Independent auditor's report
To the members of AB Dynamics plc

Opinion

We have audited the financial statements of AB Dynamics plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 August 2024, which comprise:

- the Group statement of comprehensive income for the year ended 31 August 2024;
- the Group and parent company statements of financial position as at 31 August 2024;
- the Group and parent company statements of changes in equity for the year then ended 31 August 2024;
- the Group statement of cash flows for the year then ended 31 August 2024; and
- the notes to the financial statements, including a summary of material accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 August 2024 and of the Group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's financial projections for the Group and parent company for the period to August 2026.
- Checking the numerical accuracy of management's financial projections
- Challenging management on the assumptions underlying those projections and sensitised them to reduce anticipated net cash inflows from future trading activities.
- Obtained the latest management results post year end 31 August 2024 to review how the Group and parent company are trending toward achieving the forecast.
- Performed sensitivity analysis on key inputs of the forecast by calculating the impact of various scenarios and considering the impact on the group and parent Company's ability to continue as a going concern in the event that a downward scenario occurs. The sensitivity analysis covered the downside scenario as disclosed in note 2a.
- Assessing the completeness and accuracy of the matters described in the going concern disclosure within the significant accounting policies as set out in Note 2 (a).

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

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

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements.

We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £965,000, based on 4.8% of adjusted Group profit before tax. Materiality for the parent company financial statements was set at £670,000 based on 0.46% of net assets.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. We determined performance materiality for the Group financial statements as a whole to be £675,500. Performance materiality for the parent company financial statements was set at £469,000.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the audit and risk committee to report to it all identified errors in excess of £45,000. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Independent auditor's report continued

To the members of AB Dynamics plc

Overview of our audit approach continued

Overview of the scope of our audit

The main trading Group and its principal subsidiary are accounted for from one central location, the Group's registered office. The Group has a number of operating locations, both across the UK and overseas. Our audit work was performed entirely in the United Kingdom with the exception of year end inventory counts. Inventory counts were performed at two locations in the United Kingdom, (AB Dynamics Ltd and Ansible Ltd) and two locations in the USA , (DRI and AB Dynamics Inc), which were performed by teams from a Crowe Global member firm with oversight from the UK engagement team.

The parent company and the primary trading subsidiary, AB Dynamics Ltd, were subject to a full scope audit. Ansible Motion Ltd was designated as a significant component and was therefore audited to a component materiality, whilst the remaining group entities based in the United Kingdom, Germany, the United States of America, Spain, Singapore, China and Japan were audited to Group materiality. Testing was performed on a line by line basis in the financial statements and testing was completed to ensure that the Group balance of items left untested per line item was below performance materiality.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue recognition and accounting for long-term contracts The Group has recognised revenues totalling £111.3m (2023: £100.8m). See notes 2(c) and 3 to the financial statements. Revenue is recognised in accordance with the accounting policy set out in the financial statements. The accounting policy contains a number of judgements, particularly in recognising when the performance obligations are satisfied. This is determined with reference to the underlying contract with the customer. For certain projects the Company recognises revenue over the period of the contract. The Group uses the percentage of completion method to determine the appropriate amount of revenue to recognise in a given period. This is measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. A number of judgements are made by management in making its assessment of estimated costs and profitability. Due to the estimation uncertainty over percentage completion we have identified revenue recognition and accounting for long term contracts as a key audit matter.	• We assessed that the accounting policy conformed with the requirements of IFRS15 and then tested its application to a sample of contracts. • We assessed the use of a cost based methodology and its appropriateness to the circumstances of the business. • We undertook audit procedures over the design and implementation of controls within the revenue cycle that are operational within the group. • We performed cut off testing to ensure revenue was recorded in the correct period and that any resulting work in progress and other entries are appropriate. • We tested a sample of individual revenue transactions through to cash receipts. • Our work on long-term contracts focused on validating that estimated contract costs which include staff costs, overheads and material costs are appropriate and accurately estimated. • We tested a sample of costs incurred to date to supporting documentation. • We considered the original budget for the contract and compared this to actual costs to validate how the contract has performed and enquired into cost overruns and any events which could change this assessment.

Independent auditor's report continued
To the members of AB Dynamics plc

Overview of our audit approach continued

Key audit matters continued

Key audit matter	How the scope of our audit addressed the key audit matter
Recoverability of goodwill and acquired intangible assets The Group recognises goodwill and acquired intangible balances totalling £75.9m (2023: £69.8m) arising from a number of acquisitions. See notes 12 and 13 to the financial statements. The Group's intangible assets comprise of goodwill arising on acquisition of businesses, customer relationships, brand and technology assets. When assessing the carrying value of goodwill and intangible assets, management makes judgements regarding the appropriate cash generating unit, strategy, future trading and profitability and the assumptions underlying these. We considered the risk that goodwill and/or other intangible assets were impaired. Due to the significant assumptions that underpin the recoverable amount of these assets, the recoverability of goodwill and acquired intangible assets has been identified as a key audit matter.	• We evaluated, in comparison to the requirements set out in IAS 36, management's assessment (using discounted cash flow models) as to whether goodwill and/or other intangible assets were impaired. We reviewed and challenged management's assessment of the CGUs. • We undertook audit procedures over the design and implementation of group controls over the internal budgeting and impairment assessment processes and approvals. • We challenged, reviewed and considered by reference to evidence, management's impairment and fair value models as appropriate and their key estimates, including the discount rate. We reviewed the appropriateness and consistency of the process for making such estimates. • We obtained management's discounted cash flow models supporting the intangible asset valuation. We challenged the key assumptions into the model, including the forecast revenue and gross margin, discount rates and growth rates. • We compared cash flow forecasts used in the impairment review to historical performance, and challenged where forecasts indicated performance that deviated significantly from historical performance, in the absence of significant changes in the business or market environment. • Discount rates and terminal growth rates were benchmarked to externally derived data and our knowledge of competitor performance, to evaluate the reasonableness of these assumptions. In addition we used an internal specialist to recalculate the discount rate. • Sensitivity analysis was performed by management on the key assumptions such as growth, margin and discount rates to identify those assumptions to which that the goodwill or intangible asset valuation was highly sensitive. We have applied further sensitivity to create a worst case scenario and challenged management on the likelihood of such a scenario occurring, and on what remedial actions would be taken.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

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

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Independent auditor's report continued
To the members of AB Dynamics plc

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 96, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below however the primary responsibility for the prevention and detection of fraud lies with management and those charged with governance of the Company.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and the procedures in place for ensuring compliance. The most significant identified were the Companies Act 2006 and the QCA Corporate Governance Code. Our work included direct enquiry of the Company Secretary who oversees all legal proceedings, reviewing Board and relevant committee minutes and inspection of correspondence.
- As part of our audit planning process we assessed the different areas of the financial statements, including disclosures, for the risk of material misstatement. This included considering the risk of fraud where direct enquiries were made of management and those charged with governance concerning both whether they had any knowledge of actual or suspected fraud and their assessment of the susceptibility of fraud. We considered the risk was greater in areas that involve significant management estimate or judgement. Based on this assessment we designed audit procedures to focus on the key areas of estimate or judgement, this included specific testing of journal transactions, both at the year end and throughout the year.
- We used data analytic techniques to identify any unusual transactions or unexpected relationships, including considering the risk of undisclosed related party transactions.

Where the risk was considered to be highest, we performed audit procedures to address these:

Our procedures included:

- enquiry of management about the Group's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- examining the supporting documents for all material balances, transactions and disclosures;
- review of minutes of meetings about litigations and claims;
- evaluation of the selection and application of accounting policies related to subjective measurements and complex transactions, in particular those items included in the Key Audit Matters;
- analytical procedures to identify an unusual or unexpected relationships;
- testing the appropriateness of a selection of journal entries recorded in the general ledger and other adjustments made in the financial statements;
- review of accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organised schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

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

Independent auditor's report continued
To the members of AB Dynamics plc

Use of our report

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

Matthew Stallabrass
Senior Statutory Auditor
for and on behalf of Crowe U.K. LLP
Statutory Auditor,
London
26 November 2024

Consolidated statement of comprehensive income
For the year ended 31 August 2024

	Note	2024 Adjusted £'000	2024 Adjustments* £'000	2024 Statutory £'000	2023 Adjusted £'000	2023 Adjustments* £'000	2023 Statutory £'000
Revenue	3	**111,253**	**—**	**111,253**	100,767	—	100,767
Cost of sales		**(44,972)**	**—**	**(44,972)**	(40,837)	—	(40,837)
Gross profit		**66,281**	**—**	**66,281**	59,930	—	59,930
General and administrative expenses		**(45,982)**	**(7,554)**	**(53,536)**	(43,326)	(9,229)	(52,555)
Fair value gain on release of contingent consideration		**—**	**—**	**—**	—	5,180	5,180
Operating profit		**20,299**	**(7,554)**	**12,745**	16,604	(4,049)	12,555
Operating profit is analysed as:							
Before depreciation and amortisation		**24,231**	**(1,203)**	**23,028**	20,517	3,140	23,657
Depreciation and amortisation		**(3,932)**	**(6,351)**	**(10,283)**	(3,913)	(7,189)	(11,102)
Operating profit		**20,299**	**(7,554)**	**12,745**	16,604	(4,049)	12,555
Net finance expense	6	**(272)**	**(447)**	**(719)**	(354)	(713)	(1,067)
Profit before tax	7	**20,027**	**(8,001)**	**12,026**	16,250	(4,762)	11,488
Tax expense	9	**(3,746)**	**1,426**	**(2,320)**	(2,146)	1,644	(502)
Profit for the year		**16,281**	**(6,575)**	**9,706**	14,104	(3,118)	10,986
Other comprehensive expense							
Items that may be reclassified to consolidated income statement:							
Cash flow hedges		**—**	**—**	**—**	124	—	124
Exchange loss on foreign currency net investments		**(1,767)**	**—**	**(1,767)**	(2,059)	—	(2,059)
Total comprehensive income for the year		**14,514**	**(6,575)**	**7,939**	12,169	(3,118)	9,051
Earnings per share – basic (pence)	11	**71.0p**		**42.3p**	61.6p		48.0p
Earnings per share – diluted (pence)	11	**70.0p**		**41.7p**	60.8p		47.4p

* See note 4.

Consolidated statement of financial position

As at 31 August 2024

	Note	2024 £'000	2023 £'000
ASSETS			
Non-current assets			
Goodwill	12	**44,568**	36,939
Acquired intangible assets	13	**31,293**	32,831
Other intangible assets	13	**2,491**	2,746
Property, plant and equipment	14	**29,684**	25,739
Right-of-use assets	15	**2,861**	1,409
		110,897	99,664
Current assets			
Inventories	16	**14,412**	17,954
Trade and other receivables	17	**14,655**	14,494
Contract assets	5	**2,295**	3,152
Cash and cash equivalents	18	**31,803**	33,486
		63,165	69,086
Assets held for sale	19	**1,893**	1,893
LIABILITIES			
Current liabilities			
Trade and other payables	20	**20,260**	20,127
Contract liabilities	5	**7,485**	9,234
Short-term lease liabilities	15	**1,031**	570
Contingent consideration	28	**2,770**	5,943
		31,546	35,874
Non-current liabilities			
Deferred tax liabilities	22	**7,507**	8,708
Long-term lease liabilities	15	**2,207**	906
Contingent consideration	28	**3,443**	—
		13,157	9,614
Net assets		**131,252**	125,155
SHAREHOLDERS' EQUITY			
Share capital	23	**230**	229
Share premium	23	**62,859**	62,781
Other reserves	24	**636**	2,403
Retained earnings		**67,527**	59,742
Total equity		**131,252**	125,155

The financial statements were approved by the Board of Directors and authorised for issue on 26 November 2024 and are signed on its behalf by:

Dr James Routh
Director

Sarah Matthews-DeMers
Director

Company registration number: 08393914

Consolidated statement of changes in equity
For the year ended 31 August 2024

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 September 2022		226	62,260	1,142	48,754	112,382
Total comprehensive income		—	—	(1,935)	10,986	9,051
Share based payments		—	—	—	1,064	1,064
Deferred tax on share based payments	9	—	—	—	193	193
Dividend paid	10	—	—	—	(1,255)	(1,255)
Issue of shares	23, 24	3	521	3,196	—	3,720
At 31 August 2023		229	62,781	2,403	59,742	125,155
Total comprehensive income		—	—	(1,767)	9,706	7,939
Share based payments		—	—	—	1,175	1,175
Deferred tax on share based payments	9	—	—	—	219	219
Dividend paid	10	—	—	—	(1,542)	(1,542)
Issue of shares	23, 24	1	78	—	—	79
Purchase of own shares		—	—	—	(1,773)	(1,773)
At 31 August 2024		**230**	**62,859**	**636**	**67,527**	**131,252**

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 items included in the consolidated statement of changes in equity that relate to transactions with owners are share based payments, deferred tax on share based payments, dividends paid, issues of shares and purchases of own shares by the Employee Benefit Trust.

Consolidated cash flow statement
For the year ended 31 August 2024

	Note	2024 £'000	2023 £'000
Profit before tax		**12,026**	11,488
Depreciation and amortisation		**10,283**	11,102
Finance expense		**719**	1,067
Share based payment	25	**1,421**	1,263
Release of contingent consideration	28	**—**	(5,180)
Operating cash flows before changes in working capital		**24,449**	19,740
Decrease/(increase) in inventories		**3,542**	(2,612)
Decrease in trade and other receivables		**965**	2,514
Decrease in trade and other payables		**(2,221)**	(369)
Cash flows from operations		**26,735**	19,273
Cash flows from operations are analysed as:			
Adjusted cash flows from operations		**27,938**	23,450
Cash impact of adjusting items	4	**(1,203)**	(4,177)
Cash flows from operations		**26,735**	19,273
Finance costs paid		**(118)**	(291)
Income tax (paid)/received		**(3,114)**	363
Net cash flows from operating activities		**23,503**	19,345
Cash flows used in investing activities			
Acquisition of businesses net of cash acquired		**(16,970)**	(10,656)
Purchase of property, plant and equipment		**(3,638)**	(2,930)
Capitalised development costs and purchased software		**(189)**	(469)
Net cash used in investing activities		**(20,797)**	(14,055)

	Note	2024 £'000	2023 £'000
Cash flows used in financing activities			
Drawdown of loans		**3,928**	6,000
Repayment of loans		**(3,928)**	(6,000)
Dividends paid	10	**(1,542)**	(1,255)
(Purchase of own shares)/proceeds from issue of share capital		**(1,694)**	457
Repayment of lease liabilities	15	**(1,145)**	(1,124)
Net cash used in financing activities		**(4,381)**	(1,922)
Net (decrease)/increase in cash and cash equivalents		**(1,675)**	3,368
Cash and cash equivalents at beginning of the year		**33,486**	30,141
Effects of exchange rate changes		**(8)**	(23)
Cash and cash equivalents at end of the year	18	**31,803**	33,486

Notes to the consolidated financial statements
For the year ended 31 August 2024

1. General information

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

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

Basis of preparation

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

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

New accounting standards and interpretations

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

Standards, amendments and interpretations to published standards not yet effective

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

2. Summary of material accounting policies

(a) Going concern

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

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

The Directors have assessed the principal risks, including by modelling a severe but plausible downside scenario over an extended assessment period to August 2026, whereby the Group experiences:

- A reduction in demand of 25% over the next two financial years
- 10% increase in operating costs
- Increase in cash collection cycle
- Increase in input costs resulting in reduction in gross margins by 12%

With £31.8m of cash at 31 August 2024 and a £15.0m undrawn revolving credit facility, in this severe downside scenario the Group has sufficient headroom to be able to continue to operate for the foreseeable future. The Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily, and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of the financial statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

(b) Critical accounting judgements and sources of estimation uncertainty

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

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

Accounting judgements

Assessment of revenue recognition for long-term revenue contracts

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

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

2. Summary of material accounting policies continued

(b) Critical accounting judgements and sources of estimation uncertainty continued

Accounting judgements continued

Assessment of revenue recognition for long-term revenue contracts continued

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

The main timing difference between over time recognition and point in time recognition arises during the build phase, prior to meeting the initial performance obligation on delivery of the equipment. Consequently, the impact on the results is limited to any contracts where the build phase spans a year end. Were a different judgement to be made regarding point in time or over time recognition on these, the amount of revenue recognised in the year could increase or decrease accordingly. For the year ended 31 August 2024, £16,310,000 was recognised in relation to 13 contracts for custom-built laboratory testing and simulator equipment, with only one contract in the build phase at the year end.

Assets held for sale

Management judgements are required in relation to the classification of assets held for sale, specifically in relation to assessing whether a sale is highly probable. Typically, a sale is deemed to be highly probable when it is expected to qualify for recognition as a completed sale within one year from the date of classification, in addition to the other criteria stipulated in IFRS 5. However, events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale. Where this is the case, management judgements are required to assess whether the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset, in order to continue to meet the assets held for sale criteria.

For the land asset that is classified as held for sale as at 31 August 2024, the delays experienced to date with the sale process have been caused by circumstances outside of the Group's control, including the impact of the pandemic on planning applications. An active sale process is underway at year end pending planning permission and management judges that a sale is highly probable.

Key sources of estimation uncertainty

Assessment of the percentage of completion for long-term revenue contracts

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

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

Other sources of estimation uncertainty

Acquisition accounting

When the Group makes an acquisition, it recognises the identifiable assets and liabilities, including intangible assets, at fair value with the difference between the fair value of net assets acquired and the fair value of consideration paid comprising goodwill.

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

The key assumptions and estimates used to determine the valuation of intangible assets acquired are the forecast cash flows, the discount rate and/or customer/supplier attrition. Customer and supplier relationships are valued using a discounted cash flow model. Any changes in the discount rate or cash flow forecast would result in a change between recognised goodwill and intangible assets. Separate intangibles valued on acquisitions made in the year were £5,252,000 (2023: £16,800,000), comprised of £3,406,000 (2023: £16,100,000) in relation to technology, £1,520,000 (2023: £Nil) in relation to customer relationships and £326,000 (2023: £700,000) in relation to brand.

(c) Revenue and long-term contracts

The Group principally earns revenue through the sale of manufactured test products for automotive applications and the provision of test and consultancy services and recognises revenue based on the satisfaction of the performance obligations in contracts with customers. A contract with a customer is confirmed and exists when a sales contract has been signed by both parties where the terms and conditions of the sale have been agreed by both parties and it is expected that the entity will be paid by the customer upon completion of the distinct performance obligations in the contract. Goods and services are distinct and accounted for as separate performance obligations if they are separately identifiable in the contract and the customer can benefit from the goods and services either on their own or together with other readily available resources available to the customer. Revenue is recognised in the amount the entity expects to receive for the performance of its obligations to the customer and net of sales taxes. Where contract modifications do occur and the remaining goods and services are not distinct from those already provided then the transaction price is updated, and where necessary a cumulative adjustment is made. This occurs infrequently where insignificant adjustments are made to the equipment supplied or services rendered.

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

2. Summary of material accounting policies continued

(c) Revenue and long-term contracts continued

Transaction prices are set in the contract and are thus fixed upon agreeing to enter into a contract with a customer. The Group does not recognise variable consideration and does not estimate any revenue other than that agreed upon in the contract which is not subject to estimation. Rights of return are present in some contracts, yet these are only triggered by non-performance of the obligations under the contract and after the Group's right to repair lapses. There have been no instances of any right of return clauses being invoked for the Group, and correspondingly no return assets or refund liabilities are recognised.

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

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

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

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

Supply of manufactured products

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

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

Supply of services

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

Supply of software

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

(d) Basis of consolidation

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

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

(e) Acquisitions

Acquisitions are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Goodwill at the acquisition date represents the cost of the business combination (excluding acquisition related costs, which are expensed as incurred) in excess of the fair value of the identifiable tangible and intangible assets and liabilities acquired. Any contingent consideration payable is recognised at fair value at the acquisition date and held at fair value through profit and loss. Costs in relation to the unwinding of discounting are recognised as a finance expense.

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

2. Summary of material accounting policies continued

(f) Inventories

Inventories are valued on a first in, first out basis at the lower of cost and net realisable value. Cost includes all expenditure incurred during the normal course of business in bringing in inventories to their present location and condition, including in the case of work-in-progress and finished goods 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. Inventory is expensed to cost of sales on consumption which includes direct labour and direct overheads.

(g) Financial instruments

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

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

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

(i) Financial assets

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

Financial assets at fair value through profit or loss

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

Financial assets at amortised cost

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

(ii) Financial liabilities

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

The 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.

(iii) Equity instruments

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

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

(iv) Derivative financial instruments and hedging activities

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

(h) Property, plant and equipment

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

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

(i) Intangible assets

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

(i) Research and development costs

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

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

2. Summary of material accounting policies continued

(i) Intangible assets continued

(ii) Computer software costs

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

(iii) Acquired intangible assets – business combinations

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

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

(iv) Goodwill – business combinations

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

(j) Impairment of tangible and intangible assets

An impairment loss is recognised to the extent that the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or CGU is the higher of: (i) its fair value less costs to sell; and (ii) its value in use. Its value in use is the present value of the future cash flows expected to be derived from the asset or CGU, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. The pre-tax discount rates are derived from the post-tax weighted cost of capital. Assumptions used in the calculation of the Group's weighted average cost of capital are benchmarked to externally available data. The pre-tax discount rate applied in the value-in-use calculations for the financial year ranged from 14.4% to 18.0%. The discount rates applied reflect the different markets, tax rates and associated risks within those jurisdictions in which the Group operates. Stress testing was performed on the value-in-use calculations to consider the impact of reasonably possible worst case scenarios over the forecast period including a 15% increase in the discount rate combined with a corresponding 15% decrease in the growth rate and even under these circumstances, no CGUs would require an impairment against goodwill.

Impairment losses are recognised immediately in the consolidated income statement.

(i) Impairment of goodwill

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

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

(ii) Impairment of other tangible and intangible assets

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

(k) Taxation

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

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

(l) Share based payments

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

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant individuals become fully entitled to the award (vesting point).

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

2. Summary of material accounting policies continued

(l) Share based payments continued

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments and value that will ultimately vest. The statement of comprehensive income charge for the year represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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

(m) Foreign currencies

(i) Reporting foreign currency transactions in functional currency

The Group's consolidated financial statements are presented in pounds sterling. Items included in the financial statements of each of the Group's subsidiaries are measured using the functional currency of the primary economic environment in which the subsidiary operates. Transactions in currencies other than the entity's functional currency (foreign currencies) are initially recorded at the rates of exchange prevailing on the dates of the transactions. At each subsequent balance sheet date:

(a) Foreign currency monetary items are retranslated at the rates prevailing at the balance sheet date. Exchange differences arising on the settlement or retranslation of monetary items are recognised in the consolidated income statement

(b) Non-monetary items measured at historical cost in a foreign currency are not retranslated

(c) Non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date the fair value was determined. Where a gain or loss on non-monetary items is recognised directly in equity, any exchange component of that gain or loss is also recognised directly in equity and, conversely, where a gain or loss on a non-monetary item is recognised in the consolidated income statement, any exchange component of that gain or loss is also recognised in the consolidated income statement

(ii) Translation from functional currency to presentational currency

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

(a) Assets and liabilities are translated using exchange rates prevailing at the reporting date

(b) Income and expense items are translated at average exchange rates for the year, except where the use of such an average rate does not approximate the exchange rate at the date of the transaction, in which case the transaction rate is used

(c) All resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity in other reserves; these cumulative exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of

(iii) Net investment in foreign operations

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

(n) Assets held for sale

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

(o) Alternative performance measures

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

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

(p) Leases

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

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

3. Segment reporting

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

The operating segments are based on internal reports about components of the Group, which are regularly reviewed and used by the Board of Directors being the Chief Operating Decision Maker.

	2024					2023				
	Testing products £'000	**Testing services £'000**	**Simulation £'000**	**Unallocated* £'000**	**Total £'000**	Testing products £'000	Testing services £'000	Simulation £'000	Unallocated* £'000	Total £'000
Revenue	**69,350**	**16,697**	**25,206**	**—**	**111,253**	63,016	12,858	24,893	—	100,767
Adjusted operating profit	**13,160**	**4,219**	**7,025**	**(4,105)**	**20,299**	9,079	2,878	8,296	(3,649)	16,604
Adjusted operating profit is analysed as:										
Before depreciation and amortisation	**15,414**	**5,351**	**7,539**	**(4,073)**	**24,231**	11,834	3,723	8,552	(3,592)	20,517
Depreciation and amortisation	**(2,254)**	**(1,132)**	**(514)**	**(32)**	**(3,932)**	(2,755)	(845)	(256)	(57)	(3,913)
Adjusted operating profit	**13,160**	**4,219**	**7,025**	**(4,105)**	**20,299**	9,079	2,878	8,296	(3,649)	16,604
Amortisation on acquired intangibles	**—**	**(3,386)**	**(2,965)**	**—**	**(6,351)**	—	(3,055)	(4,134)	—	(7,189)
Adjusting items	**—**	**—**	**—**	**(1,203)**	**(1,203)**	—	—	—	3,140	3,140
Operating profit	**13,160**	**833**	**4,060**	**(5,308)**	**12,745**	9,079	(177)	4,162	(509)	12,555
Net finance expense					**(719)**					(1,067)
Profit before tax					**12,026**					11,488
Tax expense					**(2,320)**					(502)
Profit for the year					**9,706**					10,986

* Unallocated items are head office costs that cannot be allocated to a business segment.

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

3. Segment reporting continued
Analysis of revenue by destination:

	2024 £'000	2023 £'000
Europe (including United Kingdom)	**36,809**	26,970
North America	**25,867**	25,171
Asia Pacific	**48,407**	46,409
Rest of the World	**170**	2,217
	111,253	100,767

No customers individually represent more than 10% of total revenue (2023: no customers individually represent more than 10% of total revenue).

Revenue recognised over time during the year was £12,690,000 (2023: £12,300,000).

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

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

	2024 £'000	2023 £'000
Europe (including United Kingdom)	**64,397**	67,248
North America	**30,797**	15,508
Asia Pacific	**15,703**	16,908
	110,897	99,664

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

The financial statements include both statutory and adjusted non-GAAP financial measures, the latter of which the Directors believe better reflect the underlying performance of the business and provide a more meaningful comparison of how the business is managed and measured on a day-to-day basis. The Group's alternative performance measures and KPIs are aligned to the Group's strategy and together are used to measure the performance of the business and form the basis of the performance measures for remuneration.

Adjusted results exclude certain items because, if included, these items could distort the understanding of the performance for the year and the comparability between the periods.

We provide comparatives alongside all current year figures. The term 'adjusted' is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

	2024 £'000	2023 £'000
Amortisation of acquired intangibles	**6,351**	7,189
Acquisition related costs/(credit)	**231**	(4,502)
ERP development costs	**972**	1,362
Adjustments to operating profit	**7,554**	4,049
Acquisition related finance costs	**447**	713
Adjustments to profit before tax	**8,001**	4,762

Amortisation of acquired intangibles

The amortisation relates to the acquisition of Venshure Test Services on 2 April 2024, Ansible Motion Limited on 20 September 2022, and the businesses acquired in previous years, DRI, rFpro and VadoTech.

Acquisition related costs/(credit)

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

ERP development costs

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

Acquisition related finance costs

Finance costs relate to the unwind of the discount on contingent consideration payable on the acquisition of Venshure Test Services and Ansible Motion (2023: Ansible Motion).

Tax

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

Cash impact

The operating cash flow impact of the adjustments was an outflow of £1.2m (2023: £4.2m), being £1.0m (2023: £1.4m) in relation to the ERP development costs and £0.2m (2023: £2.8m) in relation to acquisition costs.

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

5. Disclosure of revenue from contracts with customers

Contract balances

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

	2024 £'000	2023 £'000
Contract assets (i)	**2,295**	3,152
Contract liabilities (ii)	**7,485**	9,234

(i) Significant changes in contract assets

Contract assets have decreased by 27% during the year reflecting completion of two contracts for which work had been performed in the prior year in advance of the payment schedule.

(ii) Significant changes in contract liabilities

This balance consists of deferred income and payments in advance. The decrease in contract liabilities was due to the completion of a large contract during the year. At 31 August 2024 there was £4,817,000 (2023: £3,158,000) relating to support and warranties which are recognised over the period in which these obligations are performed.

Of the £9,234,000 of contract liabilities at the beginning of the period, £7,789,000 was recognised as revenue during the year.

Remaining performance obligations as at 31 August 2024

Outstanding performance obligations at 31 August 2024 were £30,265,000 (2023: £41,001,000). The related revenue is expected to be recognised over the next 12 months as these performance obligations are satisfied, except for performance obligations to build and deliver laboratory testing and simulator equipment, where the typical length of time is 18–24 months.

Assets recognised from costs to obtain or fulfil customer contracts

No amounts have been recognised in relation to these categories of assets as at 31 August 2024 (2023: Nil).

6. Net finance expense

	2024 £'000	2023 £'000
Finance income	**(43)**	(42)
Finance expense	**315**	396
Unwinding of discount on contingent consideration	**447**	713
Net finance expense	**719**	1,067

7. Profit before tax

The profit before tax is stated after charging/(crediting):

	2024 £'000	2023 £'000
Depreciation of tangible fixed assets	**2,485**	2,264
Depreciation of right-of-use assets	**1,050**	971
Amortisation of other intangible assets	**397**	679
Amortisation of acquired intangible assets	**6,351**	7,189
Realised loss on foreign exchange	**646**	1,050
ERP development costs	**972**	1,362
Remeasurement of contingent consideration	**—**	(5,180)
Staff costs:		
– Wages and salaries	**29,794**	27,039
– Social security costs	**2,781**	2,781
– Other pension costs	**1,411**	1,219
Share based payments	**1,421**	1,263
Contractor costs	**2,190**	1,871
Research and development costs charged as an expense	**693**	247

Auditor's remuneration

	2024 £'000	2023 £'000
Fees payable to the Group's auditor during the year for:		
– the audit of the Company's financial statements	**105**	76
– the audit of the Company's subsidiaries	**100**	447
	205	523

The decrease in audit fees is due to a change in auditor from Grant Thornton UK LLP to Crowe UK LLP following significant auditor inefficiencies and overruns in the prior year audit.

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

8. Employees

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

	2024 No.	2023 No.
Directors and commercial	**21**	23
Engineers and technicians	**419**	375
Administration	**72**	75
	512	473

The total number of employees at the year end was 555 (2023: 471).

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

	2024 £'000	2023 £'000
Short-term employee benefits	**2,583**	2,634
Post-employment benefits	**106**	123
Social security costs	**170**	182
Share based payments – equity settled	**1,161**	852
	4,020	3,791

Further details relating to the remuneration of the Directors of the Company can be found on page 89 in the Remuneration Committee report. The total remuneration paid to or receivable by the Directors of the Group in respect of qualifying services is £2,039,000 (2023: £1,885,000). Pension contributions totalling £6,000 (2023: £4,000) were made into the defined contribution scheme for two Directors in the year (2023: two).

9. Tax expense

	2024 £'000	2023 £'000
Current tax:		
– for the financial year	**3,408**	1,853
– adjustments in respect of prior year	**(156)**	8
	3,252	1,861
Deferred tax (note 22):		
– origination and reversal of temporary differences	**(1,030)**	(1,408)
– adjustments in respect of prior year	**98**	49
	2,320	502

The statutory effective rate of tax for the year of 19.3% (2023: 4.4%) is lower than (2023: lower than) the standard rate of corporation tax in the UK of 25% (2023: 21.5%) as set out below.

The effective rate of tax on the adjusted profit before tax is 18.7% (2023: 13.2%).

The tax charge can be reconciled to the consolidated income statement as follows:

	2024 £'000	2023 £'000
Profit before tax	**12,026**	11,488
Tax at the applicable statutory rate of 25% (2023: 21.5%):	**3,006**	2,470
Tax effects of:		
Non-deductible expenses/(non-taxable income)	**469**	(727)
Research and development tax credit	**—**	(135)
Adjustments in respect of prior year	**(58)**	58
Patent box relief*	**(1,361)**	(1,133)
Changes in tax rates	**(16)**	(14)
Increase in tax risk provision	**196**	—
Overseas tax rates	**84**	(17)
Tax expense for the financial year	**2,320**	502

* Patent box relief represents the tax effect of the reduced amount payable on profits that fall within the Patent Box regime.

In addition to the amount charged to the consolidated income statement, the following amounts relating to tax have been recognised directly in equity:

	2024 £'000	2023 £'000
Deferred tax		
Change in estimated excess tax deductions related to share based payments	**(219)**	(193)
Total income tax recognised directly in equity	**(219)**	(193)

Factors affecting the tax charge in future years

The Group's future tax charge could be affected by several factors including: tax reform in the UK, the US, Germany, Japan, Singapore or China, including any arising from the European Commission initiatives such as the proposed Tax and Financial Reporting Directive, changes to eligibility for the RDEC, any future acquisitions and availability of R&D and patent box relief.

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

10. Dividends paid

	2024 £'000	2023 £'000
Final 2022 dividend paid of 3.54p per share	**—**	811
Interim 2023 dividend paid of 1.94p per share	**—**	444
Final 2023 dividend paid of 4.42p per share	**1,009**	—
Interim 2024 dividend paid of 2.33p per share	**533**	—
	1,542	1,255

The Board has proposed a final dividend in respect of the year ended 31 August 2024 of 5.30p per share totalling £1,217,000. An interim dividend was paid of 2.33p per share totalling £533,000. If approved, the final dividend will be paid on 31 January 2025 to shareholders on the register on 17 January 2025.

11. Earnings per share

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

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

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

	2024	2023
Weighted average number of shares		
Basic	**22,944**	22,886
Diluted	**23,249**	23,193
Earnings per share		
Profit for the year attributable to owners of the Group (£'000)	**9,706**	10,986
Basic earnings per share (pence)	**42.3p**	48.0p
Diluted earnings per share (pence)	**41.7p**	47.4p
Adjusted profit for the year attributable to owners of the Group (£'000)	**16,281**	14,104
Adjusted earnings per share (pence)	**71.0p**	61.6p
Adjusted diluted earnings per share (pence)	**70.0p**	60.8p

12. Goodwill

	VadoTech Group £'000	DRI £'000	rFpro £'000	Ansible Motion £'000	Venshure Test Services £'000	Total £'000
At 1 September 2023	6,310	9,080	7,535	14,014	—	36,939
Acquisitions	—	—	—	—	8,462	8,462
Exchange differences	(134)	(314)	—	—	(385)	(833)
At 31 August 2024	**6,176**	**8,766**	**7,535**	**14,014**	**8,077**	**44,568**

	VadoTech Group £'000	DRI £'000	rFpro £'000	Ansible Motion £'000	Venshure Test Services £'000	Total £'000
At 1 September 2022	6,347	9,936	7,535	—	—	23,818
Acquisitions	—	—	—	14,014	—	14,014
Exchange differences	(37)	(856)	—	—	—	(893)
At 31 August 2023	6,310	9,080	7,535	14,014	—	36,939

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of the goodwill has been allocated to the CGUs to which they relate.

The Group tests goodwill at least annually for impairment. Tests are conducted more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations have been individually estimated for each CGU and include the discount rates and expected changes to cash flows during the period for which management has detailed plans.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to each of the CGUs. Pre-tax discount rates, derived from the Group's post-tax weighted average cost of capital which have been adjusted for a premium specific to each of the CGUs to account for differences in currency risk, country risk and other factors affecting specific CGUs, have been used to discount projected cash flows. The pre-tax discount rate applied in the value-in-use calculations for the financial year ranged from 14.4% to 18.0%.

Expected changes to cash flows during the period for which management has detailed plans relate to revenue forecasts and forecast operating margins in each of the operating companies. The relative value ascribed to each varies between CGUs as the budgets are built up from the underlying operating companies within each CGU, but the key assumption for each CGU is growth resulting from the long-term drivers in the industry, including the increase in ADAS and autonomy and increased regulation.

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

12. Goodwill continued

The calculations have used the Group's forecast figures for the next three years. This is based on data derived from the three-year plan that has been approved by the Board. At the end of three years, the calculations assume the performance of the CGUs will grow at a nominal annual rate of 2.5% in perpetuity. Growth rates are based on management's view of industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes. The weighted average cost of capital is derived using beta values of a comparator group of companies adjusted for funding structures as appropriate.

Following a detailed review, no impairment losses were recognised in the year ended 31 August 2024.

Sensitivity testing was performed on the forecasts to consider the impact of reasonably possible worst case scenarios over the forecast period, including a 15% increase in the discount rate (increasing the rate to between 16.6% and 20.7%) combined with a 15.0% decrease in the growth rate. None of these scenarios resulted in any CGUs requiring impairment.

13. Acquired and other intangible assets

	Customer relationships £'000	Brand £'000	Technology £'000	**Total acquired intangible assets £'000**	Capitalised development costs £'000	**Total other intangible assets £'000**
Cost						
At 1 September 2023	24,158	2,683	26,999	**53,840**	3,754	**3,754**
Additions	—	—	—	**—**	189	**189**
Acquisitions	1,520	326	3,406	**5,252**	—	**—**
Disposals	—	—	—	**—**	(173)	**(173)**
Exchange differences	(471)	(54)	(229)	**(754)**	—	**—**
At 31 August 2024	**25,207**	**2,955**	**30,176**	**58,338**	**3,770**	**3,770**
Amortisation						
At 1 September 2023	9,092	947	10,970	**21,009**	1,008	**1,008**
Charge for the year	3,301	366	2,684	**6,351**	397	**397**
Disposals	—	—	—	**—**	(126)	**(126)**
Exchange differences	(234)	(21)	(60)	**(315)**	—	**—**
At 31 August 2024	**12,159**	**1,292**	**13,594**	**27,045**	**1,279**	**1,279**
Net book value						
At 31 August 2023	15,066	1,736	16,029	**32,831**	2,746	**2,746**
At 31 August 2024	**13,048**	**1,663**	**16,582**	**31,293**	**2,491**	**2,491**

Internally generated additions total £87,000 (2023: £396,000).

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

13. Acquired and other intangible assets continued

	Customer relationships £'000	Brand £'000	Technology £'000	**Total acquired intangible assets £'000**	Capitalised development costs £'000	**Total other intangible assets £'000**
Cost						
At 1 September 2022	24,613	2,089	11,100	**37,802**	3,388	**3,388**
Additions	—	—	—	**—**	469	**469**
Acquisitions	—	700	16,100	**16,800**	—	**—**
Disposals	—	—	—	**—**	(88)	**(88)**
Exchange differences	(455)	(106)	(201)	**(762)**	(15)	**(15)**
At 31 August 2023	24,158	2,683	26,999	**53,840**	3,754	**3,754**
Amortisation						
At 1 September 2022	6,150	641	7,346	**14,137**	417	**417**
Charge for the year	3,119	344	3,726	**7,189**	679	**679**
Disposals	—	—	—	**—**	(88)	**(88)**
Exchange differences	(177)	(38)	(102)	**(317)**	—	**—**
At 31 August 2023	9,092	947	10,970	**21,009**	1,008	**1,008**
Net book value						
At 31 August 2022	18,463	1,448	3,754	**23,665**	2,971	**2,971**
At 31 August 2023	15,066	1,736	16,029	**32,831**	2,746	**2,746**

Acquired intangible assets relate to items acquired through business combinations which are amortised over their useful economic life.

Other intangible assets comprise acquired intellectual property and capitalised development costs.

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

14. Property, plant and equipment

	Land and buildings £'000	Plant and equipment £'000	Test equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 September 2023	22,553	5,781	2,991	602	31,927
Additions	243	2,120	1,231	44	3,638
Acquisitions	—	3,276	—	—	3,276
Disposals	(34)	(1,442)	—	(36)	(1,512)
Exchange differences	(63)	(198)	(72)	(4)	(337)
At 31 August 2024	**22,699**	**9,537**	**4,150**	**606**	**36,992**
Accumulated depreciation					
At 1 September 2023	2,089	2,172	1,533	394	6,188
Charge for the year	624	1,107	664	90	2,485
Disposals	(34)	(1,205)	—	(36)	(1,275)
Exchange differences	(26)	(29)	(33)	(2)	(90)
At 31 August 2024	**2,653**	**2,045**	**2,164**	**446**	**7,308**
Net book value					
At 31 August 2023	20,464	3,609	1,458	208	25,739
At 31 August 2024	**20,046**	**7,492**	**1,986**	**160**	**29,684**

	Land and buildings £'000	Plant and equipment £'000	Test equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 September 2022	22,569	4,731	4,349	505	32,154
Additions	128	1,906	763	133	2,930
Acquisitions	—	31	—	—	31
Disposals	—	(758)	(2,000)	(29)	(2,787)
Exchange differences	(144)	(129)	(121)	(7)	(401)
At 31 August 2023	22,553	5,781	2,991	602	31,927
Accumulated depreciation					
At 1 September 2022	1,612	1,830	2,712	292	6,446
Charge for the year	520	951	683	110	2,264
Disposals	—	(581)	(1,822)	(4)	(2,407)
Exchange differences	(43)	(28)	(40)	(4)	(115)
At 31 August 2023	2,089	2,172	1,533	394	6,188
Net book value					
At 31 August 2022	20,957	2,901	1,637	213	25,708
At 31 August 2023	20,464	3,609	1,458	208	25,739

Included within land and buildings are assets under construction of £2,287,000 (2023: 1,445,000). These assets are not depreciated.

There were no capital commitments contracted and not yet provided for in these financial statements.

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

15. Leases
Right-of-use assets

	Land and buildings £'000	Total £'000
Cost		
At 1 September 2023	3,280	3,280
Additions	1,935	1,935
Acquisitions	504	504
Disposals	(1,789)	(1,789)
Exchange differences	(31)	(31)
At 31 August 2024	**3,899**	**3,899**
Accumulated depreciation		
At 1 September 2023	1,871	1,871
Charge for the year	1,050	1,050
Disposals	(1,789)	(1,789)
Exchange differences	(94)	(94)
At 31 August 2024	**1,038**	**1,038**
Net book value		
At 31 August 2023	1,409	1,409
At 31 August 2024	**2,861**	**2,861**

	Land and buildings £'000	Total £'000
Cost		
At 1 September 2022	2,540	2,540
Additions	1,141	1,141
Acquisitions	441	441
Disposals	(730)	(730)
Exchange differences	(112)	(112)
At 31 August 2023	3,280	3,280
Accumulated depreciation		
At 1 September 2022	1,664	1,664
Charge for the year	971	971
Disposals	(689)	(689)
Exchange differences	(75)	(75)
At 31 August 2023	1,871	1,871
Net book value		
At 31 August 2022	876	876
At 31 August 2023	1,409	1,409

Lease liabilities

	2024 £'000	2023 £'000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**1,184**	624
One to five years	**2,470**	882
More than five years	**—**	85
Total undiscounted cash flows	**3,654**	1,591
Discount	**(416)**	(115)
Total lease liabilities	**3,238**	1,476
Current	**1,031**	570
Non-current	**2,207**	906

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

15. Leases continued

Amounts recognised in the consolidated statement of comprehensive income

	2024 £'000	2023 £'000
Depreciation of right-of-use assets	**1,050**	971
Interest on lease liabilities	**67**	55

Amounts recognised in the consolidated cash flow statement

	2024 £'000	2023 £'000
Principal lease payments	**1,145**	1,124
Interest payments on leases	**67**	55

16. Inventories

	2024 £'000	2023 £'000
Raw materials	**4,319**	10,640
Work-in-progress	**5,950**	5,067
Finished goods	**4,143**	2,247
	14,412	17,954

The value of inventories recognised as an expense during the year was £34,108,000 (2023: £29,655,000). During the year the amount of write down of inventories recognised as an expense was £196,000 (2023: £Nil).

17. Trade and other receivables

	2024 £'000	2023 £'000
Trade receivables	**11,843**	11,356
Less: credit loss provision	**(802)**	(970)
	11,041	10,386
Other receivables	**2,492**	2,122
Prepayments	**1,122**	1,986
	14,655	14,494

Other receivables consist mainly of VAT, withholding taxes and deposits.

The maximum exposure to credit risk for trade receivables at 31 August, by currency, was:

	2024 £'000	2023 £'000
Sterling	**884**	4,069
Euro	**4,750**	4,734
US dollar	**5,314**	1,133
Japanese yen	**93**	450
	11,041	10,386

Trade receivables, before credit loss provisions, are analysed as follows:

	2024 £'000	2023 £'000
Not past due	**9,443**	7,946
Past due, no credit loss for impairment	**1,598**	2,440
Past due, credit loss for impairment	**802**	970
	11,843	11,356

The ageing of trade receivables, classified as past due, but not impaired, is as follows:

	2024 £'000	2023 £'000
Less than three months past due	**1,598**	1,118
Over three months past due	**—**	1,322
	1,598	2,440

Credit loss provision	2024 £'000	2023 £'000
At 1 September	**970**	508
(Credited)/charged in the year	**(168)**	462
At 31 August	**802**	970

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

18. Cash and cash equivalents

	2024 £'000	2023 £'000
Cash at bank:		
– Sterling	**17,430**	25,282
– Euro	**6,347**	3,058
– US dollar	**4,436**	3,916
– Japanese yen	**3,151**	916
– Other currencies	**439**	314
	31,803	33,486

Net cash

	2024 £'000	2023 £'000
Cash and cash equivalents	**31,803**	33,486
Lease liabilities	**(3,238)**	(1,476)
	28,565	32,010

19. Assets held for sale

Following a review of our existing manufacturing locations, previously acquired land is surplus to requirements and has been classified as held for sale. It is held at the lower of carrying amount and fair value less costs to sell of £1,893,000. The sale is expected to be completed during the first half of FY 2025.

20. Trade and other payables

	2024 £'000	2023 £'000
Trade payables	**5,616**	4,946
Social security and other taxes	**1,644**	697
Other payables and accruals	**13,000**	14,484
	20,260	20,127

Other payables and accruals comprise accrued expenses and accrued employee related costs.

The maximum exposure to foreign currency risk for trade payables at 31 August, by currency, was:

	2024 £'000	2023 £'000
Sterling	**1,855**	4,087
Euro	**553**	265
US dollar	**3,100**	518
Japanese yen	**108**	76
	5,616	4,946

21. Financial instruments

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

(a) Currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than sterling. The transactional exposure arises on trade receivables, trade payables and cash and cash equivalents and these balances are analysed by currency in notes 17, 18 and 20. Currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group maintains a natural hedge whenever possible, by the cash inflows (revenue stream) and cash outflows used for purposes such as capital expenditure and operational expenditure in the respective currencies. Forward exchange contracts are used to manage transactional exposure where appropriate.

Management considers that the most significant foreign exchange risk relates to US dollar, euro and yen. The sensitivity to a 10% strengthening in sterling against each of these currencies (with other variables held constant) on the translation of the Group's consolidated income statement is as follows:

	2024 £'000	2023 £'000
Decrease in adjusted operating profit (at average rates):		
US dollar	**326**	262
Euro	**531**	382
Yen	**174**	163

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

21. Financial instruments continued

(b) Interest rate risk

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

A 100 basis points strengthening/weakening of the interest rate as at the end of the reporting period would have a £200,000 impact on profit after taxation and equity. This assumes that all other variables remain constant.

(c) Equity price risk

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

(d) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and cash equivalents), the Group seeks to minimise credit risk by dealing exclusively with high credit rating counterparties. An analysis of the ageing and currency of trade receivables is set out in note 17. An analysis of cash and cash equivalents is set out in note 18.

The Group establishes an allowance for impairment that represents its expected credit loss in respect of the trade and other receivables as appropriate. In addition to expected credit losses provision, the Group's policy is to provide in full for specific items within trade receivables, being those outstanding for more than 90 days beyond agreed terms and provide for balances when there is uncertainty regarding recoverability. Expected credit losses are estimated by management based on prior experience and the current economic environment.

The Group's major concentration of credit risk at 31 August 2024 relates to the amounts owing by 20 customers which constituted approximately 79% of its trade receivables as at the end of the reporting period. As the Group does not have collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets at the end of the reporting period.

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

	2024 £'000	2023 £'000
North America	**3,071**	805
United Kingdom	**1,731**	134
Europe	**3,312**	3,072
Rest of the World	**2,927**	6,375
	11,041	10,386

(e) Liquidity risk

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

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

The following table details the Group's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

The Group's undiscounted financial liabilities are as follows:

	2024 £'000	2023 £'000
Trade payables	**5,616**	4,946
Other payables	**13,000**	14,484
Lease liabilities	**3,654**	1,591
Contingent consideration	**6,715**	6,228
	28,985	27,249
The maturities of the undiscounted liabilities are as follows:		
Less than one year	**22,585**	26,282
One to five years	**6,400**	882
More than five years	**—**	85
Total undiscounted cash flows	**28,985**	27,249
Discount	**(918)**	(400)
Total liabilities	**28,067**	26,849
Current	**22,417**	25,943
Non-current	**5,650**	906
Total liabilities	**28,067**	26,849

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

21. Financial instruments continued

(f) Capital risk management

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

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

At 31 August 2024, the Group's cash resources exceed its total debt. The Company hence has no net debt.

(g) Classification of financial instruments

All financial instruments are categorised as follows:

	2024 £'000	2023 £'000
Financial assets		
Trade receivables	**11,041**	10,386
Contract assets	**2,295**	3,152
Cash and cash equivalents	**31,803**	33,486
	45,139	47,024
Financial liabilities held at amortised cost		
Trade and other payables and accruals	**18,616**	19,430
Lease liabilities	**3,238**	1,476
	21,854	20,906
Financial liabilities held at fair value through profit and loss		
Contingent consideration	**6,213**	5,943
	6,213	5,943

(h) Fair value hierarchy

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

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

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

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

The carrying value of all financial instruments approximates their fair value (valued using level 2 or level 3 in the case of assets held for sale).

22. Deferred tax

	2024 £'000	2023 £'000
At 1 September	**(8,708)**	(6,397)
Acquisitions	**—**	(3,917)
Recognised in profit or loss:		
– in respect of timing differences	**932**	1,291
– in respect of deferred tax on share options	**—**	68
Recognised in equity:		
– in respect of deferred tax on share options	**219**	193
Exchange differences	**50**	54
At 31 August	**(7,507)**	(8,708)

The deferred tax balance is analysed as follows:

	2024 £'000	2023 £'000
Deferred tax liability	**(7,507)**	(8,708)
	(7,507)	(8,708)

The deferred tax liabilities are attributable to:

	2024 £'000	2023 £'000
Short-term timing differences	**(1,039)**	(1,135)
Acquisitions	**(6,468)**	(7,573)
	(7,507)	(8,708)

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

23. Share capital
The allotted, called up and fully paid share capital is made up of 22,954,463 ordinary shares of £0.01 each.

	Note	Number of shares ’000	Share capital £’000	Share premium £’000	Total £’000
At 1 September 2022		22,626	226	62,260	62,486
Issued during the year	(i)	308	3	521	524
At 31 August 2023		22,934	229	62,781	63,010
Issued during the year	(ii)	20	1	78	79
At 31 August 2024		**22,954**	**230**	**62,859**	**63,089**

(i) During the year ended 31 August 2023, 45,226 shares were issued to satisfy exercises of share options of which 33,334 related to share options issued to James Routh. A total of 2,424 shares and 1,454 shares were issued to James Routh and Sarah Matthews-DeMers respectively in satisfaction of 20% of their annual bonus payments for the year ended 31 August 2022.

A further 258,795 shares were issued in partial consideration for the acquisition of Ansible Motion Limited on 20 September 2022.

(ii) During the year ended 31 August 2024, a total of 20,098 share options were exercised of £0.01 each for £3.95.

24. Other reserves

	Reconstruction reserve £’000	Merger relief reserve £’000	Translation reserve £’000	Hedging reserve £’000	Other reserves £’000
At 1 September 2022	(11,284)	11,390	1,160	(124)	1,142
Other comprehensive expense	—	—	(2,059)	124	(1,935)
Issue of shares	—	3,196	—	—	3,196
At 31 August 2023	(11,284)	14,586	(899)	—	2,403
Other comprehensive expense	—	—	(1,767)	—	(1,767)
At 31 August 2024	**(11,284)**	**14,586**	**(2,666)**	**—**	**636**

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

The acquisition by the Company of the entire issued share capital of Anthony Best Dynamics Limited in 2013 was accounted for as a group reconstruction. Consequently, the assets and liabilities of the Group were recognised at their previous book values as if the Company had always been the Parent Company of the Group.

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

The prior year increase in the merger relief reserve was due to the acquisition of 100% of the issued share capital of Ansible Motion of which part of the consideration was the issue of new ordinary shares in AB Dynamics plc. See note 28.

25. Share based payments
The share based compensation schemes were established to align the long-term interests of management and staff with shareholders. The schemes are administered by the Remuneration Committee.

The schemes adopted by the Group are equity settled and a charge of £1,421,000 (2023: £1,263,000) has been charged to the consolidated statement of comprehensive income relating to these options.

Summary of movements in share options

	Number of shares	Weighted average exercise price (pence)
Outstanding at 1 September 2023	461,019	709
Options and awards granted	98,050	—
Options and awards exercised	(53,071)	150
Options and awards lapsed	(37,507)	—
Outstanding at 31 August 2024	**468,491**	**692**
Exercisable at 31 August 2024	**8,447**	**395**
Outstanding at 1 September 2022	540,233	1,445
Options and awards granted	97,756	—
Options and awards exercised	(45,226)	1,010
Options and awards lapsed	(131,744)	833
Outstanding at 31 August 2023	461,019	709
Exercisable at 31 August 2023	28,545	395

The weighted average share price on the date of exercise was 1,759p (2023: 1,947p). The weighted average remaining contractual life of the options outstanding at the statement of financial position date is 7.5 years (2023: 7.7 years).

The weighted average fair value of options granted in the year was £15.68 (2023: £14.34).

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

25. Share based payments continued

Summary of movements in share options continued

The fair values of the share option awards granted were calculated using a Black Scholes option pricing model. The long-term incentive plan awards have targets based on earnings per share total growth and shareholder return and were valued using a Monte Carlo simulation. The inputs into the model for awards granted were as follows:

	Date awarded				
	8 February 2024	4 January 2023	11 March 2022	3 December 2021	2 December 2020
Stock price:	1,768p	1,613p	1,025p	1,750p	1,768p
Exercise price:	nil	nil	nil	nil	nil
Interest rate:	4.18%	3.43%	1.25%	0.50%	0.02%
Volatility:	39%	48%	64%	62%	53%
Vesting period:	3 years	3 years	3 years	3 years	3 years

The expected volatility was determined with reference to the published share price.

The long-term incentive plan awards vest on the third anniversary of the award date.

Employee Benefit Trust

At 31 August 2024 77,521 (2023: Nil) ordinary shares were held by a trust in respect of obligations under the long-term incentive plan. The market value of the shares held in the trust at 31 August 2024 was £1,593,000 (2023: £Nil). These shares are held at cost as treasury shares and deducted from shareholders' equity.

During the year the trust acquired 113,200 (2023: Nil) shares at a cost of £1,773,000 (2023: £Nil). 35,679 shares were used to satisfy awards following the vesting of shares under the long-term incentive plan and annual bonus plan.

26. Related party disclosures

The remuneration of the key management personnel of the Group is set out in note 8.

27. Ultimate controlling party

There is no ultimate controlling party.

28. Acquisition of businesses

On 2 April 2024, the Group acquired 100% of Venshure Test Services LLC for total cash consideration of up to $30,000,000 (£23,872,000). The acquisition supports a number of the Group's strategic priorities, including expanding the Group's capabilities, broadening the scope of services in the testing services area and complementing the Group's existing California-based track testing services business with laboratory based testing.

The acquisition has been completed for an initial cash consideration of $13,500,000 (£10,742,000), being $15,000,000 (£11,936,000) initial consideration less $1,500,000 (£1,085,000 discounted to present value) retained against potential warranties, funded from the Group's existing cash resources and short-term utilisation of part of the Group's revolving credit facility. Contingent consideration of up to $15,000,000 (£11,936,000) will be payable in cash across two tranches for the two years following completion, subject to meeting certain performance criteria for both years.

Acquisition expenses totalled $358,000 (£285,000) and are included within general and administrative expenses in the consolidated statement of comprehensive income.

The fair values set out below are provisional and will be finalised in the next financial year. Goodwill of £8,462,000 represents the amount paid for future sales growth from both new customers and new products and employee know-how. No deferred tax has been recognised in relation to the intangible assets as the related amortisation is tax deductible in the US and therefore the tax base of the assets is equal to their fair value at the date of acquisition.

From the date of acquisition to 31 August 2024, the newly acquired business contributed £1,000,000 to revenue and £385,000 to adjusted operating profit. Had the acquisition been completed at the beginning of the period, Group revenue would have been £112,800,000 and adjusted operating profit would have been £20,800,000. £162,000 of the discount on the contingent consideration unwound in the period and has been included in finance expenses.

The carrying amount of each class of Venshure Test Services assets before combination is set out below:

	Fair value £'000	IFRS 3 intangible asset adjustments £'000	Provisional fair value £'000
Intangible assets	—	5,252	5,252
Property, plant and equipment	3,276	—	3,276
Right-of-use asset	504	—	504
Trade and other receivables	268	—	268
Trade and other payables	(217)	—	(217)
Lease liabilities	(808)	—	(808)
Net assets acquired	3,023	5,252	8,275
Goodwill arising on acquisition			8,462
			16,737

Total purchase consideration	£'000
Initial cash consideration	10,742
Contingent consideration payable	4,910
Discounted retention against warranties	1,085
Total consideration	16,737

Notes to the consolidated financial statements continued
For the year ended 31 August 2024

28. Acquisition of businesses continued

Contingent consideration	£'000
Contingent consideration	4,910
Retention against warranties	1,085
At acquisition	5,995
Unwind on discount	162
Exchange differences	56
At 31 August 2024	**6,213**
Current	2,770
Non-current	3,443

Ansible Motion Limited

On 20 September 2022, the Group acquired 100% of the issued share capital of Ansible Motion Limited, a leading provider of advanced simulators to the global automotive market.

The initial £17,600,000 consideration comprised £14,400,000 of cash and £3,200,000 of new ordinary shares in AB Dynamics plc. A maximum additional £12,000,000 performance payment was available subject to certain performance criteria being met for the year ended 31 August 2023, of which only £5,700,000 became payable in cash in January 2024. This gave rise to a fair value gain on release of contingent consideration in the income statement in the prior year of £5,180,000.

At 31 August 2023 an accrual was included in the balance sheet for the net present value of the deferred contingent consideration and £528,000 of the purchase price was retained against any potential warranties.

During the current year, the discount of £285,000 unwound and has been included in finance expense. A total of £6,228,000 was paid in cash during the year in respect of the final performance payment and release of the retention against warranties.

Contingent consideration	£'000
At 1 September 2023	5,943
Unwind on discount	285
Cash paid	(6,228)
At 31 August 2024	**—**

29. Subsidiary undertakings

Details of the Group undertakings at 31 August 2024 are set out in note 3 to the Company financial statements. The Company has given a parental guarantee under Section 479A of the Companies Act 2006 to certain subsidiary undertakings. Ansible Motion Limited (company number 06944081) and rFpro Limited (company number 06427019) are exempt from the requirement to file audited accounts for the year ended 31 August 2024 by virtue of Section 479A of the Companies Act 2006. See note 3 to the Company financial statements for the registered offices of the subsidiary undertakings.

30. Post-balance sheet event

On 25 September 2024, the Group acquired Bolab Systems GmbH, a niche supplier of automotive power electronics testing solutions, based in Germany. Bolab supplies low-voltage and high-voltage equipment for testing automotive sub-systems and components for conventional, hybrid and EVs. The acquisition supports the expansion of the Group's capabilities in the testing products business and provides further alignment with the structural growth drivers in the sector.

The initial consideration was €5,000,000 (£4,202,000), funded from the Group's existing cash resources. Contingent consideration of up to €6,000,000 (£5,042,000) will become payable in cash across two tranches for the two years following completion, subject to meeting certain performance criteria for each year.

The book value of the acquired assets and liabilities at the date of acquisition was approximately €1,500,000 (£1,260,000). The Group is currently in the process of determining the fair values of the assets and liabilities acquired.

Company statement of financial position
As at 31 August 2024

	Note	2024 £'000	2023 £'000
ASSETS			
Non-current assets			
Investments	3	**103,551**	91,717
		103,551	91,717
Current assets			
Other receivables	4	**3,687**	9,511
Cash and cash equivalents		**2,187**	3,163
		5,874	12,674
LIABILITIES			
Current liabilities			
Trade and other payables	5	**4,695**	1,511
Contingent consideration		**—**	5,943
		4,695	7,454
Net current assets		**1,179**	5,220
Net assets		**104,730**	96,937
Shareholders' equity			
Share capital	6	**230**	229
Share premium	6	**62,859**	62,781
Merger reserve		**3,197**	3,197
Retained earnings		**38,444**	30,730
Total equity		**104,730**	96,937

The Company's profit for the financial year was £9,854,000 (2023: £7,279,000).

The financial statements were approved by the Board of Directors and authorised for issue on 26 November 2024 and are signed on its behalf by:

Dr James Routh
Director

Sarah Matthews-DeMers
Director

Company registration number: 08393914

Company statement of changes in equity
For the year ended 31 August 2024

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained profits £'000	Total equity £'000
At 1 September 2022		226	62,260	—	23,642	86,128
Total comprehensive income		—	—	—	7,279	7,279
Share based payments		—	—	—	1,064	1,064
Dividends	7	—	—	—	(1,255)	(1,255)
Issue of shares, net of share issue costs		3	521	3,197	—	3,721
At 31 August 2023		229	62,781	3,197	30,730	96,937
Total comprehensive income		—	—	—	9,854	9,854
Share based payments		—	—	—	1,175	1,175
Dividends	7	—	—	—	(1,542)	(1,542)
Issue of shares, net of share issue costs		1	78	—	—	79
Purchase of own shares		—	—	—	(1,773)	(1,773)
At 31 August 2024		**230**	**62,859**	**3,197**	**38,444**	**104,730**

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 merger reserve relates to the acquisition of 100% of the issued share capital of Ansible Motion Limited during the year ended 31 August 2023 of which part of the consideration was the issue of new ordinary shares in AB Dynamics plc.

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

Notes to the Company financial statements
For the year ended 31 August 2024

General information
AB Dynamics plc (the Company) is the UK holding company of a group of companies which are engaged in the provision of advanced testing systems to the global transport industry. The Company is registered in England and Wales (registered number 08393914). Its registered office and principal place of business is Middleton Drive, Bradford on Avon, Wiltshire BA15 1GB.

Basis of accounting
The financial statements have been prepared in accordance with the historical cost convention and in accordance with FRS 102 'The Financial Reporting Standard' applicable in the UK and Republic of Ireland, and the Companies Act 2006. The financial statements present information about the Company as an individual entity and the principal accounting policies are described below. They have all been applied consistently throughout the period.

Reduced disclosure exemptions
The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12 as follows:

- No cash flow statement has been presented as the Company is included within the consolidated financial statements of the Group
- Disclosures in respect of the Company's financial instruments have not been presented as equivalent disclosures are included in the consolidated financial statements of the Group

The Company has also taken advantage of the disclosure exemptions in FRS 102 paragraph 33.1A as follows:

- Related party transactions have not been disclosed with other wholly owned members of the Group

Going concern
At 31 August 2024 the Company had net current assets of £1,179,000 (2023: £5,220,000). The Company has assessed its ongoing costs with cash generated by its subsidiaries to ensure that it can continue to settle its debts as they fall due.

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

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

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Financial instruments
Financial assets and liabilities are recognised in the statement of financial position when the Company has become a party to the contractual provisions of the instruments.

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans to related parties.

Debtors
Short-term debtors are measured at transaction price, less any impairment. Loans and receivables are measured initially at fair value and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors
Short-term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value and are measured subsequently at amortised cost using the effective interest method.

Notes to the Company financial statements continued
For the year ended 31 August 2024

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not apparent from other sources. The estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a significant adjustment to the carrying amounts of assets and liabilities in the financial statements:

Share based payments

The fair value of share based remuneration is determined at the date of grant and recognised as a capital contribution to its subsidiary on a straight-line basis over the vesting period, taking account of the estimated number of shares that will vest. The fair value is determined by use of option pricing models.

1. Profit for the financial year

The Company has taken advantage of Section 408 of the Companies Act 2006 and, consequently, a profit and loss account for the Company alone has not been presented.

The Company's profit for the financial year was £9,854,000 (2023: £7,279,000).

The Company's profit for the financial year has been arrived at after charging auditor's remuneration payable to Crowe UK LLP for audit services to the Company of £105,000 (2023: £96,000). Statutory information on remuneration for other services provided by the Company's auditor and its associates is given on a consolidated basis in note 7 of the consolidated financial statements.

2. Employees' and Directors' remuneration

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

	2024 £'000	2023 £'000
Wages and salaries	**2,988**	2,939
Social security costs	**175**	206
Pension costs	**55**	79
	3,218	3,224

Seven employees have contracts of service with a subsidiary company; however, their services are provided to the Company and accordingly their employment costs are reflected in the Company accounts. All Directors' remuneration is in respect of qualifying services to AB Dynamics plc. See note 8 of the consolidated financial statements.

Costs in relation to share based payments in respect of the Company's employees are borne by its subsidiary, Anthony Best Dynamics Limited.

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

	2024 Number	2023 Number
Directors and management	**11**	11

3. Investments

	2024 £'000	2023 £'000
Subsidiary undertaking		
At 1 September	**91,717**	67,124
Capital contribution arising on share based payments	**1,175**	1,064
Ansible Motion Limited	**—**	23,527
AB Dynamics Overseas Inc	**10,658**	—
Exchange differences	**1**	2
At 31 August	**103,551**	91,717

The Company tests investments at least annually for impairment. Tests are conducted more frequently if there are indications that investments might be impaired. There were no impairment indicators identified during the year ended 31 August 2024.

Notes to the Company financial statements continued
For the year ended 31 August 2024

3. Investments continued

Subsidiary undertaking	Class of share held	% shareholding	Registered office	Country of incorporation (or registration) and operation
Anthony Best Dynamics Ltd	Ordinary	100	Middleton Drive, Bradford on Avon, Wiltshire BA15 1GB, United Kingdom	England
AB Dynamics GK	Ordinary	100	2-2-3 Shinyokohama, Dai-Ichi Takeo bldg. 6F 606 Kohoku-ku, Yokohama 222-0033, Japan	Japan
AB Dynamics Inc	Ordinary	100	48325 Alpha Drive, Suite 120, Wixom, MI 48393, USA	USA
rFpro Ltd	Ordinary	100	Middleton Drive, Bradford on Avon, Wiltshire BA15 1GB, United Kingdom	England
AB Dynamics UK Holdings Ltd	Ordinary	100	Middleton Drive, Bradford on Avon, Wiltshire BA15 1GB, United Kingdom	England
AB Dynamics Overseas Holdings Ltd	Ordinary	100	Middleton Drive, Bradford on Avon, Wiltshire BA15 1GB, United Kingdom	England
AB Dynamics Singapore Holdings Pte Ltd*	Ordinary	100	77 Robinson Road, #13-00 Robinson 77, Singapore 068896	Singapore
VadoTech Pte Ltd*	Ordinary	100	77 Robinson Road, #13-00 Robinson 77, Singapore 068896	Singapore
VadoTech Japan KK*	Ordinary	100	Nichitochi Nishishinjyuku Building 8F, 6-10-1, Nishishinjyuku, Shinjyuku-ku, Tokyo	Japan
VadoTech Deutschland*	Ordinary	100	Bismarckstraße 7, 10625 Berlin, Germany	Germany
VadoTech Servicios Téchnicos S.L.*	Ordinary	100	Calle Madrid, n. 70, Edificio Irene II, local 1, Monachil , Granada, Spain	Spain
VadoTech US Inc*	Ordinary	100	The Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, DE 19801, USA	USA
VadoTech Korea Ltd*	Ordinary	100	301 ho, 10-1, Maebong-gil, Seongdong-gu, Seoul, South Korea	South Korea
Zynit Pte Ltd*	Ordinary	100	77 Robinson Road, #13-00 Robinson 77, Singapore 068896	Singapore
Zynit China Co. Ltd*	Ordinary	100	No.13, Jinma Yuan 2 Street, Gaoliying Town, Shunyi, District, Beijing, China	China
Zynit Hefei Co. Ltd*	Ordinary	100	No. 3 Workshop of Keyuan M&E, cross between Tang Kou Road and Ji Xian Road, Feixi Economy Development Area, Hefei, China	China
AB Dynamics Europe GmbH*	Ordinary	100	Vogelsang 11, 35398 Gießen, Germany	Germany
Dynamic Research Inc*	Ordinary	100	355 Van Ness Avenue, Suite 200, Torrance, CA 90501, USA	USA
DRI Advanced Test Systems Inc*	Ordinary	100	355 Van Ness Avenue, Suite 200, Torrance, CA 90501, USA	USA
Venshure Test Services, LLC*	Ordinary	100	18600 W Old Highway 12, Chelsea, MI 48118, USA	USA
AB Dynamics Overseas Holdings Inc	Ordinary	100	3500 South DuPoint Highway, Dover, Delaware 19901, County of Kent, USA	USA
ABD Solutions Ltd*	Ordinary	100	Middleton Drive, Bradford on Avon, Wiltshire BA15 1GB, United Kingdom	England
Ansible Motion Ltd	Ordinary	100	Middleton Drive, Bradford on Avon, Wiltshire BA15 1GB, United Kingdom	England

* Denotes indirect shareholding.

Ansible Motion Limited (company number 06944081) and rFpro Limited (company number 06427019) are exempt from the requirement to file audited accounts for the year ended 31 August 2024 by virtue of Section 479A of the Companies Act 2006.

Notes to the Company financial statements continued
For the year ended 31 August 2024

4. Other receivables

	2024 £'000	2023 £'000
Amounts owed by Group undertakings	**1,164**	9,440
Prepayments	**2,523**	71
	3,687	9,511

5. Trade and other payables

	2024 £'000	2023 £'000
Amounts owed to Group undertakings	**2,619**	—
Other payables and accruals	**2,076**	1,511
	4,695	1,511

6. Share capital

The allotted, called up and fully paid share capital is made up of 22,954,463 ordinary shares of £0.01 each.

	Note	Number of shares '000	Share capital £'000	Share premium £'000	Total £'000
At 1 September 2022		22,626	226	62,260	62,486
Issued during the year	(i)	308	3	521	524
At 31 August 2023		22,934	229	62,781	63,010
Issued during the year	(ii)	20	1	78	79
At 31 August 2024		**22,954**	**230**	**62,859**	**63,089**

(i) During the year ended 31 August 2023, 45,226 shares were issued to satisfy exercises of share options of which 33,334 related to share options issued to James Routh. A total of 2,424 shares and 1,454 shares were issued to James Routh and Sarah Matthews-DeMers respectively in satisfaction of 20% of their annual bonus payments for the year ended 31 August 2022.

A further 258,795 shares were issued in partial consideration for the acquisition of Ansible Motion Limited on 20 September 2022.

(ii) During the year ended 31 August 2024, a total of 20,098 share options were exercised of £0.01 each for £3.95.

7. Dividends paid

	2024 £'000	2023 £'000
Final 2022 dividend paid of 3.54p per share	**—**	811
Interim 2023 dividend paid of 1.94p per share	**—**	444
Final 2023 dividend paid of 4.42p per share	**1,009**	—
Interim 2024 dividend paid of 2.33p per share	**533**	—
	1,542	1,255

The Board has proposed a final dividend for the year ended 31 August 2024 of 5.30p per share totalling £1,217,000. An interim dividend was paid of 2.33p per share totalling £533,000. If approved, the final dividend will be paid on 31 January 2025 to shareholders on the register on 17 January 2025.

8. Related party disclosures

The only key management personnel of the Company are the Directors. Details of their remuneration are contained in the Remuneration Committee report.

Notes to the Company financial statements continued
For the year ended 31 August 2024

9. Share based payments

The share based compensation schemes were established to align the long-term interests of management and staff with shareholders. The schemes are administered by the Remuneration Committee.

The schemes adopted by the Company are equity settled.

Summary of movements in share options

	Number of shares	Weighted average exercise price (pence)
Outstanding at 1 September 2023	461,019	709
Options and awards granted	98,050	—
Options and awards exercised	(53,071)	150
Options and awards lapsed	(37,507)	—
Outstanding at 31 August 2024	**468,491**	**692**
Exercisable at 31 August 2024	**8,447**	**395**
Outstanding at 1 September 2022	540,233	1,445
Options and awards granted	97,756	—
Options and awards exercised	(45,226)	1,010
Options and awards lapsed	(131,744)	833
Outstanding at 31 August 2023	461,019	709
Exercisable at 31 August 2023	28,545	395

The weighted average share price on the date of exercise was 1,759p (2023: 1,947p). The weighted average remaining contractual life of the options outstanding at the statement of financial position date is 7.5 years (2023: 7.7 years).

The weighted average fair value of options granted in the year was £15.68 (2023: £14.34).

The fair values of the share option awards granted were calculated using a Black Scholes option pricing model. The long-term incentive plan awards have targets based on earnings per share total growth and shareholder return and were valued using a Monte Carlo simulation. The inputs into the model for awards granted were as follows:

	Date awarded				
	8 February 2024	4 January 2023	11 March 2022	3 December 2021	2 December 2020
Stock price	1,768p	1,613p	1,025p	1,750p	1,768p
Exercise price	nil	nil	nil	nil	nil
Interest rate	4.18%	3.43%	1.25%	0.50%	0.02%
Volatility	39%	48%	64%	62%	53%
Vesting period	3 years	3 years	3 years	3 years	3 years

The expected volatility was determined with reference to the published share price.

The long-term incentive plan awards vest on the third anniversary of the award date.