ceps

chelverton
equity partners

2015

Half-Yearly Report to Shareholders

CEPS PLC
Registered address:
12b George Street
Bath BA1 2EH
T 01225 483030
www.cepsplc.com
Incorporated in
England & Wales
507461

Contents

Chairman's Statement

I became Chairman in June this year replacing Richard Organ who had served the Company as Chairman for the previous 15 years. I would like to take this opportunity to thank him on behalf of the shareholders for all that he has done over this time. Richard's experience is retained as a non-executive director.

Having become significantly more involved in CEPS in the past six months, I can already see that there are some excellent opportunities for the future development of the Company. By the time of the Annual Report in April next year I would expect that our future development plans will be much clearer.

CEPS plc has an unusual structure and one that has been developed over the past ten years. In summary, its approach is that it acquires niche, cash generative, specialist companies where there is a need to address the ownership issue. It is a prerequisite that the "Business Drivers" remain with the company and are committed to the growth of their companies. More time will be spent explaining this structure to interested parties in the future, to both attract suitable acquisition opportunities and, of course, the necessary funding.

Review of the period

The most significant event of the period was the equity fundraising of £1.25m achieved by the placing of 4,166,667 new ordinary shares at 30p per share. This increased the share capital from 5,407,155 to 9,573,822. It is pleasing to note that the cost of this issue was only £5,000, a very cost effective exercise! We welcome the new shareholders who have joined the Company at this stage of its development.

Of the proceeds, £800,000 was used to repay the short-term loan taken out to finance the acquisition of Aford Awards in November 2014. The balance of funds raised has been retained to provide available cash for future growth and acquisition opportunities.

A number of small "bolt-on" acquisitions have been reviewed over the period and it is likely that one or more smaller purchases will be made by CEPS' principal companies in the future. These transactions, whilst not large in size, will, relative to the funds invested, add significantly to the profits of individual principal companies.

Financial review

The first six months of the year includes a full contribution from Aford Awards and this partially explains the sales increase of 4% from £8.8m to £9.2m. The overall change is actually made up of small reductions in sales in Davies Odell and Sunline, another good increase at Friedman's and the inclusion of Aford Awards for the first time.

Gross profit has risen by 19% to £1.25m and Group costs have fallen significantly with Peter Cook being unable to return to work at this time and, in addition, other Board costs being reduced. Operating profit consequently rose by 16% to £419,000.

These results have been reduced by strategic decisions taken in respect of Sunline which will have a positive impact in the second half and which will be explained in more detail in the Operational Review below.

The impact of the fundraising, the accumulated profits in the period and debt reduction has reduced the net debt from £3.9m at 31 December 2014 to £2.5m at 30 June 2015 and gearing from 97% to 45%.

Operational review

1. Aford Awards

Aford Awards has performed in line with expectations and has commenced repayment of the vendor loan notes. This is a sector which is made up of a large number of very small businesses and an area where we feel there will be a number of consolidation opportunities.

2. CEM Press

CEM Press has had a subdued first half as it is implementing a "change process" to improve quality and efficiency in its operations as its market has become more competitive over the past three years. The benefits of this investment in people and systems will take a little while to be evidenced in the company's results. However, it is undoubtedly moving steadily in the right direction.

3. Davies Odell

Davies Odell is now going through a change process to concentrate on the areas of its business which have long-term growth potential. The development of its range of new shoe components is most encouraging and will be an area of future growth.

Chairman's Statement continued

4. Friedman's

Friedman's has produced another good result and we look forward to working with the team to further expand the scope of the business.

5. Sunline

Sunline in the first six months of last year produced an EBITDA of £240,000 and in this period produced a much reduced result of £159,000. This reduction, in the company's quieter six month period, was a deliberate strategy after the very poor outcome for the full year last year, when Sunline made a significant loss in the second half and struggled at times to provide the right level of service to its customers.

The company has been "storing" labour and encouraging the workforce to take their holidays in the first half to ensure that there was/is more than enough skilled people ready to meet the annual upsurge of business in the period between August and November. To date this appears to have worked and the better control of the business means that further steps can be taken to manage labour costs next year and take on more business to produce much better profits.

At the same time as the management team has been managing the turnaround of the core business, it has effectively launched a start-up business in "Pick/Pack/Dispatch" ("PPD"). The costs of this new business have been absorbed and having got the first customer in March, there is the potential to have 12 by the year end. In addition, Sunline has already won its first new direct mail contract from a PPD customer. This new business looks to have significant prospects.

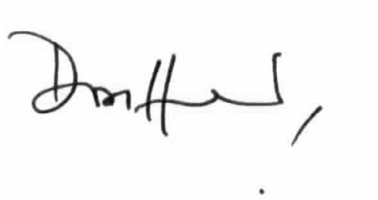
Dividend

Given the acquisition and development opportunities in the Group it is not considered appropriate to pay a dividend.

Prospects

We expect to utilise the excess funds raised in the fundraising in June to finance an acquisition in the second half.

For the full year we are optimistic about the prospects and view the outlook for next year even more positively.



David Horner
Chairman
21 September 2015

Consolidated Statement of Comprehensive Income

	Note	Unaudited 6 months to 30 June 2015 £'000	Unaudited 6 months to 30 June 2014 £'000	Audited 12 months to 31 December 2014 £'000
Revenue	2 i)	9,202	8,834	16,981
Cost of sales		(7,950)	(7,785)	(14,640)
Gross profit		1,252	1,049	2,341
Net operating expenses		(833)	(688)	(2,097)
Operating profit		419	361	244
Analysis of operating profit				
Trading		533	534	596
Group costs	2 i)	(114)	(173)	(352)
		419	361	244
Finance income	2 i)	–	–	11
Finance costs		(140)	(82)	(24)
Share of profit of associate	2 i)	16	33	14
Profit before tax		295	312	245
Taxation	2 i)	(75)	(43)	6
Profit for the period from continuing operations		220	269	251
Other comprehensive loss				
Items that will not be reclassified to profit or loss				
Actuarial loss on defined benefit pension plans		–	–	(87)
Items that may be subsequently reclassified to profit or loss		–	–	–
Other comprehensive loss for the period, net of tax		–	–	(87)
Total comprehensive income for the period		220	269	164
Profit/(loss) attributable to:				
Owners of the parent		96	177	(169)
Non-controlling interest		124	92	420
		220	269	251
Total comprehensive income/(loss) attributable to:				
Owners of the parent		96	177	(256)
Non-controlling interest		124	92	420
		220	269	164
Earnings per share attributable to owners of the parent during the year				
– basic and diluted	3	1.76p	3.27p	(3.13)p

The notes on pages 7 to 11 form part of the half-yearly results.

Consolidated Statement of Financial Position

		Note	Unaudited as at 30 June 2015 £'000	Unaudited as at 30 June 2014 £'000	Audited as at 31 December 2014 £'000
Assets	Non-current assets				
	Property, plant and equipment		1,871	1,836	1,999
	Intangible fixed assets		3,281	2,237	3,285
	Investment in associate		584	587	568
	Deferred tax asset		487	453	487
			6,223	5,113	6,339
	Current assets				
	Inventories		1,975	1,690	1,914
	Trade and other receivables		2,986	2,894	2,569
	Cash and cash equivalents (excluding bank overdrafts)		848	111	346
			5,809	4,695	4,829
	Total assets	2 ii)	12,032	9,808	11,168
Equity	Equity attributable to owners of the parent				
	Called up share capital	5	957	541	541
	Share premium		3,943	3,114	3,114
	Retained earnings		(185)	152	(281)
			4,715	3,807	3,374
	Non-controlling interests		777	282	694
	Total equity		5,492	4,089	4,068
Liabilities	Non-current liabilities				
	Borrowings	4	1,220	611	1,406
	Deferred tax liability		36	30	36
	Provisions for liabilities and charges		55	55	55
			1,311	696	1,497
	Current liabilities				
	Borrowings	4	2,092	1,762	2,876
	Trade and other payables		3,007	3,214	2,672
	Current tax liabilities		130	33	55
	Provisions for liabilities and charges		–	14	–
			5,229	5,023	5,603
	Total liabilities		6,540	5,719	7,100
	Total equity and liabilities		12,032	9,808	11,168

The notes on pages 7 to 11 form part of the half-yearly results.

Consolidated Statement of Cash Flows

	Unaudited 6 months to 30 June 2015 £'000	Unaudited 6 months to 30 June 2014 £'000	Audited 12 months to 31 December 2014 £'000
Cash flows from operating activities			
Cash generated from operations	273	815	580
Income tax paid	–	(43)	(113)
Interest paid	(140)	(82)	(24)
Net cash generated from operations	133	690	443
Cash flows from investing activities			
Acquisition of subsidiary net of cash acquired	–	–	(1,054)
Purchase of property, plant and equipment	(58)	(669)	(517)
Purchase of intangibles	(12)	–	(14)
Net cash used in investing activities	(70)	(669)	(1,585)
Cash flows from financing activities			
Proceeds from borrowings	–	–	1,574
Proceeds of placing net of related costs	1,245	–	–
Repayment of borrowings	(850)	–	–
Dividend paid to non-controlling interest	(41)	(45)	(45)
Repayment of capital element of finance leases	(136)	(98)	(210)
Net cash generated from/(used in) financing activities	218	(143)	1,319
Net increase/(decrease) in cash and cash equivalents	281	(122)	177
Cash and cash equivalents at the beginning of the period	(95)	(272)	(272)
Cash and cash equivalents at the end of the period	186	(394)	(95)
Cash generated from operations			
The reconciliation of operating profit to cash flows from operating activities is as follows:			
Profit before income tax	295	312	245
Adjustments for:			
Depreciation and amortisation	202	122	320
Profit of associate	(16)	(33)	(14)
Loss on disposal of property, plant and equipment	–	–	45
Net finance costs	140	82	13
Retirement benefit obligations	(30)	(35)	(77)
Operating profit before changes in working capital and provisions	591	448	532
(Increase)/decrease in inventories	(61)	19	(134)
Increase in trade and other receivables	(417)	(458)	(37)
Increase in trade and other payables, including trade receivables backed working capital facilities	160	806	233
Decrease in provisions	–	–	(14)
Cash generated from operations	273	815	580
Cash and cash equivalents			
Cash at bank and in hand	848	111	346
Bank overdrafts repayable on demand	(662)	(505)	(441)
	186	(394)	(95)

The notes on pages 7 to 11 form part of the half-yearly results.

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Attributable to the owners of the parent £'000	Non-controlling interest £'000	Total £'000
At 1 January 2014 (audited)	541	3,114	(25)	3,630	235	3,865
Profit for the period	–	–	177	177	92	269
Total comprehensive income for the period	–	–	177	177	92	269
Dividend paid to non-controlling interest	–	–	–	–	(45)	(45)
Total distributions recognised directly in equity	–	–	–	–	(45)	(45)
At 30 June 2014 (unaudited)	541	3,114	152	3,807	282	4,089
Actuarial loss	–	–	(87)	(87)	–	(87)
(Loss)/profit for the period	–	–	(346)	(346)	328	(18)
Total comprehensive (loss)/income for the period	–	–	(433)	(433)	328	(105)
Changes in ownership Interest in a subsidiary not resulting in loss of control	–	–	–	–	54	54
Acquisition of a subsidiary	–	–	–	–	30	30
At 31 December 2014 (audited)	541	3,114	(281)	3,374	694	4,068
Profit for the period	–	–	96	96	124	220
Total comprehensive income for the period	–	–	96	96	124	220
Proceeds from shares issued	416	834	–	1,250	–	1,250
Cost of shares issued	–	(5)	–	(5)	–	(5)
Total contribution by owners of the parent recognised in equity	416	829	–	1,245	–	1,245
Dividend paid to non-controlling interest	–	–	–	–	(41)	(41)
Total distributions recognised directly in equity	–	–	–	–	(41)	(41)
At 30 June 2015 (unaudited)	**957**	**3,943**	**(185)**	**4,715**	**777**	**5,492**

The notes on pages 7 to 11 form part of the half-yearly results.

Notes to the Financial Information

1. General information

The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is 12b George Street, Bath, BA1 2EH and the registered number of the company is 507461.

The Company is listed on AIM.

This condensed consolidated half-yearly financial information was approved for issue on 21 September 2015.

This condensed consolidated half-yearly financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2014 were approved by the Board of directors on 22 April 2015 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

This condensed consolidated half-yearly financial information has not been reviewed or audited.

There is no seasonality or cyclicality in relation to the condensed consolidated half-yearly financial information.

Basis of preparation

This condensed consolidated half-yearly financial information for the six months ended 30 June 2015 has been prepared in accordance with IAS 34, *Interim Financial Reporting* as adopted by the European Union. The condensed consolidated half-yearly financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with IFRSs as adopted by the European Union.

Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements. Where new standards, or amendments to existing standards, have become effective during the year there has been no material impact on the results of the Group.

2. Segmental analysis

All activities are classed as continuing.

The chief operating decision maker of the Group is its Board. Each operating segment regularly reports its performance to the Board which, based on those reports, allocates resources to and assesses the performance of those operating segments.

Operating segments and their principal activities are as follows:
- Aford Awards, a sports trophy and engraving company;
- Davies Odell, a manufacturer and distributor of protection equipment, matting and footwear components;
- Friedman's, a convertor and distributor of specialist Lycra;
- Sunline, a supplier of services to the direct mail market.

The United Kingdom is the main country of operation from which the Group derives its revenue and operating profit and is the principal location of the assets of the Group. The Group information provided below, therefore, also represents the geographical segmental analysis. Of the £9,202,000 revenue, £8,054,000 is derived from UK customers.

The Board assesses the performance of each operating segment by a measure of adjusted earnings before interest, tax, depreciation and amortisation and Group costs. Other information provided to the Board is measured in a manner consistent with that in the financial statements.

Notes to the Financial Information continued

2. Segmental analysis
continued

i) Results by segment

Unaudited 6 months to 30 June 2015

	Aford Awards £'000	Davies Odell £'000	Friedman's £'000	Sunline £'000	Group £'000
Revenue	844	2,734	2,231	3,393	9,202
Segmental result (EBITDA)	210	59	307	159	735
Depreciation and amortisation charge	(14)	(27)	(27)	(134)	(202)
Group costs					(114)
Net finance costs					(140)
Share of profit of associate					16
Profit before taxation					295
Taxation					(75)
Profit for the period					220

Unaudited 6 months to 30 June 2014

	Aford Awards £'000	Davies Odell £'000	Friedman's £'000	Sunline £'000	Group £'000
Revenue	–	2,948	2,071	3,815	8,834
Segmental result (EBITDA)	–	145	271	240	656
Depreciation and amortisation charge	–	(22)	(24)	(76)	(122)
Group costs					(173)
Net finance costs					(82)
Share of profit of associate					33
Profit before taxation					312
Taxation					(43)
Profit for the period					269

Audited year to 31 December 2014

	Aford Awards £'000	Davies Odell £'000	Friedman's £'000	Sunline £'000	Group £'000
Revenue	146	5,579	3,926	7,330	16,981
Segmental result (EBITDA)	(7)	216	643	67	919
Depreciation and amortisation charge	(5)	(52)	(51)	(215)	(323)
Group costs					(352)
Net finance costs					(13)
Share of profit of associate					14
Profit before taxation					245
Taxation					6
Profit for the period					251

Notes to the Financial Information continued

2. Segmental analysis
continued

ii) Assets and liabilities by segment

Unaudited as at 30 June

	Segment assets		Segment liabilities		Segment net assets	
	2015	2014	**2015**	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
CEPS Group	**1,139**	735	**(119)**	(114)	**1,020**	621
Aford Awards	**1,538**	–	**(648)**	–	**890**	–
Davies Odell	**2,639**	2,437	**(1,527)**	(1,414)	**1,112**	1,023
Friedman's	**3,146**	2,932	**(907)**	(1,102)	**2,239**	1,830
Sunline	**3,570**	3,704	**(3,339)**	(3,089)	**231**	615
Total – Group	**12,032**	9,808	**(6,540)**	(5,719)	**5,492**	4,089

Audited as at 31 December 2014

	Segment assets	Segment liabilities	Segment net assets
	£'000	£'000	£'000
CEPS Group	736	(924)	(188)
Aford Awards	1,350	(579)	771
Davies Odell	2,430	(1,308)	1,122
Friedman's	2,953	(853)	2,100
Sunline	3,699	(3,436)	263
Total – Group	11,168	(7,100)	4,068

3. Earnings per share

Basic earnings per share is calculated on the profit after taxation for the period attributable to owners of the Company of £96,000 (2014: £177,000) and on 5,452,943 (2014: 5,407,155) ordinary shares, being the weighted number in issue during the period.

No adjustment is required for dilution in either period as there are no items that would have a dilutive impact on earnings per share.

4. Net debt and gearing

Gearing ratios at 30 June 2015, 30 June 2014 and 31 December 2014 are as follows:

	Unaudited 30 June 2015 £'000	Unaudited 30 June 2014 £'000	Audited 31 December 2014 £'000
Total borrowings	**3,312**	2,373	4,282
Less: cash and cash equivalents	**(848)**	(111)	(346)
Net debt	**2,464**	2,262	3,936
Total equity	**5,492**	4,089	4,068
Gearing ratio	**45%**	55%	97%

Notes to the Financial Information continued

5. Share capital

	£'000
Issued and fully paid:	
At 1 January 2015 5,407,155 shares of 10p per share	541
Equity placing (see note)	416
At 30 June 2015 9,573,822 shares of 10p per share	**957**

As announced on 23 June 2015 the Company raised gross proceeds of £1.25 million by way of a placing of 4,166,667 new ordinary shares to new and existing investors at a price of 30 pence per share. The net proceeds of the placing were used to repay the third party loan that was entered into at the time of the Company's acquisition of Aford Awards Limited, as set out in the Company's announcement dated 4 November 2014, and for general working capital purposes.

Application was made to the London Stock Exchange to admit the placing shares to trading on AIM and admission occurred on 29 June 2015. The placing shares rank *pari passu* with the Company's existing ordinary shares.

6. Related-party transactions

The Group has no material transactions with related parties which might reasonably be expected to influence decisions made by users of these financial statements.

During the period the Company entered into the following transactions with its subsidiaries:

	Aford Awards (Holdings) Limited £'000	Davies Odell Limited £'000	Sunline Direct Mail (Holdings) Limited £'000	Signature Fabrics Limited £'000
Receipt of equity share dividend				
2015	**–**	**–**	**–**	**49**
2014	–	–	–	55
For the year ended 31 December 2014 (audited)	–	–	–	55
Receipt/(waiver) of preference share dividend				
2015	**–**	**–**	**13**	**–**
2014	–	–	39	–
For the year ended 31 December 2014 (audited)	–	–	(537)	–
Receipt of loan note interest				
2015	**28**	**–**	**21**	**–**
2014	–	–	63	1
For the year ended 31 December 2014 (audited)	9	–	127	2
Receipt of management charge income				
2015	**10**	**8**	**8**	**15**
2014	–	–	8	6
For the year ended 31 December 2014 (audited)	3	–	15	12
Amount owed to/(by) the Company				
30 June 2015	**700**	**4**	**1,220**	**9**
30 June 2014	–	44	2,425	–
31 December 2014 (audited)	700	(1)	1,196	–

Notes to the Financial Information continued

7. AIM compliance committee

In accordance with AIM Rule 31 the Company is required to have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules; seek advice from its nominated adviser ('Nomad') regarding its compliance with the AIM Rules whenever appropriate and take that advice into account; provide the Company's Nomad with any information it requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Companies and the AIM Rules for Nominated Advisers; ensure that each of the Company's directors accepts full responsibility, collectively and individually, for compliance with the AIM Rules; and ensure that each director discloses without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the director or could with reasonable diligence be ascertained by the director.

In order to ensure that these obligations are being discharged, the Board has established a committee of the Board (the 'AIM Committee'), chaired by Vivien Langford, an executive director of the Company.

Having reviewed relevant Board papers, and met with the Company's Executive Board and the Nomad to ensure that such is the case, the AIM Committee is satisfied that the Company's obligations under AIM Rule 31 have been satisfied during the period under review.

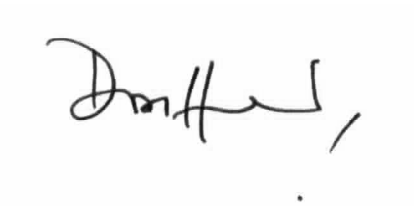
Statement of Directors' Responsibility

The directors confirm that, to the best of their knowledge, these condensed consolidated half-yearly financial statements have been prepared in accordance with IAS 34 as adopted by the European Union. The interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and
- material related-party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last Annual Report.

A list of current directors is maintained on the CEPS PLC Group website: www.cepsplc.com.

By order of the Board



David Horner
Chairman
21 September 2015