Concurrent Technologies Plc

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Company Information

Directors
M Collins LLB (Chairman)
J B Annear
R P M Crowther FCA
D Evans-Hughes BSc
G A Fawcett BSc
C M Thomson FSI

Company Secretary
Cargil Management Services Limited

Registered Office
4 Gilberd Court
Newcomen Way
Colchester, Essex
CO4 9WN

Registered Number
1919979

Auditors
Baker Tilly
Marlborough House
Victoria Road South
Chelmsford, Essex
CM1 1LN

Solicitors
Wollastons
Brierly Place
New London Road
Chelmsford, Essex
CM2 0AP

Bankers
National Westminster Bank Plc
25 High Street
Colchester, Essex
CO1 1DG

Registrars
Share Registrars Limited
Craven House
West Street
Farnham
Surrey
GU9 7EN

Nominated Advisor and Nominated Broker
Bell Lawrie White & Co
48 St Vincent Street
Glasgow
G2 5TS

ISO 9001 Registered

Chairman's Statement

Financial Summary

Market conditions continue to be good and our level of activity increased markedly last year with excellent turnover and profit growth as set out below -

	12 months to 31 Dec 2006	Year-on-year change	Restated 12 months to 31 Dec 2005
Turnover	£12,507k	+17%	£10,679k
Profit before tax	£2,295k	+61%	£1,426k

In the second half of 2006 we made a consolidated pre-tax profit of £1 36m following a pre-tax profit of £0 94m in the first half

Despite the weakening of the US dollar gross margins continued to be strong at 47% (2005 46%)

In arriving at the 2006 profits there were no unusual items comparable with the goodwill write off in 2005, although profits were boosted by some "last time buy" sales of boards containing leaded components

We ended the year with cash of £4 8m and no borrowings while our earnings per share increased by 55% to 2 42p (restated 2005 1 56p)

Business Summary

Concurrent Technologies designs, builds and supplies high-end embedded computer products to the defence, communication, transportation and industrial markets Our range of products includes central processing unit ("CPU") boards, computer inter-connections and computer systems These computer products are integrated into a variety of applications which require very high levels of processing power and superior levels of reliability, applications include military systems, communications, networking, medical imaging, industrial automation and scientific research

The Group's product range, which is mainly based on long life-cycle components produced by Intel®, includes single and dual processor computer boards using single and dual core processors Designed for the CompactPCI®, VME, AMC (Advanced Mezzanine Card) and Multibus II open architecture standards, the majority of the designs are for use in standard operating conditions with some extended temperature range versions for use in more extreme environments In addition to hardware design capability, our engineering teams undertake a significant amount of software and firmware development to provide interoperability between products, generate test software both on-board and for production test purposes, and also provide support for leading embedded and real-time operating systems

The majority of the products we design and manufacture use surface mount technology and ball grid array devices mounted on 12 to 14 layer printed circuit boards and the majority of our boards have about 10,000 interconnections and 9,300 vias The complexity increases each year

The largest markets for our products have, as in recent years, been in the communications and defence sectors Together these markets in 2006 accounted for 83% of our sales by value We achieve our sales through a combination of a direct sales force, manufacturers' representatives and distributors

Review of 2006 Operations

During 2006 we continued to increase our investment in design and development which amounted to £1,334,749 (2005 £1,175,480) We developed and introduced a range of innovative new products designed to meet our customers' high-end computing requirements Many of these new products were based on the latest dual core processor technology from Intel®

In 2006 the process of expanding our sales capability continued, especially in the USA and China An augmented marketing effort resulted in sales growth and an increased customer and market awareness The focus of our marketing during the period was particularly aimed at defence and communications with the USA as the dominant market With our presence firmly established we plan to capitalise fully through an increased flow of new products driven by a growing headcount of design engineers In this regard we are actively recruiting

The Company is now meeting new regulations which require our board products to be compliant with a European Union based environmental standard (known as "RoHS" or "Restriction of the use of certain Hazardous Substances") which results in dramatically reduced amounts of lead used in our products This process has been time consuming and has absorbed significant amounts of engineering resource We are now through this phase and are pleased with the resulting "environmentally friendly" product range

A number of significant product launches occurred during 2006, the most important being the VX 405/04x family of single board computers and the CompactPCI® PP 412/03x computer These new computer boards feature Intel® dual core processors which combine high performance with low power consumption We are targeting these products at existing customers who wish to upgrade as well as to new customers and those being drawn to us from our competitors Applications will be within the telecommunications, defence, security, telemetry, industrial control, scientific and aerospace markets Extended temperature versions of these boards will in due course be available for use in harsher environments

We have also introduced our next generation Advanced Mezzanine Card, the AM100/20x This product uses the server-class dual core Intel® Xeon® CPU together with the Intel® 3100 chipset, which is the first integrated Intel® chipset to be optimised for embedded, communications and storage applications

Chairman's Statement (continued)

Review of 2006 Operations (continued)

During 2006 we introduced a second automated optical inspection machine which electro-optically examines the quality of the many thousands of miniature connections and components on our boards This machine, together with our "pick-and-place" robotic machine which selects and mounts electronic components onto printed circuit boards, has helped further increase efficiencies in the manufacturing area of our business

Future Plans

We will continue to expand our range of products targeted primarily at the CompactPCI® bus architecture, including the newer smaller sized 3U version, and the VME architecture where market indications are that we will see good growth in the short and medium terms We are also now supporting a new architecture called AMC which is directed to many applications including those that will be based on ATCA® (Advanced Telecommunications Computing Architecture) and MicroTCA™ – a new high speed serial bus system We will continue to target our products at complex, high-technology, low to medium volume and high margin applications while working closely with our customers to meet their specialised requirements Our range of products suitable for harsh operating environments will continue to be expanded

Many of our new products will use low power devices containing two or more processing cores within a single device We anticipate the arrival of processors with more than two cores and are expanding our capability to design hardware and develop the related software and firmware

We also believe that our substantial investment in design and development continues to benefit us as we broaden our range of products We are therefore continually evaluating our design and development capabilities and how best to exploit locally available engineering talent to meet our growing needs In addition to our UK and USA sites, other countries which have a high concentration of high technology design skills are being actively considered as potential new locations for product design

We will also continue to look to enhance our capabilities to produce complete embedded computer systems, and to take advantage of opportunities which come from customers who wish to downsize in-house engineering staff and reduce fixed costs by outsourcing

During 2006 we expanded our North America sales and marketing capability by appointing a VP of Sales and Marketing, to oversee all aspects of our sales, marketing and customer support in North America This appointment should be of great benefit to the Group in the future

We believe that world demand for single board computers, particularly those powered by Intel® CPUs, continues to expand and our aim is to have the right range of products for our niches in the single board computer market

The Company has taken the authority in previous General Meetings to buy in shares and in light of our substantial cash reserves and the continuing growth of the business, the Directors have been utilising this facility in recent months and intend to buy in further shares in the coming months as opportunities arise

With the Group's strong financial base and market positioning, we maintain a proactive policy of exploring value enhancing acquisition opportunities as they arise

Dividend

The Directors are recommending the payment of a final dividend of 0 65 pence per share (making a total for the year including the interim dividend of 1 00 pence per share) The total cost of this final dividend will amount to £470,015 The ex-dividend date for the final dividend is 2 May 2007, the record date is 4 May 2007 and subject to the shareholders' approval, payment will be made on 18 May 2007

Outlook

The introduction of the RoHS environmental regulations resulted in some customers advancing their product purchases into 2006 and in addition, much of our engineering effort had to be diverted to achieve the technology change required to comply with the regulations This delayed the introduction of certain new products for 2007 but we are delighted that four notable new product launches have already been announced this year, with more in the pipeline

Our investment in compliance with environmental regulations, product development and engineering capability will lend a distinct second half bias to profits for 2007

Sales activity and new customer enquiries remain high and the recent release of new products based on the latest multi-core Intel® processors will, we believe, ensure that our position in the single board computer industry is enhanced We continue to be confident that the Company will make further progress in 2007

Corporate Governance

As an AIM listed company Concurrent Technologies Plc is not obliged to comply with the Combined Code on Corporate Governance We do however acknowledge the overall importance of the guidelines and apply as many of the principles therein as are appropriate to a company of our size and nature

Annual General Meeting

The Annual General Meeting this year will be held on 20th April 2007

Michael Collins
Chairman

All companies and product names are trademarks of their respective organisations

Report of the Directors

The Directors present their Report and Financial Statements of the Group (Concurrent Technologies Plc and its wholly owned subsidiaries, Concurrent Technologies Inc and Omnibyte Corporation) for the year ended 31 December 2006

Directors' Responsibilities

We are required under company law to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group, and of the profit or loss of the Group for that year

In preparing these Financial Statements we have

- selected suitable accounting policies and applied them consistently
- made reasonable and prudent judgements and estimates
- stated whether applicable accounting standards have been followed
- prepared them on a going concern basis

We have also accepted responsibility for

- keeping proper accounting records
- safeguarding the Group's assets
- taking reasonable steps for the prevention and detection of fraud

Principal Activity

The Group designs, develops, manufactures and sells single board computers to system integrators and original equipment manufacturers

Review of the Business and Future Developments

Details are set out in the Chairman's Statement on pages 2 and 3

During the year the Company commenced a share buyback programme for investment purposes and to provide for future exercise of employee share options, details of which are set out in Note 25 to the Financial Statements 390,000 Ordinary Shares were purchased to hold in Treasury, with a nominal value of £3,900 and representing 0 54% of issued share capital The total cost of the purchases inclusive of expenses amounted to £140,743

Principal Risks and Uncertainties

Like most businesses, there are a range of risks and uncertainties facing the Group and the matters described below are not intended to be an exhaustive list of all possible risks and uncertainties

The principal risks and uncertainties affecting the business include the following

- <u>Product development and technology risk</u> The Group continually develops and introduces new high-technology products based on very high technology processors and other computing components These technologies and products involve business risk both in terms of possible abortive expenditure, reputational risk and potential customer claims Such risks may materially impact on the Group Appropriate measures are taken to protect the Group's intellectual property rights and to minimise the risk of infringement of third party rights

- <u>Human resources risk</u> This risk being defined as a shortage of requisite knowledge, skills and experience within the Group This risk, especially in relation to technical skills, is kept at the forefront of the Group's concerns and is addressed primarily through remuneration and recruitment policies

- <u>Environmental risks</u> The Group places emphasis upon environmental compliance in its business and not only seeks to ensure ongoing compliance with relevant legislation in the major markets, but also strives to ensure that environmental best practice is incorporated into its key processes The Group's products are now compliant with European Union's "Restriction of the use of certain Hazardous Substances (RoHS) Directive" which dramatically reduces the amounts of certain hazardous substances that could until July 2006 be used in electronic assemblies From the Group's perspective lead, which was used in solder, was the main substance

- <u>Component lead times</u> In the markets that the Group operates within there can be times where components are in short supply with long lead times or components can be discontinued The Group aims to supply its products for many years and as such endeavours to select components with longevity of supply and components which have a second source while simultaneously regularly monitoring component availability

Principal Risks and Uncertainties (continued)

- The effect of legislation and other regulatory activities The Group regularly monitors forthcoming and current legislation

- Pension funding risk The Company operates a defined contribution pension scheme only and has no additional pension funding risk

- Competitive risk The Group operates in highly competitive markets Product innovations or technical advances by competitors could adversely affect the Group The geographical diversity of operations reduces the possible effect of action by any single competitor The Group invests directly in development in order to sustain competitive advantage, and also works continually to ensure that its cost base is competitive

- Foreign currency exchange As a growing proportion of the Group's sales are denominated in United States Dollars, the Group is subject to risks associated with currency movements Natural hedging is adopted to manage currency risk, whereby goods and services are sourced from suppliers in United States Dollars and so liability arises in Dollars The Group does not hold speculative positions against movements in foreign currencies or interest rates

- Customer risk Our revenues are largely dependent upon the ability of customers to develop and sell products that incorporate our products No assurance can be given that our customers will not experience financial, technical or other difficulties that could adversely affect their operations and, in turn, our results of operations

The Group has long experience in managing all these risks, while delivering profitable growth

The Group has a strong balance sheet with significant cash balances and debtor balances with major well rated customers and as such the Board does not consider the Group is subject to undue financial risk The risks associated with the Group's financial instruments are set out in Note 24

Performance Monitoring

The Board monitors the Group's performance in a number of ways including key performance indicators The key financial performance indicators together with the information for 2006 and 2005 are as follows

	2006	**2005**
Turnover	£12 51m	£10 68m
Gross Margin %	46 57%	45 86%
Pre-tax Profit	£2 29m	£1 43m
Cash	£4 81m	£3 98m

The turnover indicator represents what has been invoiced to customers in the year and measures sales growth or decline in value terms

The gross margin percentage is calculated by dividing gross profit by turnover and measures the total profitability of product sales

Pre-tax profit is the profit generated by the Group from operations including finance income and finance costs but before taxation This indicator measures the overall profitability of the business

Cash is the year end balance sheet position as reported in the consolidated balance sheet This indicator can be affected by the pattern of trading towards year end but does give a general indication of the ability of the Group to generate cash

These performance indicators are measured against a budget approved by the Board

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Report of the Directors (continued)

Performance Monitoring (continued)

The management also considers the following key non-financial performance indicators

- Manufacturing quality
- Product warranty performance
- Development projects measured against project milestones
- Manufacturing output measured against manufacturing plans and customer requirements
- Suppliers performance
- Stock accuracy
- Health and safety incidents
- Customer support responsiveness
- Employee sickness and performance

These non-financial indicators are regularly reviewed by the management

Results and Dividends

The profit on ordinary activities after taxation for the year ended 31 December 2006 was £1,761,209 (restated year to 31 December 2005 £1,132,054) An interim dividend of 0 35p per ordinary share was paid on 20 October 2006 The Directors recommend payment of a final dividend of 0 65p per ordinary share, making a total of 1 00p per share for the year (2005 0 75p)

International Financial Reporting Standards

In accordance with AIM rules, the Group will be adopting International Financial Reporting Standards within its Financial Statements for the period commencing 1 January 2007 Arrangements are in place to effect this transition within the Group's 2007 Interim Results

Fixed Assets

Details of additions to tangible fixed assets are given in Note 9 to the Financial Statements The carrying value of goodwill was reduced to nil at the end of 2005

Donations

The Group made no charitable or political donations during the year

Payment of Creditors Policy

The Company has a variety of payment terms with its suppliers Terms for payments for purchases under major contracts are settled when agreeing the other terms negotiated with individual suppliers It is our policy to make payments for other purchases within 30 working days of the invoice date, provided the relevant invoice is presented to the Company in a timely fashion and is complete The Company's payment terms are specified in individual contracts agreed with suppliers The ratio, expressed in days, between the amounts invoiced to the Company by its suppliers in the year ended 31 December 2006 and the amounts owed to its trade creditors at the end of the year was 43 days (2005 51 days)

Substantial Shareholders

As at 31 December 2006 the following persons, other than the Directors and their family interests, had an interest in 3% or more of the Company's Ordinary Shares

Name	No of Ordinary Shares	Shareholding %
Chase Nominees	8,706,319	12 04
The Bank of New York (Nominees)	8,654,119	11 97
State Street Nominees OM01	8,597,506	11 89
I M Keeler	4,620,164	6 39
HSBC Global Nominee 934567	4,226,029	5 84
Vidacos Nominees KBL	2,872,447	3 97
K F Burnett	2,470,651	3 42

Non-Executive Directors

Michael Collins LLB, Solicitor, aged 61 Chairman
Currently a partner in DLA Piper UK LLP He was appointed a Director of the Company in 1987

Ronald Peter Morrison Crowther FCA, aged 71
Previously a partner in Grant Thornton and currently a Consultant He was appointed a Director of the Company in 1987

Clive Mannering Thomson FSI, aged 59
Formerly a Director of stockbroker Bell Lawrie White & Co , now an Associate with Beer and Partners, the Business Angel network and Chairman of a Private Company, Meeting Makers Ltd He was appointed a Director of the Company in 2004

Report of the Directors (continued)

Directors The Directors set out below have held office during the whole of the year from 1 January 2006 to 31 December 2006 The beneficial interests of the Directors holding office on 31 December 2006 in the shares of the Company at that date, according to the Register of Directors' Interests, are shown below

	1p Ordinary Shares	
	31/12/2006	01/01/2006
J B Annear	1,745,789	1,728,889
M Collins	1,539,905	2,569,905
R P M Crowther	869,605	1,369,605
D Evans-Hughes	1,080,039	1,195,839
G A Fawcett	1,581,524	1,568,924
C M Thomson	123,850	93,850

The non-beneficial interests of the Directors holding office on the 31 December 2006 in the share capital of the Company at that date are as follows

	1p Ordinary Shares	
	31/12/2006	01/01/2006
M Collins	2,863,382	2,863,382
R P M Crowther	450,000	450,000

The interests of the Directors in the Share Option Scheme are disclosed in the Report of the Remuneration Committee

Rotation of Directors The Directors throughout the year are listed above In accordance with the Articles of Association, Mr R P M Crowther and Ms J B Annear retire by rotation and being eligible offer themselves for re-appointment at the next Annual General Meeting

Officers' Insurance The Company has purchased and maintains insurance to cover its officers against liabilities in relation to their duties to the Group

Design and Development The Group recognises the importance of investing in design and development programmes in order to maintain technical and commercial competitiveness Expenditure in the year to 31 December 2006 on design and development amounted to £1,334,749 (2005 £1,175,480), of which £nil (2005 £nil) was capitalised in accordance with the Group accounting policy (see note 1 to these Financial Statements) Further details of the Group's research and development activities are given in the Chairman's Statement

Auditors Messrs Baker Tilly have expressed their willingness to continue in office, a resolution will be proposed at the next Annual General Meeting for their re-appointment as auditors

Statement as to Disclosure of Information to Auditors The Directors who were in office on the date of approval of these Financial Statements have confirmed that as far as they are aware there is no relevant audit information of which the auditors are unaware Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors

By order of the Board

Cargil Management Services Limited
Company Secretary
16 March 2007

Corporate Governance Statement

The Directors acknowledge the importance of the Revised Combined Code on Corporate Governance ("Combined Code") published in July 2003 Companies that have securities traded on AIM are not required to comply with the Combined Code However, the Company is committed to high standards of corporate governance and has adopted procedures to institute good governance insofar as it is practical and appropriate for an organisation of its size and nature

Internal Financial Control The Board of Directors has overall responsibility for the Group's system of internal financial control and for reviewing its effectiveness Such a system can only provide reasonable and not absolute reassurance against material misstatement or loss

The Group has a long established framework of internal financial controls

Control Environment the Group's control environment is the responsibility of the Group's Directors and Managers at all levels The Group's organisational structure has clear lines of responsibility Operating and financial responsibility for subsidiary companies is the responsibility of the Board

Financial Reporting: there is a comprehensive budgeting system in place with an annual budget approved by the Board Actual profit and loss together with a balance sheet are reported against budget every month, together with order intake analysis A review of the results to date and latest year end forecasts is undertaken by the Board at least six times a year Comments arising from the detailed review of the performance and financial position are included within the Chairman's Statement The Directors' responsibilities for the Financial Statements are described on page 4 The Company reports to Shareholders twice a year

Delegation of Authority the Group has a procedure that defines levels of authority before committing the Group to defined actions involving commercial risk

Risk Assessment executive management has a clear responsibility for the identification of risks facing the business and for putting in place procedures to eliminate, mitigate and monitor risks The Company continually sets and monitors performance targets The full Board monitors these processes through a system of Board Meeting reports

Treasury the strategy of hedging against foreign exchange and interest rates, levels of borrowing, charges over assets and investment of cash are reviewed and approved by the Board The policy regarding insurance of various business risks is reviewed and approved by the Board at least once a year

Board's Monitoring System the Board reviews and approves budgets and monitors the Group's performance against those budgets monthly Variances from expected outcome are investigated and where lapses in internal control are detected, these are rectified The Group's cash flow is also monitored monthly

Main Control Procedures: standard financial control procedures operate throughout the Group to ensure the integrity of the Group's Financial Statements The Board approves capital expenditure when approving the annual budget and the Board must approve any other material capital expenditure To supplement these procedures the Company has a comprehensive set of written non-financial procedures which are audited internally on a regular basis and twice yearly by external independent auditors as per ISO 9001 requirements

The Board reviewed the effectiveness of the systems of internal financial control for the year ended 31 December 2006, and has taken account of material developments which have taken place since the year end

Wider Aspects of Internal Control The Board reviewed the Group's internal control procedures and risk management strategy during the year ended 31 December 2006 The Board is of the view that there is in place an ongoing process for identifying, evaluating and managing the Group's significant risks This process is regularly reviewed by the Board and accords with the Combined Code

Corporate Governance Statement (continued)

The Board of Directors

The full Board of Directors meets a minimum of six times per year and exercises control, including the monitoring of senior management, throughout the Group During 2006 six Board Meetings were held and all Board Meetings were attended by all Directors

The Chairman, who carries out his duties on a part-time basis, is primarily responsible for the running of the Board, and the Managing Director is responsible for the day-to-day running of the Group and for implementing Group strategy All Directors are aware of their right to seek independent professional advice at the Company's expense to assist them in their duties and to have access to the services of the Company Secretary

Board Committees

The Audit Committee is responsible for ensuring the financial performance of the Group is properly measured and reported and for reviewing reports from auditors relating to the Group accounts and the Group's internal control systems The Audit Committee also reviews the independence and the objectivity of the auditors

The Audit Committee, which meets twice yearly, comprises

M Collins	Non-Executive Chairman and Chairman of the Audit and Remuneration Committees
R P M Crowther	Non-Executive Director
C M Thomson	Non-Executive Director

The Remuneration Committee is responsible for setting the remuneration and performance related bonus for Executive Directors The Committee, which meets at least once each year, comprises

M Collins	Non-Executive Chairman and Chairman of the Audit and Remuneration Committees
R P M Crowther	Non-Executive Director
C M Thomson	Non-Executive Director

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to enable them to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing these Financial Statements

M Collins
Chairman
16 March 2007

Report of the Remuneration Committee

The Remuneration Committee consists of three Non-Executive Directors Mr M Collins, who is Chairman, Mr R P M Crowther and Mr C M Thomson

The policy of the Remuneration Committee is framed to give full consideration to the provisions as to best practice set out in the Combined Code

Directors' Emoluments

Each Executive Director is employed by the Company under a written contract of employment which provides for termination by either party giving twelve months written notice

Each Executive Director receives a remuneration package comprising a basic salary and the usual benefits in kind For each year, commencing on 1 January, the Remuneration Committee sets the level of emoluments to be paid to each Executive and Non-Executive Director and the basis upon which any bonuses will be payable to each Executive Director Bonuses are specifically related to the Group's performance and are calculated according to a formula agreed upon by the Remuneration Committee at the beginning of each year The Non-Executive Directors are not entitled to bonuses save as disclosed herein The Remuneration Committee considers it inappropriate to disclose more details of Directors' remuneration than is required by the Companies Act

Executive Directors are entitled to be members of the Company's pension scheme, details of which are set out in Note 22 to the Financial Statements Non-Executive Directors are not entitled to join the Company's pension scheme

Each Non-Executive Director is employed by the Company under a written contract that provides for termination by either party giving three months written notice

Share Options

The Company operates an Enterprise Management Incentive Share Option Scheme Details of the Scheme are set out in Note 25 to the Financial Statements The Board of the Company administers the Scheme, delegated to the Remuneration Committee, which has authority to offer options to a limited number of employees

Interests of the Directors in the Share Option Scheme

The interests of the Directors in the Share Option Scheme at the beginning and end of the year were as follows

Name	Number of Shares under option	Exercise Price	Date from which Share Option is Exercisable	Expiry date of Share Option
J B Annear	400,000	25 0p	22 April 2007	22 April 2014
D Evans-Hughes	400,000	25 0p	22 April 2007	22 April 2014
G A Fawcett	400,000	25 0p	22 April 2007	22 April 2014

The market price of the Company's shares as at the end of the financial year was 40 5p and the range of published market prices during the year was 24 5p to 43 0p

The Remuneration Committee is of the opinion that the Company has applied such provisions of the Combined Code as is appropriate for a company of the size and nature of Concurrent Technologies Plc

M Collins
Chairman of the Remuneration Committee
16 March 2007

Report of the Auditors

Independent Auditors' Report to the Members of Concurrent Technologies Plc

We have audited the Financial Statements of Concurrent Technologies Plc on pages 12 to 27

This report is made solely to the Company's members, as a body, in accordance with s235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Report of the Directors

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the Report of the Directors is consistent with the Financial Statements The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement that is cross referenced from the Review of the Business and Future Developments section of the Report of the Directors

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or regarding Directors' remuneration and other transactions is not disclosed

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements This other information comprises only the Chairman's Statement, Report of the Directors, Corporate Governance Statement, and Report of the Remuneration Committee We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements Our responsibilities do not extend to any other information

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's and Group's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements

Opinion

In our opinion

- the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's and Group's affairs as at 31 December 2006 and of the Group's profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the Financial Statements

Baker Tilly

Baker Tilly
Registered Auditor
Chartered Accountants
Chelmsford
16 March 2007

Consolidated Profit and Loss Account

For the year ended 31 December 2006

	Note	Year to 31 December 2006	Restated year to 31 December 2005
		£	£
Turnover	2	12,507,280	10,678,675
Cost of sales		6,683,124	5,781,965
Gross profit		5,824,156	4,896,710
Net operating expenses		3,716,999	3,571,763
Group operating profit	3	2,107,157	1,324,947
Interest receivable		187,501	101,497
Profit on ordinary activities before taxation		2,294,658	1,426,444
Taxation on profit on ordinary activities	4	533,449	294,390
Profit for the financial year		1,761,209	1,132,054
Basic earnings per share	6	2 42p	1 56p
Diluted earnings per share	6	2 42p	1 56p

Statement of Total Recognised Gains and Losses

	Note	Year to 31 December 2006	Restated year to 31 December 2005
		£	£
Profit for the financial year		1,761,209	1,132,054
Currency translation differences on foreign currency net investments		(165,969)	128,907
Total recognised gains and losses relating to the year		1,595,240	1,260,961
Prior year adjustment	1	(44,786)	
Total gains and losses recognised since last annual report		1,550,454	

Consolidated Balance Sheet

At 31 December 2006

	Note	31 December 2006 £	31 December 2005 £
FIXED ASSETS			
Tangible assets	9	598,533	543,678
CURRENT ASSETS			
Stocks and work in progress	11	1,279,465	1,501,554
Debtors	12	2,166,230	1,832,303
Cash at bank and in hand		4,813,022	3,978,139
		8,258,717	7,311,996
CREDITORS			
Amounts falling due within one year	13	1,927,934	1,852,977
NET CURRENT ASSETS		6,330,783	5,459,019
TOTAL ASSETS LESS CURRENT LIABILITIES		6,929,316	6,002,697
Provision for liabilities and charges	14	98,941	38,180
NET ASSETS		6,830,375	5,964,517
CAPITAL AND RESERVES			
Called up share capital	16	727,000	727,000
Share premium account	17	3,405,817	3,405,817
Capital redemption reserve	18	256,976	256,976
Profit and loss account	19	2,440,582	1,574,724
EQUITY SHAREHOLDERS' FUNDS	21	6,830,375	5,964,517

The Financial Statements were approved and authorised for issue by the Board of Directors on 16 March 2007 and signed on its behalf by

M Collins
Chairman

G A Fawcett
Managing Director

Company Balance Sheet

At 31 December 2006

	Note	31 December 2006 £	Restated 31 December 2005 £
FIXED ASSETS			
Tangible assets	9	584,173	528,058
Investments	10	1,370,953	1,368,740
		1,955,126	1,896,798
CURRENT ASSETS			
Stocks and work in progress	11	1,275,957	1,496,007
Debtors	12	1,497,414	1,118,288
Cash at bank and in hand		3,937,408	3,231,649
		6,710,779	5,845,944
CREDITORS:			
Amounts falling due within one year	13	1,734,003	1,739,672
NET CURRENT ASSETS		4,976,776	4,106,272
TOTAL ASSETS LESS CURRENT LIABILITIES		6,931,902	6,003,070
Provision for liabilities and charges	14	98,941	38,180
NET ASSETS		6,832,961	5,964,890
CAPITAL AND RESERVES			
Called up share capital	16	727,000	727,000
Share premium account	17	3,405,817	3,405,817
Capital redemption reserve	18	256,976	256,976
Profit and loss account	19	2,443,168	1,575,097
EQUITY SHAREHOLDERS' FUNDS	21	6,832,961	5,964,890

The Financial Statements were approved and authorised for issue by the Board of Directors on 16 March 2007 and signed on its behalf by

M Collins
Chairman

G A Fawcett
Managing Director

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Note	Year to 31 December 2006 £	Year to 31 December 2005 £
Net cash inflow from operating activities	23	2,231,376	2,125,605
Returns on investments and servicing of finance			
Interest received		187,501	101,497
Taxation		(429,903)	81,458
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(235,675)	(288,048)
Receipts from sale of tangible fixed assets		587	-
		(235,088)	(288,048)
Equity dividends paid		(617,950)	(363,500)
Financing			
Purchase of Treasury Shares	16	(140,743)	-
Increase in cash	23	995,193	1,657,012

Notes to the Financial Statements

For the year ended 31 December 2006

Note 1 **ACCOUNTING POLICIES**

Basis of Preparation of Group Financial Statements

The consolidated Financial Statements, which are prepared under the historical cost convention and in accordance with applicable accounting standards, include the Financial Statements of the Company and its subsidiaries made up to 31 December 2006 The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed Acquisitions are accounted for under the acquisition method

Depreciation

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives The rates and bases used are as follows

Improvements to short leasehold property	- 20% or 3-8 years on a straight line basis, whichever is appropriate
Fixtures, fittings and equipment	- 25% or 33 3% on a reducing balance or straight line basis, whichever is appropriate
Manufacturing plant	- 3-15 years on a straight line basis or 25% on a reducing balance, whichever is appropriate

Leases

Rentals paid under operating leases are charged to income as incurred

Stocks and Work in Progress

Stocks and work in progress are stated at the lower of cost and net realisable value Cost includes attributable overheads Net realisable value is based on estimated selling prices less further costs expected to be incurred in bringing the stocks to completion and disposal

Taxation

Taxation is based on the results for the year at current rates of tax Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19 (Deferred tax)

Design and Development

Design and development costs are written off as incurred

Foreign Currency Amounts

In the Financial Statements of individual undertakings, transactions in foreign currencies are recorded at the local rate of exchange ruling on the date on which the transaction occurs Monetary items denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

In the consolidated Financial Statements, the results of overseas subsidiary undertakings are translated at the actual rates during the year and the balance of these undertakings are translated at the year end exchange rates Exchange differences arising on the re-translation at year end rates of opening net assets and results for the year of overseas subsidiary undertakings, and of long term funding of investments in overseas subsidiary undertakings, are dealt with through reserves All other exchange differences are dealt with in the profit and loss account

Pensions

The Company operates a defined contribution pension scheme Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme

Share-based payments

The Group has adopted FRS 20 (Share-based payment) for the period commencing 1 January 2006 In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as at the date of adoption

The Group issues equity-settled share-based payments to certain employees Equity-settled share-based payments are measured at fair value at the date of grant In the consolidated Financial Statements, the fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis, together with a corresponding increase in equity, over the vesting period based on the Group's estimate of shares which will eventually vest In the Financial Statements of the Company, equity-settled share-based payments issued to employees of the Company are treated in the same manner as in the consolidated Financial Statements Equity-settled share-based payments issued to employees of subsidiary undertakings are treated in the Financial Statements of the Company as an increase in investment in subsidiary companies, together with a corresponding increase in equity, over the vesting period based on the Group's estimate of shares which will eventually vest

Note 1 ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Fair value is measured by use of a binomial option pricing model and has been adjusted for the estimated effect of non-transferability, exercise restrictions and behavioural considerations Further details of equity-settled share-based payments are set out in the Report of the Remuneration Committee, Note 8, Note 10 and Note 25

The consolidated results for the year ending 31 December 2005 have been restated following the adoption of FRS 20 in order to reduce reported profit by £26,643 Reported profit for the period prior to 31 December 2005 has been reduced by £18,143 The adoption of FRS 20 has also increased investment in subsidiary companies as at 31 December 2005 by £373 in the Financial Statements of the Company

Product Warranty

Warranties are provided for on the basis of management's best estimate of the Group's liability under 24 month warranties granted on its products, based on past experience

Note 2 TURNOVER AND SEGMENTAL ANALYSIS

Turnover, which excludes sales between Group companies and Value Added Tax, comprises sales of goods and services at invoiced value Goods are invoiced upon dispatch from Group company premises Services are invoiced upon completion of the service All the Group's operations are classed as continuing and are attributable to the principal activity The analysis of turnover by geographical market is not disclosed because, in the opinion of the Directors, to do so would be prejudicial to the Group's interests

Note 3 GROUP OPERATING PROFIT

	Year to 31 December 2006 £	Year to 31 December 2005 £
Group operating profit is stated after charging		
Depreciation on owned assets	176,848	220,018
Amortisation of goodwill		
Charge for the year	-	25,390
Impairment	-	106,971
Loss on disposal of fixed assets	1,331	-
Design and development expenditure	1,334,749	1,175,480
Operating lease rentals		
Hire of plant and equipment	6,535	2,229
Premises rent	172,582	167,286
Group principal auditors' remuneration in respect of Group and Company		
Statutory audit	26,713	20,000
Other services	10,375	4,015

Notes to the Financial Statements (continued)

Note 4 **TAXATION**

	Year to 31 December 2006 £	Year to 31 December 2005 £
Corporation tax on taxable UK profit for the year	469,398	206,238
Adjustment in respect of previous years	4,348	(14,577)
ACT recoverable	(13,724)	-
Overseas taxation	55,676	6,174
Current tax charge	515,698	197,835
Deferred tax charge	17,751	96,555
	533,449	294,390

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK (30%) The differences are explained below

	Year to 31 December 2006 £	Restated year to 31 December 2005 £
Profit on ordinary activities before taxation	2,294,658	1,426,444
Corporation tax on profit on ordinary activities at 30% standard rate	688,397	427,933
Disallowable expenses	1,839	933
Accelerated capital allowances and other timing differences	(15,269)	(61,854)
UK tax credits	(146,417)	(129,641)
Overseas tax not at 30%	(3,476)	(24,959)
ACT recoverable	(13,724)	-
Adjustment in respect of previous years	4,348	(14,577)
Current tax charge	515,698	197,835

Factors that may affect future tax charges are as follows

In accordance with FRS 19 (Deferred tax) deferred tax assets in respect of losses carried forward in Group companies amounting to £478,392 (2005 £633,487) have been recognised as such losses are regarded as being recoverable on the basis of short to medium term forecasts

The Directors have reviewed the recoverability of ACT and the Group has surplus ACT available for potential relief in future periods under current taxation legislation of £281,237 (2005 £294,961) In accordance with FRS 16 (Current tax) such ACT recoverable has not been recognised in these Financial Statements

Note 5 **DIVIDENDS**

	2006 £	2005 £	2006 p per share	2005 p per share
Final (for the previous year)	363,500	181,750	0 50p	0 25p
Interim	254,450	181,750	0 35p	0 25p
	617,950	363,500	0 85p	0 50p

In accordance with FRS 21 (Events after the balance sheet date) only dividends paid within the relevant periods are recognised within the Financial Statements The Directors recommend a final dividend of 0 65 pence per share for the year ended 31 December 2006 (2005 0 50 pence) at a total cost of £470,015 (2005 £363,500)

Notes to the Financial Statements (continued)

Note 6 EARNINGS PER SHARE

		Year to 31 December 2006	Restated year to 31 December 2005
The calculation of earnings per share has the following inputs			
		£	£
Earnings	Profit after tax	1,761,209	1,132,054
Number of shares		N°	N°
Basic EPS	Ordinary share capital	72,700,012	72,700,012
	Weighted average Treasury Shares	(42,123)	-
		72,657,889	72,700,012
Diluted EPS	Weighted average employee share options	259,089	4,022
		72,916,978	72,704,034

Note 7 DIRECTORS' EMOLUMENTS

	Year to 31 December 2006	Year to 31 December 2005
	£	£
Directors' fees	73,500	67,900
Other emoluments	560,444	495,689
Pension contributions	33,143	25,656
	667,087	589,245
The emoluments of Directors disclosed above include in respect of the highest paid Director		
fees and emoluments	220,777	195,729
pension contributions	18,441	14,271
The number of Directors to whom retirement benefits are	N°	N°
accruing under a defined contribution scheme is	2	2

Note 8 STAFF COSTS

	Group Year to 31 December 2006	Company Year to 31 December 2006	Restated Group Year to 31 December 2005	Restated Company Year to 31 December 2005
	£	£	£	£
Wages and salaries	2,630,116	2,292,817	2,285,298	1,963,638
Social security costs	259,470	232,039	247,869	217,861
Other pension costs	100,137	100,137	86,069	86,069
Share-based payment	29,311	27,098	26,643	26,270
	3,019,034	2,652,091	2,645,879	2,293,838
Average number of employees	N°	N°	N°	N°
Production	29	28	23	23
Other	36	30	35	28
	65	58	58	51

Notes to the Financial Statements (continued)

Note 9 **TANGIBLE FIXED ASSETS**

GROUP

	Improvements to Short Leasehold Property £	Plant, Fixtures, Fittings & Equipment £	Total £
COST			
At 1 January 2006	28,706	2,085,946	2,114,652
Foreign exchange movement	(919)	(8,795)	(9,714)
Additions	11,155	224,520	235,675
Disposals	(6,582)	(31,017)	(37,599)
At 31 December 2006	32,360	2,270,654	2,303,014
ACCUMULATED DEPRECIATION			
At 1 January 2006	22,466	1,548,508	1,570,974
Foreign exchange movement	(309)	(7,351)	(7,660)
Charge for the year	3,865	172,983	176,848
Disposals	(3,546)	(32,135)	(35,681)
At 31 December 2006	22,476	1,682,005	1,704,481
NET BOOK VALUE			
At 31 December 2006	9,884	588,649	598,533
At 31 December 2005	6,240	537,438	543,678

COMPANY

	Improvements to Short Leasehold Property £	Plant, Fixtures, Fittings & Equipment £	Total £
COST			
At 1 January 2006	21,205	2,018,648	2,039,853
Additions	11,155	213,844	224,999
Disposals	-	(16,506)	(16,506)
At 31 December 2006	32,360	2,215,986	2,248,346
ACCUMULATED DEPRECIATION			
At 1 January 2006	20,925	1,490,870	1,511,795
Charge for the year	1,551	167,333	168,884
Disposals	-	(16,506)	(16,506)
At 31 December 2006	22,476	1,641,697	1,664,173
NET BOOK VALUE			
At 31 December 2006	9,884	574,289	584,173
At 31 December 2005	280	527,778	528,058

Notes to the Financial Statements (continued)

Note 10 **INVESTMENTS**

COMPANY	2006 £	Restated 2005 £
Investment in subsidiary companies		
shares at cost	6,711	6,711
capital contribution	1,361,656	1,361,656
Equity-settled share-based payment	2,586	373
Total investment in subsidiary companies	1,370,953	1,368,740

Subsidiary undertakings, which are all wholly owned, at 31 December 2006 are

Name	Place of Incorporation	Class of Share	Percentage held	Nature of Business
By Company				
Concurrent Technologies Inc	California, USA	Ordinary	100 per cent	Sale and service of Concurrent Technologies Plc products
By Concurrent Technologies Inc				
Omnibyte Corporation	Illinois, USA	Ordinary	100 per cent	Design of single board computers and service of Concurrent Technologies Plc products

Note 11 **STOCKS AND WORK IN PROGRESS**

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Raw materials	413,202	413,202	474,508	468,961
Work in progress	680,742	680,742	874,441	874,441
Finished goods	185,521	182,013	152,605	152,605
	1,279,465	1,275,957	1,501,554	1,496,007

Notes to the Financial Statements (continued)

Note 12 DEBTORS

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Due within one year				
Trade debtors	1,854,127	1,179,731	1,534,132	962,593
Prepayments and accrued income	193,327	175,784	159,159	140,665
Amounts due from subsidiary undertakings	-	141,899	-	15,030
	2,047,454	1,497,414	1,693,291	1,118,288
Due after one year				
Deferred tax	118,776	-	139,012	-
	2,166,230	1,497,414	1,832,303	1,118,288

Movement in Group deferred tax asset	£
Balance at 1 January 2006	139,012
Foreign exchange movement	(3,121)
Charged to profit and loss account	(17,115)
Balance at 31 December 2006	118,776

The deferred tax asset of £118,776 (2005 £139,012) represents the benefit of tax losses which the Directors believe will be realised, more likely than not, against future taxable profits of Group companies

Note 13 CREDITORS (amounts falling due within one year)

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Trade creditors	918,132	906,656	1,074,815	1,049,687
Other creditors	13,582	13,582	11,853	11,853
Corporation tax	299,029	251,852	212,750	206,238
Other taxes and social security costs	77,446	74,073	80,105	71,535
Accruals and deferred income	619,745	487,840	473,454	400,359
	1,927,934	1,734,003	1,852,977	1,739,672

Note 14 PROVISIONS FOR LIABILITIES AND CHARGES

GROUP AND COMPANY	Deferred Tax £	Product Warranty £	Total £
Provision at 1 January 2006	38,180	-	38,180
Charged to profit and loss account	636	60,125	60,761
Provision at 31 December 2006	38,816	60,125	98,941

The deferred tax provision in 2006 was in respect of timing differences between capital allowances and depreciation £62,905 (2005 £40,472) and also in respect of other timing differences (£24,089) [2005 (£2,292)]

Notes to the Financial Statements (continued)

Note 15 **FINANCIAL COMMITMENTS**

OPERATING LEASES

Annual commitments under Group non-cancellable operating leases comprise liabilities in respect of leases expiring

	2006 Plant & Equipment £	2006 Land & Buildings £	2005 Plant & Equipment £	2005 Land & Buildings £
Within 1 year	965	32,822	-	8,209
Within 2-5 years	-	119,400	1,287	152,436
	965	152,222	1,287	160 645

TANGIBLE ASSETS

At the end of the year the Group had capital expenditure commitments of £15,159 (2005 £nil)

Note 16 **SHARE CAPITAL**

	Authorised 31 Dec 2006 N°	Authorised 31 Dec 2006 £	Authorised 31 Dec 2005 N°	Authorised 31 Dec 2005 £
Ordinary Shares of 1p each	240,000,000	2,400,000	240,000,000	2,400,000

	Allotted, issued and fully paid 31 Dec 2006 N°	Allotted, issued and fully paid 31 Dec 2006 £	Allotted, issued and fully paid 31 Dec 2005 N°	Allotted, issued and fully paid 31 Dec 2005 £
Ordinary Shares of 1p each	72,700,012	727,000	72,700,012	727,000

During 2006 the Company purchased 390,000 Ordinary Shares (2005 nil) with an aggregate nominal value of £3,900 (2005 £nil) to hold in Treasury

Notes to the Financial Statements (continued)

Note 17 SHARE PREMIUM ACCOUNT

	2006 £	2005 £
Group and Company	3,405,817	3,405,817

Note 18 CAPITAL REDEMPTION RESERVE

	2006 £	2005 £
Group and Company	256,976	256,976

Note 19 PROFIT AND LOSS ACCOUNT

	Group £	Restated Company £
Retained profit at 1 January 2006	1,574,724	1,574,724
Prior year adjustment	-	373
Restated retained profit at 1 January 2006	1,574,724	1,575,097
Profit for the financial year	1,761,209	1,597,453
Share-based payment	29,311	29,311
Currency translation differences on foreign currency net investments	(165,969)	-
Treasury Shares purchased during the period	(140,743)	(140,743)
Dividends paid during the period	(617,950)	(617,950)
Retained profit at 31 December 2006	2,440,582	2,443,168

Note 20 PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

The parent company has relied on the exemption conferred by s230 of the Companies Act 1985 in not publishing its own profit and loss account

Note 21 RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS

	Group 2006 £	Company 2006 £	Restated Group 2005 £	Restated Company 2005 £
Profit for the financial year	1,761,209	1,597,453	1,158,697	1,230,750
Prior year adjustment	-	-	(26,643)	(26,270)
Restated profit for the financial year	1,761,209	1,597,453	1,132,054	1,204,480
Share-based payment	29,311	29,311	26,643	26,643
Currency translation differences on foreign currency net investments	(165,969)	-	128,907	56,854
Dividends paid	(617,950)	(617,950)	(363,500)	(363,500)
Treasury Shares	(140,743)	(140,743)	-	-
Net increase in Equity Shareholders' funds	865,858	868,071	924,104	924,477
Opening Equity Shareholders' funds	5,964,517	5,964,890	5,040,413	5,040,413
Closing Equity Shareholders' funds	6,830,375	6,832,961	5,964,517	5,964,890

Notes to the Financial Statements (continued)

Note 22 PENSION SCHEME

The Company operates a Group Personal Pension Scheme, which all permanent employees may join The Scheme, which is a defined contribution scheme, is independent of the Company's finances The Company's contributions are based on between 5 5% and 13 5% of members' gross salaries, dependent upon the length of service of the

The total charge to profit and loss account is disclosed in Note 8, Staff Costs Pension costs totalling £13,582 (2005 £11,853) were payable to the Scheme at the end of the year and are included in creditors

Note 23 CASH FLOW STATEMENT

Reconciliation of Operating Profit to net cash inflow from operating activities

	Year to 31 December 2006 £	Restated year to 31 December 2005 £
Operating profit	2,107,157	1,324,947
Amortisation of goodwill charge for the year	-	25,390
Amortisation of goodwill impairment	-	106,971
Depreciation charge	176,848	220,018
Loss on disposal of fixed assets	1,331	-
Share-based payment	29,311	26,643
Decrease/(increase) in stocks	222,089	(353,772)
(Increase)/decrease in debtors	(354,163)	244,113
Increase in creditors	48,803	531,295
Net cash inflow from operating activities	2,231,376	2,125,605

Reconciliation of net cash flow to movements in net funds

	2006 £	2005 £
Change in net funds resulting from cash flows	995,193	1,657,012
Currency translation differences	(160,310)	96,600
Movement in net funds in the period	834,883	1,753,612
Opening net funds	3,978,139	2,224,527
Closing net funds	4,813,022	3,978,139

Analysis of changes in net funds

	At 1 Jan 2006 £	Cash Flows £	Other Non-Cash Flows £	Exchange Movement £	At 31 Dec 2006 £
Cash in hand and at bank	3,978,139	995,193	-	(160,310)	4,813,022

Notes to the Financial Statements (continued)

Note 24 FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash, trade debtors and trade creditors that arise directly from the Group's operations As permitted by FRS 13 (Derivatives and Other Financial Instruments Disclosures) short-term debtors and creditors have been excluded from the disclosures

The Group has no financial assets other than cash Interest receivable on cash held is at floating rate The Group had no financial liabilities at 31 December 2006 (2005 £nil) The fair value of financial assets and liabilities are not materially different from their book value

The table below shows the Group's currency exposures arising from the transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the profit and loss account Such currency exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the operating unit involved As at 31 December 2006 the sterling value of these exposures were as follows

	Net foreign currency monetary assets/(liabilities)					
	2006	2006	2006	2005	2005	2005
	US Dollar	Euro	Total	US Dollar	Euro	Total
	£	£	£	£	£	£
Sterling	(176,451)	43,542	(132,909)	(526,363)	52,717	(473,646)

The Group's policy in respect of foreign currency and interest risk management is referred to in the report on Corporate Governance

Notes to the Financial Statements (continued)

Note 25 SHARE-BASED PAYMENT

The Company operates an Enterprise Management Incentive Share Option Scheme

The Scheme provides for a grant price equal to the quoted market price of the Group's shares on the date of grant Options cannot be exercised until three years after grant date and exercise is conditional upon Group average basic earnings per Ordinary Share, for the complete years commencing 1 January of the year of grant and ending with the year most immediately prior to the exercise of the option, having increased by 5% or 10% compound over such period The latest date for exercise of options is ten years after grant date and exercise of options is subject to continued employment with the Group

	2006 Options N°	2006 Weighted average price pence	2005 Options N°	2005 Weighted average price pence
Outstanding at 1 January	2,275,269	29 97	2,257,748	30 21
Granted	265,000	32 20	89,000	23 95
Forfeited	(68,000)	27 57	(71,479)	29 98
Outstanding at 31 December	2,472,269	30 28	2,275,269	29 97
Exercisable at 31 December	5,000	19 00	-	-

Options outstanding at 31 December 2006 had exercise prices ranging from 14 5 pence to 44 0 pence and a weighted average remaining contractual life of 6 56 years

The inputs to the binomial option pricing model for options granted over the period were as follows

	2006	2005
Weighted average share price (pence)	32 20	23 95
Weighted average exercise price (pence)	28 10	20 65
Range of expected volatility (%)	57 2 - 58 0	56 7 - 56 9
Expected life (years)	10	10
Range of risk-free rate (%)	4 4 - 4 5	4 2 - 4 7
Range of expected dividend yield (%)	3 3 - 4 5	3 3 - 4 9
Range of expected forfeitures (%)	8 0 - 10 0	10 0
Range of early exercise factors (multiple)	1 1 - 1 2	1 1
Weighted average fair value (pence)	8 30	5 52

The expected volatility is based on historical volatility of the Group's share price over the previous seven years The risk free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the expected option life The effect of blackout periods, where shares cannot be traded by employees due to regulatory restrictions, has been factored into the model The periods are the two months following the Group's year end date of 31 December and interim results date of 30 June each year

The Group recognised total expenses during 2006 of £29,311 (2005 £26,643) relating to equity-settled share-based payment transactions

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Concurrent Technologies Plc will be held at the Ramada Hotel, A12/A120 junction, Old Ipswich Road, Colchester, Essex CO7 7QY on 20 April 2007 at 4 00 p m for the purpose of transacting the following business

ORDINARY BUSINESS

Resolution 1 To receive the audited Financial Statements of the Company for the year ended 31 December 2006 and the Reports of the Directors and Auditors thereon

Resolution 2 To appoint Baker Tilly UK Audit LLP, as successor Auditors to the Company following the cessation of the partnership known as Baker Tilly with effect from 1 April 2007 and to authorise the Directors to agree their remuneration

Resolution 3 To re-appoint Mr R P M Crowther who retires by rotation

Resolution 4 To re-appoint Ms J B Annear who retires by rotation

Resolution 5 To declare a final dividend for the year ended 31 December 2006 which the Directors recommend should be 0 65p per share to be paid on 18 May 2007

SPECIAL BUSINESS
ORDINARY RESOLUTION

Resolution 6 THAT

6 1 in substitution for all existing authorities the Directors be and are hereby generally and unconditionally authorised for the purposes of s80 of the Companies Act 1985 ("the Act") during the period commencing on the date of the passing of this Resolution and expiring on the date of the conclusion of the Annual General Meeting of the Company to be held in 2008 to exercise all powers of the Company to allot relevant securities of the Company (as defined in s80(2) of the Act) provided that the maximum amount of relevant securities which may be allotted pursuant to the authority set out in this Resolution shall be an amount equal to the lesser of (a) 5 per cent of the aggregate nominal value of the issued Ordinary Share capital of the Company at the date of the passing of this Resolution and (b) the amount of the authorised but unissued Ordinary Share capital of the Company at the date of the passing of this Resolution, and,

6 2 the Directors be entitled by s80(7) of the Act and section 1 of Resolution 6 to make at any time prior to the expiry of such authority any offer or agreement which would or might require relevant securities of the Company to be allotted after the expiry of such authority

SPECIAL RESOLUTIONS

Resolution 7 THAT

7 1 in substitution for all existing powers and subject to the passing of Resolution 6, the Directors be and they are hereby empowered pursuant to s95 of the Act to allot equity securities (as defined in s94(2) of the Act) of the Company for cash within the terms of the authority set out in sections 1 and 2 of Resolution 6 as if s89(1) of the Act did not apply to such allotment provided that such power shall

7 1 1 expire at the conclusion of the Annual General Meeting of the Company to be held in 2008 or if earlier 15 months after the passing of this Resolution, but the Company may before such expiry date make an offer or agreement which would or might require equity securities to be allotted after the expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if the power conferred by this Resolution had not expired, and,

Notice of Annual General Meeting (continued)

7 1 2 be limited to

7 1 2 1 allotments of equity securities in connection with a rights issue, open offer or other pre-emptive offer in favour of holders of Ordinary Shares made in proportion (as nearly as may be) to their respective existing holdings of Ordinary Shares but subject to the Directors having a right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient to deal with (i) equity securities representing fractional entitlements and (ii) legal or practical problems arising in any overseas territory or by virtue of shares being represented by depository receipts, the requirements of any regulatory body or stock exchange, or any other matter whatsoever, and,

7 1 2 2 the allotment (otherwise than pursuant to section 1 2 1 of Resolution 7) of equity securities for cash provided that the aggregate nominal value of such equity securities shall not exceed an amount equal to 5 per cent of the aggregate nominal value of the issued Ordinary Share capital of the Company as shown in the Financial Statements of the Company most recently published prior to the date of the allotment

Resolution 8 That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of s163(3) of the Act) of Ordinary Shares provided that

8 1 the maximum aggregate number of Ordinary Shares authorised to be purchased is 7,270,001 (representing 10 per cent of the issued Ordinary Share capital), and,

8 2 the minimum price which may be paid for an Ordinary Share is one penny, and,

8 3 the maximum price which may be paid for an Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotations for an Ordinary Share on The London Stock Exchange Alternative Investment Market for the five business days immediately preceding the day on which that Ordinary Share is purchased, and,

8 4 this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2008 or within 15 months from the date of the passing of this Resolution whichever is earlier; and,

8 5 the Company may make a contract or contracts to purchase Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuant of any such contract or contracts

By order of the Board

Cargil Management Services Limited
Company Secretary
28 March 2007

Notes

- A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and on a poll vote in his stead The proxy need not be a member
- If you do not indicate how you wish to use your vote in any particular matter, the proxy will exercise his/her discretion as to how he/she votes and as to whether he/she abstains from voting
- In the case of a corporation the form of proxy must be executed under the seal or signed as a deed by an officer of the company or an attorney duly authorised in writing
- Forms of proxy, to be valid, must be signed and lodged, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, with the Company Registrar, Share Registrars Limited, Craven House, West Street, Farnham, Surrey, GU9 7EN not less than 48 hours before the time appointed to hold the meeting
- In the case of joint holders, the signature of any of them will suffice, but if a holder other than the first named holder signs the proxy it will help the Registrars if the name of the first-named holder is given
- Any alteration to the form of proxy must be initialled