

**4 April 2019**

## **Concurrent Technologies Plc**

### **Results for the year ended 31 December 2018**

Concurrent Technologies Plc (AIM: CNC), a world leading specialist in the design and manufacture of high-end embedded computer boards for critical applications, announces results for the year to 31 December 2018.

#### **Financial Highlights**

- Revenue for the year increased to £16.6m (2017: £16.2m)
- Gross profit was £8.7m (2017: £9.0m)
- Gross margin was 52.2% (2017: 55.4%)
- EBITDA increased by 5.8% to £4.6m (2017: £4.4m)
- Profit before tax was £3.0m (2017: £3.0m)
- Profit after tax increased to £3.0m (2017: £2.8)
- Dividend increased by 4.5% to 2.30 pence per share for the year (2017: 2.20 pence)
- Cash in business plus deposits was robust at £7.7m (2017: £8.4m)

#### **Operational Highlights**

- During 2018, the Group introduced several new high performance embedded computer boards and accessory modules. These included products based on the 8<sup>th</sup> generation Intel® Xeon® processor for use in VME, CompactPCI® and OpenVPX™ architectures. As required by many applications, these new products offer support for enhanced security features and most are suitable for both commercial and harsh environments.
- Support for additional 3<sup>rd</sup> party software and hardware products and systems was announced to broaden the Group's product range.
- The Group's UK manufacturing line was updated through the addition of a new pick-and-place machine providing additional production capacity and capability.

#### **Michael Collins, Chairman of Concurrent Technologies Plc, commented:**

"The new fiscal year of 2019 has started with a very strong order book giving the Board confidence in the Group's performance for the first half of 2019 and for the year as a whole. New and existing customers continue to require increasing levels of processing performance and additional product features

including, in particular, increased security capabilities and encrypted storage.

The Group has and will continue to invest in experienced technical personnel and it is currently recruiting additional senior staff into newly created roles to help broaden its expertise of new technologies and methodologies required for continued growth. This investment will ensure that the Group has the capabilities to design the products required for next generation projects. By investing in new skills and expertise, the Group will be able to support our existing customer base with viable upgrade paths, while also providing products suitable for new applications such as Artificial Intelligence and Deep Learning within the vision and surveillance markets, among others."

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## **Extracts from the Strategic Report**

### **Review of Operations**

The Group achieved Revenue for the year of £16.62m (2017: £16.22m). The Gross Profit was £8.67m (2017: £8.99m) while the gross margin was 52.2% (2017: 55.4%).

Profit before tax was £2.97m (2017: £2.97m) and earnings per share increased to 4.08 pence (2017: 3.79 pence) due to a lower tax charge. EBITDA (measured as Operating Profit plus Depreciation and Amortisation) for the Group in 2018 also increased to £4.65m (2017: £4.39m).

The Group continued its long-term commitment to R&D by investing £3.31m in 2018 (2017: £3.19m), of which £2.44m was capitalised (2017: £2.13m).

A further investment of £250,000 was made within manufacturing to install a new surface mount production line during 2018. This surface mount investment both increases production capacity and provides a degree of future proofing as this line can 'place' significantly smaller components than the existing production facilities.

The Group continues to have no borrowings and again paid increased dividends during the year. Its cash balances plus short to medium term cash deposits at the year-end were £7.68m (2017: £8.39m).

### **Operational Highlights**

During 2018, the Group introduced several new high performance embedded computer boards and accessory modules. These included products based on the 8<sup>th</sup> generation Intel® Xeon® processor for use in VME, CompactPCI® and OpenVPX™ architectures. As required by many applications, these new products offer support for enhanced security features and most are suitable for both commercial and harsh environments. In addition, support for additional 3<sup>rd</sup> party software and hardware products and systems was announced to broaden the Group's product range. The Group's UK manufacturing line was updated through the addition of a new pick-and-place machine providing additional production capacity and capability.

### **Future Plans and Outlook**

The new fiscal year of 2019 has started with a very strong order book giving the

Board confidence in the Group's performance for the first half of 2019 and for the year as a whole. New and existing customers continue to require increasing levels of processing performance and additional product features including, in particular, increased security capabilities and encrypted storage.

The Group will maintain its policy of investing in R&D to expand the Group's current range of advanced technology products with a particular focus on the OpenVPX™ bus architecture. In addition to boards and associated software the Group will increase its range of development systems, using both its own products and complementary products from third party partners. These ready to use development systems enable customers to reduce their product development times by focussing on their own areas of expertise to develop specialised applications.

The Group has and will continue to invest in experienced technical personnel and it is currently recruiting additional senior staff into newly created roles to help broaden its expertise of new technologies and methodologies required for continued growth. This investment will ensure that the Group has the capabilities to design the products required for next generation projects. Our current markets continue to demand the latest technologies to provide additional processing and networking performance, which also creates a requirement for improved and more complex cooling techniques, especially for harsh environments. By investing in new skills and expertise, the Group will be able to support our existing customer base with viable upgrade paths, while also providing products suitable for new applications such as Artificial Intelligence and Deep Learning within the vision and surveillance markets, among others.

The Board continues to look for worldwide acquisition opportunities but sees many opportunities to grow the business organically into new market areas by widening our product ranges and further developing relationships with key hardware and software partners.

#### **Dividend**

The Board has declared a second interim dividend of 1.35 pence per share (2017: 1.30 pence) which when added to the first interim dividend of 0.95 pence per share (2017: 0.90 pence) will make a total of 2.30 pence per share for the year (2017: 2.20 pence). This is an increase of 4.5% on dividends paid for 2017. The total cost of this second interim dividend amounted to £981,700. As in previous years, the Directors do not intend to recommend a final dividend.

#### **Annual General Meeting**

The Annual General Meeting of Concurrent Technologies Plc will be held at the Company's offices at 4 Gilberd Court, Newcomen Way, Colchester, Essex, CO4 9WN, on 21 May 2019 at 2:30pm.

*All trademarks, registered trademarks and trade names used in this announcement are the property of their respective owners.*

## **Consolidated Statement of Comprehensive Income**

	<b>Year to 31 December 2018</b>	<b>Year to 31 December 2017</b>
	<b>£</b>	<b>£</b>
<b>CONTINUING OPERATIONS</b>		
<b>Revenue</b>	16,624,151	16,222,732
Cost of sales	7,950,636	7,231,876
<b>Gross profit</b>	8,673,515	8,990,856
Operating expenses	5,788,094	6,086,516
<b>Group operating profit</b>	2,885,421	2,904,340
Finance income	88,326	65,117
<b>Profit before tax</b>	2,973,747	2,969,457
Tax	5,886	213,836

<b>Profit for the year</b>	2,967,861	2,755,621
<b>Other Comprehensive Income</b>		
<b>Items that will be reclassified subsequently to profit or loss:</b>		
Exchange differences on translating foreign operations	43,903	(189,150)
Tax relating to components of other comprehensive income	-	-
<b>Other Comprehensive Income for the year, net of tax</b>	43,903	(189,150)
<b>Total Comprehensive Income for the year</b>	3,011,764	2,566,471
<b>Profit for the period attributable to:</b>		
Equity holders of the parent	2,967,861	2,755,621
<b>Total Comprehensive Income attributable to:</b>		
Equity holders of the parent	3,011,764	2,566,471
<b>Earnings per share</b>		
Basic earnings per share	4.08p	3.79p
Diluted earnings per share	4.08p	3.79p

## Consolidated Balance Sheet

	<b>As at 31 December 2018 £</b>	<b>As at 31 December 2017 £</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	704,969	482,254
Intangible assets	7,990,759	7,397,512
Deferred tax assets	120,385	170,495
	8,816,113	8,050,261
<b>Current assets</b>		
Inventories	4,096,576	3,222,800
Trade and other receivables	3,352,581	2,740,335
Current tax assets	316,428	135,224
Other financial assets	-	2,502,281
Cash and cash equivalents	7,679,352	5,892,304
	15,444,937	14,492,944
<b>Total assets</b>	24,261,050	22,543,205
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	1,448,012	1,473,815
Long term provisions	8,183	4,097
	1,456,195	1,477,912
<b>Current liabilities</b>		
Trade and other payables	2,802,852	2,332,599
Short term provisions	8,688	16,644
	2,811,540	2,349,243
<b>Total liabilities</b>	4,267,735	3,827,155
<b>Net assets</b>	19,993,315	18,716,050
<b>EQUITY</b>		
<b>Capital and reserves</b>		
Share capital	739,000	739,000
Share premium account	3,699,105	3,699,105
Capital redemption reserve	256,976	256,976
Cumulative translation reserve	349,360	305,457
Profit and loss account	14,948,874	13,715,512
<b>Equity attributable to equity holders of the parent</b>	19,993,315	18,716,050

<b>Total equity</b>	19,993,315	18,716,050
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## Consolidated Cash Flow Statement

	<b>Year to 31 December 2018 £</b>	<b>Year to 31 December 2017 £</b>
<b>Cash flows from operating activities</b>		
Profit before tax for the period	2,973,747	2,969,457
Adjustments for:		
Finance income	(88,326)	(65,117)
Depreciation	219,455	194,529
Amortisation	1,542,749	1,294,457
Impairment loss	303,030	286,888
Loss/(profit) on disposal of property, plant and equipment (PPE)	(1,000)	(3,750)
Share-based payment	(77,595)	27,448
Exchange differences	56,016	(110,755)
Decrease/(increase) in inventories	(873,776)	17,055
(Increase)/decrease in trade and other receivables	(612,246)	587,294
Increase/(decrease) in trade and other payables	466,383	(487,953)
Cash generated from operations	3,908,437	4,709,553
Tax received	(183,524)	(83,808)
Net cash generated from operating activities	3,724,913	4,625,745
<b>Cash flows from investing activities</b>		
Interest received	88,326	65,117
Cash released from/(placed) on deposit	2,502,281	(1,502,281)
Purchases of property, plant and equipment (PPE)	(442,280)	(267,855)
Proceeds from sale of PPE	1,000	3,750
Capitalisation of development costs and purchases of intangible assets	(2,438,917)	(2,133,046)
Net cash used in investing activities	(289,590)	(3,834,315)
<b>Cash flows from financing activities</b>		
Equity dividends paid	(1,636,163)	(1,599,804)
Exercise of share options	-	-
Purchase of treasury shares	-	-
Net cash used in financing activities	(1,636,163)	(1,599,804)
Effects of exchange rate changes on cash and cash equivalents	(12,112)	(72,405)
<b>Net increase/(decrease) in cash</b>	<b>1,787,048</b>	<b>(880,779)</b>
Cash at beginning of period	5,892,304	6,773,083
Cash at the end of the period	7,679,352	5,892,304

## Consolidated Statement of Changes in Equity

	<b>Share capital £</b>	<b>Share premium £</b>	<b>Capital redemption reserve £</b>	<b>Cumulative translation reserve £</b>	<b>Profit and loss account £</b>	<b>Total Equity £</b>
<b>Balance at 1 January 2017</b>	739,000	3,693,818	256,976	494,607	12,489,418	17,673,819
Profit for the period	-	-	-	-	2,755,621	2,755,621
Exchange differences on translating foreign operations	-	-	-	(189,150)	-	(189,150)

Total comprehensive income for the period	-	-	-	(189,150)	2,755,621	2,566,471
<b>Transactions with owners:</b>						
Share-based payment	-	-	-	-	27,448	27,448
Deferred tax on share based payment	-	-	-	-	48,116	48,116
Dividends paid	-	-	-	-	(1,599,804)	(1,599,804)
Transfer of treasury shares	-	5,287	-	-	(5,287)	-
<b>Balance at 31 December 2017</b>	739,000	3,699,105	256,976	305,457	13,715,512	18,716,050
Adjustment for IFRS 15	-	-	-	-	(34,399)	(34,399)
<b>Balance at 31 December 2017</b>	739,000	3,699,105	256,976	305,457	13,681,113	18,681,651
Profit for the period	-	-	-	-	2,967,861	2,967,861
Exchange differences on translating foreign operations	-	-	-	43,903	-	43,903
Total comprehensive income for the period	-	-	-	43,903	2,967,861	3,011,764
<b>Transactions with owners:</b>						
Share-based payment	-	-	-	-	(77,595)	(77,595)
Deferred tax on share based payment	-	-	-	-	(20,741)	(20,741)
Dividends paid	-	-	-	-	(1,636,163)	(1,636,163)
Transfer of treasury shares	-	-	-	-	-	-
<b>Balance at 31 December 2018</b>	739,000	3,699,105	256,976	349,360	14,948,874	19,993,315

## NOTES

1. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). The financial information set out in these preliminary results has been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by European Union. The accounting policies, except for IFRS 9 and IFRS 15, adopted in this results announcement have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the period ended 31 December 2017. The Directors have opted to adopt the modified retrospective method of transition and have applied IFRS 15 to those contracts that are not completed as at 1st January 2018, the impact on the Profit and loss account is £34,399. The consolidated financial information is presented in sterling (£), which is the Company's functional and the Group's presentation currency.
2. The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 December 2018 or 2017, but is derived from those accounts. Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Annual General Meeting. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not contain statements under section 498(2) or (3) of the Companies Act 2006 in respect of 2017 or 2018 and (iii) did not draw attention to any matters by way of emphasis.
3. The calculation of basic earnings per share is based on the weighted average number of Ordinary Shares in issue during 2018 of 72,718,490 (2017: 72,718,490) after adjustment for treasury shares on the profit after tax for 2018 of £2,967,861 (2017: £2,755,621). The calculation of diluted earnings per share incorporates 2,457 Ordinary Shares (2017: 3,504) in respect of performance related employee share options. The profit after tax is the same as for basic earnings per share.

4. The Annual General Meeting of Concurrent Technologies Plc will be held at the Company's offices at 4 Gilberd Court, Newcomen Way, Colchester, Essex, CO4 9WN, on 21 May 2019 at 2:30pm.

Copies of the Annual Report will be sent to Shareholders and will also be available from the Company's Registered Office: 4, Gilberd Court, Newcomen Way, Colchester, Essex, CO4 9WN, UK, and on the Company's website: [www.gocct.com](http://www.gocct.com).

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