chelverton
equity partners

2008

Report & Accounts

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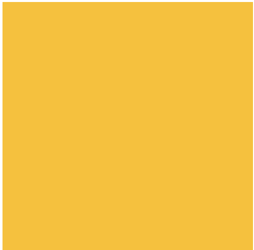

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Chairman's Statement

Highlights

- Group revenue up 9% to £16.8m (2007: £15.4m)
- Operating profit up 21.5% to £1,148,000 (2007: £945,000)
- EPS up 19% to 7.51p (2007: 6.32p)
- Bank loans and hire purchase repaid £926,000
- Gearing reduced to 57% (2007: 74%)
- Total equity increased 18% to £5.1m (2007: £4.4m)

Review of the period

The robust performance of the Group noted at the half-year has continued strongly through the second half despite the very evident turmoil in the external environment.

Revenue from the businesses involved in the sale of goods (Davies Odell and Friedman's) increased by 10.7% to £9.1m (2007: £8.2m) and their segmental profit before depreciation was £689,000 (2007: £723,000). Revenue from the rendering of services, the Sunline business, was £7.7m (2007 from February: £7.2m) and the segmental profit before depreciation was £1.1m (2007 from February: £865,000).

Overall Group revenue increased by 9% to £16.8m (2007: £15.4m) and operating profit increased by 21.5% to £1,148,000 (2007: £945,000). After finance costs and provision for taxation the profit for the period was £714,000 (2007: £586,000).

Earnings per share, basic and diluted, for the year were up almost 19% at 7.51p (2007: 6.32p).

Financial review

Cash generated from operations in the year was £1,388,000 (2007: £1,466,000) of which £926,000 (2007: £713,000) was used to repay bank loans and the capital element of hire purchase agreements. After finance costs, tax and capital expenditure, the net increase in cash for the year was £156,000 (2007: £494,000). Cash and cash equivalents at the year end were £532,000 (2007: £376,000).

Bank loans at the year end were lower than a year earlier by £686,000 at £1,571,000 (2007: £2,257,000). All of these loans were secured against the assets of subsidiary companies with no recourse to the rest of the Group (2007: £2,190,000).

Net debt, defined as total borrowings after deducting cash and cash equivalents, reduced by 10% to £2,920,000 (2007: £3,245,000) and total equity increased by 18% to £5,138,000 (2007: £4,365,000). Gearing has, in consequence, been reduced to 57% (2007: 74%).

Operational review

1. Sale of goods

Comprising Davies Odell and Friedman's, this division increased its revenue by 10.7% compared with the same period last year, but saw a small reduction in operating profit before depreciation, largely because of the impact of exchange rates at Friedman's.

Friedman's saw its revenue increase 10% and its market share grow steadily, with particular strength also in its export sales. Its profitability however has been seriously impacted by the weakness of sterling against the euro. Most of its material purchases are made in this currency and it has not been able to pass all of its material price increases on to its recession-struck UK customers.

Chairman's Statement continued

Operational review continued

Davies Odell continued the strong performance evident in the first half. Overall revenue was up 10.8% and its operating profit rose even more strongly on the back of a strong margin mix within the sales achieved. All parts of the matting business had a particularly strong year, with exceptional sales of cowmats in the Irish Republic. The Forcefield product range continued to be widened, with an increasing number of UK retail and export distributor stockists. Despite the tough retail conditions in the UK, sales were ahead of 2007 and margins improved as the product sourcing settled down.

2. Rendering of services

This division, which comprises Sunline's Polywrapping and Lettershop businesses, has continued the progress noted at the half year. After taking account that the business was only acquired in February 2007, revenue this year is broadly in line with the previous year, but profitability has improved substantially.

Within the Polywrap business, revenue was slightly up, but more importantly gross margins were well up on the previous year. The new Sitma polywrapping line was installed in the summer, and by the final quarter was beginning to operate at full efficiency, making an impact on contributions. In addition, overhead control in this business has been exemplary throughout the year.

The Lettershop business has made considerable progress in 2008. Both revenue and margins rose strongly through the year thanks to a wider range of capabilities and customers, enabling the factory to remain busy through many more months of the year. Modest capital expenditure has been made, but much of the credit for the outstanding result should go to the dedicated team at Redditch.

Dividend

With the effect of the recession on consumer behaviour and on the Group remaining unpredictable, the Board has again decided that it is prudent to conserve cash. As a result, the payment of a dividend is not recommended at this stage.

Power to issue shares

The Board will seek at the annual general meeting to renew the following authorities that were approved by shareholders at the annual general meeting in 2008.

It is proposed that the directors be given authority in accordance with section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £334,285.75 (representing approximately 80.4% of the present issued ordinary share capital).

It is also proposed that the Directors be given authority pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash as if Section 89(1) of the Act did not apply to any such allotment provided that this power is limited to a pre-emptive issue and any other issue of equity securities for cash up to an aggregate nominal amount of £272,015.60 (representing approximately 65.4% of the present issued ordinary share capital).

The directors believe that these authorities would for example allow the Group to issue new ordinary shares as consideration, in part or whole, for a suitable acquisition.

The Board considers that to limit its ability to issue shares, other than in strict proportion to existing shareholders, to 5% of the present issued share capital would be unduly restrictive. Whilst there is no present intention of issuing shares, the Board considers that the powers could be helpful and are not excessive in view of its investment strategy and the present size of the Group.

Chairman's Statement continued

People

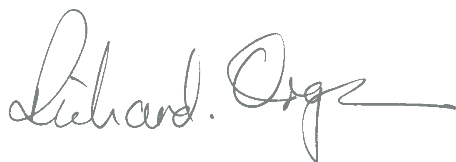
I would like to thank all our employees and pay tribute to their continuing commitment and dedication in these most testing of times. It will be their skill and persistence that will enable us to weather this recession and emerge stronger and more capable. I remain confident that they will outperform their competitors consistently in the year ahead.

Prospects

The Board continues to review investment opportunities but believe that valuations do not as yet adequately reflect the current uncertain economic outlook.

The trading start to 2009 has been difficult. The background is well documented now. The recession has well and truly arrived since I wrote the Half-yearly Report in September last year. Consumer spending remains unpredictable not only in the UK, but across many of our global markets. Access to credit, both commercial and private, has further deteriorated and the exchange rate of sterling against both the US$ and the euro has remained weak.

Much of the trading uncertainty we anticipated in the second half of 2008 is only now manifesting itself. In these circumstances the Group will manage its cash and balance sheet with great care and seek every opportunity to maximise profit and control costs. As ever I am confident that our management teams will more than match the performance of their immediate competition, but I am expecting overall that 2009 will prove a difficult year for the Group.



Richard Organ
Chairman
29 April 2009

Directors' Report

Your directors have pleasure in submitting their annual report and the audited financial statements of the Group for the year ended 31 December 2008.

Principal activities and business review

The principal activities of CEPS PLC are that of an industrial holding company, acquiring majority stakes in stable, profitable and steadily growing entrepreneurial companies. The Company's subsidiaries, of which further details are given in note 16 to the accounts, are involved in the sale of goods and rendering of services for which a segmental analysis is given in note 4 to the accounts.

A review of the business, its prospects and future developments are set out in the Chairman's Statement on pages 2 to 4.

The Group internal reporting system enables the Board to assess the strategic direction of the Group against agreed targets. The table below shows the most important key indicators used by the Group.

	2008	2007
Revenue	£16,796,000	£15,394,000
Gross margin	15.3%	14.9%
Operating profit before interest and tax	£1,148,000	£945,000
Profit after tax	£714,000	£586,000
Total equity	£5,138,000	£4,365,000
Net debt	£2,920,000	£3,245,000
Gearing ratio	57%	74%

The directors do not recommend the payment of a dividend. The profit for the year is added to reserves.

The Board also monitors matters relating to health and safety and the environment and reviews them at its regular meetings. The risks to the business arising from changes to the trading environment and employee retention and training are also regularly monitored and reviewed.

Directors

The directors' beneficial interests in shares of the Company at the end of the financial year are shown in note 7 to the accounts on page 27.

R T Organ BA(Hons) FRSA (56) is a non-executive director and Chairman. He has significant experience of manufacturing and marketing in the footwear and clothing industries gained with C & J Clark Ltd and Coats Viyella PLC. He is a non-executive director of Swallowfield PLC.

D A Horner (49) is a Chartered Accountant. He qualified with Touche Ross and in 1986 joined 3i Corporate Finance Limited. In 1997 he set up Chelverton Asset Management Limited which specialises in managing portfolios of investments in private companies and small to medium size public companies. He set up and manages Chelverton Growth Trust Plc, manages the Small Companies Dividend Trust Plc and is a director of Athelney Trust plc and a number of private companies.

P G Cook (57) is Group Managing Director. He is a Chartered Accountant who, having qualified with Kidsons Impey, has taken finance and commercial roles with a number of companies. He served as finance director and managing director of Assurity Europe Limited, a venture capital financed MBO whose activities are focused on the fast growing market for business consultancy and disaster recovery services serving blue chip clients in the UK. He is currently a director of a number of other companies.

G C Martin (64) is Financial Director. He has a service contract with the Company requiring six months notice of termination.

The director retiring by rotation in accordance with Articles 71 and 72 is G C Martin who, being eligible, offers himself for re-election.

Directors' Report continued

Substantial shareholdings

In addition to directors' shareholdings shown on page 27, the following shareholders held more than 3% of the Company's ordinary shares at 16 April 2009:

	Shares
ODL Nominees Limited	290,000
Rensburg Sheppards Investment Management Limited	301,000
David Abell	476,000
Chelverton Growth Trust Plc	625,856
Lynchwood Nominees Limited	865,220
Mark Thistlethwayte	1,250,000

Creditor payment policy

The policy of the Group and Company is to determine terms and conditions of payment with suppliers when negotiating other terms of supply and to abide by the terms of payment. At the year end the Group had an average of 48 days (2007: 54 days) purchases outstanding in trade creditors. There were no amounts owing to trade creditors by the Company at the year end (2007: nil).

Financial and treasury policy

The Group finances its operations by a combination of retained profits, management of working capital, bank overdraft and debtor backed working capital facilities and medium term loans. The disclosures for financial instruments are made in note 21a to the accounts on page 40.

Interest rate risk is controlled by a combination of fixed and variable rates of interest.

Liquidity risk is managed by the preparation of cash flow forecasts and by monthly comparison of actual cash flows against the forecasts. Group policy is to ensure that funding is in place sufficient that trading activities are not adversely impacted.

Currency risk is principally in respect of transactions in US dollars and euros. Group policy is to match as far as possible through the normal course of trade the level of sales and purchases in foreign currencies.

For further details of Group financial risk and management thereof see note 2 on pages 20 to 22.

Disclosure of information to auditors

So far as each director is aware, there is no relevant information of which the Company's auditors are unaware. Relevant information is defined as 'information needed by the Company's auditors in connection with preparing their report'. Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

PricewaterhouseCoopers LLP are willing to continue in office and a resolution proposing their re-appointment will be submitted to the annual general meeting.

On behalf of the Board
G C Martin
Secretary
29 April 2009

Corporate Governance

The Board is committed to high standards of corporate governance and recognises that it is accountable to shareholders for good governance. The Company's corporate governance procedures define the duties and constitution of the Board and the various Board committees and, as appropriate, specify responsibilities and level of responsibility. The principal procedures are summarised below:

The Board

The Board comprises two non executive directors, one of whom is Chairman, and two executive directors. Further details of the Board members are given in the Directors' Report on page 5.

All directors are subject to retirement by rotation and re-election by the shareholders in accordance with the Articles of Association.

The Board meets regularly, at least six times a year and with additional meetings being arranged when necessary.

The Company seeks constructive dialogue with institutional and private shareholders through direct contact and through the opportunity for all shareholders to attend and ask questions at the annual general meeting.

Audit committee

This committee comprises the non-executive directors and is chaired by D A Horner. The audit committee is responsible for the appointment of the external auditor, agreeing the nature and scope of the audit and reviewing and making recommendations to the Board on matters related to the issue of financial information to the public. It assists all directors in discharging their responsibility to ensure that accounting records are adequate and that the financial statements give a true and fair view.

Nomination committee

This committee is comprised of the Chairman and the other non-executive director. It is responsible for making recommendations to the Board on any appointment to the Board.

Remuneration committee

This committee is comprised of the Chairman and the other non-executive director.

The remuneration committee sets the remuneration and other terms of employment of executive directors. Remuneration levels are set by reference to individual performance, experience and market conditions with a view to providing a package appropriate for the responsibilities involved.

Directors' contracts are designed to provide the assurance of continuity which the Company desires. There are no provisions for pre-determined compensation on termination.

Pensions for directors are based on salary alone and are provided by the Company defined contribution scheme and defined benefits scheme. Contributions are paid to these schemes in accordance with independent actuarial recommendations or funding rates determined by the remuneration committee as appropriate to the type of scheme.

Non-executive directors have no service contracts and no pension contributions are made on their behalf.

Full details of directors' remuneration and benefits are given in note 7 to the financial statements on pages 26 and 27.

Corporate Governance continued

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.

Internal financial control

The Board has overall responsibility for the system of internal financial control which is designed with regard to the size of the Company to provide reasonable but not absolute assurance against material misstatement or loss. The Board reviews the effectiveness of the internal financial control environment. The organisational structure of the Group gives clear management responsibilities in relation to internal financial control. Financial risks are controlled through clearly laid down authorisation levels. There is an annual budget which is approved by the directors. The results are reported monthly and compared to the budget. The audit committee receives a report from the external auditors annually.

Going concern

At the time of approving the financial statements the directors consider that it is appropriate to adopt the going concern basis of preparation.

The directors have considered the impact of the current economic environment on the Group's future cash flows and its ability to meet liabilities as they fall due, being a period of not less than 12 months from the date of approving the financial statements. The directors have also considered compliance with future banking covenants, and the borrowings structure of the Group.

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union;

Corporate Governance continued

Statement of directors' responsibilities continued

– prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed on page 5, confirm that, to the best of their knowledge:

– the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

– the directors' report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Independent Auditors' Report to the members of CEPS PLC

We have audited the Group and parent company financial statements (the 'financial statements') of CEPS PLC for the year ended 31 December 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Directors' Report, the Chairman's Statement, Corporate Governance report and all of the other information, including the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Independent Auditors' Report to the members of CEPS PLC continued

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

– the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of the Group's profit and cash flows for the year then ended;

– the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008 and cash flows for the year then ended;

– the financial statements have been properly prepared in accordance with the Companies Act 1985; and

– the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
29 April 2009

Notes:

a) The maintenance and integrity of the CEPS PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement and Consolidated Statement of Recognised Income and Expense

Consolidated income statement

	Notes	2008 £'000	2007 £'000
Revenue	4	16,796	15,394
Cost of sales		(14,228)	(13,102)
Gross profit		2,568	2,292
Distribution expenses		(359)	(366)
Administration expenses		(1,061)	(981)
Operating profit	5	1,148	945
Analysis of operating profit			
Trading		1,514	1,324
Abortive acquisition costs		–	(71)
Group costs		(366)	(308)
Finance costs	9	(241)	(271)
Profit before tax		907	674
Taxation	10	(193)	(88)
Profit for the period		714	586
Attributable to:			
Equity holders of the Company		624	491
Minority interest		90	95
		714	586
Earnings per share			
basic and diluted	12	7.51p	6.32p

Consolidated statement of recognised income and expense

	Notes	2008 £'000	2007 £'000
Fair value gains, net of tax			
Actuarial gain on retirement benefit obligations	8,22	59	196
Net income recognised directly in equity		59	196
Profit for the period		714	586
Total recognised income for the period		773	782
Attributable to:			
Equity holders of the Company		683	687
Minority interest		90	95
		773	782

Consolidated and Company Balance Sheets

		Notes	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Assets	Non-current assets					
	Property, plant and equipment	14	1,610	1,239	–	–
	Intangible assets	15	4,826	4,751	91	96
	Investments in Group undertakings	16	–	–	2,571	2,571
	Deferred tax asset	22	–	45	–	–
			6,436	6,035	2,662	2,667
	Current assets					
	Inventory	17	1,795	1,391	–	–
	Trade and other receivables	18	2,828	3,151	552	618
	Deferred tax asset	22	24	73	9	–
	Cash and cash equivalents		665	383	3	5
			5,312	4,998	564	623
	Total assets		11,748	11,033	3,226	3,290
Equity	Capital and reserves attributable to equity holders of the Company					
	Called up share capital	24	416	416	416	416
	Share premium	25	2,756	2,756	2,808	2,808
	Profit and loss account	25	1,717	1,034	(66)	(29)
			4,889	4,206	3,158	3,195
	Minority interest in equity	25	249	159	–	–
	Total equity		5,138	4,365	3,158	3,195
Liabilities	Non-current liabilities					
	Borrowings	20	1,751	2,138	–	–
	Retirement benefit liabilities	8	–	162	–	–
	Provisions for liabilities and charges	23	55	55	–	–
			1,806	2,355	–	–
	Current liabilities					
	Borrowings	20	1,834	1,490	–	–
	Trade and other payables	19	2,819	2,778	68	95
	Current tax liabilities		151	45	–	–
			4,804	4,313	68	95
	Total liabilities		6,610	6,668	68	95
	Total equity and liabilities		11,748	11,033	3,226	3,290

These accounts were approved by the Board of Directors on 29 April 2009.

R T Organ
G C Martin
Directors

Consolidated and Company Cash Flow Statements

		Group		Company	
		2008	2007	2008	2007
		£'000	£'000	£'000	£'000
Cash flows from operating activities	Cash generated from operations	1,388	1,466	(144)	(296)
	Tax paid	(16)	(237)	–	–
	Interest paid	(222)	(254)	142	94
	Net cash generated from operating activities	1,150	975	(2)	(202)
Cash flow from investing activities	Purchase of property, plant and equipment	(78)	(67)	–	–
	Disposal of property, plant and equipment	11	–	–	–
	Purchase of computer software and website development	(1)	(49)	–	(17)
	Purchase of subsidiary undertakings net of cash acquired	–	(3,940)	–	(2,149)
	Payment of deferred consideration	–	(30)	–	–
	Net cash used in investing activities	(68)	(4,086)	–	(2,166)
Cash flow from financing activities	Proceeds from issue of Ordinary share capital	–	2,318	–	2,370
	Proceeds from new bank loans	–	2,000	–	–
	Repayment of bank loans	(686)	(604)	–	–
	Repayment of capital element of hire purchase agreements	(240)	(109)	–	–
	Net cash (used in)/generated from financing activities	(926)	3,605	–	2,370
	Net increase/(decrease) in cash and cash equivalents	156	494	(2)	2
	Cash and cash equivalents at the beginning of the year	376	(118)	5	3
	Cash and cash equivalents at the end of the year (note 28)	532	376	3	5
Cash flows from operating activities	The reconciliation of operating profit to cash flows from operating activities is as follows:				
	Operating profit/(loss) for the year	1,148	945	(349)	(369)
	Adjustments for:				
	Depreciation and amortisation charge	275	264	5	–
	Loss on disposal of property, plant and equipment	23	–	–	–
	Difference between pension charge and cash contribution	(80)	(76)	–	–
	Operating profit/(loss) before changes in working capital and provisions	1,366	1,133	(344)	(369)
	Movement in provisions	–	(27)	–	–
	Increase in inventories	(404)	(3)	–	–
	Decrease in trade and other receivables	323	164	225	85
	Increase/(decrease) in trade and other payables, including trade receivables backed working capital facilities	103	199	(25)	(12)
	Cash generated from operations	1,388	1,466	(144)	(296)

Notes to the Financial Statements

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have, unless otherwise stated, been applied consistently to all the years presented.

Basis of preparation

These financial statements have been prepared in accordance with the AIM Rules for Companies and the International Financial Reporting Standards ('IFRS') as adopted by the European Union, IFRIC interpretations and Companies Act 1985/2006.

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The Group has taken advantage of the exemption under section 230 of the Companies Act 1985 not to present a Company income statement. Information about the Company result for the period is given in note 13. There are no movements to be recognised through the Company's statement of recognised income and expense in 2008 or 2007.

IFRS effective in 2008 but not yet relevant to the Group

The following IFRS have not been adopted by the Group in these financial statements, as they are not deemed to be relevant:

– IFRS 4 – *Insurance contracts*;

– IFRIC 7, *Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies*;

– IFRIC 9, *Re-assessment of embedded derivatives*; and

– IFRIC 11, IFRS 2 – *Group and treasury share transactions*.

IFRS not yet effective but may be relevant to the Group

Certain new IFRS are mandatory for accounting periods beginning on or after 1 January 2009 or later, but which the Group has chosen not to adopt early. The new standards that could be relevant to the Group's operations are as follows:

– IFRS 3 (revised), *Business combinations*;

– IAS 27 (revised), *Consolidation and separate financial statements*;

– IAS 1, *Presentation of financial statements* introduces a new primary statement; and

– IFRS 8 – *Operating segments*.

Basis of consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Notes to the Financial Statements continued

1. Accounting policies continued

Basis of consolidation continued

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Revenue recognition

Sale of goods revenue comprises the invoiced value of goods sold (recognised on despatch or transfer of substantial risks and rewards where different), excluding VAT.

Rendering of services revenue comprises the invoiced value for services provided (recognised on completion of the service), excluding VAT.

Property, plant and equipment

Property, plant and equipment is stated at initial cost, including expenditure that is directly attributable to the acquired item, less accumulated depreciation and impairment losses.

Depreciation is calculated on an appropriate basis over the deemed useful life of an asset and is applied to the cost less any residual value. The asset classes are depreciated over the following periods (the useful life, the residual value and the depreciation method is assessed annually):

Plant and machinery, tools and moulds:	Between 5 and 10 years, over the period of the contract, or on a 25% reducing balance basis
Motor vehicles:	5 years straight line
Leasehold property improvements:	Over the term of the lease.

The carrying value of the property, plant and equipment is compared to the higher of value in use and the pre-tax realisable value. If the carrying value exceeds the higher of the value in use and pre-tax realisable value the asset is impaired and its value reduced by charging additional depreciation. Borrowing costs are not capitalised.

Notes to the Financial Statements continued

1. Accounting policies continued

Intangible assets

a) Goodwill

Goodwill is recognised to the extent that it arises through business combinations. In respect of business combinations that have occurred since 1 January 2006, goodwill represents the difference between the cost of the acquisition and the fair value of net identifiable assets acquired. In respect of business combinations prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under GAAP.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to appropriate cash generating units (those expected to benefit from the business combination) and is no longer amortised but is tested for impairment.

b) Computer software and websites

Non-integral computer software purchases are capitalised at cost. These costs are amortised over their estimated useful lives (between 3 and 10 years). Costs associated with implementing or maintaining computer software programmes are recognised as an expense as incurred.

Costs incurred in the development of new websites are capitalised only where the cost can be directly attributed to developing the website to operate in the manner intended by management and only to the extent of the future economic benefits expected from its use. These costs are amortised over their useful lives. Costs associated with maintaining websites are recognised as an expense as incurred.

Impairment of intangible assets

Assets that have an indefinite useful life are not subject to amortisation but are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Any impairment losses are not reversed.

Inventories

Inventories are valued at the lower of cost and net realisable value. Raw materials are valued on a first in first out basis at net invoice values charged by suppliers. The value of work in progress and finished goods includes the direct cost of materials and labour together with an appropriate proportion of factory overheads.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, short term bank deposits held at call, other short term highly liquid investments with an original maturity of less than three months, and bank overdrafts. Bank overdrafts are shown in current liabilities as borrowings. All are carried at cost in the balance sheet.

Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Financial Statements continued

1. Accounting policies continued

Current and deferred taxation continued

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be generated enabling the utilisation of the temporary timing differences.

Foreign currencies

The results are recorded in sterling which is deemed to be the functional currency of the Group, the Company and all its subsidiaries.

Foreign currency transactions are expressed in sterling at the rates of exchange ruling at the date of the transaction, and if still in existence at the year end the balance is retranslated at the rates of exchange ruling at the balance sheet date. Differences arising from changes in exchange rates during the year are taken to the income statement.

Pensions

Defined benefit pension costs are recognised in the ‘income statement’ and the ‘statement of recognised income and expense’. The full annual actuarial gain or loss is recognised in the ‘statement of recognised income and expense’. Contributions to the defined contribution schemes are charged to the income statement as incurred.

Operating leases

The annual costs of operating leases are charged to the income statement as incurred.

Finance leases

For leases where a significant portion of the risks and rewards of ownership is obtained or where legal title is to pass to the Group the assets are capitalised at cost in the balance sheet and depreciated over the expected useful economic life. The interest element of the rental obligation is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayment outstanding.

Minority interest

Minority interests represent the interest of shareholders in subsidiaries which are not wholly owned by the Group.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the Financial Statements continued

1. Accounting policies
continued

Share capital
Ordinary shares are classified as equity while redeemable preference shares are classified as liabilities.

Financial instruments
The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on the balance sheet at fair value when the Group becomes a party to the contractual provisions of the instrument.

a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

c) Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and its estimated future cash flow. The carrying amount of the asset is reduced through the use of a bad debt provision and the amount of the loss is recognised in the income statement within cost of sales. When a trade receivable is uncollectible it is written off against the bad debt provision. Subsequent recoveries of amounts previously written off are credited against cost of sales in the income statement.

d) Trade payables
Trade payables are recognised at fair value.

e) Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently stated at amortised cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative financial instruments and hedging activities
Where material, derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The Group uses forward foreign exchange contracts to hedge certain export sales and purchases. Any gains or losses arising are recognised in the income statement as cost of sales.

Notes to the Financial Statements continued

2. Financial risk management

2.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by local management under policies approved by the board of directors.

a) Market risk

i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro and US dollar and sterling. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Management has a policy to require Group companies to manage their foreign exchange risk against their functional currency. The policy is to match as far as possible through the normal course of trade the level of sales and purchases in foreign currencies and, where applicable, to enter forward foreign exchange contracts as hedges of foreign exchange risk on specific assets, liabilities or future transactions.

At 31 December 2008, if sterling had weakened by 5% against the euro and all other variables held constant, post-tax profit for the year would have been £52,000 (2007: £34,000) lower as a consequence of foreign exchange losses.

ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Group policy is to maintain an appropriate balance between borrowings expressed in fixed rates and those at variable rates. All of the Group's borrowings are denominated in sterling. The strategy of CEPS is as far as possible to use the assets of businesses in which it makes investments to secure the necessary borrowings for those investments.

The impact on post tax profit of a 1% shift in interest rates on the Group's non current bank borrowings would be a maximum of £9,000 (2007: £16,000).

b) Credit risk

The Group is exposed to the credit risk inherent in non-payment by either its customers or the counterparties of its financial instruments. The Group utilises credit insurance policies to mitigate its risk from some of its trading exposure, especially in overseas markets, and in all cases seeks satisfactory references and the best possible terms of payment. It mitigates its exposure on financial instruments by only using instruments from banks and financial institutions with a minimum rating of 'A'.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and having available an adequate amount of committed credit facilities.

Notes to the Financial Statements continued

2. Financial risk management continued

c) Liquidity risk continued

Management monitors rolling forecasts of the Group's available liquidity on the basis of expected future cash flows. Forecasts are generated in the first instance at local level in the operating subsidiaries of the Group.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 31 December 2008				
Trade and other payables	2,819	–	–	–
Other loans	85	85	160	–
Bank borrowings	650	421	500	–
Bank overdrafts	133	–	–	–
Trade receivables backed working capital facilities	876	–	–	–
Finance lease obligations	227	188	368	–
	4,790	694	1,028	–
At 31 December 2007				
Trade and other payables	2,778	–	–	–
Others loans	–	110	220	–
Bank borrowings	678	611	968	–
Bank overdrafts	7	–	–	–
Trade receivables backed working capital facilities	708	–	–	–
Finance lease obligations	97	164	105	–
	4,268	885	1,293	–

2.2 Capital risk management: IAS 1 amendment in relation to IFRS 7

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may pay dividends to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio measures net debt as a proportion of total equity as shown in the consolidated balance sheet. Net debt is calculated as total borrowings less cash and cash equivalents.

Notes to the Financial Statements continued

2. Financial risk management continued

2.2 Capital risk management continued

The gearing ratios at 31 December 2008 and 2007 were as follows:

	2008 £'000	2007 £'000
Total borrowings	3,585	3,628
Less: cash and cash equivalents	(665)	(383)
Net debt	2,920	3,245
Total equity	5,138	4,365
Gearing ratio	57%	74%

Total borrowings have been reduced in the year by the repayment of bank loans and finance lease obligations totalling £926,000 and increased by new finance lease obligations of £589,000, overdrafts of £126,000 and trade receivables backed working capital facilities of £168,000. Cash balances rose by £282,000. Total equity increased by the profit for the period. As a result, gearing fell to 57% (2007: 74%).

2.3 Fair value estimation

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of the financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current interest rate.

Notes to the Financial Statements continued

3. Accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial statements, deviate from actual circumstances the original estimates and assumptions will be altered as necessary in the year in which the circumstances change. Where necessary, comparative figures will be restated from the previously reported results to take into account presentational changes.

a) Amortisation of intangible assets and depreciation of property, plant and equipment
Amortisation and depreciation is provided in the consolidated financial statements so as to write down the respective assets to their residual values over their estimated useful lives. The selection of the estimated useful lives and the expected residual values of the assets requires the use of estimates and judgements.

b) Impairment of intangible assets, property, plant and equipment
Where there is an indication that the carrying value of intangible assets, property or plant and equipment may have been impaired through events or changes in circumstances, a review will be undertaken of the recoverable amount of those assets based on a value in use calculation that will involve estimates and assumptions to be made by management.

c) Inventory provisions
The Group reviews its inventory on a regular basis and where appropriate makes provision for slow moving and obsolete items based on estimates of future sales requirements. The estimates of future sales requirements will be based both on historical experience and on the expected outcomes based on knowledge of the markets in which the Group operates.

d) Dilapidations provisions
The Group occupies leasehold properties for which there are potential costs of dilapidations reparation on termination of those leases. The Group attempts to anticipate those potential future costs by making estimates of those costs and provision for them. The estimates are made from knowledge of the leased premises, their state of repair, the requirements of the leases and management's judgement of the potential future liability.

e) Deferred tax assets
Certain subsidiaries of the Group have accelerated capital allowances and retirement benefit liabilities all of which may reduce future corporation tax payable within the Group. Deferred tax assets have been recognised in respect of accelerated capital allowances to be claimed over the next five years and the full amount of the retirement benefit liabilities. The recognition of the assets reflects management's estimate of the recoverable amounts in respect of these items.

f) Retirement benefit liabilities
One subsidiary of the Group operates a defined benefits pension scheme. The scheme is subject to trienniel actuarial valuation and the Group commissions an independent qualified actuary to update to each financial year end the previous trienniel result. The results of this update are included in the financial statements. In reaching the annually updated results the actuary makes assumptions and estimates with the assistance of management. These assumptions and estimates are made advisedly but are not any guarantee of the performance of the scheme or of the outcome of each trienniel review.

Notes to the Financial Statements continued

4. Segmental analysis

All activities are classed as continuing.

a) Primary reporting format – Business segments

The Group is managed in two principal business segments, with each segment operating in a defined business sector.

i) Results by segment

	Sale of goods		Rendering of services		Group	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Revenue	9,117	8,239	7,679	7,155	16,796	15,394
Segmental result	689	723	1,095	865	1,784	1,588
Depreciation charge	(81)	(111)	(189)	(153)	(270)	(264)
Abortive acquisition costs					–	(71)
Group costs					(366)	(308)
Operating profit					1,148	945
Interest expenses					(241)	(271)
Profit before taxation					907	674
Taxation					(193)	(88)
Profit for the year					714	586

ii) Assets and liabilities by segment as at 31 December

	Segment assets		Segment liabilities		Segment net assets	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
CEPS Group	103	83	(24)	(72)	79	11
Sale of goods	5,443	5,082	(3,318)	(3,130)	2,125	1,952
Rendering of services	6,202	5,868	(3,268)	(3,466)	2,934	2,402
Total – Group	11,748	11,033	(6,610)	(6,668)	5,138	4,365

iii) Non-cash expenses and capital expenditure

Other than as stated above there were no significant non-cash expenses.

Capital expenditure	2008 £'000	2007 £'000
CEPS Group	–	17
Sale of goods	44	145
Rendering of services	710	102
Total – Group	754	264

b) Secondary reporting format – Geographical segments

The United Kingdom is the source of turnover, operating profit and is the principal location of the assets of the Group. The Group information provided above therefore represents the geographical segmental analysis.

Notes to the Financial Statements continued

5. Operating profit

	2008 £'000	2007 £'000
Profit on ordinary activities before tax is stated after charging:		
Employee costs (note 6)	4,771	4,341
Depreciation of owned assets (note 14)	176	207
Depreciation of assets held under hire purchase contracts (note 14)	87	57
Loss on disposal of property, plant and equipment	23	–
Exchange loss	228	9
Other operating lease rentals:		
– on land and buildings	342	303
– on plant and machinery	30	34
Fees paid to auditors		
Audit fees in respect of the audit of the accounts of the Company	16	13
Audit fees in respect of the audit of the accounts of subsidiaries of the Company	25	25
	41	38
Services relating to taxation	16	18
Services relating to the pension scheme	4	3
Services relating to accounting advice	–	8
Total fees	61	67

6. Employees

The average number of persons employed by the Group during the year was:

	2008	2007
Management and administration	38	38
Production and sales	168	161
	206	199

The aggregate payroll costs of these persons were:

	2008 £'000	2007 £'000
Wages and salaries	4,292	3,899
Social security costs	382	343
Pension costs and related fees	97	99
	4,771	4,341

The compensation of key management personnel is included with those of members of the Board and shown in note 7.

Notes to the Financial Statements continued

7. Directors' emoluments and interests

The aggregate remuneration of the directors was:

	2008 £'000	2007 £'000
Fees	–	15
Salaries and benefits	149	132
	149	147

The remuneration of the Chairman, R T Organ, and of the other directors who served during the year was:

	Salaries and fees		Benefits		Total	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
P G Cook	62	75	–	–	62	75
D A Horner	15	11	–	–	15	11
G C Martin	43	34	3	3	46	37
R T Organ	26	24	–	–	26	24
	146	144	3	3	149	147

The remuneration of P G Cook in 2007 includes a fee related to the successful acquisition of Sunline Direct Mail Limited.

Benefits represent the value attributed to medical insurance.

G C Martin has a pension secured in the Group defined benefits scheme of which details are:

	£'000pa
Accrued pension at 31 December 2007	24
Increase in accrued pension during 2008	1
Accrued pension at 31 December 2008	25

	£'000
Transfer value of the increase in accrued pension during 2008	–

G C Martin was also a member of a Group defined contribution scheme. Contributions on his behalf to the scheme in 2008 were £4,786 (2007: £8,000).

Notes to the Financial Statements continued

7. Directors' emoluments and interests continued

The aggregate payroll costs of members of the Board and other key personnel of the Group were:

	2008 £'000	2007 £'000
Wages and salaries	360	349
Social security costs	40	41
Other pension costs	13	15
	413	405

The directors' beneficial interests, including those of their families, in shares of the Group were:

	at 31 December 2008		at 31 December 2007	
	shares	warrants	shares	warrants
P G Cook	366,666	70,000	366,666	70,000
D A Horner	1,287,110	200,000	1,287,110	200,000
G C Martin	20,251	10,125	20,251	10,125
R T Organ	169,333	53,000	169,333	53,000

There have been no changes in the interests of any director between 31 December 2008 and 29 April 2009.

R T Organ has an option expiring on 21 May 2011 to subscribe for 3,000 shares at 337.5p per share the terms of which may be adjusted by the Board to reflect variations of share capital. No options lapsed or were granted or exercised during the year nor have any been granted or exercised up to 29 April 2009. The market price of the shares at 31 December 2008 was 18.5p and the range during 2008 was 54.5p to 18.5p.

The register of directors' interests, which is open to inspection, contains full details of directors' shareholdings and options to subscribe for shares.

Notes to the Financial Statements continued

8. Pension costs

The Group operates a number of defined contribution schemes. The assets of the schemes are held in independently administered funds. The pension cost charge represents contributions payable to the funds and amounted to £47,000 (2007: £47,000).

The Group also operates a defined benefits scheme. The scheme was closed to new members in 1988. The assets of the scheme are held separately from those of the Group in a deposit administration contract underwritten by an insurance company. Contributions to the scheme are determined by a qualified external actuary on the basis of triennial valuations using, for accrued service, the 'projected unit' method and, for future service, the 'attained age' method. The most recent actuarial valuation was at 1 July 2007 and the main actuarial assumptions were investment returns of 5.8% before retirement, 5.3% after retirement and a rate of salary increase of 5.0%. The valuation showed that the total value of the scheme assets was £2,623,000 and that the level of funding on an ongoing basis is 87%. At 1 October 2008 the Group agreed a recovery plan of £3,515 per month, an amount intended to restore a 100% funding level over ten years.

The Group commissioned an independent qualified actuary to update to 31 December 2008 the results of the actuarial valuation at 1 July 2007. The results of the update are as follows:

	2008	2007
Assumptions at 31 December		
Interest rate for discounting liabilities	6.60%	5.90%
Expected return on plan assets	6.30%	6.30%
Rate of salary increase	0.00%	3.95%
Retail Price Inflation	2.60%	3.20%
LPI increases to pensions	2.60%	3.20%
Mortality	PXA00 year of birth long cohort	PXA92 calendar year 2028

The following amounts were measured in accordance with the requirements of IAS 19:

	2008 £'000	2007 £'000
Amounts recognised in the balance sheet are as follows:		
Fair value of plan assets	1,992	1,982
Present value of defined benefit obligation	(1,738)	(2,144)
Actuarial surplus not recognised	(254)	–
Net liability	–	(162)

Notes to the Financial Statements continued

8. Pension costs continued

	2008 £'000	2007 £'000
Pension cost recognised in the income statement for the year		
Operating cost:		
Current service cost	4	5
Finance cost:		
Interest cost	126	122
Expected return on plan assets	(127)	(115)
	(1)	7
Total pension cost	3	12
Statement of recognised income and expense for the year		
Experience (gains)/losses on liabilities	(345)	2
Actuarial gains on liabilities due to assumptions	(178)	(210)
Experience losses/(gains) on assets	187	(71)
Actuarial surplus not recognised	254	–
Total gain	(82)	(279)
Movement in balance sheet for the year		
Net pension liability at the start of the year	(162)	(517)
Employer's pension cost	(3)	(12)
Statement of recognised income and expense	82	279
Employer contributions	83	88
Accrued pension at the end of the period	–	(162)
Reconciliation of the defined benefit obligation		
Defined benefit obligation at the start of the year	2,144	2,369
Service cost	4	5
Interest cost	126	122
Plan participants' contributions	2	2
Actuarial gain	(523)	(208)
Benefits and expenses paid	(15)	(146)
Defined benefit obligation at the end of the year	1,738	2,144
Reconciliation of plan assets		
Fair value of plan assets at the start of the year	1,982	1,852
Actuarial return on plan assets	(60)	186
Employer contributions	83	88
Plan participants' contributions	2	2
Benefits and expenses paid	(15)	(146)
Fair value of plan assets at the end of the year	1,992	1,982

Notes to the Financial Statements continued

8. Pension costs continued

	2008	2007
Asset categories at the end of the year		
UK Equities	29%	33%
Overseas Equities	9%	10%
Bonds	47%	42%
Property	9%	9%
Cash	6%	6%

	2008 £'000	2007 £'000	2006 £'000
Amounts for the current and previous two years are as follows:			
Plan assets	1,992	1,982	1,852
Defined benefit obligation	(1,738)	(2,144)	(2,369)
Actuarial surplus not recognised	(254)	–	–
Deficit in scheme	–	(162)	(517)
Actuarial gains on liabilities due to assumptions	523	208	66
Experience (losses)/gains on assets	(187)	71	20
Actuarial surplus not recognised	(254)	–	–
Total gains recognised for the year	82	279	86
Cumulative amount of gains recognised in the consolidated statement of recognised income and expense	447	365	86

9. Finance income and costs

	2008 £'000	2007 £'000
Interest receivable	21	25
Pension scheme finance income (note 8)	1	–
Total finance income	22	25
Interest payable on interest-bearing loans and borrowings	218	258
Pension scheme finance costs (note 8)	–	7
Finance lease costs	26	14
Preference dividend accrued	19	17
Total finance costs	263	296
Net finance costs	241	271

Notes to the Financial Statements continued

10. Taxation

	2008 £'000	2007 £'000
Analysis of taxation in the year:		
Current tax		
UK corporation tax on profits of the year at 28.5% (2007: 30%)	127	123
Tax repaid in respect of prior periods	(5)	(34)
Total current tax	122	89
Deferred tax		
Current year charge/(credit) to the income statement	76	(59)
Prior year	(5)	58
Total deferred tax	71	(1)
Total tax charge	193	88
Deferred tax charge to the statement of recognised income and expense	23	83
Factors affecting total taxation:		
Profit before taxation	907	674
Profit multiplied by the standard rate of UK tax of 28.5% (2007: 30%)	258	202
Effects of:		
Small companies tax relief	(3)	(3)
Current year losses not utilised	–	6
Other timing differences	(53)	(117)
Expenses not deductible for tax purposes	1	13
Capital allowances in excess of depreciation	–	22
Prior year adjustment, current tax	(5)	(34)
Prior year adjustment, deferred tax	(5)	58
Pension cost relief in excess of pension charge, deferred tax	–	16
Capital allowances in excess of depreciation, deferred tax	–	(75)
Total tax charge	193	88

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly the Group profit for 2008 is taxed at an effective rate of 28.5% and will be taxed at 28% in the future. The impact of this change is to decrease the current tax charge by £14,000.

11. Dividends

No dividends have been paid or proposed for the year (2007: nil).

12. Earnings per share

Basic earnings per share is calculated on the profit for the year after taxation attributable to equity holders of the Company of £624,000 (2007: £491,000) and on 8,314,249 (2007: 7,767,435) ordinary shares, being the weighted number in issue during the year.

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 year because the fair value of warrants was below the exercise price.

Notes to the Financial Statements continued

13. Results of the holding company

Of the Group profit for the year a loss of £37,000 (2007: loss £147,000) is dealt with in the accounts of CEPS PLC. The Company seeks to invest and acquire majority shareholdings in private industrial service companies with a history of profitability and cash generation. The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented a profit and loss account for the Company alone.

14. Property, plant and equipment

Group

	Leasehold property £'000	Plant, machinery and tools £'000	Motor vehicles £'000	Total £'000
Cost				
at 1 January 2007	51	995	–	1,046
additions at cost	–	200	15	215
acquisition	5	2,176	85	2,266
disposals	–	–	(11)	(11)
at 31 December 2007	56	3,371	89	3,516
additions at cost	1	651	15	667
disposals	–	(200)	–	(200)
at 31 December 2008	**57**	**3,822**	**104**	**3,983**
Depreciation				
at 1 January 2007	21	746	–	767
acquisition	3	1,220	30	1,253
charge for the year	5	246	13	264
disposals	–	–	(7)	(7)
at 31 December 2007	29	2,212	36	2,277
charge for the year	4	247	12	263
disposals	–	(167)	–	(167)
at 31 December 2008	**33**	**2,292**	**48**	**2,373**
Net book amount				
at 31 December 2008	**24**	**1,530**	**56**	**1,610**
at 31 December 2007	27	1,159	53	1,239

At the year end, assets held under hire purchase contracts and capitalised as plant, machinery and tools have a net book value of £846,000 (2007: £480,000) and an accumulated depreciation balance of £191,000 (2007: £211,000).

Company

Throughout 2007 and 2008 the Company held no property, plant and equipment.

Notes to the Financial Statements continued

15. Intangible fixed assets

		Goodwill £'000	Other £'000	Total £'000
Group	Cost			
	at 1 January 2007	1,650	–	1,650
	additions	3,173	49	3,222
	at 31 December 2007	4,823	49	4,872
	additions	86	1	87
	at 31 December 2008	**4,909**	**50**	**4,959**
	Amortisation			
	at 1 January 2007 and 31 December 2007	121	–	121
	Amortisation	–	12	12
	at 31 December 2008	**121**	**12**	**133**
	Net book amount			
	at 31 December 2008	**4,788**	**38**	**4,826**
	at 31 December 2007	4,702	49	4,751
Company	Cost			
	at 1 January 2007	2	–	2
	disposed of to subsidiary company	78	17	95
	at 31 December 2007	80	17	97
	additions	–	–	–
	at 31 December 2008	**80**	**17**	**97**
	Amortisation			
	at 1 January 2007 and 31 December 2007	1	–	1
	Amortisation	–	5	5
	at 31 December 2008	**1**	**5**	**6**
	Net book amount			
	at 31 December 2008	**79**	**12**	**91**
	at 31 December 2007	79	17	96

Goodwill arose in 2007 on the acquisition of 80% of Sunline Direct Mail (Holdings) Limited. The acquisition included an element of deferred consideration for which settlement is now probable. The combination amounts have been adjusted accordingly.

Management assess the nature of purchase consideration and any in excess of identified intangible assets is recorded as goodwill. Goodwill is not amortised under IFRS, but is subject to impairment testing either annually or on the occurrence of a triggering event.

Other intangibles relate to website development costs.

Notes to the Financial Statements continued

15. Intangible fixed assets
continued

Impairment tests for goodwill and other intangibles

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired.

Other intangible assets with a definite life are tested for impairment only where there is an indication that an impairment may have occurred. The Group does not have any other intangible assets with indefinite lives.

For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units (CGUs) on a business segment basis:

	2008 £'000	2007 £'000
Sale of goods	1,529	1,529
Rendering of services	3,259	3,173
Total	4,788	4,702

The recoverable amount of a CGU is based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond five years are assumed to be constant. An appropriate discount rate of 5.7%, representing the Group's current pre-tax cost of capital, has been applied to these projections.

At 31 December 2008 the Group performed its annual impairment test on Goodwill using the above discount rate for value-in-use calculations. These tests concluded that no impairment is required. Impairment would have been required had the discount rate for sale of goods and rendering of services been 15% and 20% respectively.

Notes to the Financial Statements continued

16. Fixed asset investments

Company

	2008 £'000	2007 £'000
Shares in group undertakings		
at 1 January	692	92
additions at cost	–	600
at 31 December	692	692
Loan to group undertakings		
at 1 January	1,879	408
additions at cost	–	1,471
at 31 December	1,879	1,879
Total fixed asset investments	2,571	2,571

Of the loans to group undertakings £408,000 is represented by 9% Guaranteed Loan Stock 2010 repayable in instalments between January 2007 and January 2010 and £850,000 by 15% loan stock repayable in instalments between April 2009 and February 2012. A further loan of £621,000 carries no interest and is repayable at no less than one year's notice.

Investments in subsidiary companies are stated at cost. A list of subsidiary undertakings, all of which have been included in the consolidation, is given below.

Name of undertaking	Incorporated and registered in	Share class	Shares held direct %	Shares held via subsidiaries %
Trading company:				
Davies Odell Limited	England	ordinary	100	
Signature Fabrics Limited	England	'A' ordinary	75	
Friedman's Limited	England	ordinary		75
Sunline Direct Mail (Holdings) Limited	England	ordinary	80	
Sunline Direct Mail Limited	England	ordinary		80
Non-trading:				
Davies & Co (Kettering) Ltd	England	ordinary	100	
Phillips Rubber Ltd	England	ordinary	100	
Farmat Limited	England	ordinary	100	
Davies and Company Limited	England	ordinary	100	
FunkiFabrics Limited	England	ordinary		75

Nature of business of trading companies:

Davies Odell Limited	Manufacture and distribution of protection equipment, matting and footwear components
Signature Fabrics Limited	Holding company for Friedman's Limited
Friedman's Limited	Conversion and distribution of specialist Lycra
Sunline Direct Mail (Holdings) Limited	Holding company for Sunline Direct Mail Limited
Sunline Direct Mail Limited	Supplier of services to the direct mail market

Notes to the Financial Statements continued

17. Inventories

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Raw materials and consumables	715	465	–	–
Work in progress	11	17	–	–
Finished goods and goods for resale	1,069	909	–	–
	1,795	1,391	–	–

The cost of inventories recognised as an expense and included within cost of sales amounted to £7,567,000 (2007: £6,981,000).

18. Trade and other receivables

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade receivables	2,647	2,891	–	–
less: provision for impairment of trade receivables	(33)	(48)	–	–
Trade receivables – net	2,614	2,843	–	–
Amount due from subsidiary companies	–	–	550	613
Other receivables	4	6	–	–
Prepayments and accrued income	210	302	2	5
	2,828	3,151	552	618

The above are deemed to be the fair values for the trade and other receivables.

As at 31 December 2008, trade receivables of £1,869,000 (2007: £2,072,000) were fully performing.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2008, trade receivables of £680,000 (2007: £765,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008 £'000	2007 £'000
Up to 3 months	589	596
3 to 6 months	91	169
	680	765

Notes to the Financial Statements continued

18. Trade and other receivables continued

As of 31 December 2008, trade receivables of £98,000 (2007: £54,000) were impaired. A portion of the receivables is expected to be recovered and a provision of £33,000 (2007: £48,000) has been made for non-recovery. The individually impaired receivables mainly relate to customers who are in unexpectedly difficult economic situations. The ageing of these receivables is as follows:

	2008 £'000	2007 £'000
3 to 6 months	53	31
Over 6 months	45	23
	98	54

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2008 £'000	2007 £'000
Sterling	2,712	3,065
Euro	111	86
US $	5	–
	2,828	3,151

Movements in the Group provision for impairment of trade receivables are as follows:

	2008 £'000	2007 £'000
At 1 January	48	23
Acquisition	–	87
Provision for receivables impairment	37	43
Receivables written off during the year	(22)	(106)
Unused amounts reversed	(30)	1
At 31 December	33	48

The creation and release of provisions for impaired receivables have been included in cost of sales in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

Notes to the Financial Statements continued

19. Trade and other payables

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade payables	1,875	1,938	–	–
Other tax and social security	349	410	–	–
Other payables	204	109	–	–
Accruals and deferred income	391	321	68	95
	2,819	2,778	68	95

20. Borrowings

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Non-current:				
Bank borrowings	921	1,579	–	–
Other loans	330	330	–	–
Finance lease obligations	500	229	–	–
	1,751	2,138	–	–
Current:				
Bank overdraft	133	7	–	–
Bank borrowings	650	678	–	–
Trade receivables backed working capital facilities	876	708	–	–
Finance lease obligations	175	97	–	–
	1,834	1,490	–	–
Total borrowings	3,585	3,628	–	–

Bank borrowings and overdrafts are secured by fixed and floating charges over the assets of the subsidiary to which they relate with the exception of CEPS PLC and Davies Odell Limited who have given unlimited cross guarantees to secure the liabilities of each other. Trade receivable backed working capital facilities are secured by the trade receivable to which they relate.

At 31 December 2008 the analysis of the security of bank borrowings and overdrafts and trade receivables backed working capital facilities was as follows:

Secured on the assets of	by fixed and floating charges £'000	by trade receivables £'000	Total £'000
Friedman's	271	369	640
Sunline	1,300	–	1,300
Davies Odell and CEPS PLC	133	507	640
	1,704	876	2,580

The committed bank borrowings mature through until February 2012 and carry interest of between 2% and 3.25% above the bank's base rate.

Notes to the Financial Statements continued

20. Borrowings continued

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2008		2007	
	Bank £'000	Finance lease £'000	Bank £'000	Finance lease £'000
Within one year	1,009	34	715	16
Between one and two years	271	61	67	106
Between two and five years	1,300	580	2,190	204
	2,580	675	2,972	326

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

The carrying amounts of the non-current bank borrowings is £921,000 (2007: £1,579,000) and their fair values £874,000 (2007: £1,341,000). The carrying amounts of the non-current finance lease obligations is £500,000 (2007: £229,000) and their fair values £454,000 (2007: £168,000).

Other loans represent preference shares of £130,000 and loan stock of £200,000, subscribed by minorities. Preference shares carry a dividend of 15% pa and loan stock interest of 10% pa and are each repayable in quarterly instalments over three years commencing in April 2009.

The minimum lease payments under finance leases fall due as follows:

	2008 £'000	2007 £'000
Not more than one year	227	164
Later than one year but not more than five years	556	202
	783	366
Finance charge	(108)	(40)
Present value of finance lease liabilities	675	326

The carrying amounts of the Group's borrowings are denominated in sterling.

Trade receivables backed working capital facilities are available to the Group and are currently subject to re-negotiation. The Group has no bank loan facilities available for draw down.

Notes to the Financial Statements continued

21a. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Group, 31 December 2008

Assets as per balance sheet	Loans and receivables £'000	Assets at fair value through the profit and loss £'000	Derivatives used for hedging £'000	Available for sale £'000	Total £'000
Trade and other receivables	2,647	–	–	–	2,647
Cash and cash equivalents	665	–	–	–	665
Total	3,312	–	–	–	3,312

Liabilities as per balance sheet	Liabilities at fair value through the profit and loss £'000	Derivatives used for hedging £'000	Other financial liabilities £'000	Total £'000
Borrowings (excluding finance leases)	–	–	2,580	2,580
Finance leases	–	–	675	675
Trade and other payables (excluding statutory liabilities)	–	–	2,470	2,470
Total	–	–	5,725	5,725

Group, 31 December 2007

Assets as per balance sheet	Loans and receivables £'000	Assets at fair value through the profit and loss £'000	Derivatives used for hedging £'000	Available for sale £'000	Total £'000
Trade and other receivables	2,891	–	–	–	2,891
Cash and cash equivalents	383	–	–	–	383
Total	3,274	–	–	–	3,274

Liabilities as per balance sheet	Liabilities at fair value through the profit and loss £'000	Derivatives used for hedging £'000	Other financial liabilities £'000	Total £'000
Borrowings (excluding finance leases)	–	–	2,972	2,972
Finance leases	–	–	326	326
Trade and other payables (excluding statutory liabilities)	–	–	2,368	2,368
Total	–	–	5,666	5,666

Notes to the Financial Statements continued

21b. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables are analysed between:

Group	2008 £'000	2007 £'000
Sale of goods	1,593	1,459
Rendering of services	1,054	1,432
	2,647	2,891

The Group has a customer base which is for the most part stable, long standing and well known to the businesses. Credit and credit terms are negotiated with these customers taking into account their trading history with the Group and their payment record. New customers are only given credit after taking references or making trade and agency enquiries. Management does not believe there to be a credit exposure beyond that for which provision has already been made.

The Company cash and cash equivalents includes £665,000 (2007: £383,000) which is on account with differing financial institutions and is readily available. The external credit rating as assessed by Standard & Poor's for short term funds for each of the institutions is A-1+.

22. Deferred tax

The following are the major deferred tax assets recognised by the Group, and the movement thereon, during the current and prior years.

	Pension scheme deficit £'000	ACAs £'000	Other timing differences £'000	Total £'000
At 1 January 2007	155	218	–	373
Acquisition in the year	–	(173)	–	(173)
(Charge)/credit to the income statement	(27)	28	–	1
Charged to equity	(83)	–	–	(83)
Reclassification	–	(15)	15	–
at 31 December 2007	45	58	15	118
Charge to the income statement	(22)	(74)	25	(71)
Charged to equity	(23)	–	–	(23)
at 31 December 2008	–	(16)	40	24

Deferred income tax assets and liabilities are recognised at 28% and offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Gross tax losses of £1,764,000 (2007: £2,112,000) and gross ACAs of £500,000 (2007: £182,000) are unrecognised at the balance sheet date.

The Company has recognised in 2008 a deferred tax asset of £9,000 in relation to tax losses.

Notes to the Financial Statements continued

23. Provisions for liabilities and charges

	Dilapidations provision		
	Due within one year £'000	Due after one year £'000	Total £'000
At 31 December 2007	5	50	55
Income statement movement during the year	–	–	–
at 31 December 2008	5	50	55

Dilapidations provisions are carried against the costs anticipated on termination of property leases.

24. Called up share capital

	2008 £'000	2007 £'000
Ordinary shares		
Authorised:		
15,000,000 (2007: 15,000,000) shares of 5.0p per share	750	750
Allotted called and fully paid:		
8,314,285 (2007: 8,314,231) shares of 5.0p per share	416	416

Warrants to acquire 54 shares were exercised during the year and at 31 December 2008 warrants to subscribe at any time until 20 April 2010 for a further 1,437,312 ordinary shares at a price of 62.5p per share remained unexercised.

Options granted and remaining unexercised at 31 December 2008 were:

Number of shares	Period during which the right is exercisable	Price per share to be paid
3,000	until 21 May 2011	337.5p

The terms of the share options may be adjusted by the Board to reflect variations of share capital.

Notes to the Financial Statements continued

25. Statement of changes in shareholders' equity

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Minority interest £'000	Total £'000
Group					
At 1 January 2007	178	676	347	138	1,339
Actuarial gain	–	–	196	–	196
Profit for the year	–	–	491	95	586
Total recognised income for the year	–	–	687	95	782
Share issues	238	2,080	–	–	2,318
Acquisition	–	–	–	(74)	(74)
at 31 December 2007	416	2,756	1,034	159	4,365
Actuarial gain	–	–	59	–	59
Profit for the year	–	–	624	90	714
Total recognised income for the year	–	–	683	90	773
At 31 December 2008	**416**	**2,756**	**1,717**	**249**	**5,138**

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
Company				
At 1 January 2007	178	676	118	972
Loss for the year	–	–	(147)	(147)
Total recognised loss for the year	–	–	(147)	(147)
Share issues	238	2,132	–	2,370
at 31 December 2007	416	2,808	(29)	3,195
Loss for the year	–	–	(37)	(37)
At 31 December 2008	**416**	**2,808**	**(66)**	**3,158**

Notes to the Financial Statements continued

26. Commitments and contingent liabilities

a) Operating lease commitments
The Group leases various offices, warehouses and light industrial premises under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The Group also leases various plant and machinery and motor vehicles under cancellable operating lease agreements. The Group is required to give not more than six months notice for the termination of these agreements. The lease expenditure charged to the income statement during the year is shown in note 5.

The future aggregate minimum lease payments under non-cancellable operating leases are:

	2008 £'000	2007 £'000
Land and buildings leases expiring:		
within one year	43	62
within two to five years	1,003	1,149
after more than five years	–	–
	1,046	1,211

b) Contingent liabilities
There are no material contingent liabilities as at 31 December 2008 (2007: £nil).

c) Capital commitments
There are no material capital commitments as at 31 December 2008 (2007: £nil).

27. 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.

28. Cash and cash equivalents

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Cash at bank and in hand	665	383	3	5
Bank overdrafts repayable on demand	(133)	(7)	–	–
	532	376	3	5

Notice of Meeting

Annual general meeting

Notice is hereby given that the annual general meeting of CEPS PLC will be held at Engineers' House, The Promenade, Clifton Down, Bristol on Thursday 28 May 2009 at 11.30am for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which numbers 1 to 5 will be proposed as ordinary resolutions and number 6 as a special resolution.

1 To receive, consider and adopt the Company's annual accounts for the financial year ended 31 December 2008 together with the directors' report and auditors' report on those accounts.

2 To re-elect G C Martin as a director.

3 To re-appoint PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors, as auditors of the Company to hold office from conclusion of the meeting to the conclusion of the next meeting at which the accounts are to be laid.

4 To authorise the directors to agree the auditors' remuneration.

5 THAT, in substitution for any existing authority subsisting at the date of this resolution to the extent unused, the directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount of £334,285.75 such authority to expire at the commencement of the next annual general meeting held after the date of the passing of this resolution, or, if earlier, fifteen months after the date of the passing of this resolution but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the directors may allot relevant securities pursuant to such an offer or agreement as if the authority had not expired.

6 THAT subject to and conditional on the passing of resolution number 5 and in substitution for any existing authority subsisting at the date of this resolution to the extent unused, the directors be empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by resolution number 5 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

6.1 in connection with an offer of such securities by way of rights issue;

6.2 otherwise than pursuant to sub-paragraph 6.1 above up to an aggregate nominal amount of £272,015.60;

and shall expire at the commencement of the next annual general meeting held after the date of the passing of this resolution, or, if earlier, fifteen months from the date of the passing of this resolution, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired.

Notice of Meeting continued

Annual general meeting
continued

6 continued

In this resolution, 'rights issue' means an offer of equity securities open for acceptance for a period fixed by the directors to holders on the register on a fixed record date in proportion as nearly as may be practical to their respective holdings, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any fractional entitlements or legal or practical difficulties under the laws of, or the requirement of any recognised regulatory body or any stock exchange in, any territory.

On behalf of the Board
G C Martin
Secretary
Dated 6 May 2009

Registered office: 11 George Street, Bath BA1 2EH
Registered in England and Wales with number 507461

Notice of Meeting continued

Annual general meeting
continued

Notes

1. A member entitled to attend and vote is entitled to appoint (a) proxy(ies) to attend, speak and vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid an appointment of proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority) must be deposited at the office of the Registrars of the Company, Capita Registrars of 34 Beckenham Road, Beckenham, Kent BR3 4BR, not less than 48 hours before the time for holding the meeting.

   A proxy form is enclosed. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the meeting in person.

3. Under Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders whose names are on the register of members of the Company as at 5.30pm on 26 May 2009 or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting are entitled to attend and vote at the meeting in respect of the shares registered in their names at that time. Subsequent changes to the register shall be disregarded in determining the rights of any person to attend and vote at the meeting.

4. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate member has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that member at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate member attends the meeting but the corporate member has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – http://www.icsa.org.uk/ – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

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	Dowgate Capital Advisers Limited 46 Worship Street, London EC2A 2EA telephone 020 7492 4777, fax 020 7492 4774
Broker	Dowgate Capital Stockbrokers Limited Talisman House, Jubilee Walk, Three Bridges, Crawley, West Sussex RH10 1LQ telephone 01293 517744, fax 01293 521093 email broker@dowgate.co.uk