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2012

Half-Yearly Report to Shareholders

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Contents

Chairman's Statement

Review of the period

The first half performance of the Group is welcome in trading conditions little changed from the previous twelve months. None of the external fundamentals have helped, with input price inflation only slowing gently, the UK in a second recession and the Eurozone in an austerity-driven crisis.

Group revenue fell marginally to £7.8m (2011: £7.9m) with gross profit rising by 13% to £915,000 (2011: £811,000) and Group costs very slightly below last year. Profit before non-controlling interests and tax has risen from £85,000 to £222,000. All the trading companies have performed at, or above, their budgets, with Friedman's particularly excelling.

After finance costs and provision for taxation, the profit for the period was £183,000 (2011: £54,000) representing a significant improvement on the first half of the previous year. Earnings per share was 1.15p on a fully diluted basis, well above the position at 30 June 2011 (0.11p).

Financial review

As reported in the 2011 Report & Accounts, the Company acquired in April 2012 a 21.4% shareholding for £500,000 in a new company set up to acquire 100% of CEM Group Limited and its subsidiary CEM Press Limited. The Company financed its acquisition by the placing of 2,500,000 new ordinary shares at 20p per share. CEM Press was founded 40 years ago and manufactures and distributes the sample books used in marketing and sale of household fabrics and wall coverings. The Board considers this investment to be complementary to the Group's other investments in its subsidiary companies.

In addition to the profit improvement, significant debt reduction has been achieved in the first six months of the year. During this period, net debt has been reduced to £1.8m (2011: £2.4m) and gearing to 27% (2011: 41%).

Despite the increase in profit, cash generated from operations in the first half of 2012 was below that for the previous comparative period at £355,000 (2011: £508,000) due to changes in the working capital mix. After net capital expenditure of £33,000 (2011: £50,000), the repayment of the capital element of finance leases of £89,000 (2011: £81,000) and interest charges of £82,000 (2011: £77,000), cash and cash equivalents increased by £156,000 (2011: decreased by £193,000).

Operational review

1. Davies Odell

The team at Davies Odell has continued to execute effectively its clear plan for the year, which is to develop all areas of the business. *Forcefield* sales have grown strongly on the back of a continually expanding dealer network and good repeat orders. Overall shoe repair and component sales are ahead of budget with an 8.1% increase. Matting sales are close to last year's levels, though we are in the process of sifting out unprofitable business following a managerial reorganisation. Total sales are up 8.5% on the first half of 2011 at £2.98m (2011: £2.75m) and the segmental EBITDA has improved.

2. Friedman's

Friedman's has capitalised thoroughly on the distinctive product and service package its second digital printer and supporting Apple-based design capability have given the company. Export orders are up strongly and, with the weakening of the Euro, input prices have eased. Sales are 10.3% above the previous year with an enhanced margin.

3. Sunline

Sunline has had a steady start to 2012. Sales prices and margins have continued to fall year-on-year, whilst the business has had to process much higher volumes of work at lower prices. The overall financial performance in the first half was in line with our budgeted expectation, and the recruitment of a new operations director in April 2012 is already making a positive contribution.

4. CEM Press

The current period is the first in which the Group has included its investment in CEM Press within its results. Since the acquisition in April 2012, the company has performed in line with expectations and is forecast to do so in the second half.

Chairman's Statement continued

Dividend

Debt reduction continues to remain the priority for the Group and a dividend is not proposed at this stage.

Prospects

Whilst there are many attractive-looking transactions that are being reviewed by the Board, discussions are taking much longer as vendors are having to recognise lower valuations.

As I indicated in my opening remarks, the first half result was pleasing and was better than budget, but I remain necessarily cautious about our trading prospects for the full year.

Richard Organ
Chairman
17 September 2012

Consolidated Statement of Comprehensive Income

	Unaudited 6 months to 30 June 2012 £'000	Unaudited 6 months to 30 June 2011 £'000	Audited 12 months to 31 December 2011 £'000
Revenue	7,811	7,853	15,628
Cost of sales	(6,896)	(7,042)	(14,335)
Gross profit	915	811	1,293
Net operating expenses	(621)	(649)	(1,082)
Operating profit	294	162	211
Analysis of operating profit			
Trading	450	321	579
Exceptional costs	–	–	(65)
Group costs	(156)	(159)	(303)
	294	162	211
Finance costs	(82)	(77)	(121)
Share of profit of associate	10	–	–
Profit on ordinary activities before tax	222	85	90
Taxation on profit on ordinary activities	(39)	(31)	–
Profit on ordinary activities after tax	183	54	90
Other comprehensive income			
Actuarial loss on defined benefit pension plans	–	–	(97)
Other comprehensive loss for the period, net of tax	–	–	(97)
Total comprehensive income/(loss) for the period	183	54	(7)
Profit attributable to:			
Owners of the parent	110	9	17
Non-controlling interest	73	45	73
	183	54	90
Total comprehensive income/(loss) attributable to:			
Owners of the parent	110	9	(80)
Non-controlling interest	73	45	73
	183	54	(7)
Earnings per share			
– basic and diluted	1.15p	0.11p	0.20p

Consolidated Balance Sheet

		Unaudited as at 30 June 2012 £'000	Unaudited as at 30 June 2011 £'000	Audited as at 31 December 2011 £'000
Assets	Non-current assets			
	Property, plant and equipment	1,090	1,303	1,172
	Intangible fixed assets	4,737	4,728	4,742
	Investment in associate	510	–	–
	Deferred tax asset	529	582	529
		6,866	6,613	6,443
	Current assets			
	Inventories	1,833	2,078	1,908
	Trade and other receivables	2,469	2,652	2,342
	Cash and cash equivalents	193	81	157
		4,495	4,811	4,407
	Total assets	11,361	11,424	10,850
Equity	Capital and reserves attributable to owners of the parent			
	Called up share capital	541	416	416
	Share premium	3,114	2,756	2,756
	Retained earnings	2,315	2,294	2,205
		5,970	5,466	5,377
	Non-controlling interest	591	490	518
	Total equity	6,561	5,956	5,895
Liabilities	Non-current liabilities			
	Borrowings	441	595	524
	Deferred tax liability	106	171	106
	Provisions for liabilities and charges	55	55	55
		602	821	685
	Current liabilities			
	Borrowings	1,540	1,914	1,839
	Trade and other payables	2,491	2,551	2,280
	Current tax liabilities	73	76	12
	Provisions for liabilities and charges	94	106	139
		4,198	4,647	4,270
	Total liabilities	4,800	5,468	4,955
	Total equity and liabilities	11,361	11,424	10,850

Consolidated Statement of Cashflows

	Unaudited 6 months to 30 June 2012 £'000	Unaudited 6 months to 30 June 2011 £'000	Audited 12 months to 31 December 2011 £'000
Cash flows from operating activities			
Cash generated from operations	355	508	939
Tax received/(paid)	22	7	(38)
Interest paid	(82)	(77)	(146)
Net cash generated from operations	295	438	755
Cash flows from investing activities			
Purchase of property, plant and equipment	(33)	(125)	(130)
Investment in associate	(500)	–	–
Disposal of property, plant and equipment	–	75	19
Net cash used in investing activities	(533)	(50)	(111)
Cash flows from financing activities			
Proceeds from placing net of related costs	483	–	–
Repayment of bank loans	–	(500)	(500)
Repayment of capital element of finance leases	(89)	(81)	(219)
Net cash generated from/(used in) financing activities	394	(581)	(719)
Net increase/(decrease) in cash and cash equivalents	156	(193)	(75)
Cash and cash equivalents at the beginning of the period	(317)	(242)	(242)
Cash and cash equivalents at the end of the period	(161)	(435)	(317)
Cash generated from operations			
The reconciliation of operating profit to cash flows from operating activities is as follows:			
Profit before income tax	222	85	90
Adjustments for:			
Depreciation and amortisation	119	126	260
Profit of associate	(10)	–	–
Profit on disposal of property, plant and equipment	–	–	43
Net finance costs	82	77	121
Difference between pension charge and cash contribution	(35)	(35)	(72)
Operating profit before changes in working capital and provisions	378	253	442
Decrease/(increase) in inventories	75	(85)	85
(Increase)/decrease in trade and other receivables	(128)	52	362
Increase in trade and other payables, including trade receivables backed working capital facilities	75	449	146
Decrease in provisions	(45)	(161)	(96)
Cash generated from operations	355	508	939
Cash and cash equivalents			
Cash at bank and in hand	193	81	157
Bank overdrafts repayable on demand	(354)	(516)	(474)
	(161)	(435)	(317)

Consolidated Statement of Changes in Shareholders' 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 2011 (audited)	416	2,756	2,285	5,457	445	5,902
Profit for the period	–	–	9	9	45	54
Total comprehensive income for the period	–	–	9	9	45	54
At 30 June 2011 (unaudited)	416	2,756	2,294	5,466	490	5,956
Actuarial loss	–	–	(97)	(97)	–	(97)
Profit for the period	–	–	8	8	28	36
Total comprehensive income for the period	–	–	(89)	(89)	28	(61)
At 31 December 2011 (audited)	416	2,756	2,205	5,377	518	5,895
Profit for the period	–	–	110	110	73	183
Total comprehensive income for the period	–	–	110	110	73	183
Placing	125	358	–	483	–	483
At 30 June 2012 (unaudited)	541	3,114	2,315	5,970	591	6,561

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 17 September 2012.

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 2011 were approved by the Board of directors on 6 June 2012 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 2012 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 2011, 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 2011, 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.

Principal risks and uncertainties

The Group set out in its 2011 Report & Accounts the principal risks and uncertainties that could impact on its performance; these remain unchanged since the Annual Report was published. The main area of potential risk and uncertainty over the remainder of the financial year centres on the sales and profit impact from the economic conditions and fluctuations in foreign exchange rates. For further consideration see the *Operational Review* in the Chairman's Statement.

Certain statements within this report are forward looking. The expectations reflected in these statements are considered reasonable. However, no assurance can be given that they are correct. As these statements involve risks and uncertainties the actual results may differ materially from those expressed or implied by these statements.

Notes to the Financial Information continued

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:
– 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. Of the £7,811,000 revenue, £6,506,000 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.

i) Results by segment

Unaudited 6 months to 30 June 2012

	Davies Odell £'000	Friedman's £'000	Sunline £'000	Group £'000
Revenue	2,980	1,944	2,887	7,811
Segmental result (EBITDA)	120	260	189	569
Depreciation and amortisation charge	(21)	(18)	(80)	(119)
Group costs				(156)
Finance costs				(82)
Share of profit of associate				10
Profit before taxation				222
Taxation				(39)
Profit for the period				183

Unaudited 6 months to 30 June 2011

	Davies Odell £'000	Friedman's £'000	Sunline £'000	Group £'000
Revenue	2,748	1,762	3,343	7,853
Segmental result (EBITDA)	24	154	270	448
Depreciation and amortisation charge	(20)	(17)	(90)	(127)
Group costs				(159)
Finance costs				(77)
Profit before taxation				85
Taxation				(31)
Profit for the period				54

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	
	2012	2011	**2012**	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
CEPS Group	**635**	112	**(76)**	(64)	**559**	48
Davies Odell	**2,329**	2,720	**(991)**	(1,395)	**1,338**	1,325
Friedman's	**3,169**	3,120	**(1,496)**	(1,522)	**1,673**	1,598
Sunline	**5,228**	5,472	**(2,237)**	(2,487)	**2,991**	2,985
Total – Group	**11,361**	11,424	**(4,800)**	(5,468)	**6,561**	5,956

3. 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 £110,000 (2011: £9,000) and on 9,536,837 (2011: 8,314,310) 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 options. No adjustment was required in the prior period because the fair value of the options was below the exercise price. No adjustment is required in the current period because all of the options have since lapsed.

4. Net debt and gearing

Gearing ratios at 30 June 2012, 30 June 2011 and 31 December 2011 are as follows:

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Total borrowings	**1,981**	2,509	2,363
Less: cash and cash equivalents	**(193)**	(81)	(157)
Net debt	**1,788**	2,428	2,206
Total equity	**6,561**	5,956	5,895
Gearing ratio	**27%**	41%	37%

5. 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:

	Davies Odell Limited £'000	Sunline Direct Mail Limited £'000	Signature Fabrics Limited £'000
Receipt of preference share dividend			
2012	**–**	**39**	**–**
2011	–	39	–
Receipt of loan note interest			
2012	**–**	**63**	**18**
2011	–	63	18
Receipt of management charge income			
2012	**–**	**8**	**6**
2011	–	8	6

Notes to the Financial Information continued

6. Purchase of associate

The Company acquired in April 2012 a 21.4% shareholding for £500,000 in a new company set up to acquire 100% of CEM Group Limited and its subsidiary CEM Press Limited. The Company financed its acquisition by the placing of 2,500,000 new ordinary shares at 20p per share. At this time the assessment of the fair values of the associate's assets and liabilities is on-going and, therefore, the amounts disclosed in the Half-Yearly Report to Shareholders remain provisional.

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 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.

Statement of Directors' Responsibility

The directors confirm that, to the best of their knowledge, these condensed consolidated interim 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 a description of the principal risks and uncertainties for the remaining six months of the financial year; 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

P G Cook
Group Managing Director
17 September 2012