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2016

Half-Yearly Report to Shareholders

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Chairman's Statement

The period we are reporting on is the six months prior to the Referendum on membership of the European Union. Apart from an increase in the costs of some products bought in Dollars and Euros, there has been no discernible impact, at this stage, from the resulting vote to leave the European Union. In fact, in common with many UK orientated businesses, we would not expect that an eventual exit from the European Union will have a material impact on our subsidiaries.

Considerable effort is ongoing across all companies in the Group to improve efficiency of production and selling capability. Sadly, this has led to a number of people having to leave the Group as we seek to improve capability in all aspects of all companies.

Unsurprisingly, we have also been looking at further core acquisitions and a number of "bolt-on" transactions to be integrated into existing subsidiaries. Whilst we have nothing to report at the moment, we would be disappointed if we were unable to deliver a further acquisition in the next six months.

Review of the period

The most significant event of this period was Hickton Consultants Limited ("Hickton") joining the CEPS Group of companies at the end of January. Hickton supplies "clerk of works" services to the construction industry. The usual CEPS structure was employed using a new company funded by CEPS, external investors and Tony Mobbs, the Managing Director, to acquire the business from the retiring shareholders. CEPS acquired 55% of the equity and funded this investment with a one year loan.

As ever, with a small but growing group of companies, not all businesses perform exactly as we expect. However, taking the Group as a whole we are pleased with the overall direction of travel.

Financial review

The first six months of the year include a maiden contribution from Hickton from February 2016 and full consolidation of CEM Press, which explains the sales increase of 29% from £9.2m to £11.9m. The overall change is actually made up of a reduction in sales at Davies Odell and increases for Sunline, Friedman's and Aford Awards.

Gross profit has risen by 82% to £2.28m and Group costs have risen because of the arrangement fee associated with the loan taken on to buy Hickton. This increase in net debt from £1.7m last year to £2.7m at 30 June 2016 is also reflected in the increased finance charge. Operating profit has increased marginally to £421,000. However, this is struck after the costs of the Hickton acquisition of £126,000 have also been deducted. These costs are capitalised in the subsidiary holding company, but have to be written off at the CEPS Group level.

Of course, the impact of the fundraising from last year, when the share capital was increased, has also had a major impact on the earnings per share which were 0.09p per share at 30 June 2016 compared to 1.76p at 30 June 2015.

Gearing is 53%, an increase from 31% at the comparable period last year reflecting the loan taken on to acquire Hickton.

Operational review

1. Aford Awards

Aford Awards has performed in line with expectations and is continuing to repay the Vendor Loan Notes. The company has reconfigured its production facility and showroom, thereby improving its production and selling capability. It operates in 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 are taking time to be evidenced in the company's results. However, we believe it is moving in the right direction and are hopeful that all of the hard work will produce better results for the balance of this year and that they will be a solid contributor next year.

Chairman's Statement continued

3. Davies Odell

Davies Odell has continued to struggle in a very competitive marketplace and is now facing currency headwinds as a result of the recent decline in Sterling against the Dollar and Euro. The company has reconfigured its production units and is developing products to compete more effectively in the UK market.

4. Friedman's

Friedman's has achieved another good result and is continuing to produce significant cash and dividends. This is a very successful company and the management is committed to further expansion and development over the next few years.

5. Hickton Consultants

Hickton, a supplier of "clerk of works" services to the construction industry, was acquired by CEPS and the management team with other investors at the end of January 2016. CEPS acquired 55% of the company established to effect the acquisition. We are very pleased with the progress that has been made in this brief period of ownership. This is another sector which is populated by a large number of small enterprises and, over time, we would expect Hickton to be a catalyst for consolidation.

6. Sunline

Whilst the results for this period are behind budget, we are very encouraged by the rapid progress of the "pick, pack and dispatch" business and the newly set-up marketing services business. We expect both of these divisions to reduce their losses in the second six months of the year and to move into profit next year. As these develop and become more significant they will provide a strong base of recurring profits on which to develop Sunline in the future.

The original business continues to seek efficiencies to ensure that it is the lowest cost producer in a very competitive marketplace. The collapse of Polestar, a very large printing company, has produced a welcome addition to business albeit placing additional pressure on the business at very busy times.

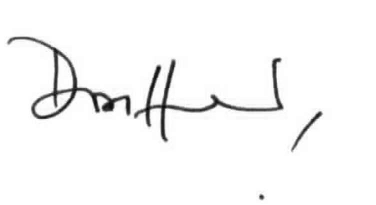
Dividend

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

Prospects

The Group is continuing to make progress with considerable investment and effort being expended in each subsidiary to set them up for improved performance in the future.

We are optimistic about the prospective outcome for the full year and believe we can continue to progress into 2017.



David Horner
Chairman
30 September 2016

Consolidated Statement of Comprehensive Income

	Note	**Unaudited 6 months to 30 June 2016 £'000**	Unaudited 6 months to 30 June 2015 £'000	Audited 12 months to 31 December 2015 £'000
Revenue	3	**11,914**	9,202	18,229
Cost of sales		**(9,635)**	(7,950)	(15,035)
Gross profit		**2,279**	1,252	3,194
Net operating expenses		**(1,858)**	(833)	(2,708)
Operating profit		**421**	419	486
Analysis of operating profit				
Trading		**565**	533	856
Group costs	3	**(144)**	(114)	(370)
		421	419	486
Finance income		**–**	–	8
Finance costs	3	**(185)**	(140)	(121)
Loss on step acquisition		**–**	–	(138)
Share of investment accounted for using the equity method	3	**–**	16	21
Profit before tax		**236**	295	256
Taxation	3	**(111)**	(75)	(199)
Profit for the period from continuing operations		**125**	220	57
Other comprehensive loss				
Items that will not be reclassified to profit or loss				
Actuarial loss on defined benefit pension plans		**–**	–	(68)
Items that may be subsequently reclassified to profit or loss		**–**	–	–
Other comprehensive loss for the period, net of tax		**–**	–	(68)
Total comprehensive income/(loss) for the period		**125**	220	(11)
Profit/(loss) attributable to:				
Owners of the parent		**9**	96	(275)
Non-controlling interest		**116**	124	332
		125	220	57
Total comprehensive income/(loss) attributable to:				
Owners of the parent		**9**	96	(343)
Non-controlling interest		**116**	124	332
		125	220	(11)
Earnings per share attributable to owners of the parent during the year				
– basic and diluted	4	**0.09p**	1.76p	(3.65)p

The notes on pages 8 to 13 form part of the half-yearly results.

Consolidated Statement of Financial Position

		Note	Unaudited as at 30 June 2016 £'000	Unaudited as at 30 June 2015 £'000	Audited as at 31 December 2015 £'000
Assets	Non-current assets				
	Property, plant and equipment		2,046	1,871	2,122
	Intangible assets		6,016	3,281	4,652
	Investment using the equity method		–	584	–
	Deferred tax asset		440	487	440
			8,502	6,223	7,214
	Current assets				
	Inventories		2,211	1,975	2,030
	Trade and other receivables		4,302	2,986	3,155
	Cash and cash equivalents (excluding bank overdrafts)		1,115	848	854
			7,628	5,809	6,039
	Total assets	3	16,130	12,032	13,253
Equity	Capital and reserves attributable to owners of the parent				
	Called up share capital	4	957	957	957
	Share premium		3,943	3,943	3,943
	Retained earnings		(703)	(185)	(712)
			4,197	4,715	4,188
	Non-controlling interest in equity		944	777	873
	Total equity		5,141	5,492	5,061
Liabilities	Non-current liabilities				
	Borrowings	5	2,942	1,220	2,275
	Deferred tax liability		81	36	77
	Provisions for liabilities and charges		55	55	55
			3,078	1,311	2,407
	Current liabilities				
	Borrowings	5	3,811	2,092	2,319
	Trade and other payables		3,922	3,007	3,359
	Current tax liabilities		178	130	107
			7,911	5,229	5,785
	Total liabilities		10,989	6,540	8,192
	Total equity and liabilities		16,130	12,032	13,253

The notes on pages 8 to 13 form part of the half-yearly results.

Consolidated Statement of Cash Flows

	Unaudited 6 months to 30 June 2016 £'000	Unaudited 6 months to 30 June 2015 £'000	Audited 12 months to 31 December 2015 £'000
Cash flows from operating activities			
Cash (used in)/generated from operations	(103)	273	889
Income tax paid	(40)	–	(59)
Interest received	–	–	8
Interest paid	(99)	(140)	(18)
Net cash (used in)/generated from operations	(242)	133	820
Cash flows from investing activities			
Acquisition of subsidiary net of cash acquired	(1,413)	–	(267)
Purchase of property, plant and equipment	(153)	(58)	(205)
Proceeds from sale of assets	–	–	12
Purchase of intangibles	–	(12)	(35)
Disposal of property, plant and equipment	–	–	295
Net cash used in investing activities	(1,566)	(70)	(200)
Cash flows from financing activities			
Repayment of borrowings	–	(850)	(1,306)
Increase in borrowings	2,078	–	–
Dividend paid to non-controlling interest	(90)	(41)	(180)
Share issue net of costs	–	1,245	1,245
Repayment of capital element of finance leases	–	(136)	(173)
Net cash generated from/(used in) financing activities	1,988	218	(414)
Net increase in cash and cash equivalents	180	281	206
Cash and cash equivalents at the beginning of the period	111	(95)	(95)
Cash and cash equivalents at the end of the period	291	186	111
Cash (used in)/generated from operations			
Profit before income tax	236	295	256
Adjustments for:			
Depreciation and amortisation	229	202	503
Profit of associate	–	(16)	(21)
Loss on disposal on step acquisition	–	–	138
Net finance costs	185	140	113
Retirement benefit obligations	–	(30)	–
Operating profit before changes in working capital and provisions	650	591	989
(Increase)/decrease in inventories	(181)	(61)	165
Increase in trade and other receivables	(1,147)	(417)	(112)
Increase/(decrease) in trade and other payables	575	160	(93)
Decrease in provisions	–	–	(60)
Cash (used in)/generated from operations	(103)	273	889
Cash and cash equivalents			
Cash at bank and in hand	1,115	848	854
Bank overdrafts repayable on demand	(824)	(662)	(743)
	291	186	111

The notes on pages 8 to 13 form part of the half-yearly results.

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2015 (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 net of expenses	416	829	–	1,245	_	1,245
Total contributions by owners of the parent recognised in equity	416	829	–	1,245	–	1,245
Dividend paid to non-controlling interest	–	–	–	–	(41)	(41)
Total transactions recognised directly in equity	–	–	–	–	(41)	(41)
At 30 June 2015 (unaudited)	957	3,943	(185)	4,715	777	5,492
Other comprehensive income:						
Re-measurement of post employee benefit obligations	–	–	(68)	(68)	–	(68)
(Loss)/profit for the period	–	–	(371)	(371)	208	(163)
Total comprehensive (loss)/income for the period	–	–	(439)	(439)	208	(231)
Dividend paid to non-controlling interest	–	–	–	–	(139)	(139)
Total transactions recognised directly in equity	–	–	–	–	(139)	(139)
Changes in ownership interest in an associate	–	–	(88)	(88)	–	(88)
Acquisition of a subsidiary	–	–	–	–	27	27
Total changes in ownership interest that do not result in a loss of control	–	–	(88)	(88)	27	(61)
Total transactions with owners recognised directly in equity	–	–	(88)	(88)	27	(61)
At 31 December 2015 (audited)	957	3,943	(712)	4,188	873	5,061

The notes on pages 8 to 13 form part of the half-yearly results.

Consolidated Statement of Changes in Equity continued

	Share capital £'000	Share premium £'000	Retained earnings £'000	Attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
Profit for the period	–	–	9	9	116	125
Total comprehensive income for the period	–	–	9	9	116	125
Dividend paid to non-controlling interest	–	–	–	–	(90)	(90)
Total transactions recognised directly in equity	–	–	–	–	(90)	(90)
Acquisition of a subsidiary	–	–	–	–	45	45
Total changes in ownership interest that do not result in a loss of control	–	–	–	–	45	45
Total transactions with owners recognised directly in equity	–	–	–	–	45	45
At 30 June 2016 (unaudited)	957	3,943	(703)	4,197	944	5,141

The notes on pages 8 to 13 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 00507461.

The Company is listed on AIM.

This condensed consolidated half-yearly financial information was approved for issue on 30 September 2016.

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 2015 were approved by the Board of directors on 29 April 2016 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 2016 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 2015, 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 2015, 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. Business combinations

Hickton Consultants Limited

On 1 February 2016 CEPS announced that it had purchased 55% of the issued share capital of Hickton Holdings Limited, a company incorporated in 2014.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of net assets acquired was £698,000.

The goodwill of £1,365,000 arising from the acquisition is attributable to the people acquired.

The following table shows the fair value of assets and liabilities included in the consolidated Financial Statements at the date of acquisition.

	Fair Value £'000
Cash and cash equivalents	404
Property, plant and equipment	23
Trade and other receivables	680
Trade and other payables	(405)
Deferred tax liabilities	(4)
Net assets acquired	698
Consideration	2,063
Goodwill	1,365

Notes to the Financial Information continued

3. 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;
- CEM Press, a manufacturer of fabric and wallpaper pattern books, swatches and shade cards;
- Davies Odell, a manufacturer and distributor of protection equipment, matting and footwear components;
- Friedman's, a convertor and distributor of specialist Lycra;
- Hickton Consultants, an independent provider of specialist clerk of works services;
- 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 £11,914,000 revenue, £10,671,000 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 2016

	Aford Awards £'000	CEM Press £'000	Davies Odell £'000	Friedman's £'000	Hickton Consultants £'000	Sunline £'000	Group £'000
Revenue	886	1,452	2,267	2,386	1,320	3,603	11,914
Segmental result before acquisition costs	221	(1)	40	393	209	58	920
Acquisition costs	–	–	–	–	(126)	–	(126)
Segmental result (EBITDA)	221	(1)	40	393	83	58	794
Depreciation and amortisation charge	(4)	(42)	(39)	(21)	(3)	(120)	(229)
Group costs							(144)
Net finance costs							(185)
Profit before taxation							236
Taxation							(111)
Profit for the period							125

Notes to the Financial Information continued

3. Segmental analysis
continued

i) Results by segment continued

Unaudited 6 months to 30 June 2015

	Aford Awards £'000	CEM Press £'000	Davies Odell £'000	Friedman's £'000	Hickton Consultants £'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

Audited year to 31 December 2015

	Aford Awards £'000	CEM Press £'000	Davies Odell £'000	Friedman's £'000	Hickton Consultants £'000	Sunline £'000	Group £'000
Revenue	1,468	654	4,971	4,221	–	6,915	18,229
Segmental result (EBITDA)	273	(49)	(73)	925	–	204	1,280
Depreciation and amortisation charge	(9)	(22)	(63)	(56)	–	(274)	(424)
Group costs							(370)
Net finance costs							(113)
Loss on step acquisition							(138)
Share of investment accounted using the equity method							21
Profit before taxation							256
Taxation							(199)
Profit for the period							57

Notes to the Financial Information continued

3. Segmental analysis
continued

ii) Assets and liabilities by segment

Unaudited as at 30 June

	Segment assets		Segment liabilities		Segment net assets	
	2016	2015	**2016**	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
CEPS Group	**243**	1,139	**(823)**	(119)	**(580)**	1,020
Aford Awards	**1,520**	1,538	**(478)**	(648)	**1,042**	890
CEM Press	**2,540**	–	**(2,010)**	–	**530**	–
Davies Odell	**2,555**	2,639	**(1,628)**	(1,527)	**927**	1,112
Friedman's	**3,684**	3,146	**(1,199)**	(907)	**2,485**	2,239
Hickton Consultants	**2,166**	–	**(1,462)**	–	**704**	–
Sunline	**3,422**	3,570	**(3,389)**	(3,339)	**33**	231
Total – Group	**16,130**	12,032	**(10,989)**	(6,540)	**5,141**	5,492

Audited as at 31 December 2015

	Segment assets	Segment liabilities	Segment net assets
	£'000	£'000	£'000
CEPS Group	275	(178)	97
Aford Awards	1,393	(489)	904
CEM Press	2,645	(2,031)	614
Davies Odell	2,147	(1,256)	891
Friedman's	3,408	(1.031)	2,377
Hickton Consultants	–	–	–
Sunline	3,385	(3,207)	178
Total – Group	13,253	(8,192)	5,061

4. Earnings per share

Basic earnings per share is calculated on the profit after taxation for the period attributable to owners of the Company of £79,000 (2015: £96,000) and on 9,573,822 (2015: 5,452,943) 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.

5. Net debt and gearing

Gearing ratios at 30 June 2016, 30 June 2015 and 31 December 2015 are as follows:

	Unaudited 30 June 2016 £'000	**Company unaudited 30 June 2016 £'000**	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
Total borrowings	**3,813**	**690**	690	4,594
Less: cash and cash equivalents	**(1,115)**	**(111)**	(848)	(854)
Net debt	**2,698**	**579**	1,728	1,760
Total equity	**5,141**	**3,224**	5,492	5,061
Gearing ratio	**53%**	**18%**	31%	35%

In order to provide a more meaningful gearing ratio, total borrowings have been revised to be the sum of bank borrowings and third party debt, excluding loan notes used to finance the Group's acquisitions. The prior year comparatives have also been revised.

Notes to the Financial Information continued

6. Share capital

	2016 £'000	2015 £'000
Issued and fully paid:		
9,573,822 (2015: 9,573,822) shares of 10p per share	957	957

7. 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	CEM Teal Limited £'000	Davies Odell Limited £'000	Signature Fabrics Limited £'000	Hickton Holdings Limited £'000	Sunline Direct Mail (Holdings) Limited £'000
Receipt of equity share dividend						
2016	**–**	**–**	**–**	**110**	**–**	**–**
2015	–	–	–	49	–	–
For the year to 31 December 2015 (audited)	–	–	–	220	–	–
Receipt of preference share dividend						
2016	**–**	**–**	**–**	**–**	**–**	**13**
2015	–	–	–	–	–	–
For the year to 31 December 2015 (audited)	–	–	–	–	–	–
Receipt/(write-back) of loan note interest						
2016	**28**	**21**	**–**	**–**	**20**	**21**
2015	28	–	–	–	–	21
For the year to 31 December 2015 (audited)	56	10	–	–	–	(298)
Receipt of management charge income						
2016	**10**	**–**	**8**	**15**	**5**	**8**
2015	10	–	8	15	–	8
For the year to 31 December 2015 (audited)	20	–	15	30	–	15
Amount owed to the Company						
30 June 2016	**700**	**592**	**137**	**9**	**615**	**1,416**
30 June 2015	700	–	4	9	–	1,220
31 December 2015 (audited)	700	567	74	–	–	892

Notes to the Financial Information continued

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 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.

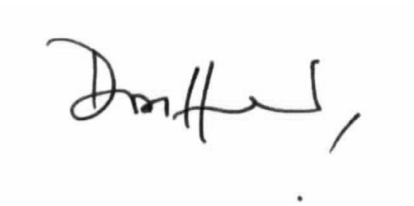
Statement of Directors' Responsibility

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
30 September 2016