

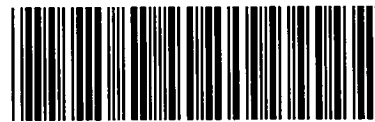
Registered number: 01658222

**ANTHONY BEST DYNAMICS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**for the year ended 31 August 2014**

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**ANTHONY BEST DYNAMICS LIMITED**

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**COMPANY INFORMATION**

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**DIRECTORS**

A Best  
N Best  
A G Middleton  
T J Rogers  
A W Rumble  
S J Neads  
M J Hubbard  
R A L Hart  
C P Martin

**COMPANY SECRETARY**

R A L Hart

**COMPANY NUMBER**

01658222

**REGISTERED OFFICE**

Holt Road  
Bradford on Avon  
Wiltshire  
BA15 1AJ

**INDEPENDENT AUDITOR**

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

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**ANTHONY BEST DYNAMICS LIMITED**

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**CONTENTS**

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	Page
<b>Strategic report</b>	1 - 6
<b>Directors' report</b>	7 - 8
<b>Independent auditor's report</b>	9 - 10
<b>Profit and loss account</b>	11
<b>Balance sheet</b>	12
<b>Notes to the financial statements</b>	13 – 22

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## **ANTHONY BEST DYNAMICS LIMITED**

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### **STRATEGIC REPORT for the year ended 31 August 2014**

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The directors present the Strategic Report of Anthony Best Dynamics Limited for the year ended 31<sup>st</sup> August 2014.

#### **Principal activities and Review of the Business in the year**

The Company continues to operate in the specialised area of design and manufacture of test equipment for vehicle suspension, steering, noise and vibration. We also offer a range of services which include analysis, design, prototype manufacture, test and development.

The Company this year experienced a record year in terms of sales, with a significant increase in the sales of its Track Testing products. This increase has been driven by the global market for Automotive Testing equipment expanding rapidly in both new sectors and geographies, notably in the Group's case, in the field of testing of the vehicle manufacturers latest Advanced Driver Assistance Systems (ADAS) and the continued rise of China's automotive sector. As a result Track Testing now represents over 68% of the Group's revenue.

The Company's current Track Testing order book takes it well into the second half of the next financial year. Furthermore a large amount of orders received in the later part of the year, has unavoidably led to longer lead times to the customer.

To address this, the Company has focussed heavily on improving and resolving its supply chain and capacity issues and these activities are starting to bring benefits to the Group's overall order fulfilment performance.

Sales in the Company's Lab Testing business have remained broadly flat, partly due to competitive pressure in this relatively mature sector and partly down to capacity constraints in the factory. In response to this, the Group recently announced to the industry that it had redeveloped the SPMM product, which in turn has allowed it to reposition the product in the market place and streamline the manufacturing/ supply chain process.

The Company continues to invest heavily in new product development. Aside from the afore mentioned upgrade to the SPMM, this year we have seen orders for a new generation of guided soft target vehicle, the GST, which is the culmination of nearly two years of work in collaboration with our US partners Dynamics Research Inc. The GST fits neatly into our existing portfolio of Track Testing products and adds to our Soft Target offering essential for ADAS testing.

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

#### **Position of the Company's business at the end of the year**

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

Key activities under taken this year to support the Company's strategy include:

1. The development of, and expansion in, the Company's core manufacturing and final assembly capabilities, with the utilisation of new Annex facility onsite and a commitment to an additional 3500 sq ft of new offsite assembly facilities coming on stream later this year.
2. The active recruitment of key personnel to new roles in the Company, including new software and electrical development engineers, combined with skilled assembly technicians and toolmakers. Our fulltime head count has now reached 61, with new appointments expected by the end of 2014.

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## **ANTHONY BEST DYNAMICS LIMITED**

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### **STRATEGIC REPORT for the year ended 31 August 2014**

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3. Significant effort improving the supply chain, order performance monitoring and business management systems, has led to initial shortening of delivery times and an increase in the units delivered.

The Company's new enlarged facility at the Kingston Farm development nearby remains on course for 2016 subject to final S106 approval. It should be noted that, planning delays have necessitated the Group having to secure the aforementioned additional facilities nearby at Holt, these should give sufficient capacity to the Group for the foreseeable future and certainly until such time the new facility comes on line.

#### **Company's Key performance indicators**

##### **1. Maintain sustainable growth in revenue and operating profit**

The Directors aim to achieve steady sustainable growth in turnover and operating profit. Strong cash management is fundamental to delivering sustainable profit growth and the consistent delivery of cash-backed profit remains a key performance indicator for the Company.

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

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

The recruitment, development, retention and health and safety of our people and everyone who works with us or is affected by our operations is paramount. We have the objective of ensuring that safe working practices are consistently adopted and supported by rigorous reviews and training. In 2014, no issue arose. We moved significantly in our provision of HSE procedures and retain an external contractor to manage our systems in this respect.

##### **3. Facilities**

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

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

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## ANTHONY BEST DYNAMICS LIMITED

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### STRATEGIC REPORT for the year ended 31 August 2014

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#### Principle risks and uncertainties facing the business

##### Principal risks and uncertainties

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

#### 1. Risks relating to the business and operations of the Company

##### **The Company is reliant on key executives and personnel**

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

##### **The Company may not successfully manage its growth**

Expansion of the business of the Company may place additional demands on the Company's management, administrative and technological resources and marketing capabilities, and may require additional capital expenditure. If the Company is unable to manage any such expansion effectively, then this may adversely impact the business, development, financial condition, results of operations, prospects, profits, cash flow and reputation of the Company.

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

##### **Potential requirement for further investment**

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

##### **Litigation**

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

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## ANTHONY BEST DYNAMICS LIMITED

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### STRATEGIC REPORT for the year ended 31 August 2014

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#### **Internal controls**

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

#### **New facility**

Plans for the Company's new facility are still in the development and planning stage. No formal documentation has yet been entered into and, although the Company has established estimated total costs, there can be no guarantee that the project will proceed or that it will proceed as planned. It is possible that costs will increase or other unforeseen issues will mean that the current development project does not proceed. If the facility is not constructed, this may have an adverse impact on the Company's future growth.

#### **The Company is reliant on overseas sales representatives, agents and distributors**

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

#### **Uninsured liabilities**

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

#### **Competitors**

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

#### **Limited IP protection**

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

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## ANTHONY BEST DYNAMICS LIMITED

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### STRATEGIC REPORT for the year ended 31 August 2014

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#### 2. Risks relating to the market in which the Company operates

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

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

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

##### **Key suppliers**

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

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

##### **Exposure to exchange rate fluctuations**

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

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

##### **Exposure to economic cycle**

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

##### **Force majeure events**

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



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## **ANTHONY BEST DYNAMICS LIMITED**

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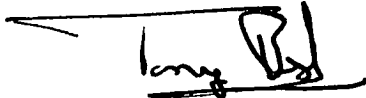
### **STRATEGIC REPORT for the year ended 31 August 2014**

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#### **Laws and regulations**

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

Approved by the board on 12 November 2014

A handwritten signature in black ink, appearing to read 'Anthony Best', is written over a horizontal line.

**Anthony Best**  
**Director**

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## **ANTHONY BEST DYNAMICS LIMITED**

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### **DIRECTORS' REPORT for the year ended 31 August 2014**

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The directors present their report and the financial statements for the year ended 31 August 2014.

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

#### **RESULTS**

The profit for the year, after taxation, amounted to £2,366,517 (2013 - £1,835,360).

#### **DIRECTORS**

The directors who served during the year were:

A Best  
N Best  
A G Middleton  
T J Rogers  
A W Rumble  
S J Neads  
M J Hubbard  
R A L Hart  
C P Martin

#### **QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

Since 5 December 2006 a qualifying third party indemnity provision has been in force for the benefit of all directors of the company.

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**ANTHONY BEST DYNAMICS LIMITED**

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**DIRECTORS' REPORT**  
**for the year ended 31 August 2014**

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**PROVISION OF INFORMATION TO AUDITOR**

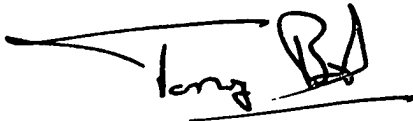
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**AUDITOR**

The auditor, Crowe Clark Whitehill LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 12 Nov 2014 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'A Best', is written over a horizontal line.

**A Best**  
Director

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## **ANTHONY BEST DYNAMICS LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANTHONY BEST DYNAMICS LIMITED**

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We have audited the financial statements of Anthony Best Dynamics Limited for the year ended 31 August 2014, set out on pages 11 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

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

#### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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**ANTHONY BEST DYNAMICS LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANTHONY BEST DYNAMICS LIMITED**

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**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

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



Leo Malkin (Senior Statutory Auditor)  
for and on behalf of  
**Crowe Clark Whitehill LLP**  
Statutory Auditor  
St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH  
12 November 2014

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**ANTHONY BEST DYNAMICS LIMITED**

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**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 August 2014**

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		<b>2014</b>	<b>2013</b>
	<b>Note</b>	<b>£</b>	<b>£</b>
<b>TURNOVER</b>	<b>1</b>	<b>13,846,562</b>	<b>12,171,473</b>
Cost of sales		<u><b>(9,816,570)</b></u>	<u><b>(9,048,895)</b></u>
<b>GROSS PROFIT</b>		<b>4,029,992</b>	<b>3,122,578</b>
Administrative expenses		<u><b>(1,164,112)</b></u>	<u><b>(851,617)</b></u>
<b>OPERATING PROFIT</b>	<b>2</b>	<b>2,865,880</b>	<b>2,270,961</b>
Interest receivable	<b>6</b>	<u><b>25,692</b></u>	<u><b>17,123</b></u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>2,891,572</b>	<b>2,288,084</b>
Tax on profit on ordinary activities	<b>7</b>	<u><b>(525,055)</b></u>	<u><b>(452,724)</b></u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>14</b>	<u><u><b>2,366,517</b></u></u>	<u><u><b>1,835,360</b></u></u>

All amounts relate to continuing operations.

There were no recognised gains or losses for 2014 or 2013 other than those included in the Profit and loss account.

The notes on pages 13 to 22 form part of these financial statements.

**ANTHONY BEST DYNAMICS LIMITED**  
Registered number: 01658222

**BALANCE SHEET**  
as at 31 August 2014

	Note	£	2014 £	£	2013 £
<b>FIXED ASSETS</b>					
Tangible assets	8		1,219,983		1,012,109
<b>CURRENT ASSETS</b>					
Stocks	9	1,998,830		1,486,390	
Debtors	10	5,465,206		3,130,434	
Cash at bank		<u>4,896,206</u>		<u>5,990,176</u>	
		12,360,242		10,607,000	
<b>CREDITORS:</b> amounts falling due within one year	11	<u>(5,888,627)</u>		<u>(5,309,239)</u>	
<b>NET CURRENT ASSETS</b>			6,471,615		5,297,761
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			7,691,598		6,309,870
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred tax	12		<u>(79,273)</u>		<u>(41,923)</u>
<b>NET ASSETS</b>			<u>7,612,325</u>		<u>6,267,947</u>
<b>CAPITAL AND RESERVES</b>					
Share based payment reserve	14		46,474		18,613
Called up share capital	13		134,000		134,000
Share premium account	14		43,000		43,000
Capital redemption reserve	14		62,500		62,500
Profit and loss account	14		<u>7,326,351</u>		<u>6,009,834</u>
<b>SHAREHOLDERS' FUNDS</b>	15		<u>7,612,325</u>		<u>6,267,947</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 Nov 2014.

  
A Best  
Director

The notes on pages 13 to 22 form part of these financial statements.

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## ANTHONY BEST DYNAMICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2014

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#### 1. ACCOUNTING POLICIES

##### 1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

##### 1.2 GOING CONCERN

The company has cash resources and has no requirement for external funding. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. They continue to believe the going concern basis of accounting is appropriate in preparing the annual financial statements.

##### 1.3 CASH FLOW

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

##### 1.4 TURNOVER

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

##### 1.5 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant and machinery	-	10% straight line
Motor vehicles	-	25% reducing balance
Fixtures and fittings	-	10% straight line
Computer equipment	-	25% straight line
Bought out software	-	10-20% straight line
In house software	-	33.3% straight line
General equipment	-	10% straight line
Proprietorial equipment	-	20% straight line
Test equipment	-	10-20% straight line
Buildings	-	5% straight line

Assets under construction are not depreciated until they are ready for use.

##### 1.6 STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.



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## **ANTHONY BEST DYNAMICS LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2014**

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#### **1. ACCOUNTING POLICIES (continued)**

##### **1.7 LONG-TERM CONTRACTS**

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Amounts recoverable on contracts, included within debtors, represents the amount by which recorded turnover is in excess of payments on account.

##### **1.8 OPERATING LEASES**

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

##### **1.9 FOREIGN CURRENCIES**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

##### **1.10 RESEARCH AND DEVELOPMENT**

Research and development expenditure is written off in the year in which it is incurred.

##### **1.11 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITY**

The company uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange rates. The company has not adopted FRS 26 and therefore no fair value measurements are included in the financial statements. Gains and losses on foreign currency hedges are recognised in the profit and loss account on maturity of the underlying transaction. Gains or losses arising on hedging instruments which are cancelled due to the termination of underlying exposure are taken to the profit and loss account immediately.

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**ANTHONY BEST DYNAMICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 August 2014**

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**1. ACCOUNTING POLICIES (continued)**

**1.12 DEFERRED TAXATION**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

**1.13 PENSIONS**

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

**2. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Depreciation of tangible fixed assets:		
- owned by the company	<b>135,645</b>	<b>92,127</b>
Operating lease rentals:		
- other operating leases	<b>51,591</b>	<b>38,000</b>
Difference on foreign exchange	<b>33,887</b>	<b>(80,823)</b>
Pension costs	<b>113,874</b>	<b>87,070</b>

**3. AUDITOR'S REMUNERATION**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Fees payable to the company's auditor in respect of:		
Auditor's remuneration – audit fees	<b>15,000</b>	<b>15,000</b>
Taxation compliance services	<b>9,617</b>	<b>7,300</b>

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**ANTHONY BEST DYNAMICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2014**

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**4. STAFF COSTS**

Staff costs, including directors' remuneration, were as follows:

	2014 £	2013 £
Wages and salaries	2,976,179	2,527,714
Social security costs	324,013	269,431
Pension costs	113,874	87,070
	<u>3,414,066</u>	<u>2,884,215</u>

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

	2014 No.	2013 No.
Directors & Commercial	9	7
Engineers & Technicians	41	35
Administration	6	5
	<u>56</u>	<u>47</u>

**5. DIRECTORS' REMUNERATION**

	2014 £	2013 £
Emoluments	<u>702,087</u>	<u>591,340</u>
Company pension contributions to defined contribution pension schemes	<u>27,580</u>	<u>16,280</u>
Share based payment charge	<u>17,329</u>	<u>11,577</u>

During the year retirement benefits were accruing to 6 directors (2013 - 5) in respect of defined contribution pension schemes.

During the year 6 directors exercised share options in the parent entity AB Dynamics plc.

The highest paid director received remuneration of £177,245 (2013 - £150,390) and pension contributions of £Nil (2013 - £Nil).

**6. INTEREST RECEIVABLE**

	2014 £	2013 £
Other interest receivable	<u>25,692</u>	<u>17,123</u>

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**ANTHONY BEST DYNAMICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 August 2014

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**7. TAXATION**

	2014 £	2013 £
<b>ANALYSIS OF TAX CHARGE IN THE YEAR</b>		
<b>CURRENT TAX</b> (see note below)		
UK corporation tax charge on profit for the year	507,068	471,200
Adjustments in respect of prior periods	(19,363)	(13)
	<u>487,705</u>	<u>471,187</u>
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	(7,059)	(18,463)
Adjustments in respect of prior periods	44,409	-
	<u>37,350</u>	<u>(18,463)</u>
<b>TOTAL DEFERRED TAX</b> (see note 12)	<u>37,350</u>	<u>(18,463)</u>
<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<u>525,055</u>	<u>452,724</u>

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is the same as (2013 – *the same as*) the standard rate of corporation tax in the UK of 22.16% (2013 – 23.58%) as set out below

	2014 £	2013 £
Profit on ordinary activities before tax	<u>2,891,572</u>	<u>2,288,084</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.16% (2013 – 23.58%)	640,772	539,530
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes	157	841
Capital allowances for year in excess of depreciation	(34,808)	(6,970)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(42,126)	(62,201)
Adjustments to tax charge in respect of prior periods	(19,363)	(13)
Patent Box Relief	(56,927)	-
<b>CURRENT TAX CHARGE FOR THE YEAR</b> (see note above)	<u>487,705</u>	<u>471,187</u>

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

There were no factors that may affect future tax charges.

**ANTHONY BEST DYNAMICS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 August 2014

**8. TANGIBLE FIXED ASSETS**

	Test Equipment £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Other fixed assets £	Land & Buildings £	Total £
<b>COST</b>							
At 1 September 2013	578,310	220,289	66,107	497,566	581,698	589,320	2,533,290
Additions	41,940	61,222	4,995	149,247	7,597	82,486	347,487
Disposals	-	(3,851)	-	(40,827)	(600)	-	(45,278)
At 31 August 2014	620,250	277,660	71,102	605,986	588,695	671,806	2,835,499
<b>DEPRECIATION</b>							
At 1 September 2013	461,263	147,334	24,200	334,980	553,404	-	1,521,181
Charge for the year	22,782	18,555	11,446	51,359	8,177	23,326	135,645
On disposals	-	(2,503)	-	(38,807)	-	-	(41,310)
At 31 August 2014	484,045	163,386	35,646	347,532	561,580	23,325	1,615,516
<b>NET BOOK VALUE</b>							
At 31 August 2014	<u>136,205</u>	<u>114,274</u>	<u>35,456</u>	<u>258,454</u>	<u>27,114</u>	<u>648,480</u>	<u>1,219,983</u>
At 31 August 2013	<u>117,047</u>	<u>72,955</u>	<u>41,907</u>	<u>162,586</u>	<u>28,294</u>	<u>589,320</u>	<u>1,012,109</u>

Included within land and buildings is property under the course of construction with a total net book value of £186,196 (2013: £38,664). Depreciation will not be charged until the property is ready for use.

**9. STOCKS**

	2014 £	2013 £
Stock	1,143,122	1,197,608
Work in progress	855,708	288,782
	<u>1,998,830</u>	<u>1,486,390</u>

**10. DEBTORS**

	2014 £	2013 £
Trade debtors	4,339,755	1,132,625
Other debtors	-	164,988
Prepayments and accrued income	176,254	96,223
Amounts recoverable on long term contracts	949,197	1,736,598
	<u>5,465,206</u>	<u>3,130,434</u>

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**ANTHONY BEST DYNAMICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2014**

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**11. CREDITORS:**  
**AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2014 £	2013 £
Payments received on account	464,712	1,139,292
Trade creditors	798,460	795,229
Corporation tax	269,978	198,318
Social security and other taxes	132,414	66,436
Other creditors	1,490,090	1,157,136
Intercompany creditors	2,732,973	1,952,828
	<u>5,888,627</u>	<u>5,309,239</u>

**12. DEFERRED TAXATION**

	2014 £	2013 £
At 1 September 2013	41,923	60,386
Adjustments in respect of prior periods (Recovery)/charge for year	44,409 (7,059)	- (18,463)
	<u>79,273</u>	<u>41,923</u>
At 31 August 2014	<u>79,273</u>	<u>41,923</u>

The provision for deferred taxation is made up as follows:

	2014 £	2013 £
Accelerated capital allowances	<u>79,273</u>	<u>41,923</u>

**13. SHARE CAPITAL**

	2014 £	2013 £
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
134,000 Ordinary shares of £1 each	<u>134,000</u>	<u>134,000</u>

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**ANTHONY BEST DYNAMICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 August 2014

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**14. RESERVES**

	Share Based payment reserve £	Share premium account £	Capital redemption reserve £	Profit and loss account £
At 1 September 2013	18,613	43,000	62,500	6,009,834
Profit for the year				2,366,517
Dividends: Equity capital				(1,050,000)
Share based payments	27,861			
At 31 August 2014	<u>46,474</u>	<u>43,000</u>	<u>62,500</u>	<u>7,326,351</u>

**15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2014 £	2013 £
Opening shareholders' funds	6,267,947	4,648,475
Profit for the year	2,366,517	1,835,360
Dividends (Note 17)	(1,050,000)	(234,500)
Share based payment reserve	27,861	18,613
Closing shareholders' funds	<u>7,612,325</u>	<u>6,267,948</u>

**16. SHARE OPTIONS**

The share option scheme was established to reward and incentivise the executive management team and staff for delivering share price growth. The share option scheme is administered by the Remuneration Committee of the parent company, AB Dynamics plc.

The company granted 13,026 share options to Directors and employees on 1 February 2013 with an exercise price of £12.52 each. Following the acquisition by AB Dynamics plc the share options were converted into 1,302,600 share options for AB Dynamics plc with an exercise price of 12.52p. The weighted fair value of the options granted was 12.52p share. A charge of £27,861 (2013: £18,613) has been charged to the profit and loss for the year relating to these options.

These fair values were calculated using the Black Scholes option pricing model. The inputs into the model were as follows:

Stock price	12.52p
Exercise price	12.52p
Interest rate	1%
Volatility	30%
Time to maturity	10 years

The expected volatility was determined with reference to similar entities trading on AIM.

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**ANTHONY BEST DYNAMICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 August 2014

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**16. SHARE OPTIONS (CONTINUED)**

Details of the share options outstanding in AB Dynamics plc at the year end are as follows:

	Number 31 August 2014	WAEP (pence) 31 August 2014	Number 31 August 2013	WAEP (pence) 31 August 2013
Outstanding as at 1 September	1,302,600	12.52	-	-
Granted during the year	-	-	1,302,600	12.52
Expired during the year	-	-	-	-
Exercised during the year	(428,664)	12.52	-	-
Options outstanding at 31 August	873,936	12.52	1,302,600	12.52
Exercisable at 31 August	5,533	12.52	-	-

The weighted average remaining contractual life of the options outstanding at the statement of financial position date is 8.5 years.

**17. DIVIDENDS**

	2014 £	2013 £
Dividends paid to Parent Company	1,050,000	
Dividends paid on equity capital		234,500

**18. DERIVATIVE FINANCIAL INSTRUMENTS**

The company is mainly exposed to US Dollar and Euro currency risks which arise from monetary items denominated in foreign currencies.

The company policy is to hedge a portion of foreign exchange risk associated with highly probable forecast transactions and monetary items denominated in foreign currencies, by the use of currency forward contracts.

At 31 August 2014, the fair value of the forward contracts was £Nil (2013 - £Nil).

The company does not apply FRS 26 and therefore no fair value gains or losses are recognised in the profit and loss account.



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**ANTHONY BEST DYNAMICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2014**

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**19. OPERATING LEASE COMMITMENTS**

At 31 August 2014 the company had annual commitments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>	
	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b>EXPIRY DATE:</b>		
Within 1 year	-	-
Between 2 and 5 years	<u><b>65,323</b></u>	<u><b>38,000</b></u>

**20. RELATED PARTY TRANSACTIONS**

The company rents its premises from the Best Middleton Trust, which is considered to be a related party by virtue of A Best being a trustee and beneficiary thereof. Rental payments for the year amounted to £38,000 (2013 - £38,000) and no amounts were due to or from the trust at the year end.

As a 100% subsidiary of AB Dynamics plc, the Company is exempt from disclosing transactions with entities that are part of the group, in accordance with the requirements of Financial Reporting Standard 8.

During the year, the directors received dividends from the Group totalling £105,161 (2013 - £234,500).

**21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The ultimate parent company is AB Dynamics plc, a company registered in England and Wales. The parent undertaking of the smallest and largest group for which consolidated financial statements are prepared is AB Dynamics plc. A copy of the consolidated financial statements are available from Companies House, Cardiff.

**22. TURNOVER**

The whole of the turnover is attributable to the principal activities of the company.

A geographical analysis of turnover is as follows:

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
United Kingdom	<b>1,705,775</b>	<b>2,206,917</b>
Rest of European Union	<b>3,752,538</b>	<b>3,364,214</b>
Rest of world	<b>8,388,249</b>	<b>6,600,342</b>
	<u><b>13,846,562</b></u>	<u><b>12,171,473</b></u>