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2013

Half-Yearly Report to Shareholders

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Contents

Chairman's Statement

Review of the period

The first half performance from our companies has been steady compared with the first half of last year. Trading conditions have only improved slightly in our key markets, with both the Eurozone and the UK narrowly avoiding further recessionary periods. A number of important steps have been taken over the last twelve months which should leave the Group's trading companies better able to compete in today's challenging market conditions.

Group revenue at £7.8m (2012: £7.8m) was flat, but operating profit fell 21.1% to £232,000 (2012: £294,000) thanks to slightly reduced margins and one-off Group costs associated with the share consolidation which was completed in June 2013. Friedman's has continued to perform well, with a welcome improvement in both the visible and underlying performance at Sunline. Davies Odell continues to deliver sales growth in its strategically important markets, but profitability is disappointing.

The picture, after finance costs and provision for taxation, follows a similar pattern, with profit at £133,000 (2012: £183,000) and finance charges down by £13,000. Earnings per share was 1.00p, down on the 2.31p (restated for the effect of the share consolidation) achieved in the first half of 2012.

Financial review

On 10 June 2013 shareholder approval was given for the reorganisation of the Company's share capital. As a result, the number of shareholders was reduced from 1,051 to a more manageable 185 and the nominal value of the shares was increased from 5p to 10p. The number of shares in issue has halved from 10,814,310 to 5,407,155. As detailed in the circular dated 8 May 2013, a small amount was donated to charities selected by the directors.

During the period under review, Signature Fabrics, the parent company of Friedman's, declared a dividend of £100,000, £55,000 of which was paid to CEPS. The dividend was made possible by the strong performance of Friedman's in 2012 and this has continued in the first half of 2013.

Net debt has increased marginally in the first six months of the year from £1.8m to £1.9m and gearing from 48% to 50%. This was due to a greater reliance on short-term funding to finance working capital requirements, which is quite normal at this time of year.

Cash generated from operations amounted to £245,000 (2012: £355,000). After tax received of £18,000 (2012: £22,000), interest paid of £69,000 (2012: £82,000), capital expenditure of £41,000 (2012: £33,000), the dividend paid by Signature Fabrics to the non-controlling interest of £45,000 (2012: £nil) and the repayment of the capital element of finance leases of £67,000 (2012: £89,000), cash and cash equivalents increased by £41,000 (2012: £156,000).

Operational review

1. Davies Odell

The results from Davies Odell in the first half of this year are best characterised as mixed. Sales in the key business areas of shoe components and *Forcefield* body armour have continued to grow steadily with a 6.5% and 7.2% sales increase respectively. In both sectors, the weakness of Sterling against both the US Dollar and the Euro has seen margins further eroded, with gross profit levels only very slightly increased.

Our new sales arrangements on shoe components will give more focus to our brands and our considerable capabilities over the coming months. *Forcefield* sales continue to grow strongly in some of our key target markets (the USA, Russia and China) and a large range of new products is ready for launch this autumn. Overall sales at Davies Odell are down 4.7% at £2.84m (2012: £2.98m), entirely as a result of a large reduction in the sales of cow matting.

2. Friedman's

This business continues to perform strongly. Sales for the first half were up 3.0% against healthy numbers from the previous year, with margins slightly reduced by a weaker currency. The benefits of the digital printing capability have flowed strongly to the bottom line and a third printer has been ordered for delivery this autumn.

Chairman's Statement continued

3. Sunline

Trading performance faltered badly in the second half of 2012 and it is a credit to the management that they have taken some difficult decisions, including a reduction in the headcount and revised operating practices, with a view to restoring the business's profitability. In this first half, sales are up by 3.2% on the first half of 2012, but more importantly segmental EBITDA is up by 14.8%. At the heart of this has been great determination to control labour costs and increase efficiency, in a marketplace where margins are unlikely to return to historic levels. Efforts to evaluate complementary service offerings continue apace, where our skills and experience should enable the delivery of both new revenue streams and improved margins.

4. CEM Press

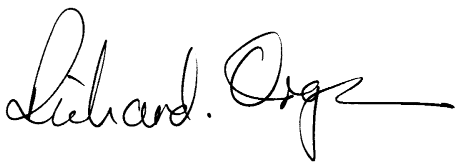
Although sales were in line with budget at £1.6m for the first half of 2013, the pricing problems that materialised in the latter part of 2012, due to the introduction of increased production capacity by a competitor and associated price cutting, have continued to affect the company's performance in the first six months of the year. These financial statements include our share of post-tax profits of £9,000 (2012: £10,000).

Dividend

The Group continues to pursue debt reduction and a dividend is not proposed at this stage.

Prospects

Given the lacklustre pace of recovery from the great crash of 2007/8, UK and European markets are unlikely to offer much in the way of consumer spending growth. For this reason, improved performance is very much in our own hands. I am confident that actions, outlined above, already implemented at both Sunline and Davies Odell will gradually bear fruit over the next twelve months and that prospects for the Group are much improved when compared to the same time last year.



Richard Organ
Chairman
16 September 2013

Consolidated Statement of Comprehensive Income

	Unaudited 6 months to 30 June 2013 £'000	Unaudited 6 months to 30 June 2012 £'000	Audited 12 months to 31 December 2012 £'000
Revenue	7,823	7,811	15,068
Cost of sales	(6,909)	(6,896)	(13,574)
Gross profit	914	915	1,494
Net operating expenses	(682)	(621)	(3,761)
Operating profit	232	294	(2,267)
Analysis of operating profit			
Trading	405	450	546
Exceptional costs	–	–	(2,500)
Group costs	(173)	(156)	(313)
	232	294	2,267
Finance income	–	–	3
Finance costs	(69)	(82)	(137)
Share of profit of associate	9	10	18
Profit/(loss) before tax	172	222	(2,383)
Taxation	(39)	(39)	(98)
Profit/(loss) for the period from continuing operations	133	183	(2,481)
Other comprehensive income			
Actuarial loss on defined benefit pension plans	–	–	(83)
Other comprehensive loss for the period, net of tax	–	–	(83)
Total comprehensive income/(loss) for the period	133	183	(2,564)
Profit/(loss) attributable to:			
Owners of the parent	54	110	(2,054)
Non-controlling interest	79	73	(427)
	133	183	(2,481)
Total comprehensive income/(loss) attributable to:			
Owners of the parent	54	110	(2,137)
Non-controlling interest	79	73	(427)
	133	183	(2,564)
Earnings per share			
– basic and diluted (restated for prior periods – see note 3)	1.00p	2.31p	(40.36)p

Consolidated Balance Sheet

		Unaudited as at 30 June 2013 £'000	Unaudited as at 30 June 2012 £'000	Audited as at 31 December 2012 £'000
Assets	Non-current assets			
	Property, plant and equipment	971	1,090	1,048
	Intangible fixed assets	2,245	4,737	2,232
	Investment in associate	527	510	518
	Deferred tax asset	505	529	505
		4,248	6,866	4,303
	Current assets			
	Inventories	1,690	1,833	1,944
	Trade and other receivables	2,874	2,469	2,235
	Cash and cash equivalents (excluding bank overdrafts)	177	193	56
		4,741	4,495	4,235
	Total assets	8,989	11,361	8,538
Equity	Capital and reserves attributable to owners of the parent			
	Called up share capital	541	541	541
	Share premium	3,114	3,114	3,114
	Retained earnings	122	2,315	68
		3,777	5,970	3,723
	Non-controlling interest in equity	125	591	91
	Total equity	3,902	6,561	3,814
Liabilities	Non-current liabilities			
	Borrowings	407	441	435
	Deferred tax liability	80	106	80
	Provisions for liabilities and charges	55	55	55
		542	602	570
	Current liabilities			
	Borrowings	1,702	1,540	1,433
	Trade and other payables	2,671	2,491	2,604
	Current tax liabilities	158	73	101
	Provisions for liabilities and charges	14	94	16
		4,545	4,198	4,154
	Total liabilities	5,087	4,800	4,724
	Total equity and liabilities	8,989	11,361	8,538

Consolidated Statement of Cashflows

	Unaudited 6 months to 30 June 2013 £'000	Unaudited 6 months to 30 June 2012 £'000	Audited 12 months to 31 December 2012 £'000
Cash flows from operating activities			
Cash generated from operations	245	355	443
Tax received/(paid)	18	22	(11)
Interest paid	(69)	(82)	(137)
Net cash generated from operations	194	295	295
Cash flows from investing activities			
Purchase of property, plant and equipment	(41)	(33)	(35)
Investment in associate	–	(500)	(500)
Disposal of property, plant and equipment	–	–	8
Net cash used in investing activities	(41)	(533)	(527)
Cash flows from financing activities			
Proceeds from placing net of related costs	–	483	483
Dividend paid to non-controlling interest	(45)	–	–
Repayment of capital element of finance leases	(67)	(89)	(243)
Net cash (used in)/generated from financing activities	(112)	394	240
Net increase in cash and cash equivalents	41	156	8
Cash and cash equivalents at the beginning of the period	(309)	(317)	(317)
Cash and cash equivalents at the end of the period	(268)	(161)	(309)
Cash generated from operations			
The reconciliation of operating profit/(loss) to cash flows from operating activities is as follows:			
Profit/(loss) before income tax	172	222	(2,383)
Adjustments for:			
Depreciation and amortisation	105	119	231
Impairment of goodwill	–	–	2,500
Profit of associate	(9)	(10)	(18)
Loss on disposal of property, plant and equipment	–	–	7
Net finance costs	69	82	134
Retirement benefit obligations	(35)	(35)	(80)
Operating profit before changes in working capital and provisions	302	378	391
Decrease/(increase) in inventories	254	75	(36)
(Increase)/decrease in trade and other receivables	(639)	(128)	107
Increase in trade and other payables, including trade receivables backed working capital facilities	330	75	104
Decrease in provisions	(2)	(45)	(123)
Cash generated from operations	245	355	443
Cash and cash equivalents			
Cash at bank and in hand	177	193	56
Bank overdrafts repayable on demand	(445)	(354)	(365)
	(268)	(161)	(309)

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 2012 (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
Proceeds from shares issued	125	375	–	500	–	500
Cost of share issues	–	(17)	–	(17)	–	(17)
Total contribution by owners of the parent recognised in equity	125	358	–	483	–	483
At 30 June 2012 (unaudited)	541	3,114	2,315	5,970	591	6,561
Actuarial loss	–	–	(83)	(83)	–	(83)
Loss for the period	–	–	(2,164)	(2,164)	(500)	(2,664)
Total comprehensive loss for the period	–	–	(2,247)	(2,247)	(500)	(2,747)
At 31 December 2012 (audited)	541	3,114	68	3,723	91	3,814
Profit for the period	–	–	54	54	79	133
Total comprehensive income for the period	–	–	54	54	79	133
Dividend paid to non-controlling interest	–	–	–	–	(45)	(45)
Total distributions recognised directly in equity	–	–	–	–	(45)	(45)
At 30 June 2013 (unaudited)	541	3,114	122	3,777	125	3,902

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 16 September 2013.

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 2012 were approved by the Board of directors on 24 April 2013 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 2013 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 2012, 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 2012, 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 2012 Report & Accounts the principal risks and uncertainties that could impact on its performance; these remain unchanged since the 2012 Report & Accounts 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 £7,823,000 revenue, £6,646,000 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 2013

	Davies Odell £'000	Friedman's £'000	Sunline £'000	Group £'000
Revenue	2,841	2,002	2,980	7,823
Segmental result (EBITDA)	54	239	217	510
Depreciation and amortisation charge	(21)	(14)	(70)	(105)
Group costs				(173)
Finance costs				(69)
Share of profit of associate				9
Profit before taxation				172
Taxation				(39)
Profit for the period				133

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

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	
	2013	2012	**2013**	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
CEPS Group	**668**	635	**(95)**	(76)	**573**	559
Davies Odell	**2,511**	2,329	**(1,274)**	(991)	**1,237**	1,338
Friedman's	**3,010**	3,169	**(1,338)**	(1,496)	**1,672**	1,673
Sunline	**2,800**	5,228	**(2,380)**	(2,237)	**420**	2,991
Total – Group	**8,989**	11,361	**(5,087)**	(4,800)	**3,902**	6,561

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 £54,000 (2012: £110,000) and on 5,407,155 (2012: restated 4,768,419) ordinary shares, being the weighted number in issue during the period. The comparative number has been restated as a result of the share consolidation exercise undertaken in the period, further details of which are given in note 6.

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 is required in either period because all of the options have lapsed.

4. Net debt and gearing

Gearing ratios at 30 June 2013, 30 June 2012 and 31 December 2012 are as follows:

	Unaudited 30 June 2013 £'000	Unaudited 30 June 2012 £'000 re-presented	Unaudited 30 June 2012 £'000	Audited 31 December 2012 £'000
Total borrowings	**2,109**	1,981	1,981	1,868
Less: cash and cash equivalents	**(177)**	(193)	(193)	(56)
Net debt	**1,932**	1,788	1,788	1,812
Total equity	**3,902**	4,061	6,561	3,814
Gearing ratio	**50%**	44%	27%	48%

The re-presented column for 30 June 2012 reflects the impact of exceptional charges sustained in the second half of 2012 and has been provided to give a more reasonable basis for comparison with the 2013 position.

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 (Holdings) Limited £'000	Signature Fabrics Limited £'000
Receipt of preference share dividend			
2013	**–**	**39**	**–**
2012	–	39	–
Receipt of loan note interest			
2013	**–**	**63**	**10**
2012	–	63	18
Receipt of management charge income			
2013	**–**	**8**	**6**
2012	–	8	6

Notes to the Financial Information continued

6. Consolidation of ordinary shares

Pursuant to the resolutions passed at the General Meeting held on 10 June 2013 and as detailed in the circular sent to shareholders on 8 May 2013, with effect from 8.00 am on 11 June 2013, the Company's share capital comprised 5,407,155 ordinary shares of 10 pence each under the ISIN GB00B86TNX04.

7. Contingent liability

Further to note 28 in the 2012 Report & Accounts there has been no change to this matter.

8. 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
16 September 2013