Concurrent Technologies Plc

Report & Accounts

For the Year Ended 31st December 2015

Registered in England & Wales No. 01919979

Strategic Report

Business Summary

The Group is a leading specialist in the design, manufacture and supply of innovative high-end embedded computer products aimed at a wide base of customers within the telecommunication, defence, aerospace, transportation, scientific and industrial markets. Our products have a long lifespan which typically provides the Group with high quality sales over many years.

The Group's high performance products are based on long lifecycle components supplied by companies such as Intel, and cover a range of central processing unit ("CPU") boards and complementary accessory boards *compliant with the CompactPCI®, VPX™, VME, AMC and XMC/PMC open architecture standards.* Many of the CPUs feature the latest high performance processor platforms such as the 6th generation Intel® Core™ processors and Intel® Xeon® processors.

Our products deliver very high levels of reliability coupled with substantial processing power, making them ideal for use in projects ranging from high-performance military communications systems to industrial control units. Supplementing our commercial range of boards, we have progressively developed ruggedized versions to operate in harsh environments and at temperatures from -40°C to +85°C, making them very appealing for a variety of demanding applications. Our products also support many of today's leading operating systems including Windows®, Linux®, Solaris™, QNX® and VxWorks®.

The Group now has design and engineering teams working in the UK, USA and India. All manufacturing and testing takes place in our factory in Colchester, UK, whilst our sales, marketing and customer support teams operate from the UK and overseas offices including the USA and China.

Our engineering teams also undertake a significant amount of software and firmware development to provide interoperability between products, allowing customers to transition smoothly when new updates or designs are available. In this way we continue to see strong customer loyalty and long term relationships, as well as new sales following product launches featuring performance upgrades.

We are committed to maintaining the long term support of our customers by being an early adopter of the latest products from the world's leaders in silicon innovation and computer processing technology. Our products give increasingly higher performance, better reliability and enhanced power consumption, providing our customers with a long term upgrade path and maintaining our competitiveness within our target markets.

The Group's customer base continues to be well diversified with large, high quality, international businesses in multiple sectors across many countries.

Financial Highlights

	2015	2014
Revenue	£17.1m	£12.8m
EBITDA	£4.2m	£3.0m
Profit before tax	£2.7m	£1.7m
Earnings per share	3.79p	2.28p
Dividend per share	1.90p	1.80p
Cash (including Deposits)	£5.9m	£5.6m
Total Assets	£19.6m	£18.1m
Shareholders' Funds	£15.8m	£14.3m

Strategic Report (continued)

Review of Operations

The Group achieved excellent results in 2015, with record sales of £17.07m (2014: £12.81m) and profit before tax of £2.73m (2014: £1.72m). Earnings per share were 3.79 pence (2014: 2.28 pence).

The Group EBITDA (measured as Operating Profit plus Depreciation and Amortisation) for 2015 was £4.17m (2014: £3.00m). The gross margin for the year was 50.6% (2014: 51.2%).

The successful sales of AMC architecture computers for telecommunications test equipment in 2014 continued into 2015 and overall sales for telecommunications applications grew by 45%. In 2015, there was also continued growth of sales associated with scientific applications, particularly for physics research projects, which have increased by 84%. In addition, sales for defence related applications grew by 27% as compared to 2014, mainly due to increased revenues from the USA. Exports increased by 24% as compared to 2014.

We continued to increase our investment in R&D from £2.76m in 2014 to £3.05m in 2015, of which £2.20m was capitalised (2014: £2.09m).

The Group continues to have no borrowings. We have again paid increased dividends during the year and our cash balances plus short to medium term cash deposits at the year-end improved to £5.87m (2014: £5.62m).

Future Plans and Outlook

We are a key supplier of Intel based technology to many major international companies and our products are used in a wide range of ever more sophisticated and high-reliability computer systems. While the outlook for the current worldwide economic climate is not clear, our core business is relatively resilient and there are many opportunities to introduce our highly innovative technology to new customers. We will continue our investment in R&D to ensure a constant expansion of our range of advanced technology products and thereby enhance our competitive position.

Our objective remains to design more innovative products for complex, high technology, low to medium volume and high margin applications, including versions for use in harsh environments. Work has already started on the next generation of high performance processor boards and we continue to advance the capabilities of these products with new and complementary software and firmware packages providing security and high-speed data transfers together with simple integration.

Sales in the first quarter of 2016 have been excellent and our current order book indicates a strong first half year performance.

Dividend

The Board has declared a second interim dividend of 1.20 pence per share (2014: 1.15 pence) which when added to the first interim dividend of 0.70 pence per share (2014: 0.65 pence) will make a total of 1.90 pence per share for the year (2014: 1.80 pence). This is an increase of 5.56% on dividends paid for 2014. The total cost of this second interim dividend will amount to £870,942. As in previous years, the Directors do not intend to recommend a final dividend. In order to account for the Easter holidays and to allow for our dividend payment to be scheduled as normal, the London Stock Exchange has agreed that the ex-dividend date for the final dividend is 29 March 2016 and the associated record date is 30 March 2016; the dividend payment date is 5 April 2016.

Annual General Meeting

The Annual General Meeting this year will be held on 19 May 2016.

Strategic Report (continued)

Operational Highlights

- Continued success of sales associated with telecommunications base station test equipment using AMC architecture.
- 84% growth in sales of products associated with scientific applications.
- Continued improvement in VPX™ architecture product sales mainly for defence applications.
- 7 new high performance embedded computers, featuring the latest technology including 4th generation Intel® Core™ processors, low power Intel® Atom™ processors and the latest generation Intel® Xeon® processors.
- New AMC accelerator module powered by NVIDIA® Tegra® K1 processors.
- Purchase of additional pick-and-place module.

Seven new high performance embedded computers were released during the year, featuring the latest technology processors including the new generation Intel® Xeon® processors. As well as providing the latest high performance and low power units across all of our architectures for new applications and new customers, these computer boards also allow for practical upgrade paths for our existing long life cycle customers. In addition to these main computer boards, we also released further accessory boards to supplement the functionality of our main products providing, for example, faster and easier network connectivity and additional data storage.

During the year we launched our first GPU (Graphics Processing Unit) accelerator board or accelerator engine which offers a very high level of parallel processing to augment the processing capability of our current Intel® processor based AMC boards. Typical GPU accelerated computing applications include video transcoding, wireless test and infrastructure, image analysis and recognition, ISR (Intelligence, Surveillance and Reconnaissance), high speed physics experiments, simulations and encryption/decryption, where size, modularity, environmental requirements and power consumption make it impractical to use standard server based equipment.

There has also been continuing growth (25% in the year under review) in sales for our VPX™ architecture boards, which are mainly used in defence and surveillance related applications, including unmanned vehicles.

Due to the increase in production volumes, we acquired an additional pick-and-place module early in 2015, for the very fast placement of common components on boards. This has helped to speed up production throughput and avoid capacity issues.

Principal Risks and Uncertainties

Like most businesses, there is 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 advanced 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; measures include hardware security features.
- <u>Product failure:</u> The Group provides warranties to customers regarding the specification and/or proper operation of the products that it supplies. Failure of these products to operate properly or to meet specifications may increase the Group's costs by requiring the replacement of parts and equipment or monetary re-imbursement to a customer, thereby reducing the Group's profitability. The Group has numerous ISO 9001 approved quality processes, procedures and work instructions in place to mitigate against product failure.
- <u>Human resources risk:</u> This risk is 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 which are under continuous review by the Board.

Principal Risks and Uncertainties (continued)

- Environmental risks: 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 compliant with the European Union's "Restriction of Hazardous Substances Directive" (RoHS and RoHS2) which dramatically reduces the amounts of certain hazardous substances that can be used in electronic assemblies. From the Group's perspective, lead, which was used in solder, was the main substance.
- Performance of investments: The Group has the ability to acquire other businesses and companies. These acquisitions and investments may not perform in line with expectations, thereby having a detrimental impact on the Group's financial performance.
- Competitive risk: The Group operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the Group. The Group invests directly in development in order to sustain competitive advantage, and also works continually to ensure that its cost base is competitive.
- Supply chain: The Group relies on its own manufacturing operations and independent suppliers for key raw materials and components, some of which may be available from a limited number of suppliers. Any disruption to the supply chain could have an impact on our ability to meet customer requirements and adversely affect the Group's results. Within the markets that the Group operates, 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 therefore endeavours to select components with longevity of supply and components which have a second source while simultaneously regularly monitoring component availability.
- The effect of legislation and other regulatory activities: The Group regularly monitors forthcoming and current legislation to ensure compliance with requirements. Each company within the Group is liable to pay tax in the countries in which it operates. Changes in the tax legislation in these countries could have an adverse impact on the level of tax paid on the profits generated by the Group. The technology in some of our products is sophisticated and may be subject to export control legislation, which could restrict our ability to sell in some countries.
- Financial risk: The Group is exposed to a number of financial risks including market risk, credit risk and liquidity risk. A description of these risks, and the Group's approach to managing them, is described in Note 23 to the financial statements.
- Customer risk: Revenues are largely dependent upon the ability of customers to develop and sell products that incorporate our products. No assurance can be given that customers will not experience financial, technical or other difficulties that could adversely affect their operations and, in turn, the Group's 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 that the Group is subject to undue financial risk.

Strategic Report (continued)

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 2015 and 2014 are as follows:

	2015	2014
Revenue	£17.1m	£12.8m
Gross Margin %	50.6	51.2
Pre-tax Profit	£2.7m	£1.7m
Cash & Other financial assets	£5.9m	£5.6m

The revenue indicator represents what has been delivered 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 revenue 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 and is stated after capitalisation of development costs but before taxation. This indicator measures the overall profitability of the business.

Cash & Other financial assets is the year end balance sheet position of Cash & cash equivalents and Other financial assets 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.

The management also regularly reviews the following 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 recording accuracy
- Health and safety incidents

By order of the Board

M Collins
Chairman
17 March 2016

G A Fawcett
Managing Director
17 March 2016

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, Omnibyte Corporation and Concurrent Tech India Private Ltd) for the year ended 31 December 2015.

Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic 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 to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and profit or loss of the Company and Group 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;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. The Directors 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.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors 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 the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Results and Dividends

The profit on ordinary activities after taxation for the year ended 31 December 2015 was £2.75m (year to 31 December 2014: £1.65m). An interim dividend of 0.70 pence per ordinary share (2014: 0.65 pence) was paid on 18 September 2015. The Board has declared a further interim dividend of 1.20 pence per share (2014: 1.15 pence) which will make a total of 1.90 pence per share for the year (2014: 1.80 pence).

During the year the Company purchased 27,000 of its own shares to hold in Treasury, with a nominal value of £270, representing 0.04% of issued share capital, at a total cost of £16,774 inclusive of expenses (2014: None). For further details, see Note 21 to the Financial Statements. The Company will continue to use its authority to buy back its own shares when the Directors consider it appropriate.

Future Developments

Details about future developments are set out in the Strategic Report.

Design and Development

The Group recognises the importance of investing in design and development programmes in order to maintain technical and commercial competitiveness. Expenditure on design and development of £2.2m was capitalised in the year to 31 December 2015 (2014: £2.1m), in accordance with the Group accounting policy (see Note 2 to these Financial Statements).

Property, Plant and Equipment

Details of additions to property, plant and equipment are given in Note 11 to the Financial Statements.

Donations

The Group made no political donations during the year.

Substantial Shareholders

As at 31 December 2015 the following entities or 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 %
State Street Nominees Ltd	14,080,391	19.1
The Bank of New York (Nominees) Ltd	5,939,361	8.0
HALB Nominees Ltd	5,599,450	7.6
The Bank of New York (OCS) Nominees Ltd	5,559,596	7.5
HSBC Global Custody Nominee (UK) Ltd	4,063,393	5.5
Pershing Nominees Ltd	2,657,066	3.6
Barclayshare Nominees Ltd	2,495,543	3.4
Trustee S. Keeler	2,206,948	3.0

Non-Executive Directors

Michael Collins LLB, Solicitor, aged 70. Chairman.
Previously a partner in DLA Piper UK LLP, was appointed a Director of the Company in 1987.

Clive Mannering Thomson FSI, aged 68.
Formerly a Director of stockbroker Bell Lawrie White & Co., and now the Chairman and Managing Director of a private company, Meeting Makers Ltd. He was appointed a Director of the Company in 2004.

Directors

The Directors set out below have held office during the whole of the year from 1 January 2015 to 31 December 2015. The beneficial interests of the Directors holding office on 31 December 2015 in the shares of the Company at that date, according to the Register of Directors' Interests, are shown below:

	1p Ordinary Shares	
	31/12/2015	01/01/2015
J B Annear	1,848,096	1,836,596
M Collins	4,443,287	4,443,287
D Evans-Hughes	878,206	939,451
G A Fawcett	1,680,878	1,672,431
C M Thomson	190,000	182,250

There were no non-beneficial interests of the Directors holding office on the 31 December 2015 in the share capital of the Company at that date or at the end of the previous year.

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 M Collins and Mr D Evans-Hughes retire by rotation and being eligible offer themselves for re-appointment at the next Annual General Meeting.

Officers' Insurance

The Group has purchased and maintains insurance to cover its officers against liabilities in relation to their duties to the Group.

Auditors

Grant Thornton UK LLP has expressed their willingness to continue in office and so a Resolution will be proposed at the next Annual General Meeting for their re-appointment as auditors.

By order of the Board

Cargil Management Services Limited
Company Secretary
17 March 2016

Corporate Governance Statement

Companies that have securities traded on AIM are not required to comply with the UK Corporate Governance Code. However, the Group is committed to high standards of corporate governance and we have reported on our corporate governance arrangements by drawing on the best practice available, 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 Strategic Report. The Directors' responsibilities for the Financial Statements are described on page 6. 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 Group 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 outcomes 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: 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 2015, and is confident that they are appropriate and has also taken account of any material developments which have taken place since the year end.

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 Company. Seven Board Meetings were held during 2015 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.
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.
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. Further details are given in Note 2.

M Collins
Chairman
17 March 2016

Report of the Remuneration Committee

The Remuneration Committee consists of two Non-Executive Directors: Mr M Collins, who is Chairman, and Mr C M Thomson.

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 benefits in kind. For each year, commencing on 1 January, the Remuneration Committee recommends to the Board of Directors, 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 recommended by the Remuneration Committee at the beginning of each year. The Non-Executive Directors are not entitled to bonuses.

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.

Directors' Emoluments during the year ended 31st December 2015:

Director	Emoluments & Compensation including benefits received (£)	Company Contributions to Pension Scheme (£)	Total Emoluments (£)
M Collins	42,800	-	42,800
C M Thomson	23,278	-	23,278
G A Fawcett	286,781	24,070	310,851
J B Annear	227,580	19,197	246,777
D Evans-Hughes	215,159	-	215,159

Report of the Remuneration Committee (continued)

Share Options

The Company operates an Enterprise Management Incentive Share Option Scheme. Details of the Scheme are set out in Note 26 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 during the year were as follows:

Director	Number of Shares under option at 31/12/14	Options Exercised	Number of Shares under option at 31/12/15	Exercise Price	Date from which Share Option is Exercisable	Expiry date of Share Option
J B Annear	50,630		50,630	39.5p	13 April 2011	13 April 2018
			400,000	39.0p	26 March 2018	26 March 2025
D Evans-Hughes	50,630		50,630	39.5p	13 April 2011	13 April 2018
			400,000	39.0p	26 March 2018	26 March 2025
G A Fawcett	50,630		50,630	39.5p	13 April 2011	13 April 2018
			400,000	39.0p	26 March 2018	26 March 2025

The market price of the Company's shares as at the end of the financial year was 60p and the range of published market prices during the year was 34p to 68p.

M Collins
Chairman of the Remuneration Committee
17 March 2016

Report of the Auditors

Report of the Independent Auditor to the Members of Concurrent Technologies Plc

We have audited the financial statements of Concurrent Technologies Plc for the year ended 31 December 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and Notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 set out on page 6, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006;
- the financial statements 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.

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

Grant Thornton UK LLP

Alison Seekings
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
17 March 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	Year to 31 December 2015	Year to 31 December 2014
CONTINUING OPERATIONS		£	£
Revenue	3	17,073,829	12,806,315
Cost of sales		8,437,564	6,247,748
Gross profit		8,636,265	6,558,567
Operating expenses		5,945,140	4,892,800
Group operating profit	4	2,691,125	1,665,767
Finance income	5	42,292	58,079
Profit before tax		2,733,417	1,723,846
Tax	6	(21,351)	76,148
Profit for the year		2,754,768	1,647,698
Other Comprehensive Income			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		62,918	90,539
Tax relating to components of other comprehensive income		-	-
Other Comprehensive Income for the year, net of tax		62,918	90,539
Total Comprehensive Income for the year		2,817,686	1,738,237
Profit for the period attributable to:			
Equity holders of the parent		2,754,768	1,647,698
Total Comprehensive Income attributable to:			
Equity holders of the parent		2,817,686	1,738,237
Earnings per share			
Basic earnings per share	8	3.79p	2.28p
Diluted earnings per share	8	3.79p	2.28p

Consolidated Balance Sheet

At 31 December 2015

	Note	As at 31 December 2015 £	As at 31 December 2014 £
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	690,357	608,044
Intangible assets	*12*	6,307,044	6,018,931
Deferred tax assets	*13*	129,647	73,440
		7,127,048	6,700,415
Current assets			
Inventories	*15*	3,774,285	2,699,658
Trade and other receivables	*16*	2,520,573	2,790,426
Current tax assets		284,419	307,912
Other financial assets	*18*	1,000,000	-
Cash and cash equivalents		4,873,815	5,624,505
		12,453,092	11,422,501
Total assets		19,580,140	18,122,916
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	*13*	1,305,237	1,279,852
Long term provisions	*19*	9,968	7,314
		1,315,205	1,287,166
Current liabilities			
Trade and other payables	*17*	2,411,524	2,500,524
Short term provisions	*19*	31,897	33,922
Current tax liabilities		-	665
		2,443,421	2,535,111
Total liabilities		3,758,626	3,822,277
Net assets		15,821,514	14,300,639
EQUITY			
Capital and reserves			
Share capital	*21*	739,000	739,000
Share premium account		3,693,818	3,693,818
Capital redemption reserve		256,976	256,976
Cumulative translation reserve		78,641	15,723
Profit and loss account		11,053,079	9,595,122
Equity attributable to equity holders of the parent		15,821,514	14,300,639
Total equity		15,821,514	14,300,639

Company Registered Number: 01919979

The Financial Statements were approved and authorised for issue by the Board of Directors on 17 March 2016 and signed on its behalf by:

M Collins
Chairman

G A Fawcett
Managing Director

Company Balance Sheet

At 31 December 2015

	Note	As at 31 December 2015 £	As at 31 December 2014 £
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	606,173	512,604
Intangible assets	*12*	6,288,219	6,009,510
Deferred tax assets	*13*	59,429	1,964
Investments	*14*	1,386,875	1,384,341
		8,340,696	7,908,419
Current assets			
Inventories	*15*	3,774,285	2,699,658
Trade and other receivables	*16*	1,915,915	2,238,851
Current tax assets		217,530	257,723
Other financial assets	*18*	1,000,000	-
Cash and cash equivalents		3,446,863	4,373,112
		10,354,593	9,569,344
Total assets		18,695,289	17,477,763
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	*13*	1,303,510	1,278,129
Long term provisions	*19*	9,968	7,314
		1,313,478	1,285,443
Current liabilities			
Trade and other payables	*17*	2,193,173	2,304,202
Short term provisions	*19*	31,897	33,922
		2,225,070	2,338,124
Total liabilities		3,538,548	3,623,567
Net assets		15,156,741	13,854,196
EQUITY			
Capital and reserves			
Share capital	*21*	739,000	739,000
Share premium account		3,693,818	3,693,818
Capital redemption reserve		256,976	256,976
Profit and loss account		10,466,947	9,164,402
Equity attributable to equity holders of the parent		15,156,741	13,854,196
Total equity		15,156,741	13,854,196

Company Registered Number: 01919979

The Financial Statements were approved and authorised for issue by the Board of Directors on 17 March 2016 and signed on its behalf by:

M Collins
Chairman

G A Fawcett
Managing Director

Consolidated Cash Flow Statement

For the year ended 31 December 2015

	Note	**Year to 31 December 2015 £**	**Year to 31 December 2014 £**
Cash flows from operating activities			
Profit before tax for the period		2,733,417	1,723,846
Adjustments for:			
Finance income		(42,292)	(58,079)
Depreciation		224,778	178,059
Amortisation		1,254,083	1,160,940
Impairment loss		690,201	450,000
Profit on disposal of property, plant and equipment (PPE)		(1,334)	-
Share-based payment		26,192	6,279
Exchange differences		86,711	29,060
Increase in inventories		(1,074,627)	(149,102)
Decrease in trade and other receivables		269,853	83,928
Increase/(decrease) in trade and other payables		(88,371)	563,828
Cash generated from operations		4,078,611	3,988,759
Tax (paid)/received		48,956	284
Net cash generated from operating activities		4,127,567	3,989,043
Cash flows from investing activities			
Interest received		42,292	58,079
Cash released from/(placed) on Deposit		(1,000,000)	2,602,689
Purchases of property, plant and equipment (PPE)		(305,874)	(303,816)
Proceeds from sale of PPE		1,500	-
Capitalisation of development costs and purchases of intangible assets		(2,231,637)	(2,161,809)
Net cash used in investing activities		(3,493,719)	195,143
Cash flows from financing activities			
Equity dividends paid		(1,343,141)	(1,257,305)
Issue of Ordinary shares		-	300,001
Purchase of treasury shares		(15,461)	-
Net cash used in financing activities		(1,358,602)	(957,304)
Effects of exchange rate changes on cash and cash equivalents		(25,936)	56,764
Net increase/(decrease) in cash		(750,690)	3,283,646
Cash at beginning of period		5,624,505	2,340,859
Cash at the end of the period		4,873,815	5,624,505

Company Cash Flow Statement

For the year ended 31 December 2015

	Note	Year to 31 December 2015 £	Year to 31 December 2014 £
Cash flows from operating activities			
Profit before tax for the period		2,512,443	1,507,437
Adjustments for:			
Finance income		(21,438)	(53,335)
Depreciation		158,190	125,243
Amortisation		1,244,584	1,155,481
Impairment loss		690,201	450,000
Profit on disposal of property, plant and equipment (PPE)		(1,334)	-
Share-based payment		23,658	4,969
Increase in inventories		(1,074,627)	(149,102)
Decrease in trade and other receivables		322,936	483,653
Increase/(decrease) in trade and other payables		(110,400)	521,281
Cash generated from operations		3,744,213	4,045,627
Tax (paid)/received		130,621	57,411
Net cash generated from operating activities		3,874,834	4,103,038
Cash flows from investing activities			
Interest received		21,438	53,335
Cash released from/(placed) on Deposit		(1,000,000)	2,000,000
Purchases of property, plant and equipment (PPE)		(251,925)	(266,721)
Proceeds from sale of PPE		1,500	-
Capitalisation of development costs and purchases of intangible assets		(2,213,494)	(2,153,037)
Net cash used in investing activities		(3,442,481)	(366,423)
Cash flows from financing activities			
Equity dividends paid		(1,343,141)	(1,257,305)
Issue of Ordinary shares		-	300,001
Purchase of treasury shares		(15,461)	-
Net cash used in financing activities		(1,358,602)	(957,304)
Net increase/(decrease) in cash		(926,249)	2,779,311
Cash at beginning of period		4,373,112	1,593,801
Cash at the end of the period		3,446,863	4,373,112

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital £	Share premium £	Capital redemption reserve £	Cumulative translation reserve £	Profit and loss account £	Total Equity £
Balance at 1 January 2014	727,000	3,405,817	256,976	(74,816)	9,212,552	13,527,529
Profit for the period	-	-	-	-	1,647,698	1,647,698
Exchange differences on translating foreign operations	-	-	-	90,539	-	90,539
Total comprehensive income for the period	-	-	-	90,539	1,647,698	1,738,237
Transactions with owners:						
Share-based payment	-	-	-	-	6,279	6,279
Deferred tax on share based payment	-	-	-	-	(14,102)	(14,102)
Dividends paid	-	-	-	-	(1,257,305)	(1,257,305)
Issue of Ordinary shares	12,000	288,001	-	-	-	300,001
Balance at 31 December 2014	739,000	3,693,818	256,976	15,723	9,595,122	14,300,639
Profit for the period	-	-	-	-	2,754,768	2,754,768
Exchange differences on translating foreign operations	-	-	-	62,918	-	62,918
Total comprehensive income for the period	-	-	-	62,918	2,754,768	2,817,686
Transactions with owners:						
Share-based payment	-	-	-	-	26,192	26,192
Deferred tax on share based payment	-	-	-	-	35,599	35,599
Dividends paid	-	-	-	-	(1,343,141)	(1,343,141)
Purchase of treasury shares	-	-	-	-	(15,461)	(15,461)
Balance at 31 December 2015	739,000	3,693,818	256,976	78,641	11,053,079	15,821,514

Company Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital £	Share premium £	Capital redemption reserve £	Profit and loss account £	Total Equity £
Balance at 1 January 2014	727,000	3,405,817	256,976	8,930,934	13,320,727
Total profit and comprehensive income for the period	-	-	-	1,498,596	1,498,596
Transactions with owners:					
Share-based payment	-	-	-	6,279	6,279
Deferred tax on share based payment	-	-	-	(14,102)	(14,102)
Dividends paid	-	-	-	(1,257,305)	(1,257,305)
Issue of Ordinary shares	12,000	288,001	-	-	300,001
Balance at 31 December 2014	739,000	3,693,818	256,976	9,164,402	13,854,196
Total profit and comprehensive income for the period	-	-	-	2,599,356	2,599,356
Transactions with owners:					
Share-based payment	-	-	-	26,192	26,192
Deferred tax on share based payment	-	-	-	35,599	35,599
Dividends paid	-	-	-	(1,343,141)	(1,343,141)
Purchase of treasury shares	-	-	-	(15,461)	(15,461)
Balance at 31 December 2015	739,000	3,693,818	256,976	10,466,947	15,156,741

Notes to the Financial Statements

For the year ended 31 December 2015

Note 1 **GENERAL INFORMATION**

The principal activity of Concurrent Technologies Plc ('the Company') and its subsidiaries (together 'the Group') is the design, development, manufacture and marketing of single board computers for system integrators and original equipment manufacturers.

Concurrent Technologies Plc is the Group's ultimate Parent Company. It is incorporated and domiciled in the United Kingdom. Concurrent Technologies Plc's shares are listed on the Alternative Investment Market of the London Stock Exchange.

The Group's financial statements are presented in pounds sterling (£), which is also the functional currency of the Parent Company. They have been approved for issue by the Board of Directors on 17 March 2016.

Note 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of preparation

These financial statements are for the year ended 31 December 2015. They have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These financial statements have been prepared under the historical cost convention.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but have not yet come into effect:

IFRS 9 Financial Instruments (effective 1 January 2018)
IFRS 11 Joint Arrangements - amended (effective 1 January 2017)
IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
IFRS 16 Leases (effective 1 January 2019)

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group or the Parent Company.

The Parent Company has relied on the exemption conferred by s408 of the Companies Act 2006 in not publishing its own profit and loss account. The Parent Company retained profit for the year was £2,599,356.

The policies set out below have been consistently applied to all the years presented.

Basis of presentation

The consolidated financial statements are presented in accordance with IAS 1 Presentation of Financial Statements. The Group has elected to present the 'Income Statement' and 'Statement of Comprehensive Income' in one statement.

Going Concern

The Directors have reviewed the approved budget for the next financial year together with extended medium term forecasts, taking into account general and specific market conditions, status of suppliers, liquidity and funding requirements and the needs of subsidiary companies. The Directors believe that the company is well placed to manage its business risks successfully for the foreseeable future and have concluded that the use of the going concern basis of accounting is appropriate in preparing the annual financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. A subsidiary is a company controlled directly by the Group. Control is achieved where the Group has the power over the investee, rights to variable returns and the ability to use the power to affect the investee's returns. The consolidation method used is the acquisition method.

The acquisition method views a business combination from the perspective of the combining entity that is identified as the acquirer. The acquirer recognises the assets acquired and liabilities and contingent liabilities assumed, including those not previously recognised by the acquiree, where recognition criteria are met. Measurement of these items is generally at fair value at acquisition date. The measurement of the acquirer's assets and liabilities is not affected by the transaction, nor are any additional assets or liabilities of the acquirer recognised as a result of the transaction, because they are not the subjects of the transaction. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Note 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

The Group's principal source of revenue is from the sale of single board computers and associated products. Revenue is recognised when the goods are shipped and the significant risks and rewards of ownership are transferred to the customer.

Key judgements and estimates

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of creating a material adjustment to the carrying amounts of assets and liabilities are discussed below.

<u>Inventory Provisions</u>
Management is required to review the carrying value of the Company's inventories and provision is made where necessary for obsolete, slow moving or defective inventories. Judgement is required when estimating items of inventory for which the net realisable value is unlikely to exceed cost. Estimation uncertainty arises due to the long term period over which the Group's inventories are likely to sell. See inventory policy for further details and also Note 15.

<u>Development costs</u>
To substantiate the carrying value of the capitalised development costs, management have applied the criteria of IAS 38 'Intangible Assets' and have estimated the future economic benefits which will be achieved from this investment. Judgement is required when distinguishing the research and development phases of new projects, and determining whether the recognition requirements for capitalisation of the development costs are met. In assessing impairment of capitalised development costs, management estimates the recoverable amounts of each asset or cash generating unit based on expected future cash flows, and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future results. See development cost policy for further details.

<u>Share-based payments</u>
In order to determine the value of share-based payments, management are required to make an estimation of the effects of exercise restrictions and behavioural considerations. The expected volatility is determined by calculating the historical volatility of the Company's share price over the ten year period prior to the date of the grant. The valuation of share based payments requires judgements to be made in respect of the number of options that are expected to be exercised. Changes in these assumptions could result in changes to amounts expensed in the income statement in future periods. The list of the inputs used in the binomial model to calculate the fair value is provided in Note 26.

Leasing

Where substantially all the risks and rewards associated with ownership are not transferred to the lessee, leases are treated as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Foreign currencies

The functional and presentational currency of the Company is pounds sterling (GBP). Transactions in currencies other than the functional currency of the individual entities within the Group are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year end exchange rates are recognised in profit or loss.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than GBP are translated into pounds sterling upon consolidation. The functional currencies of the entities in the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into GBP at the closing rate at the reporting date. Income and expenses have been translated into GBP at the rates of exchange prevailing on the dates of the transactions over the reporting period. In line with IAS 21, an average rate is used for the period unless exchange rates fluctuate significantly and then the weighted average rate is used. Exchange differences are charged/credited to other comprehensive income and recognised in the cumulative translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into GBP at the closing rate.

Inventories

Inventories are stated at the lower of cost and net realisable value on a first in first out basis. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value represents the estimated selling price after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state into a finished condition. Provision is made where necessary for obsolete, slow moving or defective inventories.

Notes to the Financial Statements (continued)

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated at original historical cost, net of depreciation and any provision for impairment. Depreciation is charged so as to write off the cost of assets together with any cost directly attributable with bringing the asset into use, less estimated residual value, on a straight line or reducing balance basis over their estimated useful lives in accordance with the table below:

Plant and machinery	5 - 15 years on a straight line basis
Fixtures, fittings and equipment	3 - 7 years on a straight line basis
Computer equipment	3 - 5 years on a straight line basis
Improvements to short leasehold property	5 - 10 years on a straight line basis

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

The residual values and useful economic lives of leasehold property, plant and equipment are reviewed annually.

Intangible assets

All intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

Research costs

Research costs are charged directly to operating expense in the statement of comprehensive income as incurred.

Development costs

Development costs are capitalised as intangible assets if it is probable that the project will be a commercial success, technically feasible and the costs can be reliably determined.

Capitalised development costs comprise all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management, including development-related overheads. Amortisation commences upon completion of the development or when the asset becomes available for commercial production. Capitalised development costs are amortised on a straight line basis, over the estimated product life which is generally five to seven years. The asset will be reviewed annually for impairment or whenever indicators suggest that the carrying amount may not be recovered throughout the period in which it is being used.

All other development costs are recorded under operating expense in the statement of comprehensive income in the period they are incurred.

Other intangible assets

Intangible assets purchased separately, such as software licences that do not form an integral part of hardware, are capitalised at cost and amortised over their useful lives of three to seven years.

The carrying values of intangible assets with finite lives are reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which it belongs.

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is immediately recognised as an expense in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Note 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Taxation

Current tax is the tax currently payable based on taxable profit for the year. Current tax for current and prior periods shall, to the extent unpaid, be recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognised as an asset.

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

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the year end date.

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition at fair value, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, other financial assets (fixed term deposits), trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

(ii) Financial liabilities

Trade and other payables are not interest bearing and are initially recognised at fair value plus transaction costs directly attributable to their acquisition and then subsequently measured at amortised cost.

(iii) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value plus transaction costs directly attributable to their acquisition and subsequently measured at amortised cost using the effective interest method. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Investments in subsidiaries

Investments in subsidiaries, as reported in the Parent Company financial statements, are included at cost less provision for impairment.

Finance Income

Finance income comprises interest income accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable.

Dividends

Dividends to the Company's shareholders are recognised as a liability and deducted from shareholders' equity in the period in which the shareholders' right to receive payment is established.

Note 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Employee benefits

Retirement benefits
The Company operates a defined contribution retirement benefit plan. The cost of the defined contribution plan is charged to operating expenses in the statement of comprehensive income on the basis of contributions payable by the Company during the year.

Share-based payments
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.

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.

Treasury shares

The Company's shares which have been purchased and not cancelled are held as treasury shares and deducted from shareholders' equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the shares.

Reserves

Share premium account represents the difference between the price received on the sale of shares and their par value.

Capital redemption reserve arose from the purchase of deferred shares and represents the excess of purchase price over par value.

Cumulative translation reserve arises from the consolidation of foreign subsidiaries.

Share Capital represents the nominal value of shares that have been issued.

Profit and loss account includes all current and prior period retained profits and share based payments.

Provisions

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Provisions are not discounted unless considered to be material.

Note 3 **SEGMENT REPORTING**

The Directors consider that there is only one operating segment being design, manufacture and supply of high-end embedded computer products. The disclosures for this operating segment have already been provided in these financial statements. The Company's products can be supplied to more than one business sector and the Company does not have specific resources that are allocated to specific business sectors.

Whilst looking at sales by business sectors the Board of the Company as the Chief Operating Decision Maker does not make decisions regarding allocation of Group resources on such a basis. Further, Group profits are not categorised for internal reporting purposes by sectors or segments. The historical and anticipated performance of the Group is therefore reported to the Board of Concurrent Technologies Plc as a single entity. Thus the Directors consider that there are no additional segments required to be disclosed under IFRS 8 - Operating Segments, but have provided the following geographic sales analysis.

Revenue	**Year to 31 December 2015 £**	**Year to 31 December 2014 £**
United Kingdom	7,534,832	5,118,039
Other Europe	2,041,267	1,965,166
North America	5,084,524	3,186,238
Rest of the World	2,413,206	2,536,872
	17,073,829	12,806,315

Segmental information regarding assets has not been provided as the necessary information is not available and the cost to develop it would be excessive.

During 2015, £5.3m or 30.8% of Group revenue depended on a single customer. In 2014, £3.4m or 26.4% of Group revenue depended on a single customer.

Note 4 **GROUP OPERATING PROFIT**

	Year to 31 December 2015 £	**Year to 31 December 2014 £**
Group operating profit is stated after charging to cost of sales:		
Cost of inventories recognised as expense	7,551,766	5,602,813
Staff costs (see Note 10)	665,124	561,277
Group operating profit is stated after charging to operating expenses:		
Net foreign exchange (gains)	23,291	12,779
Total research and development costs	3,048,720	2,761,140
Capitalisation of research and development costs	(2,202,893)	(2,090,007)
Amortisation of intangible assets	1,254,083	1,160,940
Impairment of intangible assets	690,201	450,000
Depreciation of property, plant and equipment	224,778	178,059
Operating lease rentals	265,784	247,620
Staff costs (see Note 10)	4,183,033	3,568,363
Group principal auditor's remuneration:		
Audit of financial statements pursuant to legislation	37,366	38,906
Other services relating to taxation	3,899	3,858

Note 5 **FINANCE INCOME**

	Year to 31 December 2015 £	**Year to 31 December 2014 £**
Interest earned on bank deposits	42,292	58,079

Notes to the Financial Statements (continued)

Note 6 TAX

	Year to 31 December 2015 £	Year to 31 December 2014 £
Current tax credit	12,703	(54,783)
Adjustment in respect of previous years	(38,831)	(5,508)
Deferred tax (credit)/expense (see Note 13)	4,777	136,439
	(21,351)	76,148

The tax assessed on the Group's profit before tax for the year differs from the standard rate of corporation tax in the UK. The effective rate of Corporation Tax for the year to 31 December 2015 was 20.25% (2014: 21.5%); the reduction in effective rate is due to the change in UK Corporation Tax rates. The lowest rate of Corporation Tax substantively enacted at the end of the reporting period at which Deferred Tax liabilities are expected to be realised is 18%. The differences are explained below:

	Year to 31 December 2015 £	Year to 31 December 2014 £
Profit before tax	2,733,417	1,723,846
Corporation tax on profit before tax at standard rate	553,517	370,627
Expenses not deductible for tax purposes	381,758	330,792
UK tax credits	(460,905)	(393,859)
Effect of Capitalised R&D	(417,777)	(232,475)
Tax loss carried forward	(50,625)	-
Difference in overseas effective tax rates	11,512	6,571
Adjustment in respect of previous years' UK tax credits	(38,831)	(5,508)
Tax (credit)/charge	(21,351)	76,148

Factors that may affect future tax charges are as follows:

In accordance with IAS 12 (Income taxes), deferred tax assets in respect of losses carried forward in Group companies amounting to £101,671 (2014: £137,654), have been recognised and 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 £273,075 (2014: £273,075). In accordance with IAS 12 such ACT recoverable has not been recognised in these Financial Statements.

Note 7 DIVIDENDS

	2015 £	2014 £	2015 pence per share	2014 pence per share
Second Interim (for the previous year)	834,904	785,404	1.15	1.10
Interim	508,237	471,901	0.70	0.65
	1,343,141	1,257,305	1.85	1.75

Dividends are recognised in the Financial Statements in the period they are declared. On 14 March 2016, the Directors declared a further interim dividend of 1.20 pence per share for the year ended 31 December 2015 (2014: 1.15 pence) at a total cost of £870,942 (2014: £834,906). As in previous years, the Directors do not intend to recommend a final dividend.

Note 8 **EARNINGS PER SHARE**

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

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

The inputs to the earnings per share calculation are shown below:

	Year to 31 December 2015 £	Year to 31 December 2014 £
Profit attributable to ordinary equity holders	2,754,768	1,647,698

	Year to 31 December 2015 No	Year to 31 December 2014 No
Weighted average number of ordinary shares for basic earnings per share	72,594,150	72,278,298
Adjustment for share options	-	11,992
Weighted average number of ordinary shares for diluted earnings per share	72,594,150	72,290,290

Note 9 **DIRECTORS' EMOLUMENTS**

	Year to 31 December 2015 £	Year to 31 December 2014 £
Fees and emoluments	795,598	555,156
Gain on exercise of share options	-	174,000
Pension contributions	43,267	42,417
	838,865	771,573
The emoluments of Directors disclosed above include in respect of the highest paid Director:		
Fees and emoluments	286,781	194,108
Pension contributions	24,070	23,598
The number of Directors to whom retirement benefits are accruing under a defined contribution scheme is:	2	2

During the previous year, the highest paid Director exercised share options. Detailed information concerning Directors' emoluments, shareholdings and options is provided in the Report of the Remuneration Committee.

Note 10 **STAFF COSTS**

	Group Year to 31 December 2015 £	Company Year to 31 December 2015 £	Group Year to 31 December 2014 £	Company Year to 31 December 2014 £
Wages and salaries	4,179,242	3,156,661	3,573,904	2,700,310
Social security costs	409,734	364,842	334,507	301,652
Defined contribution pension costs	232,989	208,749	214,950	189,255
Share-based payment	26,192	23,659	6,279	4,969
	4,848,157	3,753,911	4,129,640	3,196,186
Average number of employees:	No	No	No	No
Production	24	24	23	23
Other	76	49	76	48
	100	73	99	71

Note 11 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Improvements to Short Leasehold Property	Plant, Fixtures, & Computer Equipment	Total
	£	£	£
COST			
At 1 January 2014	156,203	2,703,981	2,860,184
Foreign exchange movement	2,571	14,661	17,232
Additions	-	303,816	303,816
Disposals	-	-	-
At 31 December 2014	158,774	3,022,458	3,181,232
Foreign exchange movement	501	4,789	5,290
Additions	15,505	290,369	305,874
Disposals	(3,796)	(103,897)	(107,693)
At 31 December 2015	170,984	3,213,719	3,384,703
ACCUMULATED DEPRECIATION			
At 1 January 2014	139,070	2,242,983	2,382,053
Foreign exchange movement	2,571	10,505	13,076
Charge for the year	6,744	171,315	178,059
Disposals	-	-	-
At 31 December 2014	148,385	2,424,803	2,573,188
Foreign exchange movement	501	3,406	3,907
Charge for the year	8,227	216,551	224,778
Disposals	(3,630)	(103,897)	(107,527)
At 31 December 2015	153,483	2,540,863	2,694,346
NET BOOK VALUE			
At 31 December 2014	10,389	597,655	608,044
At 31 December 2015	17,501	672,856	690,357

At 31 December 2015 there were no tangible assets held under finance leases or hire purchase contracts (2014: £nil).

Note 11 (continued) **PROPERTY, PLANT AND EQUIPMENT**

COMPANY

	Improvements to Short Leasehold Property	Plant, Fixtures, & Computer Equipment	Total
	£	£	£
COST			
At 1 January 2014	93,470	2,381,445	2,474,915
Additions	-	266,721	266,721
Disposals	-	-	-
At 31 December 2014	93,470	2,648,166	2,741,636
Additions	15,505	236,420	251,925
Disposals	(3,796)	(103,897)	(107,693)
At 31 December 2015	105,179	2,780,689	2,885,868
ACCUMULATED DEPRECIATION			
At 1 January 2014	76,337	2,027,452	2,103,789
Charge for the year	6,744	118,499	125,243
Disposals	-	-	-
At 31 December 2014	83,081	2,145,951	2,229,032
Charge for the year	8,227	149,963	158,190
Disposals	(3,630)	(103,897)	(107,527)
At 31 December 2015	87,678	2,192,017	2,279,695
NET BOOK VALUE			
At 31 December 2014	10,389	502,215	512,604
At 31 December 2015	17,501	588,672	606,173

Notes to the Financial Statements (continued)

Note 12 **INTANGIBLE ASSETS**

GROUP

	Development Costs £	Other £	Total £
COST			
At 1 January 2014	12,176,761	713,625	12,890,386
Foreign exchange movement	-	4,426	4,426
Additions	2,090,007	71,802	2,161,809
Disposals	-	-	-
At 31 December 2014	14,266,768	789,853	15,056,621
Foreign exchange movement	-	2,126	2,126
Additions	2,202,893	28,744	2,231,637
Disposals	-	-	-
At 31 December 2015	16,469,661	820,723	17,290,384
AMORTISATION			
At 1 January 2014	6,754,090	668,793	7,422,883
Foreign exchange movement	-	3,867	3,867
Charge for the year	1,108,558	52,382	1,160,940
Disposals	-	-	-
Impairment loss	450,000	-	450,000
At 31 December 2014	8,312,648	725,042	9,037,690
Foreign exchange movement	-	1,366	1,366
Charge for the year	1,210,880	43,203	1,254,083
Disposals	-	-	-
Impairment loss	690,201	-	690,201
At 31 December 2015	10,213,729	769,611	10,983,340
NET BOOK VALUE			
At 31 December 2014	5,954,120	64,811	6,018,931
At 31 December 2015	6,255,932	51,112	6,307,044

Other Intangible Assets comprise software licences.

All amortisation and impairment charges (or reversals if any) are included within 'Operating Expenses'.

Impairment Loss

At the end of the year the Directors reviewed the development projects and a number were written down to their recoverable value based on expected future cash flows attributable to these projects. Each project is considered to be a cash generating unit. Recoverable amounts are based on value in use. The discount rate applied in 2015 was 3.18%.

The net book values of 11 development projects have been impaired (8 partially impaired) during the year, mainly due to being replaced by newer technology. Within the total impairment charge of £690k are amounts of £138k, £109k and £95k in respect of individually material items.

Note 12 (continued)

INTANGIBLE ASSETS

COMPANY

	Development Costs £	Other £	Total £
COST			
At 1 January 2014	12,176,761	620,999	12,797,760
Additions	2,090,007	63,030	2,153,037
At 31 December 2014	14,266,768	684,029	14,950,797
Additions	2,202,893	10,601	2,213,494
At 31 December 2015	16,469,661	694,630	17,164,291
AMORTISATION			
At 1 January 2014	6,754,090	581,716	7,335,806
Charge for the year	1,108,558	46,923	1,155,481
Impairment loss	450,000	-	450,000
At 31 December 2014	8,312,648	628,639	8,941,287
Charge for the year	1,210,880	33,704	1,244,584
Impairment loss	690,201	-	690,201
At 31 December 2015	10,213,729	662,343	10,876,072
NET BOOK VALUE			
At 31 December 2014	5,954,120	55,390	6,009,510
At 31 December 2015	6,255,932	32,287	6,288,219

Other Intangible Assets comprise software licences.

All amortisation and impairment charges (or reversals if any) are included within 'Operating Expenses'.

Impairment Loss

At the end of the year the Directors reviewed the development projects and a number were written down to their recoverable value based on expected future cash flows attributable to these projects. Each project is considered to be a cash generating unit. Recoverable amounts are based on value in use. The discount rate applied in 2015 was 3.18%.

The net book values of 11 development projects have been impaired (8 partially impaired) during the year, mainly due to being replaced by newer technology. Within the total impairment charge of £690k are amounts of £138k, £109k and £95k in respect of individually material items.

Notes to the Financial Statements (continued)

Note 13 DEFERRED TAX

	Share-based payments	Accelerated capital allowances	Tax Losses	Other	Total
	£	£	£	£	£
GROUP					
At 1 January 2014	33,944	(1,164,267)	45,891	28,561	(1,055,871)
Credited/(charged) to statement of comprehensive income	(17,878)	(115,585)	(11,394)	8,418	(136,439)
Credited/(charged) to equity	(14,102)	-	-	-	(14,102)
At 31 December 2014	1,964	(1,279,852)	34,497	36,979	(1,206,412)
Credited/(charged) to statement of comprehensive income	21,866	(25,385)	(8,998)	7,740	(4,777)
Credited/(charged) to equity	35,599	-	-	-	35,599
At 31 December 2015	59,429	(1,305,237)	25,499	44,719	(1,175,590)

A deferred tax asset of £25,499 (2014: £34,497) in respect of carried forward tax losses has been recognised on the basis that the Directors believe it will be realised, more likely than not, against future taxable profits of Group companies.

COMPANY					
At 1 January 2014	33,944	(1,162,791)	-	-	(1,128,847)
Credited/(charged) to statement of comprehensive income	(17,878)	(115,338)	-	-	(133,216)
(Charged) to equity	(14,102)	-	-	-	(14,102)
At 31 December 2014	1,964	(1,278,129)	-	-	(1,276,165)
Credited/(charged) to statement of comprehensive income	21,866	(25,381)	-	-	(3,515)
Credited/(charged) to equity	35,599	-	-	-	35,599
At 31 December 2015	59,429	(1,303,510)	-	-	(1,244,081)

Notes to the Financial Statements (continued)

Note 14 **INVESTMENTS**

COMPANY

	31 December 2015 £	31 December 2014 £
Investment in subsidiary companies:		
shares at cost	19,705	19,705
capital contribution	1,361,656	1,361,656
Equity-settled share-based payment	5,514	2,980
Total investment in subsidiary companies	1,386,875	1,384,341

Subsidiary undertakings included in these accounts, which are all wholly owned, at 31 December 2015 are:

Name	Place of Incorporation	Class of Share	Percentage Held	Nature of Business
By Company:				
Concurrent Tech India Private Ltd	Bangalore, India	Ordinary	99.999 %	R&D Services for Company
Concurrent Technologies Inc	California, USA	Ordinary	100 %	Sale & Service of Company products and R&D Services for Company
By Concurrent Technologies Inc:				
Omnibyte Corporation	Illinois, USA	Ordinary	100 %	Dormant
Concurrent Tech India Private Ltd	Bangalore, India	Ordinary	0.001 %	R&D Services for Company

Note 15 **INVENTORIES**

	Group 31 December 2015 £	Company 31 December 2015 £	Group 31 December 2014 £	Company 31 December 2014 £
Raw materials	1,152,565	1,152,565	1,067,951	1,067,951
Work in progress	1,647,199	1,647,199	1,515,516	1,515,516
Finished goods	974,521	974,521	116,191	116,191
	3,774,285	3,774,285	2,699,658	2,699,658

During 2015, an increase was made to the provision for obsolete and slow moving inventories of £25,221 (2014: reduced by £128,048). The fair value of inventories less selling costs is expected to exceed balance sheet value.

Note 16 TRADE AND OTHER RECEIVABLES

	Group 31 December 2015 £	Company 31 December 2015 £	Group 31 December 2014 £	Company 31 December 2014 £
Trade receivables	2,064,638	1,546,417	2,433,283	1,717,500
Prepayments and accrued income	455,935	238,570	357,143	169,203
Amounts due from subsidiary undertakings	-	130,928	-	352,148
	2,520,573	1,915,915	2,790,426	2,238,851

The Directors consider that the carrying amount of trade and other receivables approximate to their fair value. Trade receivables have been reviewed for indicators of impairment and a provision has been recorded as outlined below.

	Group 2015 £	Company 2015 £	Group 2014 £	Company 2014 £
At 1 January	2,317	1,280	7,086	1,008
Charged/(credited) to statement of comprehensive income	(1,553)	(1,070)	(4,769)	272
At 31 December	764	210	2,317	1,280

In addition, some of the trade receivables are past due as at the reporting date. The age of the trade receivables past due but not impaired is as follows:

	Group 31 December 2015 £	Company 31 December 2015 £	Group 31 December 2014 £	Company 31 December 2014 £
Less than 1 year	588,152	576,720	141,925	42,152
More than 1 year	-	-	-	-
	588,152	576,720	141,925	42,152

Note 17 TRADE AND OTHER PAYABLES

	Group 31 December 2015 £	Company 31 December 2015 £	Group 31 December 2014 £	Company 31 December 2014 £
Trade payables	1,245,912	1,234,073	1,906,848	1,895,567
Amounts owed to subsidiary undertakings	-	58,158	-	68,633
Other payables	371,041	234,400	153,572	-
Other taxes and social security costs	119,777	112,379	134,617	129,136
Accruals	674,794	554,163	305,487	210,866
	2,411,524	2,193,173	2,500,524	2,304,202

The Directors consider that the carrying amount of trade and other payables approximate to their fair value.

Note 18 FINANCIAL INSTRUMENTS

Financial Instruments by category

The carrying amount of financial assets presented in the balance sheet relate to the following measurement categories as defined in IAS 39:

	Loans and receivables £	Other (non-IAS 39) £	Total for line item £
GROUP			
2014 Current:			
Trade and other receivables	2,433,283	357,143	2,790,426
Other financial assets	-	-	-
Cash and cash equivalents	5,624,505	-	5,624,505
Total for category	8,057,788	357,143	8,414,931
2015 Current:			
Trade and other receivables	2,064,638	455,935	2,520,573
Other financial assets	1,000,000	-	1,000,000
Cash and cash equivalents	4,873,815	-	4,873,815
Total for category	7,938,453	455,935	8,394,388
COMPANY			
2014 Current:			
Trade and other receivables	2,069,648	169,203	2,238,851
Other financial assets	-	-	-
Cash and cash equivalents	4,373,112	-	4,373,112
Total for category	6,442,760	169,203	6,611,963
2015 Current:			
Trade and other receivables	1,677,345	238,570	1,915,915
Other financial assets	1,000,000	-	1,000,000
Cash and cash equivalents	3,446,863	-	3,446,863
Total for category	6,124,208	238,570	6,362,778

The carrying amount of financial liabilities presented in the balance sheet relate to the following measurement categories as defined in IAS 39:

	Financial Liabilities measured at amortised cost £	Other (non-IAS 39) £	Total for line item £
GROUP			
2014 Current:			
Trade and other payables	2,365,907	134,617	2,500,524
2015 Current:			
Trade and other payables	2,291,747	119,777	2,411,524
COMPANY			
2014 Current:			
Trade and other payables	2,175,066	129,136	2,304,202
2015 Current:			
Trade and other payables	2,080,794	112,379	2,193,173

Other financial assets

Loans & receivables above include UK sterling high interest bank deposits, under the heading of Other financial assets.

Note 19 PROVISIONS

GROUP AND COMPANY	Product Warranty £
Carrying amount at 1 January 2015	41,236
Increase in provisions	24,815
Amount utilised	(24,186)
Carrying amount at 31 December 2015	41,865
Provisions have been analysed between current and non-current as follows:	
Current	31,897
Non-current	9,968

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

Note 20 COMMITMENTS

Operating Leases

The Group leases various premises and plant and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group 31 December 2015 £	Company 31 December 2015 £	Group 31 December 2014 £	Company 31 December 2014 £
Within 1 year	184,411	140,356	169,244	139,537
Within 2-5 years	584,249	500,450	500,647	500,647
After 5 years	710,531	710,531	835,531	835,531
	1,479,191	1,351,337	1,505,422	1,475,715

The Company's operating lease commitment is substantially the amount due under the lease of its main UK site terminating on 31 August 2026.

In addition, the Group's operating lease commitments include the amount due under the lease of its US offices terminating on 31 July 2020.

At the end of the year there was no capital expenditure commitment (2014: £114,750).

Note 21 SHARE CAPITAL

	31 Dec 2015 £	31 Dec 2014 £	31 Dec 2013 £
Authorised share capital:			
Ordinary shares (240,000,000 of 1p each)	2,400,000	2,400,000	2,400,000
Allotted, issued and fully paid share capital:			
Ordinary shares (2015 and 2014: 73,900,012 of 1p each; 2013: 72,700,012 of 1p each)	739,000	739,000	727,000

During 2015 the Company purchased 27,000 Ordinary Shares (2014: nil) with an aggregate nominal value of £270 (2014: £nil) to hold in Treasury.

At 31 December 2015 the Company held 1,321,522 Ordinary Shares (2014: 1,299,522) with an aggregate nominal value of £13,215 (2014: £12,995) in Treasury.

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 individual. The Company has also chosen NEST (National Employment Savings Trust) as its workplace pension scheme to meet its employer duties under the Auto Enrolment rules. Contributions to the NEST scheme are at the minimum rates. The total charge to operating expenses in the statement of comprehensive income is disclosed in Note 10 Staff Costs. Pension contributions payable to the Schemes at the end of the year were £nil (2014: £nil).

Note 23 **FINANCIAL RISK MANAGEMENT**

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 18. The main types of risks are market risk, credit risk and liquidity risk. The Group's policy in respect of financial risk management is referred to in the report on Corporate Governance.

The Group does not actively engage in the trading or holding of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

Market Risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk which results from its operating activities.

Foreign currency sensitivity

A number of transactions are conducted by companies in the Group in currencies other than their functional currency which give rise to monetary assets and liabilities denominated in other currencies. The Group's exposure to foreign currency exchange risk is mitigated to a large extent by natural hedging, as assets in currency are matched by liabilities in the same currency. The value of monetary assets and liabilities of the Group and Company not held in functional currencies at the balance sheet date were as follows:

Net foreign currency monetary assets/(liabilities)

	2015 US Dollar	2015 Euro	2014 US Dollar	2014 Euro
	£	£	£	£
Company	(475,202)	54,789	(120,589)	239,483
Group	(606,130)	54,789	(472,737)	239,483

	2015 US Dollar	2015 Euro
	£	£
If sterling had strengthened by 5% against all three currencies:		
Impact on net Company result for the year	22,629	(2,609)
Impact on net Group result for the year	28,863	(2,609)
If sterling had weakened by 5% against all three currencies:		
Impact on net Company result for the year	(25,011)	2,884
Impact on net Group result for the year	(31,902)	2,884

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the exposure to currency risk.

Note 23 (continued)

Credit Risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, investment in bonds, etc. The maximum exposure to credit risk for the Group and Company is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

Classes of financial assets carrying amounts:	Group 31 December 2015 £	Company 31 December 2015 £	Group 31 December 2014 £	Company 31 December 2014 £
Fixed term cash deposits	1,000,000	1,000,000	-	-
Cash and cash equivalents	4,873,815	3,446,863	5,624,505	4,373,112
Trade and other receivables	2,064,638	1,677,345	2,433,283	2,069,648
	7,938,453	6,124,208	8,057,788	6,442,760

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available, appropriate and at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. None of the Group's financial assets are secured by collateral or other credit enhancements.

Some of the unimpaired trade receivables are past due as at the reporting date. Information on financial assets past due but not impaired is given in Note 16.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables are spread over a number of customers in various industries and geographical areas. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents and fixed term cash deposits is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk analysis

Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a week-to-week basis and by monthly forecasting. Long-term liquidity needs for a 12 month lookout period are identified monthly.

The Group's objective is to maintain cash to meet its liquidity requirements for the forseeable future. This objective was met for the reporting periods. Funding for long-term liquidity needs is assessed by the Board on a regular basis.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables (see Note 18) exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within 3 months.

Note 24 CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(i) to ensure the Group's ability to continue as a going concern
(ii) to provide an adequate return to shareholders

by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the Consolidated Balance Sheet.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, purchase its own shares to hold in treasury, issue new shares or sell assets. There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Capital for the reporting periods under review is summarised as follows:

	Group 2015 £	**Group 2014 £**
Total Equity	15,821,514	14,300,639
Cash and cash equivalents	(4,873,815)	(5,624,505)
Capital	10,947,699	8,676,134
Total Equity & Overall financing	15,821,514	14,300,639
Capital to Overall financing ratio	0.69	0.61

Note 25 RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with its subsidiaries during the period:

	Company 2015 £	**Company 2014 £**
Sales to subsidiaries	4,238,602	2,489,910
Purchases from subsidiaries	1,395,100	1,206,944
Equity-settled share-based payment to employees of subsidiaries	2,534	1,310
Amounts owed by subsidiaries as at 31 December (Note 16)	130,928	352,148
Amounts owed to subsidiaries as at 31 December (Note 17)	(58,158)	(68,633)
Dividends paid to Directors during the year amounted to:	168,124	155,612

Transactions with Key Management Personnel during the period:

Key Management Personnel are the Company's Board. Key Management Personnel remuneration includes the following expenses:

	Group & Company 2015 £	**Group & Company 2014 £**
Short term employee benefits	898,529	622,981
Post-employment benefits	43,267	42,417
Share based payment (IFRS 2)	16,655	-
	958,451	665,398

Mr C Thomson's remuneration and expenses up to 31 March 2015 were paid to Sanibel Ltd.

Note 26 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 Company'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 2.5% or 5% 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.

	2015 Options	2015 Weighted average price	2014 Options	2014 Weighted average price
	No	pence	No	pence
Outstanding at 1 January	1,571,890	38.72	2,766,890	32.57
Granted	1,540,000	39.86	50,000	43.50
Exercised	(5,000)	26.25	(1,200,000)	25.00
Forfeited	(73,000)	37.49	(45,000)	31.81
Outstanding at 31 December	3,033,890	39.35	1,571,890	38.72
Weighted average share price at date of exercise		62.00		39.50
Exercisable at 31 December	-	-	28,000	24.75

Options outstanding at 31 December 2015 had exercise prices ranging from 21.0 pence to 65.5 pence and a weighted average remaining contractual life of 6.42 years.

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

	2015	2014
Weighted average share price (pence)	38.75	42.00
Weighted average exercise price (pence)	39.86	43.50
Range of expected volatility (%)	33.61-34.34	34.69
Expected life (years)	10	10
Range of risk-free rate (%)	1.67-1.79	2.48
Range of expected dividend yield (%)	2.9-5.6	4.1-5.0
Range of expected forfeitures (%)	8-10	10
Range of early exercise factors (multiple)	1.2	1.1
Weighted average fair value (pence)	5.54	5.84

The expected volatility is based on historical volatility of the Group's share price over the previous ten 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 2015 of £26,192 (2014: credit of £6,279) relating to equity-settled share-based payment transactions.