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2009

Half-Yearly Report to Shareholders

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Contents

Chairman's Statement

Review of the period

As anticipated in my statement with the annual report and accounts in April, the first half of 2009 has seen the impact of the global recession upon our trading performance.

Revenue across the Group is down 7.8% to £7.5m (2008: £8.1m) with the Davies Odell business in particular feeling the brunt of sharp de-stocking by its customers after a better than expected finish to 2008. In spite of Group costs having been carefully restrained, operating profit has fallen overall by 38% to £376,000 (2008: £611,000).

After finance costs and provision for taxation, the profit for the period was £223,000 (2008: £400,000) and earnings per share basic and diluted have fallen to 2.14p (2008: 4.15p).

Cash management through the period has been excellent, with total Group net debt reduced from £2.92m to £2.06m. As a result, and with the Group still satisfactorily profitable in extreme trading circumstances, gearing has fallen from 57% at the year end to 38% at the end of June.

Financial review

In the six months to 30 June 2009 the Group has generated £801,000 of cash from its operating activities (2008: £676,000) of which £418,000 (2008: £422,000) has been used to repay bank loans and the capital element of hire purchase agreements. With interest charges falling to £91,000 (2008: £125,000) and capital expenditure held at £15,000 (2008: £21,000) a net amount of £252,000 has been added to cash and cash equivalents, taking the total from £532,000 at the year end to £784,000 at 30 June 2009.

Group assets increased to £11,115,000 (2008: £10,960,000). Group borrowings, including £1,247,000 (2008: £1,910,000) of bank loans secured against the assets of subsidiary companies and with no recourse to the rest of the Group, were reduced to £2,843,000 (2008: £3,398,000). Total equity has been increased by 12.5% to £5,361,000 (2008: £4,765,000).

Operational review

1. Davies Odell

Davies Odell had a particularly difficult start to the year. Many of its customers, reacting to the growing depth of the recession, implemented sizeable stock reduction programmes. Sales in January and February, usually quite buoyant months, were particularly poor. Replacement top-piece sales for ladies stiletto heels have also begun to slow reflecting fashion trends, no doubt, but also available discretionary spend.

Equally difficult has been sustaining sales and margin in the matting business. Raised prices could not recover the margin effect of matting stock purchased at a dollar exchange rate of approximately $1.45, compared with an exchange rate of $1.95 a year previously. Overall sales are down about 30% but contribution fell by only 18%, as business has been accepted more selectively.

The sales of Forcefield body armour have continued to grow at a rate in excess of 10% year on year. Considerable effort and funding is going in to both the re-development of ranges for launch in the Spring of 2010 and more particularly the immediate sales effort. Across the whole of the Davies Odell operation overheads have been controlled to 2008 levels and, despite the much reduced margins, cash and bank debt have been well managed.

The segmental result at £60,000 (2008: £230,000) reflects the difficult circumstances experienced in the first half year.

2. Friedman's

Friedman's has done a good job in the first half of 2009 in sustaining sales at the level of the first half of the previous year. After the reduction in 2008 profit as a result of the year end euro exchange rate, improved profit margins have been achieved in 2009 as sterling has recovered and price increases have been successfully implemented.

Overheads have been tightly controlled and the segmental result has improved by 21% to £163,000 (2008: £135,000).

Chairman's Statement continued

3. Sunline

Overall the Sunline performance has held up reasonably well, with the Solutions business now beginning to deliver meaningful profitability. Overall turnover is down 6.2%, with Solutions however showing an increase over our budgeted expectations.

The Polywrap business has seen intensified competition as the recession has taken hold. Margins and plant efficiency have come under considerable pressure but the management and workforce have responded flexibly with short time working, reduced shifts, and a concerted drive to maximise the profit on each 'job'. During the period several competitors have gone out of business and many others appear to be accepting work at unworkable prices.

The Solutions business has both widened and deepened its customer base, and managed to achieve much more stability in its capacity utilisation and hence month-on-month profitability. Further investment in printing equipment has recently been agreed to enable this to continue.

Given the difficulties, the segmental result has held up well at £425,000 (2008: £538,000).

Dividend

With the effect of the recession now firmly appearing in the Group's results, we continue to believe it appropriate to conserve cash until a solid recovery in profitability is well under way. As a result, the payment of a dividend is not recommended at this stage.

Prospects

The considerable improvement in the Group's cash and net debt position leaves it well placed to fund modest acquisitions when the availability of credit improves. The Board continues to review investment opportunities, particularly where valuations have adjusted to the current economic climate.

Trading in all the businesses has stabilised in the second quarter of the year, from the poor levels seen in the first quarter. We anticipate no fundamental improvement in this pattern for the second half of the year, as growth in consumer spending only very tentatively returns across the globe.

We will continue to manage our cash and balance sheet with great care, building further upon the position reported in this statement. These results verify the confidence of the Board that the Group's management teams can continue to outperform their respective competition in the most testing trading circumstances of recent times.

Richard Organ
Chairman
21 September 2009

Consolidated Statement of Comprehensive Income

	Unaudited 6 months to 30 June 2009 £'000	Unaudited 6 months to 30 June 2008 £'000	Audited 12 months to 31 December 2008 £'000
Revenue	7,503	8,140	16,796
Cost of sales	(6,520)	(6,861)	(14,228)
Gross profit	983	1,279	2,568
Net operating expenses	(607)	(668)	(1,420)
Operating profit	376	611	1,148
Analysis of operating profit			
Trading	512	785	1,514
Group costs	(136)	(174)	(366)
Finance costs	(91)	(125)	(241)
Profit before tax	285	486	907
Taxation	(62)	(86)	(193)
Profit for the period from continuing operations	223	400	714
Other comprehensive income			
Actuarial gain on defined benefit pension plans	–	–	59
Other comprehensive income for the period, net of tax	–	–	59
Total comprehensive income for the period	223	400	773
Profit attributable to:			
Equity holders of the Company	178	345	624
Minority interest	45	55	90
	223	400	714
Total comprehensive income attributable to:			
Equity holders of the Company	178	345	683
Minority interest	45	55	90
	223	400	773
Earnings per share			
– basic and diluted	2.14p	4.15p	7.51p

Consolidated Balance Sheet

		Unaudited as at 30 June 2009 £'000	Unaudited as at 30 June 2008 £'000	Audited as at 31 December 2008 £'000
Assets	**Non-current assets**			
	Property, plant and equipment	1,492	1,145	1,610
	Intangible assets	4,819	4,748	4,826
	Deferred tax asset	–	45	–
		6,311	5,938	6,436
	Current assets			
	Inventory	1,692	1,481	1,795
	Trade and other receivables	2,304	2,913	2,828
	Deferred tax asset	24	73	24
	Cash and cash equivalents	784	555	665
		4,804	5,022	5,312
	Total assets	11,115	10,960	11,748
Equity	**Capital and reserves attributable to equity holders of the Company**			
	Called up share capital	416	416	416
	Share premium	2,756	2,756	2,756
	Profit and loss account	1,895	1,379	1,717
		5,067	4,551	4,889
	Minority interest in equity	294	214	249
	Total equity	5,361	4,765	5,138
Liabilities	**Non-current liabilities**			
	Borrowings	1,436	1,659	1,751
	Retirement benefit liabilities	–	126	–
	Provisions	55	55	55
		1,491	1,840	1,806
	Current liabilities			
	Borrowings	1,407	1,739	1,834
	Trade and other payables	2,668	2,485	2,819
	Current tax liabilities	188	131	151
		4,263	4,355	4,804
	Total liabilities	5,754	6,195	6,610
	Total equity and liabilities	11,115	10,960	11,748

Consolidated Cash Flow Statement

	Unaudited 6 months to 30 June 2009 £'000	Unaudited 6 months to 30 June 2008 £'000	Audited 12 months to 31 December 2008 £'000
Cash flow from operating activities			
Cash generated from operations	801	676	1,388
Tax paid	(25)	–	(16)
Interest paid	(91)	(125)	(222)
Net cash generated from operations	685	551	1,150
Cash flow from investing activities			
Purchase of property, plant and equipment	(15)	(21)	(78)
Disposal of property, plant and equipment	–	–	11
Purchase of computer software and website development	–	–	(1)
Net cash used in investing activities	(15)	(21)	(68)
Cash flow from financing activities			
Repayment of bank loans	(324)	(347)	(686)
Repayment of capital element of hire purchase agreements	(94)	(75)	(240)
Net cash used in financing activities	(418)	(422)	(926)
Net increase in cash and cash equivalents	252	108	156
Cash and cash equivalents at the beginning of the period	532	376	376
Cash and cash equivalents at the end of the period	784	484	532
Cash flows from operating activities			
The reconciliation of operating profit to cash flows from operating activities is as follows:			
Operating profit for the period	376	611	1,148
Adjustments for:			
Depreciation and amortisation charge	140	118	275
Loss on disposal of property, plant and equipment	–	–	23
Difference between pension charge and cash contribution	(27)	(36)	(80)
Operating profit before changes in working capital and provisions	489	693	1,366
Decrease/(increase) in inventory	103	(90)	(404)
Decrease in trade and other receivables	524	238	323
(Decrease)/increase in trade and other payables, including trade receivables backed working capital facilities	(315)	(165)	103
Cash generated from operations	801	676	1,388
Cash and cash equivalents			
Cash at bank and in hand	784	555	665
Bank overdrafts repayable on demand	–	(71)	(133)
	784	484	532

Consolidated Statement of Changes in Shareholders' Equity

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Minority interest £'000	Total £'000
At 1 January 2008 (audited)	416	2,756	1,034	159	4,365
Profit for the period	–	–	345	55	400
Total comprehensive income for the period	–	–	345	55	400
At 30 June 2008 (unaudited)	416	2,756	1,379	214	4,765
Actuarial gain	–	–	59	–	59
Profit for the period	–	–	279	35	314
Total comprehensive income for the period	–	–	338	35	373
At 31 December 2008 (audited)	416	2,756	1,717	249	5,138
Profit for the period	–	–	178	45	223
Total comprehensive income for the period	–	–	178	45	223
At 30 June 2009 (unaudited)	**416**	**2,756**	**1,895**	**294**	**5,361**

Accounting Policies

General information

The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is 11 George Street, Bath, BA1 2EH and the registered number of the company is 507461.

The Company has its primary listing on AIM.

This condensed consolidated half-yearly financial information was approved for issue on 21 September 2009.

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 2008 were approved by the Board of directors on 29 April 2009 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.

Basis of preparation

This condensed consolidated half-yearly financial information for the six months ended 30 June 2009 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 2008, which have been prepared in accordance with IFRSs as adopted by the European Union.

Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following IFRS became effective from 1 January 2009 and have been adopted within this report and the comparatives, where applicable, restated:

- IFRS 8, *Operating Segments*
- IAS 1 (revised), *Presentation of Financial Statements*.

The following IFRS, amendments and interpretations have not been adopted by the Group in this report, as they are not deemed to be relevant:

- Amendments to IAS 23, *Borrowing costs*
- IFRS 3 (revised), *Business Combinations*
- IAS 27 (revised), *Consolidated and Separate Financial Statements*
- Amendments to IFRS 2, *Share-based Payments*
- Amendments to IAS 39, *Financial Instruments: Recognition and Measurement.*

Notes to the Financial Information

1. 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:
- Davies Odell, the manufacture and distribution of protection equipment, matting and footwear components
- Friedman's, the conversion and distribution 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.

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

The 2008 results have, where necessary, been restated to comply with the new accounting standards.

i) Results by segment

Unaudited 6 months to 30 June 2009

	Davies Odell 2009 £'000	Friedman's 2009 £'000	Sunline 2009 £'000	Group 2009 £'000
Revenue	2,349	1,628	3,526	7,503
Segmental result (EBITDAE)	60	163	425	648
Depreciation charge	(15)	(14)	(107)	(136)
Group costs				(136)
Interest expenses				(91)
Profit before taxation				285
Taxation				(62)
Profit for the period				223

Unaudited 6 months to 30 June 2008

	Davies Odell 2008 £'000	Friedman's 2008 £'000	Sunline 2008 £'000	Group 2008 £'000
Revenue	2,734	1,646	3,760	8,140
Segmental result (EBITDAE)	230	135	538	903
Depreciation charge	(23)	(17)	(78)	(118)
Group costs				(174)
Interest expenses				(125)
Profit before taxation				486
Taxation				(86)
Profit for the period				400

Notes to the Financial Information continued

1. Segmental analysis
continued

ii) Assets and liabilities by segment

Unaudited as at 30 June

	Segment assets		Segment liabilities		Segment net assets	
	2009	2008	**2009**	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
CEPS Group	**110**	133	**(43)**	(72)	**67**	61
Davies Odell	**1,906**	2,014	**(862)**	(1,028)	**1,044**	986
Friedman's	**2,932**	3,054	**(1,580)**	(2,062)	**1,352**	992
Sunline	**6,167**	5,759	**(3,269)**	(3,033)	**2,898**	2,726
Total – Group	**11,115**	10,960	**(5,754)**	(6,195)	**5,361**	4,765

2. Earnings per share

Basic earnings per share is calculated on the profit after taxation for the period attributable to equity holders of the Company of £178,000 (2008: £345,000) and on 8,314,308 (2008: 8,314,233) ordinary shares, being the weighted number in issue during the period.

Diluted earnings per share is calculated on the weighted number of ordinary shares in issue adjusted to reflect the potential effect of the exercise of share warrants. No adjustment is required in either period because the fair value of warrants was below the exercise price.

3. Net debt and gearing

Gearing ratios at 30 June 2009 and 31 December 2008 are as follows:

	30 June 2009 £'000	31 December 2008 £'000
Total borrowings	**2,843**	3,585
Less: cash and cash equivalents	**(784)**	(665)
Net debt	**2,059**	2,920
Total equity	**5,361**	5,138
Gearing ratio	**38%**	57%

4. 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 Richard Organ, a non-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.

Group Information

Directors	P G Cook, Group Managing D A Horner, Non-executive G C Martin FCA, Financial R T Organ BA(Hons) FRSA, Non-executive Chairman
Secretary and registered office	G C Martin FCA 11 George Street, Bath BA1 2EH Company number 507461 www.cepsplc.com
Operating locations	Davies Odell Ltd Portland Road, Rushden, Northants NN10 0DJ telephone 01933 410818, fax 01933 315976 email info@daviesodell.co.uk; www.forcefieldbodyarmour.com and Beatrice Road, Kettering, Northants NN16 9QS telephone 01536 513456, fax 01536 310080 email info@davieskett.co.uk; www.equimat.co.uk Friedman's Ltd Sunaco House, Unit 2, Bletchley Road, Stockport SK4 3EF telephone 0161 975 9002, fax 0161 975 9003 email sales@friedmans.co.uk; www.friedmans.co.uk; www.funkifabrics.com Sunline Direct Mail Ltd Cotton Way, Weldon Road Industrial Estate, Loughborough LE11 5FJ telephone 01509 263434, fax 01509 264225 email enquiries@sunlinedirect.co.uk; www.sunlinesolutions.com
Registrars and share transfer office	Capita Registrars Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA telephone 0871 664 0300 – calls cost 10p per minute plus network extras
Share price information	The day-to-day movement of the share price on the London Stock Exchange can be found on the Company website and at www.londonstockexchange.com (code CEPS)
Auditors	PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors 31 Great George Street, Bristol BS1 5QD
Solicitors	Berwin Leighton Paisner LLP Adelaide House, London Bridge, London EC4R 9HA
Nominated adviser and broker	Astaire Securities plc 30 Old Broad Street, London EC2N 1HT telephone 020 7448 4400, fax 020 7448 4411