

16th November 2016

AB Dynamics plc
("ABD", the "Company" or the "Group")
Final Results

AB Dynamics plc (AIM:ABDP), a designer, manufacturer and supplier of advanced testing systems and measurement products to the global automotive industry, is pleased to announce its Final Results for the year ended 31 August 2016.

Financial Highlights

- Revenue increased 23.9% to £20.5 million (2015: £16.5 million)
- Operating profit increased 16% to £4.4 million (2015: £3.8 million)
- Adjusted operating profit increased 22.7% to £4.65 million (2015: £3.79 million)*
- Net cash inflow £4.1 million (2015: £4.0 million)
- Final dividend of 1.815 pence per ordinary share, 3.025 pence for the year up 10%
- Order book covers revenues to Q3 2017

* Excludes option cost of £273K

Operational Highlights

- New team of Field Support engineers in UK, Germany and Japan
- New Commercial Director based in Germany
- Entered the Vehicle Simulator market – partnership with Williams F1
- Achieved another record for sales of Track Testing products worldwide
- New factory on target for completion Q3 2017
- Reorganisation generating improvements in supply chain and product fulfilment

Tim Rogers, Chief Executive Officer of AB Dynamics, commented:

"We have had another good year, with all three business areas – Track Testing, Laboratory Testing and Test and Monitoring Systems – performing in line with management expectations.

The Company has spent more on research and development this year than in previous years and has seen the performance, quality and reputation of its products improve leading to steady growth in their uptake. Construction has now started on our new facility with completion targeted for the third quarter 2017.

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

For further information please contact:

AB Dynamics plc

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Chairman's and Chief Executive's Statement

Overview

We are very pleased to be publishing the fourth annual report for AB Dynamics plc since its admission to the AIM market in May 2013.

Highlights from the Group's operations for the year ended 31 August 2016 are:

- Increased demand for our products and services from the global automotive testing sector, has driven a 23.9% increase in the Group's revenue
- Introduction of a new line of products with the Advanced Vehicle Dynamics Simulator following our partnership with Williams F1
- Construction has started on our new facility with completion targeted for the third quarter of 2017

Results

We have had another good year, with all three business areas: "Track Testing", "Laboratory Testing", and "Test & Monitoring Systems", performing in line with management expectations.

Continued improvements in our operations and favourable currency exchange has enabled us to finish this year with an excellent set of financial results that are in line with market expectations, with revenue of £20.47m (2015: £16.52m) and operating profit of £4.38m (2015: £3.77m).

Our people are a cornerstone of the future success of the Company and in recognition of their ongoing efforts and performance, we implemented a new share option plan during the year. This year's results therefore include a share based payment charge of £273k. Excluding this non-cash charge provides a more accurate reflection of the underlying performance of the business, with an adjusted operating profit* of £4.65m (2015: £3.79m) representing a 23% increase on last year and consistent adjusted operating profit margin of 22.7% (2015: 22.9%).

The Company has spent more on research and development this year than in previous years and has seen the performance, quality and reputation of its products improve leading to steady growth in their uptake. Furthermore, the Company is delivering on its commitment to improve customer support, with a new team of field support engineers located in the UK, Germany and Japan. In addition, we recently appointed a new Commercial Director based in Germany, to provide a key supporting role to the German OEMs and a global remit to improve our market communications via our distributor network.

Operations

Facilities

Construction has now started on our new 3,070 m² facility with completion targeted for the third quarter 2017. The Company has meanwhile leased two additional sites nearby, one to house our new advanced Vehicle Dynamic Simulator ("aVDS") demonstration unit and the other to facilitate the increased demand for our Advanced Driver Assistance Systems ("ADAS") targets by having a dedicated manufacturing and training centre for these products.

As set out previously, the Directors remain confident the Group has sufficient capacity until such time as the new facility becomes available, when a review of our current facilities and future requirements will be made.

** Adjusted operating profit represents operating profit excluding share based payment charge*

Product Development

We continue to develop a pipeline of new and novel products to further grow the Group. The most recent of these is the exciting partnership with Williams F1 to bring the aVDS to the automotive test industry. As vehicle development becomes a more virtual process, it is the data generated by our customers from using our track testing and lab testing products that allows them to create more and more sophisticated computer vehicle models. The ability of the aVDS to “drive” these mathematical models in a simulated environment will reduce the overall development time and the need to produce so many prototypes. The aVDS is a high value offering and readily compliments the existing AB Dynamics product range.

We have also made significant software upgrades through the product range, introducing new functionality to most of our existing products. These upgrades have been well received by our customers.

Employees

The performance of our business is a consequence of the quality and talent of the staff we employ. We continue to attract and retain some of the very best talent in UK engineering, with the Group reaching a landmark of over 86 direct employees. The Group has a policy of offering share options to all staff which we believe successfully motivates them to create further value to the business. The Board continues to review these arrangements, balanced as always in the best interests of all the shareholders.

Dividend

Our strong balance sheet and cash flow provides a solid foundation for a final dividend and we are pleased to announce that the Directors are recommending the payment of a final dividend of 1.815p per share, payable in December 2016 subject to shareholder approval at the AGM. The ex dividend date will be 24 November 2016 and the record date will be 25 November 2016. The total dividend for the year will therefore be 3.025p representing an increase of 10% against prior year.

Current Trading and Outlook

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

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

Tony Best

Non-Executive Chairman

15 November 2016

Tim Rogers

Chief Executive Officer

15 November 2016

Consolidated statement of comprehensive income

| | Note | Year ended 31 August 2016 £ | Year ended 31 August 2015 £ |
|---|------|--------------------------------------|--------------------------------------|
| <i>Continuing operations</i> | | | |
| Revenue | 2 | 20,472,244 | 16,522,627 |
| Cost of sales | | (14,296,445) | (11,172,617) |
| Gross profit | | 6,175,799 | 5,350,010 |
| Administrative expenses | | (1,635,977) | (1,643,048) |
| Fair value (losses) / gains in respect of foreign currency forward contracts | | (161,145) | 67,343 |
| Operating profit | | 4,378,677 | 3,774,305 |
| Finance income | | 72,643 | 42,689 |
| Profit before taxation | | 4,451,320 | 3,816,994 |
| Corporation tax expense | | (576,935) | (570,986) |
| Profit after taxation | | 3,874,385 | 3,246,008 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year attributed to equity holders | | 3,874,385 | 3,246,008 |
| Earnings per share - Basic (pence) | 4 | 22.25p | 19.16p |
| Earnings per share - Diluted (pence) | 4 | 22.25p | 18.26p |

Consolidated statement of financial position
as at 31 August 2016

| | Note | 2016 £ | 2015 £ |
|---|------|-------------------|-------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 2,695,097 | 1,727,349 |
| Deferred tax assets | | - | 48,548 |
| | | <u>2,695,097</u> | <u>1,775,897</u> |
| CURRENT ASSETS | | | |
| Inventories | | 3,191,642 | 2,541,704 |
| Trade receivables | | 2,601,857 | 2,825,148 |
| Other receivables, deposits and prepayments | | 1,006,657 | 464,462 |
| Amount owing by contract customers | | 1,285,922 | 1,301,169 |
| Derivative financial instruments | | - | 33,743 |
| Taxation | | 148,992 | - |
| Cash and cash equivalents | | 10,404,523 | 7,967,808 |
| | | <u>18,639,593</u> | <u>15,134,034</u> |
| TOTAL ASSETS | | <u>21,334,690</u> | <u>16,909,931</u> |
| EQUITY AND LIABILITIES | | | |
| Share capital | 5 | 177,646 | 173,344 |
| Share premium | | 2,590,267 | 2,540,711 |
| Reconstruction reserve | | (11,284,500) | (11,284,500) |
| Merger relief reserve | | 11,390,000 | 11,390,000 |
| Retained profits | | 14,643,035 | 10,830,329 |
| Total equity attributable to owners of the Company and total equity | | <u>17,516,448</u> | <u>13,649,884</u> |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | <u>118,946</u> | - |
| CURRENT LIABILITIES | | | |
| Trade and other payables and accruals | | 3,608,862 | 3,089,487 |
| Provision for taxation | | - | 170,560 |
| Derivative financial instruments | | 90,434 | - |
| | | <u>3,699,296</u> | <u>3,260,047</u> |
| TOTAL LIABILITIES | | <u>3,818,242</u> | <u>3,260,047</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>21,334,690</u> | <u>16,909,931</u> |

Consolidated statement of changes in equity

| | Share capital | Share premium | Merger relief reserve | Reconstruction reserve | Retained profits | Total equity |
|---|---------------|---------------|-----------------------|------------------------|------------------|--------------|
| | £ | £ | £ | £ | £ | £ |
| Balance at 1 September 2014 | 167,757 | 2,385,910 | 11,390,000 | (11,284,500) | 7,666,718 | 10,325,885 |
| Share based payment expense | - | - | - | - | 13,410 | 13,410 |
| Deferred Tax on Share Options | - | - | - | - | 168,387 | 168,387 |
| Profit after taxation and total comprehensive income for the financial year | - | - | - | - | 3,246,008 | 3,246,008 |
| Tax impact of exercised Share Options | - | - | - | - | 172,632 | 172,632 |
| Dividend paid | - | - | - | - | (436,826) | (436,826) |
| Issue of shares, net of share issue costs | 5,587 | 154,801 | - | - | - | 160,388 |
| Balance at 31 August 2015 | 173,344 | 2,540,711 | 11,390,000 | (11,284,500) | 10,830,329 | 13,649,884 |
| Balance at 1 September 2015 | 173,344 | 2,540,711 | 11,390,000 | (11,284,500) | 10,830,329 | 13,649,884 |
| Share based payment expense | - | - | - | - | 273,405 | 273,405 |
| Deferred Tax on Share Options | - | - | - | - | (168,387) | (168,387) |
| Profit after taxation and total comprehensive income for the financial year | - | - | - | - | 3,874,385 | 3,874,385 |
| Tax impact of exercised Share Options | - | - | - | - | 329,066 | 329,066 |
| Dividend paid | - | - | - | - | (495,763) | (495,763) |
| Issue of shares, net of share issue costs | 4,302 | 49,556 | - | - | - | 53,858 |
| Balance at 31 August 2016 | 177,646 | 2,590,267 | 11,390,000 | (11,284,500) | 14,643,035 | 17,516,448 |

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

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

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

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

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

Consolidated statement of cash flows

| | 2016 £ | 2015 £ |
|--|--------------------|------------------|
| Cash flow from operating activities | | |
| Profit before taxation | 4,451,320 | 3,816,994 |
| Adjustments for:- | | |
| Depreciation of property, plant and equipment | 277,695 | 183,836 |
| Loss on sale of property, plant and equipment | 2,336 | 42 |
| Interest income | (72,643) | (42,689) |
| Share based payment | 273,405 | 13,410 |
| | 4,932,113 | 3,971,593 |
| Operating profit before working capital changes | | |
| Increase in inventories | (649,939) | (542,873) |
| Decrease / (increase) in trade and other receivables | (303,657) | 883,180 |
| Increase in trade and other payables and accruals | 519,375 | 175,644 |
| Fair value loss / (gain) on derivative instruments | 124,178 | (33,743) |
| | 4,622,070 | 4,453,801 |
| Cash flow from operations | | |
| Interest received | 72,643 | 42,689 |
| Income tax paid | (568,314) | (457,206) |
| | 4,126,399 | 4,039,284 |
| Net cash flow from operating activities | | |
| Cash flow from investing activities | | |
| Purchase of property, plant and equipment | (1,608,527) | (691,244) |
| Sale of property, plant and equipment | 360,748 | - |
| | (1,247,779) | (691,244) |
| Cash flow used in investing activities | | |
| Cash flow from financing activities | | |
| Dividends paid | (495,763) | (436,826) |
| Proceeds from issue of share capital, net of share issue costs | 53,858 | 160,388 |
| | (441,905) | (276,438) |
| Net cash flow used in financing activities | | |
| Net increase in cash and cash equivalents | 2,436,715 | 3,071,602 |
| Cash and cash equivalents at beginning of the financial year | 7,967,808 | 4,896,206 |
| Cash and cash equivalents at end of the financial year | 10,404,523 | 7,967,808 |

Notes to the consolidated financial statements

1. General information

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

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

Basis of preparation

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

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

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

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

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

2. Segment reporting

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

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

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

Material revenues attributable to individual foreign countries are as follows:

| | 2016 | 2015 |
|----------------------------|-------------------|-------------------|
| | £ | £ |
| United Kingdom | 379,418 | 498,948 |
| Rest of the European Union | 6,241,564 | 4,537,758 |
| North America | 3,099,983 | 1,588,822 |
| Rest of the World | 10,751,279 | 9,897,099 |
| | <u>20,472,244</u> | <u>16,522,627</u> |

No revenues derive from major customers, which individually represent 10% or more of total revenue.

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

Revenues are derived from the following:

| | | |
|-------------------------------------|-------------------|-------------------|
| Revenue from sale of goods | 15,612,065 | 11,670,526 |
| Revenue from construction contracts | 4,860,179 | 4,852,101 |
| | <u>20,472,244</u> | <u>16,522,627</u> |

3. Dividends paid

| | 2016 | 2015 |
|---|----------------|----------------|
| | £ | £ |
| Final 2014 dividend paid of £0.015 per share | | 251,634 |
| Interim dividend paid of £0.011 per share | | 185,192 |
| Final 2015 dividend paid of £0.0165 per share | 286,017 | |
| Interim dividend paid of £0.0121 per share | 209,746 | |
| | <u>495,763</u> | <u>436,826</u> |

The Board has proposed a final dividend of 1.815p per share totalling £322,427. Together with the interim dividend of 1.21p per share this gives a total Ordinary dividend of 3.025p for the year.

4. 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.

| | Years ended 31 August | |
|--|------------------------------|-------------|
| | 2016 | 2015 |
| Profit after tax attributable to owners of the Group (£) | £3,874,385 | £3,246,008 |
| Weighted average number of shares: | | |
| Basic | 17,414,329 | 16,940,438 |
| Adjustments in respect of potentially dilutive share options | - | 832,207 |
| Diluted | 17,414,329 | 17,772,645 |
| Earnings per share (pence) | | |
| Basic | 22.25 | 19.16 |

5. Share capital

The allotted, called up and full paid share capital is made up of 17,764,578 ordinary shares of £0.01 each.

| | Note | Number of shares | Share Capital £ | Share premium £ | Total £ |
|---------------------|-------------|-------------------------|----------------------------|----------------------------|--------------------|
| At 1 September 2014 | | 16,775,640 | 167,757 | 2,385,910 | 2,553,667 |
| On 4 December 2014 | (i) | 60,000 | 600 | 51,000 | 51,600 |
| On 5 June 2015 | (ii) | 63,069 | 630 | 53,609 | 54,239 |
| On 5 June 2015 | (iii) | <u>435,697</u> | <u>4,357</u> | <u>50,192</u> | <u>54,549</u> |
| At 31 August 2015 | | <u>17,334,406</u> | <u>173,344</u> | <u>2,540,711</u> | <u>2,714,055</u> |
| On 24 June 2016 | (iv) | 430,172 | 4,302 | 49,556 | 53,858 |
| At 31 August 2016 | | <u>17,764,578</u> | <u>177,646</u> | <u>2,590,267</u> | <u>2,767,913</u> |

- (i) On 4 December 2014, Cairn Financial Advisers LLP exercised 60,000 warrants of £0.01 each for 86p.
- (ii) On 5 June 2015, Cairn Financial Advisers LLP exercised 63,069 warrants of £0.01 each for 86p.
- (iii) On 5 June 2015, a total of 435,697 share options were exercised of £0.01 each for £0.1252.
- (iv) On 24 June 2016, a total of 430,172 share options were exercised of £0.01 each for £0.1252.