered into a registrar agreement under which the Registrar has agreed to provide services connected with the maintenance of the Company's register, including where shares are issued or transferred and dividends declared by the Board.
- 11.8 On 8 May 2013, the Company entered into the Share Exchange Agreement to acquire the entire issued share capital of the Operating Subsidiary in consideration for the receipt by the Operating Subsidiary shareholders of new ordinary shares of £1.00 each in the capital of the Company.
- 11.9 On 12 April 2013, the Operating Subsidiary sent the Option Exchange Letter Agreement to each of the optionholders pursuant to which the optionholders were invited to exchange their existing options over shares in the Operating Subsidiary for Options over shares in the Company under the Share Scheme. The terms of the new Options are unchanged from the terms of the existing options. All optionholders have exchanged their existing options for options over shares in the Company. Please refer to paragraph 15 of this Part V for a summary of the Share Scheme.

11.10 In order to meet the growing demand for its products, the Group is seeking to build a new specialised facility close to its existing facility. Planning approval has been applied for and, if granted and funding is in place, construction will commence with a target completion date in the second half of 2015. The new facility development process is to be split into three transactions:

11.10.1 Operating Subsidiary to purchase the land for the new facility development on Kingston Farm, Bradford on Avon for a purchase price of £420,000 from the landowner (“**Landowner**”) under the terms of a conditional agreement dated 11 April 2013 (the “**Conditional Agreement**”);

11.10.2 Bradford on Avon Property Limited (“**BOAP**”) to project manage the building of the new facility for and on behalf of the Operating Subsidiary under the terms of a project management agreement dated 11 April 2013 (the “**Project Management Agreement**”); and

11.10.3 Operating Subsidiary to pay for the construction of the new facility and to own the new facility.

11.10.4 The Conditional Agreement is conditional upon the following:

- (a) the obtaining of required planning permission; and
- (b) the provision of a bond agreement to the Operating Subsidiary pursuant to which a third party will agree to act as surety by undertaking to pay the sum of £380,000 to the Operating Subsidiary as security against the non-provision or unsatisfactory provision of the construction to the boundaries of the new factory site roads and services including drainage and all necessary rights required. The bond agreement is to be for a term of 12 months from the completion of such works or their public adoption where such adoption is intended or required.

11.10.5 Pursuant to the Project Management Agreement, the Operating Subsidiary will pay a fee of £85,000 plus VAT to BOAP as consideration for BOAP carrying out its duties under the Property Management Agreement which include, *inter alia*:

- (a) the preparation of building specifications and other documents to be approved by the Operating Subsidiary;
- (b) the appointment of suitable building contractors, architects, consultants and other professionals as agreed with the Operating Subsidiary; and
- (c) overseeing the construction of the site and procuring that acceptable standards are followed and suitable performance criteria set.

11.10.6 BOAP is liable to pay liquidated damages to the Operating Subsidiary if the construction of the new factory is not completed within 17 months of the purchase of the site under the Conditional Agreement. Such liquidated damages shall be for a sum equal to £1,000 per week (or proportionate part thereof) until the site is ready for use.

11.10.7 The total estimated cost of the new facility development is £5,868,582.

11.11 The Group has received proposed outline terms and conditions dated 15 April 2013 for new banking facilities to be provided by Bank of Scotland to the Operating Subsidiary to assist in the proposed new factory development at Kingston Farm, Bradford on Avon. The key terms are as follows:

- **Amount of loan facility:** £1,800,000
- **Drawdown:** to be drawn against architect’s certification of work undertaken on the project after utilisation of ABD’s own cash resources, which is required to be injected prior to the loan being drawn, towards the total project cost. On completion of the build phase the borrowing will be converted to a fully amortising loan.
- **Term:** 15 years from completion of the project and final drawdown under the facility.

- **Repayment:** 180 monthly instalments of £13,314 principal and interest (at 3.5% per annum over Lloyds Bank Base rate)
- **Fees:** £27,000 payable on completion and signing of the facility documentation.
- **Security:** First legal charge over the site of Kingston Farm, Bradford on Avon.

The Directors have also provided an email dated 15 April 2013 from Lloyds Banking Group which confirms that Bank of Scotland has also formally agreed a new bonding line of up to £3 million.

11.12 Whilst the new facility is being developed, in order to provide additional space in the current premises, on 11 March 2013 the Operating Subsidiary purchased land at The Tump, Holt Road, Bradford on Avon, Wiltshire from the Landowner and is building new timber frame offices at this location at an estimated cost (including associated expenses) of £416,311. The land was purchased for £1 and the Operating Subsidiary has been granted necessary rights of easement in relation to neighbouring land owned by Anthony Best and the PC Trustees (as Trustees for the Best Middleton Trust). In addition, the Operating Subsidiary and the Landowner have granted each other put and call options lasting 4 years from 11 March 2013 pursuant to which the Operating Subsidiary can require the Landowner to purchase, or the Landowner can opt to purchase, the land at The Tump for £360,000. Under the terms of a pre-emption agreement dated 11 March 2013, the Landowner was granted a right of pre-emption to purchase the existing factory premises at Holt Road from the Best Middleton Trust for a price of £425,000. The right of pre-emption takes effect if the Best Middleton Trust wishes to sell, gift, exchange, make a declaration of trust over or grant a lease in respect of the existing factory premises, at which point the Best Middleton Trust is under an obligation to serve an offer notice on the Landowner, giving him the right to purchase the premises. Such an offer notice cannot be served before the earlier of 31 December 2013 or the date 8 months after validation of the planning application in respect of the new facility.

11.13 The Group has 17 distributorship/supply agreements in place with various companies and individuals covering the following jurisdictions: China, Taiwan, Japan, South Korea, India, Brazil, Australia, Germany, Austria, Turkey, Malaysia, Canada, Mexico and the US. The majority of these arrangements are in place without a written contract. The top 5 distributors/sales representatives were paid commission of £641,743 in total in 2011/2012.

11.14 On 25 June 1998, the Operating Subsidiary entered into a debenture in favour of the Bank of Scotland in respect of all or any monies and liabilities which will be due, owing or incurred in whatsoever manner to Bank of Scotland by the Operating Subsidiary, plus any interest and other lawful charges incurred by Bank of Scotland (the “**Secured Liabilities**”) (the “**Debenture**”).

Under the Debenture, for the payment and discharge of the Secured Liabilities, the Operating Subsidiary charged to Bank of Scotland as a continuing security and with full title guarantee:

11.14.1 by way of legal mortgage, all the freehold and leasehold property including the property at Holt Road, Bradford On Avon, Wiltshire;

11.14.2 by way of a fixed charge, all future freehold and leasehold property belonging to the Operating Subsidiary, together with all buildings, fixtures, plant and machinery, goodwill and uncalled capital, all present and future book and other debts; and

11.14.3 by way of a floating charge all other assets not otherwise charged.

When the Holt Road property was transferred to the Best Middleton Trust in July 2003, Anthony Best and Andrew Middleton took out a further mortgage with Bank of Scotland in order to fund the purchase and, as such, the Holt Road property was released from the Debenture. The Directors confirm that this further mortgage has been discharged. The Debenture remains in place to cover fixtures and fittings and capital assets, although the Directors may seek to remove the Debenture following Admission.

11.15 The Group has engaged Simon Little of Fosslane Limited since 2 March 2012 to assist and consult on the expansion of the business into new premises, including the new factory development project and the move into the new timber build offices (please refer to paragraph 11.12 of this Part V for more details). Mr Little has been paid in excess of £10,000 in the 12 months preceding Admission.

11.16 Graham Eves, who is a non-executive director of the Company, has provided consultancy services through his partnership Evesco International business Services (“**Evesco**”) to the Group in relation to Admission and the Group’s corporate expansion since November 2011. The Company has paid £2,500 per month to Evesco since this time (a total in excess of £10,000 in the 12 months preceding Admission), however these services are now being provided by Mr Eves as part of his duties as a non-executive director of the Company.

12. Directors’ Dealings

The Directors intend to comply with Rule 21 of the AIM Rules for Companies relating to directors’ dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance by the Company’s applicable employees (as defined in the AIM Rules for Companies).

13. Related Party Transactions

Save as set out in this Document (including paragraphs 13.1 to 13.9 of this Part V), as far as the Directors are aware, there have been and are currently no agreements or other arrangements between the Company and individuals or entities that may be deemed to be related parties, for the period of five years prior to the date of this Document.

The Group has entered into the following transactions with related parties during the period covered by the financial information set out in Part III and Part IV of this Document.

These transactions as a whole were conducted on arm’s length terms (or terms which were not on arm’s length terms but more favourable terms from the Company’s perspective), are considered material in the context of, and are in aggregate not in excess of, the turnover of the Group in the relevant periods:

13.1 On 16 May 2013, the Company, Cairn, Charles Stanley, Anthony Best and Naemi Best entered into the Relationship Agreement further details of which are set out at paragraph 11.2 of this Part V.

13.2 On 8 May 2013, the Company entered into the Share Exchange Agreement further details of which are set out at paragraph 11.8 of this Part V.

13.3 On 12 April 2013, the Company entered into the Option Exchange Letter Agreement further details of which are set out a paragraph 11.9 of this Part V.

13.4 The Company and the Operating Subsidiary currently occupy leased factory premises at Holt Road, Bradford on Avon, Wiltshire BA15 2AJ. The Operating Subsidiary is the tenant of this property under a ten year lease dated 30 July 2003 (the “**Current Lease**”). The landlord is the Best Middleton Trust as operated by its trustees from time to time. The Current Lease is due to expire on 29 July 2013. The rent is £38,000 per annum payable quarterly. The Current Lease (in whole or part) cannot be assigned, charged or underlet without the written consent of the landlord which may not be unreasonably withheld or delayed. A valuation report produced by Colliers CRE dated 9 April 2010 valued the factory premises at £380,000.

13.5 Under the terms of a document dated 24 April 2013, the trustees of the Best Middleton Trust have granted the Operating Subsidiary a new lease of the existing factory premises to run from the date of expiry of the Current Lease for a term of 3 years with an option for the Operating Subsidiary to break after 1 year. The rent and all material terms are the same as the Current Lease. Anthony Best, a director of the Company and the Operating Subsidiary, is a trustee and beneficiary of the Best Middleton Trust.

13.6 On 8 May 2013, the Operating Subsidiary entered into a compromise agreement with Naemi Best in relation to her resignation as Company Secretary of the Operating Subsidiary. Under the terms of the compromise agreement, the Operating Subsidiary will pay to Mrs Best a termination payment

of £400 as compensation for loss of employment, which is made without admission of liability and Mrs Best acknowledges that no other payments or benefits of any kind are due to her from the Operating Subsidiary or the Group.

- 13.7 On 8 May 2013, the Operating Subsidiary acquired 50 per cent. of the share capital in AB Dynamics 2013 Limited from Anthony Best for nil consideration.
- 13.8 Please refer to paragraph 11.12 of Part V of this Document relating to the grant to the Operating Subsidiary of necessary rights of easement in relation to certain land owned by Anthony Best and the PC Trustees.
- 13.9 Please also refer to the “related party” items set out in Part III of this Document for further details of related party transactions.

14. Intellectual Property

The Group is dependent on the following patents, intellectual property rights or licences which are of material importance to the Group’s business and profitability:

14.1 Patents

The Operating Subsidiary has made the following patent applications:

<i>Patent No.</i>	<i>Date filed</i>	<i>Description</i>	<i>Patent type</i>	<i>Inventor(s)</i>
WO2011007114 (A)	21 June 2010	Steering Robot for attachment to a vehicle’s steering wheel	PCT (International)	Anthony Best Stephen John Neads Matthew James Hubbard
WO2008122772 (A1)	4 April 2008	Pitch Line Run-Out Detection Apparatus	PCT (International)	Anthony Charles Foster Andrew Walter Rumble
GB2260875 (A)	23 October 1991 Ceased on 23 October 1997 through non-payment of renewal fees	Feedback Controlled Noise Source for Acoustic Testing	UK	Andrew Henry Middleton

The Group has not granted licences in respect of any of its patents or patent applications.

14.2 Domain Names

Andrew Rumble, a director of the Operating Subsidiary, is the owner of the domain name www.abd.uk.com.

14.3 Licences or Agreements for the use of Intellectual Property

The Operating Subsidiary has been granted licences or agreements to use IT software suitable for its business needs.

14.4 The Group continually seeks to improve and enhance its current technological processes.

14.5 Save as disclosed in this Document, there are no other intellectual property rights, know-how, licences or other intellectual property and/or know-how related contracts that are of fundamental importance to the Group’s business.

15. Share Scheme

15.1 *Outline*

The Share Scheme provides for the grant of options to selected employees of the Group. Options may be granted as tax-favoured enterprise management incentive options (“EMI Options”) or as options which do not benefit from any favourable tax status (“Unapproved Options”). Options are not transferable and the option does not form part of the optionholder’s entitlement to remuneration or benefits. The operation of the Share Scheme is overseen by the Board and, following Admission, will be overseen by the remuneration committee.

The Share Scheme was established immediately following the Company’s acquisition of the entire issued share capital of the Operating Subsidiary. The Share Scheme replicates the terms of the Anthony Best Dynamics Share Option Plan (the “Old Share Scheme”) which was operated by the Operating Subsidiary prior to the acquisition. Optionholders were invited to exchange options over ordinary shares in the Operating Subsidiary outstanding under the Old Share Scheme at the time of the acquisition for Options over Ordinary Shares on the same terms. At the date of this Document, all optionholders had accepted the exchange of options. As the Share Scheme is on the same terms as the Old Share Scheme, this summary is also applicable for such options which were originally granted under the Old Share Scheme.

While the Share Scheme remains in force, it is not intended to grant additional share options under the Share Scheme, other than those replacement options that have been granted in respect of the Old Share Scheme. Where further share options are to be granted, it is intended to introduce a new scheme to be overseen by the remuneration committee.

15.2 *Eligibility*

Participation in the Share Scheme is restricted to selected employees, including executive directors, of any member of the Group. The Board has absolute discretion as to the selection of employees to whom Options are to be granted. EMI Options may only be granted to employees who qualify for the grant of such Options in accordance with the legislation governing EMI Options from time to time.

15.3 *Grant of options*

Options may be granted under the Share Scheme at any time prior to Admission. Following Admission, options may be granted at the discretion of the Board but no option may be granted in breach of the AIM Rules.

15.4 *Exercise price*

The price per Ordinary Share payable on the exercise of an option under the Share Scheme is determined by the Board when options are granted and on any occasion may not be less than the nominal value of an Ordinary Share at the time of grant.

15.5 *Limit on the issue of Ordinary Shares*

The number of Ordinary Shares under which rights to subscribe for new Ordinary Shares may be granted on any day shall not exceed 10 per cent. of the issued share capital of the Company on that day.

15.6 *EMI Options limits*

The grant of EMI Options is subject to limits (both individual and Company), as specified in the legislation governing EMI Options from time to time.

15.7 *Performance targets*

The exercise of options may be subject to the attainment of an objective condition set by the Board at the time of grant relating to the performance of the Group, the Company and/or the optionholder (a “Performance Target”) over a period determined by the Board. In appropriate circumstances, the Board may amend or waive a Performance Target but must be satisfied when amending a Performance Target that in its opinion any such amended Performance Target is no more difficult to satisfy than was the original Performance Target when first set.

15.8 *Exercise and lapse of options*

A non-performance related option may not normally be exercised on or before a period or periods of time following the grant date, as specified on the grant of the option (the “Vesting Schedule”). An option which is subject to a Performance Target may, in addition, not normally be exercised before the expiry of the period to which the Performance Target relates. An option may not in any event be exercised after the day immediately preceding the tenth anniversary of the date of grant. No options may be exercised in breach of the AIM Rules.

If an optionholder leaves employment within the Group by reason of injury, ill health or disability, he may exercise his option within such time as the Board shall determine and notify the optionholder. The proportion of Ordinary Shares over which an option may be exercised depends on whether the optionholder leaves during or after the period relating to his Performance Target or Vesting Schedule for his option (and, in the case of an option containing a Performance Target, the extent to which the Performance Target has been, or is deemed by the Board to be, achieved).

If an optionholder dies in service, his personal representatives may exercise his option within 12 months of the date of death in respect of all option shares.

If the optionholder leaves the Group for any other reason, his option will lapse unless and insofar as the Board determines otherwise.

15.9 *Internal reorganisation*

On an internal reorganisation, the Board may invite the optionholders to accept an exchange of options if, in the opinion of the Board, the rights offered in exchange for the release of an option are substantially equivalent in value to the value of the option and are on terms approved by the Board. The invitation shall be open for at least 28 days and any options not exercised in this time will lapse and cease to be exercisable.

15.10 *Takeover of the Company*

If Shareholders accept a takeover offer for the Company, options may then be exercised early, within 40 days beginning with the change of control (or such shorter period of not less than 21 days). The proportion of Ordinary Shares over which an option may then be exercised depends on the proportion of the Vesting Period which has elapsed, or in the case of an option containing a Performance Target, the proportion of the Ordinary Shares which are or are deemed to become vested, at the date of the change of control. In addition, the Board may exercise discretion to allow exercises to take effect in a specified period in advance of the date when control passes. To the extent that options are not exercised within the specified period, they will lapse.

15.11 *National Insurance Contributions (“NICs”)*

The Board shall determine whether any employer’s NICs arising in connection with options shall be transferred to optionholders.

15.12 *Variation of share capital*

In the event of a variation of the ordinary share capital of the Company, the Board may adjust the aggregate number, amount or description of Ordinary Shares subject to any option and/or the exercise price.

15.13 *Amendment of the Share Scheme*

The Board may amend the rules of the Share Scheme. However, no amendments to the material disadvantage of existing optionholders may be made without the consent in writing of such optionholders. This is subject to an exception for minor amendments necessary or appropriate to benefit the administration of the Share Scheme, amendments to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for optionholders or for the Company or any Group company.

16. Litigation

The Group is not, nor has at any time in the 12 months immediately preceding the date of this Document, been engaged in any governmental, legal or arbitration proceedings and the Directors are not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Group, nor of any such proceedings having been pending or threatened at any time in the 12 months preceding the date of this Document in each case which may have, or have had in the 12 months preceding the date of this Document, a significant effect on the Group's financial position or profitability.

17. Working capital

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

18. United Kingdom Taxation

18.1 General

- 18.1.1 The following paragraphs are intended as a general guide only and summarise advice received by the Directors about the UK tax position of Shareholders who are resident (and in the case of individuals ordinarily resident) in the UK, holding shares as investments and not as securities to be realised in the course of a trade. The implications for Shareholders who acquire any shares or rights over shares in connection with an employment contract have not been considered. The paragraphs below are based on current UK legislation and HM Revenue & Customs practice. It should be noted that although a number of UK tax treatments referred to below refer to unquoted shares, shares on AIM are generally treated as unquoted for these purposes.
- 18.1.2 Any person who is in any doubt about their tax position or who is subject to taxation in a jurisdiction other than the UK should consult their own professional adviser.
- 18.1.3 The information in these paragraphs is intended as a general summary of the UK tax position and, should not be construed as constituting advice.

18.2 Taxation of dividends

- 18.2.1 Any UK resident and ordinary resident Shareholder who receives a dividend paid by the Company will be liable to UK income tax on the gross amount of any such dividend. Dividend income from the Company will be treated as forming the highest part of a Shareholder's income. The income tax rates are 10 per cent., 32.5 per cent. or 37.5 per cent. depending on the taxable income of the individual, but a tax credit of 10 per cent. of the dividend is to arise, the effect of which is to reduce the effective tax rates to 0 per cent., 25 per cent. and approximately 30.6 per cent. respectively.
- 18.2.2 UK resident shareholders who do not pay income tax or whose liability to income tax on the dividend and related tax credit is less than the tax credit, including pension funds, charities and certain individuals are not generally entitled to claim repayment of any part of the tax credit associated with the dividend from HM Revenue & Customs.
- 18.2.3 A UK-tax resident corporate Shareholder of non-redeemable ordinary shares in the Company that receives a dividend paid by the Company will not be subject to tax in respect of that dividend subject to certain exceptions.
- 18.2.4 Trustees of discretionary trusts receiving dividends from shares are also liable to account for income tax at the dividend trust rate, currently 37.5 per cent.

- 18.2.5 Whether a shareholder who is not resident in the UK for tax purposes is entitled to a tax credit in respect of dividends paid by the Company and to claim payment of any part of the tax credit will depend, in general, on the provisions of any double taxation convention which exists between the shareholder's country of residence and the UK. A non-UK resident shareholder may also be subject to foreign taxation on dividend income.
- 18.2.6 Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions or what relief or credit may be claimed in the jurisdiction in which they are resident.
- 18.3 ***Taxation of chargeable gains***
- 18.3.1 For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company.
- 18.3.2 The Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will usually constitute the base cost of a shareholder's holding.
- 18.3.3 If a shareholder disposes of all or some of his or her Ordinary Shares, a liability to tax on chargeable gains may, depending on their circumstances and subject to any available exemptions or reliefs, arise.
- 18.3.4 A UK resident, ordinarily resident and domiciled individual Shareholder who disposes (or is deemed to dispose) of all or any of their shares may be liable to capital gains tax in relation thereto at rates up to 28 per cent., subject to any available exemptions or reliefs. In addition, an individual UK Shareholder who ceases to be resident or ordinarily resident in the UK for a period of less than five complete tax years and who disposes of the shares held prior to departure during that period of temporary non residence may, under anti-avoidance legislation, be liable to capital gains tax on his or her return to the UK.
- 18.3.5 A UK resident corporate Shareholder disposing of its shares in the Company may be liable to corporation tax on chargeable gains arising on the disposal at the corporation tax rate applicable to its taxable profits (currently 20 to 23 per cent.).
- 18.3.6 In computing the chargeable gain liable to corporation tax the corporate Shareholder is entitled to deduct from the disposal proceeds the cost to it of the shares together with incidental costs of acquisition, as increased by an indexation allowance to adjust for inflation, and disposal costs.
- 18.3.7 The UK operates a substantial shareholding exemption regime which may apply to the disposal of shares in the Company subject to certain conditions being met.
- 18.4 ***Inheritance tax***
- 18.4.1 Individuals and trustees subject to IHT in relation to a shareholding in the Company may be entitled to business property relief of up to 100 per cent. after a holding period of two years providing that all the relevant conditions for the relief are satisfied at the appropriate time.
- 18.4.2 You should consult your taxation adviser if you are concerned with the potential Inheritance Tax implications of your shares in the Company.
- 18.5 ***Stamp Duty and Stamp Duty Reserve Tax***
- 18.5.1 No stamp duty or stamp duty reserve tax (SDRT) will generally be payable on the issue of new Ordinary Shares.
- 18.5.2 If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than in the UK, you should consult your professional adviser immediately.

19. CREST

- 19.1 CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations.
- 19.2 The Ordinary Shares will be eligible for CREST settlement. Accordingly, following Admission, settlement of transactions in the Ordinary Shares may take place within the CREST system if a Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates are able to do so.
- 19.3 For more information concerning CREST, Shareholders should contact their brokers or Euroclear UK & Ireland Limited at 33 Cannon Street, London EC4M 5SB or by telephone on +44 (0) 20 7849 0000.

20. General

- 20.1 Total costs and expenses payable by the Company in connection with the Admission and Placing (including professional fees, commissions, the costs of printing and the fees payable to the registrars) are estimated to amount to approximately £482,000 (excluding VAT).
- 20.2 Crowe Clark Whitehill LLP, as reporting accountants, have given and not withdrawn their written consent to the inclusion of their reports in Part III and their letter in Part IV of this Document and the references to their name in the form and context in which they are respectively included.
- 20.3 Cairn Financial Advisers LLP has given and not withdrawn its written consent to the inclusion in this Document of the references to its name in the form and context in which they are included.
- 20.4 Charles Stanley & Co. Limited has given and not withdrawn its written consent to the inclusion in this Document of the references to its name in the form and context in which they are included.
- 20.5 The auditors of the Company are Crowe Clark Whitehill LLP who were appointed on 17 April 2013. The auditors of the Operating Subsidiary for the period ended 31 August 2012 covered by the historical financial information contained in Part III of this Document were Crowe Clark Whitehill LLP.
- 20.6 Save as disclosed in this Document, the Directors are not aware of any patents or intellectual property rights, licences or industrial, commercial or financial contracts or new technological processes which may be of material importance to the Company's business or profitability.
- 20.7 Save as disclosed in this Document, there has been no significant change in the trading or financial position of the Group or any significant trends concerning the development of the Company's business since 28 February 2013, the date to which the last consolidated accounts of the Group were prepared.
- 20.8 The Placing Price represents a premium of 85p over the nominal value of 1p per Ordinary Share. The premium arising on the Placing amounts to £2,470,929.60 in aggregate.
- 20.9 The Ordinary Shares are in registered form and may be held in certificated or uncertificated form. No temporary documents of title will be issued.
- 20.10 Save as set out in this Document, no person (other than a professional adviser referred to in this Document or trade supplier) has:
 - 20.10.1 received, directly or indirectly, from the Company within the 12 months preceding the Company's application for Admission; or
 - 20.10.2 entered into contractual arrangements (not otherwise disclosed in this Document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
 - (a) fees totalling £10,000 or more;
 - (b) securities in the Company with a value of £10,000 or more calculated by reference to the issue price; or

(c) any other benefit with a value of £10,000 or more at the date of Admission.

- 20.11 Save as disclosed in this Document, since the period of the financial information set out in Parts III and IV of this Document, the Company has made no investments and there are no investments in progress which are or may be significant.
- 20.12 The Company's accounting reference date is 31 August.
- 20.13 The financial information for the relevant accounting period set out in the reports in Part III of this Document does not constitute statutory accounts of the Company within the meaning of section 434 of the UK Companies Act.
- 20.14 No financial information contained in this Document is intended by the Company to represent or constitute a forecast of profits by the Company or to constitute publication of accounts by it.
- 20.15 Save as disclosed in this Document, the Company is not aware of any arrangements which may at a subsequent date result in a change of control of the Company.
- 20.16 Save as disclosed in this Document, there are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.
- 20.17 Save as disclosed in this Document, no public takeover bids have been made by third parties in respect of the Company's issued share capital since its incorporation up to the date of this Document.
- 20.18 Insofar as the Directors are aware, the percentage of Ordinary Shares not in public hands (as that expression is defined in the AIM Rules for Companies) on Admission is expected to be approximately 75.6 per cent.
- 20.19 Save as disclosed in this Document, there are not, either in respect of the Company or its subsidiaries, any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.
- 20.20 Save as disclosed in this Document, there are no mandatory takeover bids and/or squeeze out and sell-out rules in relation to the Ordinary Shares.
- 20.21 Save for the information set out in Part III of this Document, no other audited information is included in this Document.
- 20.22 Save as disclosed in this Document, the Directors are not aware of any exceptional factors which have influenced the Company's recent activities.
- 20.23 Save as disclosed in this Document, the Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 20.24 As at 15 May 2013, being the latest date prior to the publication of this Document, the Group had an aggregate of £578,784 (subject to exchange rate fluctuations) of performance bonds issued by Bank of Scotland to guarantee payments in relation to certain customer contracts.
- 20.25 The Directors are not aware of any other information that they should reasonably consider as necessary for the investors to form a full understanding of (i) the assets and liabilities, financial position, profits and losses, and prospects of the Company and the securities for which Admission is being sought; (ii) the rights attached to those securities; and (iii) any other matter contained herein.

21. Third Party Information

Where information has been sourced from a third party, the information has been accurately reproduced and, as far as the Company and the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Reference materials include various historical and recent publications. A comprehensive list of reports and information used in the preparation of the Document is available if required.

22. Availability of Admission Document

A copy of this Document is available free of charge from the registered office of the Company during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this Document until at least one month after the date of Admission.

A copy of this Document is also available on the Company's website, www.abd.uk.com.

Dated: 16 May 2013

