

CEPS PLC

Interim results for the six months ended 30 June 2006

Chairman's Statement

Overview:

In the six months to 30 June 2006 the Group has seen profit levels very much in line with the first half of the previous year. Turnover has risen steadily, but margins have come under pressure, both from raw material costs and consumer price resistance. Steps to redress this margin erosion have been taken, which should bear fruit in the second half.

Both the main business units have completed highly satisfactory relocations to streamline their activities. I referred in the Annual Report and Accounts for 2005 to the successful Friedman's move which has enabled customers to be shown their full range of capabilities and encouraged further turnover growth.

At the end of June within Davies Odell, responsibility for all footwear related activities was transferred, along with the associated stock, to Rushden. This has enabled this business to more fully leverage its excellent customer relations in this arena, and leaves the Kettering part of the business free to concentrate on its various streams of matting business and to develop the new product opportunities it has identified.

Excellent progress has been made to reduce net debt since the 2005 year-end, with a reduction of £278,000 from £1,220,000 to £942,000. This has been achieved through steady profitability, focused capital spending and careful control of working capital.

Financial Review:

In the first half of 2006 the Group produced an operating profit slightly behind the same period last year of £113,000 (2005, £131,000). This fall can largely be attributed to a small reduction in Friedman's operating margin and additional Group costs for pensions and legal fees. After a reduction in interest payable to £52,000 (2005, £59,000) and taxation of £6,000 (2005, £nil) the profit for the period, after minority interests, was £48,000 (2005, £52,000). Earnings per share (fully diluted) were unchanged at 0.03p (2005, 0.03p).

Operational Review:

By comparison with the first half of 2005, Group sales rose by 9% to £3.53 million, but segmental profit, before Group costs, was down 4%, reflecting the narrower margins encountered, particularly at Friedman's. Overall Group costs were up by £10,000 over the previous year reflecting agreed additional contributions to the pension scheme and some further legal costs related to the hive-down of Davies Odell.

Davies Odell has had a better first half than 2005 with turnover up 5.2% and segmental profit, before group costs, up by 37% to £118,000. In the matting business emphasis has been placed on driving improved margins, notwithstanding upward pressures from raw material and energy costs. I am pleased to report margins have improved over 2005 and, with sales up by 5.0% and overheads slightly down, operating profit is ahead of the corresponding half-year in 2005.

In the footwear business first half sales are up 5.4%, with a particularly strong showing from all parts of the footwear repair sector. Here margins have been eroded slightly as a result of sharp increases in raw material prices, but steps have already been taken to mitigate the impact of these increases by immediate price increases where possible. In consequence, operating profit is unchanged from the first half of last year.

At Friedman's sales for the first half were up by 16% by comparison with the five month period of the previous year but margins have fallen by about 2 percentage points, leaving segmental profit before group costs at £92,000 (2005, £132,000). The testing trading conditions encountered in the second half of 2005 carried over into the first half of 2006. The lively new website, www.friedmans.co.uk, has been launched and will be used as a vehicle to promote the business more widely.

Dividend:

The Board is not recommending the payment of an interim dividend (2005, nil). It is nevertheless committed to returning to the dividend list, and to paying a growing dividend as part of investor's overall return from their investment.

Prospects:

The second half has started encouragingly at Davies Odell with sales levels ahead of both last year and our internal budgets. Margins remain under pressure but, with the steps taken to increase prices and mitigate costs, we expect to see an improvement in profitability during the second half of 2006.

At Friedman's the steady turnover growth continues and we expect to see an improving trend in margins as negotiated lycra material price reductions flow through and the mix of business is more heavily orientated to bespoke products. During the second half the new website will be made accessible in five further languages enabling the continued growth of European distribution.

Taken together we expect to see a significant improvement in operating profitability in the second half of 2006.

With regard to acquisitions, considerable efforts have gone into reviewing suitable investments and the Board is hopeful of bringing an opportunity to shareholders within the current year.

Richard Organ
Chairman
28 September 2006

CEPS PLC
Consolidated Profit and Loss Account
Six months ended 30 June 2006

	Unaudited 6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000	Audited 12 months to 31 December 2005 £'000
Turnover			
continuing operations	<u>3,526</u>	<u>3,230</u>	<u>6,919</u>
Operating profit	113	131	168
Analysis of operating profit			
Continuing operations, trading	210	218	380
Continuing operations, Group costs	<u>(97)</u>	<u>(87)</u>	<u>(212)</u>
Interest payable	<u>(52)</u>	<u>(59)</u>	<u>(115)</u>
Profit on ordinary activities before taxation	61	72	53
Taxation	<u>(6)</u>	<u>-</u>	<u>(6)</u>
Profit after taxation	55	72	47
Minority interests	<u>(7)</u>	<u>(20)</u>	<u>(7)</u>
Profit for the period	48	52	40
Dividends	<u>-</u>	<u>-</u>	<u>-</u>
Retained profit for the period	<u>48</u>	<u>52</u>	<u>40</u>
Earnings per share			
- basic	0.03p	0.03p	0.02 p
- diluted	<u>0.03p</u>	<u>0.03p</u>	<u>0.02 p</u>
Statement of total recognised gains and losses			
	£'000	£'000	£'000
Profit for the period	48	52	40
Actuarial loss recognised in pension scheme	-	-	(272)
Movement on deferred tax relating to pension scheme	<u>-</u>	<u>-</u>	<u>82</u>
Total recognised gains/(losses) for the period	48	52	(150)
Prior year adjustment	<u>-</u>	<u>(454)</u>	<u>(318)</u>
Total recognised profit/(losses) since last annual report	<u>48</u>	<u>(402)</u>	<u>(468)</u>

CEPS PLC
Consolidated Balance Sheet
As at 30 June 2006

	Unaudited		Audited
	As at	As at	As at
	30 June	30 June	31 December
	2006	2005	2005
	£'000	£'000	£'000
Net assets employed			
Fixed Assets			
Intangible	1,489	1,502	1,529
Tangible	<u>288</u>	<u>303</u>	<u>259</u>
	<u>1,777</u>	<u>1,805</u>	<u>1,788</u>
Current assets :			
Stocks	1,154	1,171	1,087
Debtors	1,304	1,267	1,428
Cash at bank and in hand	<u>39</u>	<u>33</u>	<u>24</u>
	<u>2,497</u>	<u>2,471</u>	<u>2,539</u>
Creditors: amounts falling due within one year	<u>(2,161)</u>	<u>(1,951)</u>	<u>(2,093)</u>
Net current assets	<u>336</u>	<u>520</u>	<u>446</u>
Total assets less current liabilities	2,113	2,325	2,234
Creditors : amounts falling due after more than one year	(745)	(997)	(878)
Provisions for liabilities and charges	<u>(36)</u>	<u>(4)</u>	<u>(42)</u>
Net assets excluding pension liability	1,332	1,324	1,314
Pension liability	<u>(435)</u>	<u>(433)</u>	<u>(471)</u>
Net assets including pension liability	<u>897</u>	<u>891</u>	<u>843</u>
Capital and reserves			
Called up share capital	178	178	178
Share premium	676	645	676
Profit and loss account	<u>(90)</u>	<u>(72)</u>	<u>(138)</u>
Total equity shareholders' funds	764	751	716
Minority interests	<u>133</u>	<u>140</u>	<u>127</u>
Capital employed	<u>897</u>	<u>891</u>	<u>843</u>

CEPS PLC
Consolidated Cash Flow Statement
Six months ended 30 June 2006

	Unaudited	Unaudited	Audited
	6 months to	6 months to	12 months to
	30 June	30 June	31 December
	2006	2005	2005
	£'000	£'000	£'000
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit	113	131	168
Depreciation and amortisation charges	91	78	170
Difference between pension charge and cash contributions	(36)	-	(53)
Increase in stocks	(67)	(147)	(63)
Decrease/(increase) in debtors	124	24	(120)
Increase/(decrease) in creditors	<u>185</u>	<u>(86)</u>	<u>36</u>
Net cash inflow from operating activities	<u>410</u>	<u>-</u>	<u>138</u>
Cash Flow Statement			
Net cash inflow from operating activities	410	-	138
Returns on investments and servicing of finance	(52)	(59)	(115)
Taxation	-	-	(68)
Capital expenditure and financial investment	(80)	(35)	(41)
Acquisition	<u>-</u>	<u>(1,563)</u>	<u>(1,599)</u>
	278	(1,657)	(1,685)
Financing	<u>(133)</u>	<u>1,288</u>	<u>1,197</u>
Increase/(decrease) in cash	<u>145</u>	<u>(369)</u>	<u>(488)</u>
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period	145	(369)	(488)
Cash decrease/(increase) from change in debt	<u>133</u>	<u>(560)</u>	<u>(438)</u>
Change in net debt	278	(929)	(926)
Net debt at 1 January	<u>(1,220)</u>	<u>(294)</u>	<u>(294)</u>
Net debt at period end	<u>(942)</u>	<u>(1,223)</u>	<u>(1,220)</u>

Notes to the Financial Statements

1. Segmental analysis

Unaudited 6 months to 30 June	Friedman's		Davies Odell		Group	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Turnover	1,374	1,184	2,152	2,046	3,526	3,230
Segmental profit/(loss) before Group costs	92	132	118	86	210	218
Group costs					(97)	(87)
Profit before interest and taxation					113	131
Interest payable					(52)	(59)
Group profit before taxation					61	72
Net assets	1,432	1,633	842	914	2,274	2,547
Pension liability					(435)	(433)
Unallocated net liabilities					(942)	(1,223)
Total net assets					897	891
Audited Year ended 31 December 2005	Friedman's £'000		Davies Odell £'000		Group £'000	
Turnover	2,410		4,509		6,919	
Segmental profit before Group costs	161		219		380	
Group costs					(212)	
Profit before interest and taxation					168	
Interest payable					(115)	
Group profit before taxation					53	
Net assets	1,517		1,017		2,534	
Pension liability					(471)	
Unallocated net liabilities					(1,220)	
Total net assets					843	

Friedman's converts and distributes specialist Lycra. The investment in Friedman's was acquired on 25 January 2005.

Davies Odell manufactures and distributes protection equipment, matting and footwear components.

2. Earnings per share

Basic earnings per share is calculated on the profit on ordinary activities after taxation and minority interests of £48,000 (2005, £52,000) and on 178,191,426 (2005, 172,451,369) 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. In 2005 diluted earnings per share is calculated on 190,299,165 ordinary shares but in 2006 no adjustment is required because the fair value of warrants was below the exercise price.

3. Reclassification of debtor backed working capital facilities

In 2005 the Group reviewed the accounting treatment of its debtor backed working capital facilities and included them within creditors. The amount of these facilities at 31 December 2005 was £416,000, at 30 June 2005 £410,000 and at 31 December 2004 £271,000. These were previously included within bank overdrafts and comparative figures have been restated.

4. Status of the financial information

The financial information has been prepared under the historical cost convention and in accordance with the accounting policies disclosed in the 2005 Report and Accounts. The information does not constitute full accounts within the meaning of the Companies Act 1985. The results for the half year to 30 June 2006 are unaudited. The abridged profit and loss account, balance sheet and cash flow statement for the year ended 31 December 2005 were extracted from the published accounts which received an unqualified audit report and which have been delivered to the Registrar of Companies.

5. Distribution of the interim report

A copy of the interim report is being circulated to shareholders. Further copies will be available to the public from the Company Secretary at the company's registered address at 11 George Street, Bath BA1 2EH or from City Financial Associates Limited, Pountney Hill House, 6 Laurence Pountney Hill, London EC4R 0BL.