chelverton
equity partners

2009

Report & Accounts

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Contents

	page
Chairman's Statement	2
Directors' Report	6
Corporate Governance	8
Independent Auditors' Report	10
Consolidated Statement of Comprehensive Income	12
Consolidated and Company Balance Sheets	13
Consolidated and Company Statement of Cashflows	14
Consolidated Statement of Changes in Shareholders' Equity	15
Notes to the Financial Statements	16
Notice of Meeting	48
Group Information	51

Chairman's Statement

Highlights

- Solid sales performance in a very challenging economic climate
- Excellent operating cash generation at £1.3m (2008: 1.4m)
- Net debt reduced by £700,000
- Gearing reduced to 38% (2008: 57%)
- Total equity increased 12% to £5.8m (2008: 5.1m)

Review of the year

In my last half yearly statement, I commented that business had stabilised in the second quarter, but that I anticipated no fundamental improvement in trading conditions in the second half. So it proved to be.

Overall Group revenue in 2009 fell to £15.9m (2008: £16.8m) with second half revenue falling only 3.2%. In all the business units, margins remained under pressure throughout the year, and even with excellent overhead control, the operating profit for the year fell by 37% to £722,000 (2008: £1,148,000).

Finance costs were much reduced at £146,000 (2008: £241,000) as a result of the repayment of debt finance in accordance with the Group's acquisition strategy and lower interest rates. The taxation charge has benefited from the recognition of a greater proportion of accumulated historical losses and for the year was a credit of £43,000 (2008: charge £193,000). After finance costs and provision for taxation, the profit for the year was £619,000 (2008: £714,000).

Careful management of cash continues to be a priority for the Group and at the year end net debt was reduced by 24% to £2.2m from £2.9m at the end of 2008. Gearing has, in consequence, been reduced to 38% (2008: 57%).

Financial review

Cash generated from operations for the year was £1.3m (2008: £1.4m). After finance costs, tax and capital expenditure, the net increase in cash for the year was £99,000 (2008: £156,000). Net cash and cash equivalents at the year end were £631,000 (2008: £532,000).

Bank loans at the year end were lower than a year earlier by £650,000 at £921,000 (2008: £1,571,000). All of these loans were non-recourse, secured only against the assets of the borrowing subsidiary companies.

Shareholder funds increased by 12% to £5.8m (2008: £5.1m).

The Group made an investment in 2005 in Friedman's that was financed by a bank loan of £1.1m. Over the period of our investment the company has been profitable, cash generative and in early 2010 has repaid its bank loan. The original agreement included an undertaking to increase management's stake in the business from 25% to 45%, subject to certain conditions. In recognition of the excellent results to date and in anticipation that the performance of the last five years will continue, the Board has decided it would give immediate effect to the share incentive. The consequent historic increase in the minority interest results in a charge against the Group profits for 2009 of £82,000.

Chairman's Statement continued

Operational review

1. Davies Odell

After the particularly difficult start to the year, trading in the second half settled down, with revenue reduced by just over 8% when compared to the same period in the previous year.

Across the shoe components business there were a number of ups and downs, but overall turnover and margin were just above 2008. I am pleased to say that every opportunity was taken to secure extra business across our product portfolio, with sales of Vibram rubber soles, for example, up by over 70%. The shoe repair trade has been affected by the recession and sales of ladies stiletto heels have declined in the UK, but there is no significant shift in fashion and export sales were vibrant.

Our matting business had a particularly tough year with both raw material price increases and the strength of the US Dollar against Sterling conspiring to reduce both margin and turnover. Exports of cow mats fell by over 50%, particularly to Russia and to Ireland, driving a considerable margin shortfall. Sales of horse matting (largely in the UK) were also down and the only bright spot in this business was an increase in floor protection matting sales for gyms, judo and the like.

Within the personal protection business, Forcefield branded body armour sales were up by a healthy 23%, but this was offset by a reduction in component sales for equestrian body protectors and overall revenue was up a little over 3%. The new Forcefield Pro-Sub 4 back protector received CE approval in April 2009 and first sales commenced via our American distributor. This is the first back protector in the world that transmits less than 4 KiloNewtons of force in a fall creating for the first time the conditions to prevent cracked ribs. In September we took a record order from our Swedish customer for back protectors, old and new, to be delivered in December 2009 and January 2010, and in February 2010 the Pro-Sub 4 was voted Motorcycle News Product of the Year 2009. Along with all the other businesses purchasing product in US Dollars, Forcefield has seen huge pressure on margins from the exchange rate and much product engineering and sourcing work has been done to mitigate the impact.

The overall segmental result at £250,000 (2008: £509,000) shows just how debilitating the first quarter was, with some welcome recovery towards last year's levels in the second half.

2. Friedman's

Sales at Friedman's overall were down 6% at £3.0m (2008: £3.2m) with the second half somewhat weaker than the first. The improvement in the Euro exchange rate helped a good deal in the first half, but with further weakening of the Pound versus the Euro in the second half, margin and pricing pressures have re-emerged. This prompted much activity to seek out new and more cost-effective sources and investment in a digital fabric printer, enabling the future production of bespoke Friedman's designs in high margin short runs.

The bank position has been well managed at Friedman's and its bank loan was fully repaid in early 2010. The overall segmental result for 2009 at £203,000 (2008: £180,000) was a 13% improvement on 2008.

3. Sunline

Within the Sunline business the trends identified at the half year have broadly continued through the second half. Revenue as a whole is down just 1% on 2008 at £7.6m (2008: £7.7m) with the Solutions business showing a 5% turnover increase over the previous year.

Chairman's Statement continued

Operational review
continued

Competitive pressures continued to intensify in the polywrapping business throughout the year, bearing down on both margins and available volumes. The management team has managed to tread the fine line of securing necessary volumes, especially in the second half, without accepting unprofitable contracts. Many competitors did not do this: three of our direct competitors have gone into administration or receivership in the last twelve months, two since Christmas 2009. The workforce has continued to respond flexibly, and though profitability has suffered in 2009, we enter 2010 in a much stronger position.

The Solutions business at Redditch has had a busy and successful year, culminating in a profit substantially ahead of both its budget and the previous year. New laser printers have been installed and commissioned and are slowly gaining traction with the customers. The team at Solutions has worked very hard to deliver a record result and deserves our congratulations. In the last quarter of the year Solutions experienced a significant downturn in activity and this is proving somewhat difficult to replace in the current economic climate.

The segmental result at £913,000 (2008: £1,095,000) is 17% down on the previous year, but under the competitive circumstances must be regarded as a more than acceptable result.

Dividend

With the effect of the recession on consumer behaviour and a much weakened set of exchange rates against the Pound, the Board has again decided that it is prudent to conserve cash. As a result, the payment of a dividend is not recommended although the Board remains keen to do so as soon as conditions become favourable.

Power to issue and purchase 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 2009:

1. that the Directors be given authority in accordance with section 551 of the Companies Act 2006 (the "Act") to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £334,284.50; and

2. that the Directors be given authority pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash as if section 561(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 £200,150.00 (representing approximately 48% of the Company's 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 issue 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.

The Board will also seek the power at the Annual General Meeting to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 5 pence each in the capital of the Company on such terms as the directors think fit, provided that the maximum number of ordinary shares authorised to be purchased is limited to an aggregate of 831,431 shares, representing 10% of the Company's present issued ordinary capital, and subject to certain other conditions related to price.

Chairman's Statement continued

People

At this point I would like to pay particular tribute to Geoff Martin, who retired as Group Finance Director at the end of February 2010. Geoff has worked for the Group for 28 years and has consistently provided wise and thoughtful counsel to the Board and his colleagues. His executive presence will be sorely missed, but we are delighted he has agreed to remain as a non-executive director for the time being.

I would like to thank all our employees and pay tribute to their commitment, dedication and in particular their flexibility. It will be their skill and persistence that will enable us to weather this recession and emerge stronger and more capable. Their flexibility has already allowed many essential adjustments to working practices and customer services to be implemented with minimal disruption.

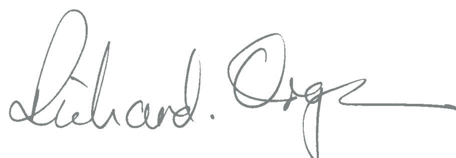
Prospects

The improvement in the Group's cash and net debt position continued through the second half of 2009, leaving it well placed to fund modest acquisitions subject only to the availability of bank finance. The Board continues to review suitable investment opportunities. However, in the current banking climate, it is unlikely the Group will be able to secure non-recourse cash flow based lending of the same magnitude as past acquisitions with which to make future investments.

The trading start to 2010 has been no better than satisfactory and many of the currency and competitive pressures experienced in 2009 have carried over. Consumer spending is only picking up slowly and has at times been severely buffeted by extreme weather, election uncertainty and a lack of confidence.

Both the Friedman's and Sunline businesses are showing modest improvement against a poor first quarter last year. In the Davies Odell business significant investment is being made to drive up both the UK and international sales of our excellent Forcefield body armour products. This will certainly restrain profitability over the short term. Overall I expect 2010 to be a difficult year for Group profitability, but the Board is convinced that its investment strategy will enhance sustainable profitability over the longer term.

In these circumstances, the directors and managers in the Group will focus on the basics of seeking to maximise profitable business, controlling our internal costs and managing our cash and balance sheet with care. From experience over the last two difficult years in particular, I remain confident that our management teams will more than match the performance of their competitors and will remain a force to be reckoned with.



Richard Organ
Chairman
30 April 2010

Directors' Report

The directors have pleasure in submitting their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2009. The company number is 507461.

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 activities of the Company's trading subsidiaries are described in note 16 to the accounts. Segmental analysis is given in note 4 to the accounts.

A review of the business and its prospects are set out in the Chairman's Statement on pages 2 to 5.

The Group's 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.

	2009	2008
Revenue	£15,880,000	£16,796,000
Gross margin	12%	15%
Segmental result (EBITDA)	£1,366,000	£1,784,000
Operating profit before interest and tax	£722,000	£1,148,000
Profit after tax	£619,000	£714,000
Total equity	£5,765,000	£5,138,000
Net debt (total borrowing less cash)	£2,220,000	£2,920,000
Gearing ratio (net debt/total equity)	38%	57%

The directors do not recommend the payment of a dividend (2008: £nil). 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.

The Board operates a continuous process for identifying, evaluating and managing risk. The internal controls seek to minimise the impact of identified risks, as explained in the Corporate Governance statement on page 9. The principal risks faced by the Group are those associated with the trading subsidiaries which are considered further within the Chairman's Statement on pages 2 to 5. The key risks the Board seeks to mitigate are: competition, employees and supply chain.

Competition – while the Group's trade is differentiated, there is still significant pricing pressure and the barriers to entry are relatively low. In order to mitigate this pressure, local management seek to hold regular discussions with customers and actively monitor the market for changes in competitors' prices.

Employees – the Group's performance is largely dependent on its subsidiary staff and managers. The loss of a key individual could adversely impact the Group's results. To mitigate this the Group actively seek to retain key staff through a practice of succession planning.

Suppliers – the differentiated nature of the Group's trade means that it is exposed to a reliance on a small number of suppliers. The Group mitigates this risk through effective supplier selection and procurement practices.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

R T Organ BA(Hons) FRSA (57) is a non-executive director and Chairman. He has significant experience of manufacturing and marketing in the footwear and clothing

Directors' Report continued

Directors continued

industries gained with C & J Clark Ltd and Coats Viyella PLC.

D A Horner (50) 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 (58) 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 is currently a director of a number of other companies.

G C Martin (65) retired as Company Secretary on 1 January 2010 and as Financial Director on 28 February 2010. He was appointed as a non-executive director on 1 March 2010.

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

Substantial shareholdings

In addition to directors' shareholdings shown on page 30, the following shareholders held more than 3% of the Company's ordinary shares at 14 April 2010:

	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	899,070
Mark Thistlethwayte	1,290,000

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 49 days (2008: 48 days) purchases outstanding in trade creditors. There were no amounts owing to trade creditors by the Company at the year end (2008: 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 43.

For further details of Group financial risk and management thereof see note 2 on pages 22 to 24.

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.

Independent auditors

PricewaterhouseCoopers LLP are willing to continue in office and a resolution proposing their re-appointment will be submitted to the Annual General Meeting.

By order of the Board
V E Langford
Company Secretary
30 April 2010

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 three non-executive directors, one of whom is Chairman, and one executive director. Further details of the Board members are given in the Directors' Report on page 6.

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 D A Horner (Chair) and R T Organ. 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 D A Horner. 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 D A Horner.

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 29 and 30.

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

Corporate Governance continued

AIM compliance committee continued

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 controls and has concluded that the internal financial control environment is appropriate, with no significant matters noted. 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. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

– select suitable accounting policies and then apply them consistently;

– make judgements and accounting estimates that are reasonable and prudent;

– state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and

– prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

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 2009 which comprise the Group and parent company Balance Sheets, the Consolidated Statement of Comprehensive Income, the Group and parent company Statement of Cashflows, the Group and parent company Statement of Changes in Shareholders' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

– the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2009 and of the Group's profit and Group's and parent company's cash flows for the year then ended;

– the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

– the parent company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditors' Report to the members of CEPS PLC continued

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jason Clarke
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
30 April 2010

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 Statement of Comprehensive Income

	Notes	2009 £'000	2008 £'000
Revenue	4	15,880	16,796
Cost of sales		(13,968)	(14,228)
Gross profit		1,912	2,568
Distribution costs		(222)	(359)
Administration expenses		(968)	(1,061)
Operating profit	5	722	1,148
Analysis of operating profit			
Trading		1,086	1,514
Group costs		(282)	(366)
Deemed loss arising on the increase in the minority interest		(82)	–
		722	1,148
Finance costs	9	(146)	(241)
Profit before tax		576	907
Taxation	10	43	(193)
Profit for the year from continuing operations		619	714
Other comprehensive income			
Actuarial (loss)/gain on defined benefit pension plans		(74)	59
Other comprehensive (loss)/income for the year, net of tax		(74)	59
Total comprehensive income for the year		545	773
Profit attributable to:			
Owners of the parent		550	624
Minority interest		69	90
		619	714
Total comprehensive income attributable to:			
Owners of the parent		476	683
Minority interest		69	90
		545	773
Earnings per share basic and diluted	12	6.62p	7.51p

Consolidated and Company Balance Sheets

		Notes	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Assets	Non-current assets					
	Property, plant and equipment	14	1,548	1,610	–	–
	Intangible assets	15	4,744	4,826	85	91
	Investments in Group undertakings	16	–	–	2,553	2,571
	Deferred tax asset	22	164	24	–	9
			6,456	6,460	2,638	2,671
	Current assets					
	Inventories	17	1,569	1,795	–	–
	Trade and other receivables	18	2,622	2,828	750	552
	Cash and cash equivalents	27	736	665	24	3
			4,927	5,288	774	555
	Total assets		11,383	11,748	3,412	3,226
Equity	Capital and reserves attributable to owners of the parent					
	Called up share capital	24	416	416	416	416
	Share premium		2,756	2,756	2,808	2,808
	Retained earnings/ (accumulated losses)		2,193	1,717	122	(66)
			5,365	4,889	3,346	3,158
	Minority interest in equity		400	249	–	–
	Total equity		5,765	5,138	3,346	3,158
Liabilities	Non-current liabilities					
	Borrowings	20	1,346	1,751	–	–
	Provisions for liabilities and charges	23	55	55	–	–
			1,401	1,806	–	–
	Current liabilities					
	Borrowings	20	1,610	1,834	–	–
	Trade and other payables	19	2,562	2,819	62	68
	Current tax liabilities		45	151	4	–
			4,217	4,804	66	68
	Total liabilities		5,618	6,610	66	68
	Total equity and liabilities		11,383	11,748	3,412	3,226

These financial statements were approved by the Board of Directors on 30 April 2010.

R T Organ
P G Cook
Directors

Consolidated and Company Statement of Cashflows

		Group		Company	
		2009	2008	2009	2008
		£'000	£'000	£'000	£'000
Cash flows from operating activities	Cash generated from/(used in) operations	1,326	1,388	(209)	(144)
	Tax (paid)/received	(202)	(16)	87	–
	Interest (paid)/received	(126)	(222)	143	142
	Net cash generated from/(used in) operations	998	1,150	21	(2)
Cash flow from investing activities	Purchase of property, plant and equipment	(62)	(78)	–	–
	Disposal of property, plant and equipment	3	11	–	–
	Purchase of computer software and website development	–	(1)	–	–
	Net cash used in investing activities	(59)	(68)	–	–
Cash flow from financing activities	Repayment of bank loans	(650)	(686)	–	–
	Repayment of capital element of hire purchase agreements	(190)	(240)	–	–
	Net cash used in financing activities	(840)	(926)	–	–
	Net increase/(decrease) in cash and cash equivalents	99	156	21	(2)
	Cash and cash equivalents at the beginning of the year	532	376	3	5
	Cash and cash equivalents at the end of the year	631	532	24	3
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	722	1,148	(282)	(349)
	Adjustments for:				
	Depreciation and amortisation charge	285	275	6	5
	Loss on disposal of property, plant and equipment	9	23	–	–
	Increase in minority interest	82	–	–	–
	Difference between pension charge and cash contribution	(74)	(80)	–	–
	Operating profit/(loss) before changes in working capital and provisions	1,024	1,366	(276)	(344)
	Decrease/(increase) in inventories	226	(404)	–	–
	Decrease in trade and other receivables	206	323	73	225
	(Decrease)/increase in trade and other payables, including trade receivables backed working capital facilities	(130)	103	(6)	(25)
	Cash generated from/(used in) operations	1,326	1,388	(209)	(144)

Consolidated Statement of Changes in Shareholders' Equity

Group

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Attributable to the owners of the parent £'000	Minority interest £'000	Total equity £'000
At 1 January 2008	416	2,756	1,034	4,206	159	4,365
Actuarial gain	–	–	59	59	–	59
Profit for the year	–	–	624	624	90	714
Total comprehensive income for the year	–	–	683	683	90	773
At 31 December 2008	416	2,756	1,717	4,889	249	5,138
Actuarial loss	–	–	(74)	(74)	–	(74)
Profit for the year	–	–	550	550	69	619
Total comprehensive income for the year	–	–	476	476	69	545
Increase in minority interest charged against profit for the year	–	–	–	–	82	82
At 31 December 2009	416	2,756	2,193	5,365	400	5,765

Company

	Called up share capital £'000	Share retained premium £'000	(Accumulated losses)/ retained earnings £'000	Total equity £'000
At 1 January 2008	416	2,808	(29)	3,195
Loss for the year	–	–	(37)	(37)
At 31 December 2008	416	2,808	(66)	3,158
Profit for the year	–	–	188	188
At 31 December 2009	416	2,808	122	3,346

Notes to the Financial Statements

1. Accounting policies

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

The Company is domiciled and registered in England and its registered office is 11 George Street, Bath BA1 2EH.

Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union, IFRIC interpretations and Companies Act 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 Company has taken advantage of the exemption under the Companies Act 2006 not to present a Statement of Comprehensive Income. Information about the Company result for the period is given in note 13.

IFRSs effective in 2009 and adopted by the Group

The following new and amended IFRSs have been adopted by the Group in these financial statements as of 1 January 2009:

– IFRS 7 *Financial instruments – Disclosures* (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share;

– IAS 1 (revised) *Presentation of financial statements* – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expense (that is, 'non-owner changes in equity') in the Consolidated Statement of Changes in Shareholders' Equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in the Consolidated Statement of Comprehensive Income. As a result the Group presents in the Consolidated Statement of Changes in Shareholders' Equity all owner changes in equity, whereas all non-owner changes in equity are presented in the Consolidated Statement of Comprehensive Income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share; and

– IFRS 8 *Operating Segments* – effective 1 January 2009. This standard sets out the requirements for disclosure of information about the entity's operating segments. This change has resulted in the restatement of the prior year. In the prior year there were deemed to be two principal business segments, the sale of goods and the rendering of services.

IFRS effective in 2009 but not yet relevant to the Group

The following IFRS has not been adopted by the Group in these financial statements, as it is not deemed to be relevant:

– IAS 23 (revised) – *Borrowing Costs*

Notes to the Financial Statements

1. Accounting policies
continued

IFRSs not yet effective but may be relevant to the Group

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

– IFRS 3 (revised) – *Business combinations* – effective from 1 July 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the Consolidated Statement of Comprehensive Income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010;

– IAS 27 (revised) – *Consolidated and separate financial statements* – effective from 1 July 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the profit or loss for the year. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010;

– IFRIC 17 – *Distribution of non-cash assets to owners* – effective on or after 1 July 2009. The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and Company will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Group or Company's financial statements; and

– IAS 38 (amendment) – *Intangible Assets*. The amendment is part of the IASB's annual improvements project published in April 2009 and the Group and Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group or Company's financial statements.

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 and are accounted for using the purchase method of accounting. They are de-consolidated from the date that control ceases.

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.

Notes to the Financial Statements continued

1. Accounting policies
continued

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 Consolidated Statement of Comprehensive Income. 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.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, the Board.

Revenue recognition

The revenues of Friedman's and Davies Odell arise from the invoiced value of goods sold (recognised on despatch or transfer of substantial risks and rewards where different), excluding VAT.

The revenues of Sunline arise from 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 on a straight line basis.

The residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

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.

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

Computer software and costs incurred in the development of websites are stated at cost less accumulated amortisation. 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 (between 3 and 5 years). 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 carrying amount of the asset 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 relating to goodwill are not reversed.

Investments

Investments in subsidiaries are stated at cost, which reflects the fair value of the consideration paid. The investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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.

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. 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

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 Consolidated Statement of Comprehensive Income.

Pensions
The Company operates a defined benefit pension scheme, the assets of which are held separately from those of the Company in independently administered funds.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period is a charge to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the Consolidated Statement of Comprehensive Income.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits, are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

Defined benefit pension costs are recognised in the Consolidated Statement of Comprehensive Income. The full annual actuarial gain or loss is recognised in the Consolidated Statement of Comprehensive Income as other comprehensive income. Contributions to the defined contribution schemes are charged to the Consolidated Statement of Comprehensive Income as incurred.

Operating leases
The annual costs of operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Hire purchase 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 Consolidated Statement of Comprehensive Income over the period of the lease and represents a constant proportion of the balance of capital repayment outstanding.

Notes to the Financial Statements continued

1. Accounting policies
continued

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 an interest expense.

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) Loans and 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 Consolidated Statement of Comprehensive Income 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 Consolidated Statement of Comprehensive Income.

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.

b) Trade payables
Trade payables are initially recognised at fair value and subsequently measured at amortised cost.

c) 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.

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.

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 2009, if Sterling had weakened by 5% against the Euro and all other variables held constant, post-tax profit for the year would have been £37,000 (2008: £52,000) 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 £5,000 (2008: £9,000).

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.

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.

Notes to the Financial Statements continued

2. Financial risk management continued

2.1 Financial risk factors continued

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date 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 2009				
Trade and other payables	2,562	–	–	–
Other loans*	91	98	206	–
Bank borrowings**	421	400	100	–
Bank overdrafts	105	–	–	–
Trade receivables backed working capital facilities	888	–	–	–
Finance lease obligations	241	218	239	–
	4,308	716	545	–
At 31 December 2008				
Trade and other payables	2,819	–	–	–
Others 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	–

* The loan holder has confirmed that he will not seek repayment during 2010.

** The borrowing payments relate to capital only, interest is paid as accrued at an interest rate between 2% and 3.25% above the bank's base rate.

2.2 Capital risk management

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.

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 2009 and 2008 were as follows:

	2009 £'000	2008 £'000
Total borrowings	2,956	3,585
Less: cash and cash equivalents	(736)	(665)
Net debt	2,220	2,920
Total equity	5,765	5,138
Gearing ratio	38%	57%

Total borrowings have been reduced in the year by the repayment of bank loans and finance lease obligations totalling £840,000 and overdrafts of £28,000 and increased by loan notes of £65,000 issued in settlement of deferred consideration, new finance lease obligations of £162,000 and trade receivables backed working capital facilities of £12,000. Cash balances rose by £71,000. Total equity increased by the total comprehensive income for the year of £545,000 and the increase in the minority interest of £82,000. As a result, gearing fell to 38% (2008: 57%).

2.3 Fair value estimation

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.

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. However, no contracts were open at either the current or prior year end.

Notes to the Financial Statements continued

3. Critical accounting assumptions and judgements

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. A review is performed annually for goodwill.

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

The chief operating decision-maker of the Group is its Board. Each operating segment regularly reports its performance to the Board which, based on those reports, allocates resources to and assesses the performance of those operating segments.

Operating segments and their principal activities are as follows:

Davies Odell, the manufacture and distribution of protection equipment, matting and footwear components

Friedman's, the conversion and distribution of specialist Lycra

Sunline, a supplier of services to the direct mail market.

The United Kingdom is the main country of operation from which the Group derives its revenue and operating profit and is the principal location of the assets of the Group. The Group information provided below, therefore, also represents the geographical segmental analysis. Of the £15,880,000 revenue, £13,823,000 is derived from UK customers.

The Board assesses the performance of each operating segment by a measure of adjusted earnings before interest, tax and Group costs, depreciation and amortisation (EBITDA). Other information provided to the Board is measured in a manner consistent with that in the financial statements.

The 2008 results have, where necessary, been restated to comply with the adoption of IFRS 8.

i) Results by segment

	Davies Odell 2009 £'000	Friedman's 2009 £'000	Sunline 2009 £'000	Group 2009 £'000
Revenue	5,296	2,993	7,591	15,880
Segmental result (EBITDA)	250	203	913	1,366
Depreciation charge				(280)
Group costs				(282)
Increase in minority interest				(82)
Interest expenses				(146)
Profit before taxation				576
Taxation				43
Profit for the year				619

	Davies Odell 2008 £'000	Friedman's 2008 £'000	Sunline 2008 £'000	Group 2008 £'000
Revenue	5,942	3,175	7,679	16,796
Segmental result (EBITDA)	509	180	1,095	1,784
Depreciation charge				(270)
Group costs				(366)
Interest expenses				(241)
Profit before taxation				907
Taxation				(193)
Profit for the year				714

Notes to the Financial Statements continued

4. Segmental analysis
continued

ii) Assets and liabilities by segment as at 31 December

	Segment assets		Segment liabilities		Segment net assets	
	2009	2008	**2009**	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
CEPS Group	**114**	103	**(67)**	(24)	**47**	79
Davies Odell	**2,332**	2,240	**(1,043)**	(1,165)	**1,289**	1,075
Friedman's	**2,853**	3,203	**(1,694)**	(2,153)	**1,159**	1,050
Sunline	**6,084**	6,202	**(2,814)**	(3,268)	**3,270**	2,934
Total – Group	**11,383**	11,748	**(5,618)**	(6,610)	**5,765**	5,138

iii) Non-cash expenses and capital expenditure
Other than as stated above there were no significant non-cash expenses.

Capital expenditure	**2009** **£'000**	2008 £'000
Davies Odell	**9**	38
Friedman's	**39**	6
Sunline	**175**	710
Total – Group	**223**	754

Notes to the Financial Statements continued

5. Operating profit

	2009 £'000	2008 £'000
Profit on ordinary activities before tax is stated after charging:		
Employee costs (note 6)	4,559	4,771
Depreciation of owned assets and assets held under hire purchase contracts (note 14)	273	263
Loss on disposal of property, plant and equipment	9	23
Exchange (gain)/loss	(64)	228
Other operating lease rentals on land and buildings and on plant and machinery:	385	372
Amortisation charge (note 15)	12	12
Fees paid to auditors		
Audit fees in respect of the audit of the accounts of the Company	16	16
Audit fees in respect of the audit of the accounts of subsidiaries of the Company	25	25
	41	41
Services relating to taxation	18	16
Services relating to the pension scheme	4	4
Total fees	63	61
Expenses by nature		
Change in inventories	7,557	7,567
Employee benefit expense	4,559	4,771
Depreciation and amortisation	285	275
Operating lease payments	385	372
Other expenses	2,372	2,663
	15,158	15,648

6. Employees

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

	2009	2008
Management and administration	39	38
Production and sales	149	168
	188	206

The aggregate payroll costs of these persons were:

	2009 £'000	2008 £'000
Wages and salaries	4,103	4,292
Social security costs	371	382
Pension costs and related fees	85	97
	4,559	4,771

Key management personnel are deemed to be members of the Board and local management and their compensation is shown in note 7.

Notes to the Financial Statements continued

7. Directors' emoluments and interests

The aggregate remuneration of the directors was:

	2009 £'000	2008 £'000
Fees	–	–
Salaries and benefits	155	149
	155	149

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

	Salaries and fees		Benefits		Total	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
P G Cook	62	62	–	–	62	62
D A Horner	16	15	–	–	16	15
G C Martin	47	43	4	3	51	46
R T Organ	26	26	–	–	26	26
	151	146	4	3	155	149

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 2008	25
Increase in accrued pension during 2009	2
Accrued pension at 31 December 2009	27

	£'000
Transfer value of the increase in accrued pension during 2009	35

G C Martin was also a member of a Group defined contribution scheme. Contributions on his behalf to the scheme in 2009 were £nil (2008: £4,786).

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

	2009 £'000	2008 £'000
Wages and salaries	380	360
Social security costs	43	40
Other pension costs	38	13
	461	413

Notes to the Financial Statements continued

7. Directors' emoluments and interests continued

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

	at 31 December 2009		at 31 December 2008	
	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 2009 and 30 April 2010.

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. All warrants lapsed on 20 April 2010 and none were granted or exercised between the year end and this date. The market price of the shares at 31 December 2009 was 25.0p and the range during 2009 was 15.0p to 25.0p.

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 £81,000 (2008: £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 2009 the results of the actuarial valuation at 1 July 2007. The results of the update are as follows:

	2009	2008
Assumptions at 31 December		
Interest rate for discounting liabilities	5.80%	6.60%
Expected return on plan assets	6.30%	6.30%
Rate of salary increase	N/A	0.00%
Retail Price Inflation	3.40%	2.60%
Pensions increase	3.40%	2.60%
Mortality	PCA00	PCA00
Current and future pensioners	year of birth long cohort	year of birth long cohort
Life expectancies		
For a 65 year old male	23.4	23.4
For a 65 year old male, currently aged 50	24.3	24.3

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

	2009 £'000	2008 £'000
Amounts recognised in the balance sheet are as follows:		
Fair value of plan assets	2,129	1,992
Present value of defined benefit obligation	(2,101)	(1,738)
Actuarial surplus not recognised	(28)	(254)
	–	–

Notes to the Financial Statements continued

8. Pension costs continued

	2009 £'000	2008 £'000
Pension cost recognised in the income statement for the year		
Operating cost:		
Current service cost (cost of sales)	6	4
Finance cost:		
Interest cost	112	126
Expected return on plan assets	(125)	(127)
	(13)	(1)
Total pension (credit)/cost	(7)	3
Statement of recognised income and expense for the year		
Actuarial loss/(gain)	325	(523)
Experience (gains)/losses on assets	(25)	187
Movement in actuarial surplus not recognised	(226)	254
Total loss/(gain)	74	(82)
Movement in balance sheet for the year		
Net pension liability at the start of the year	–	(162)
Employer's pension cost	7	(3)
Statement of recognised income and expense	(74)	82
Employer contributions	67	83
Accrued pension at the end of the period	–	–
Reconciliation of the defined benefit obligation		
Defined benefit obligation at the start of the year	1,738	2,144
Service cost	6	4
Interest cost	112	126
Plan participants' contributions	3	2
Actuarial loss/(gain)	325	(523)
Benefits and expenses paid	(83)	(15)
Defined benefit obligation at the end of the year	2,101	1,738
Actual return on planned assets	150	(60)
Reconciliation of plan assets		
Fair value of plan assets at the start of the year	1,992	1,982
Actuarial return on plan assets	150	(60)
Employer contributions	67	83
Plan participants' contributions	3	2
Benefits and expenses paid	(83)	(15)
Fair value of plan assets at the end of the year	2,129	1,992

Notes to the Financial Statements continued

8. Pension costs continued

	2009	2008
Asset categories at the end of the year		
Equities	41%	38%
Bonds	37%	47%
Property	9%	9%
Cash	13%	6%

	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Amounts for the current and previous three years are as follows:				
Plan assets	2,129	1,992	1,982	1,852
Defined benefit obligation	(2,101)	(1,738)	(2,144)	(2,369)
Actuarial surplus not recognised	(28)	(254)	–	–
Deficit in scheme	–	–	(162)	(517)
Actuarial (losses)/gains on liabilities due to assumptions	(325)	523	208	66
Experience gains/(losses) on assets	25	(187)	71	20
Movement in actuarial surplus not recognised	226	(254)	–	–
Total (losses)/gains recognised for the year	(74)	82	279	86
Cumulative amount of gains recognised in the Consolidated Statement of Comprehensive Income	373	447	365	86

9. Finance income and costs

	2009 £'000	2008 £'000
Interest receivable	3	21
Pension scheme finance income (note 8)	13	1
Total finance income	16	22
Interest payable on interest-bearing loans and borrowings	100	218
Finance lease costs	42	26
Preference dividend accrued	20	19
Total finance costs	162	263
Net finance costs	146	241

Notes to the Financial Statements continued

10. Taxation

	2009 £'000	2008 £'000
Analysis of taxation in the year:		
Current tax		
UK corporation tax on profits of the year at 28% (2008: 28.5%)	96	127
Tax repaid/(repaid) in respect of prior periods	1	(5)
Total current tax	97	122
Deferred tax		
Current year charge to the income statement	31	76
Prior year	(171)	(5)
Total deferred tax	(140)	71
Total tax (credit)/charge	(43)	193
Deferred tax charge to the Statement of Comprehensive Income	–	23
Factors affecting current taxation:		
Profit before taxation	576	907
Profit multiplied by the standard rate of UK tax of 28% (2008: 28.5%)	161	258
Effects of:		
Small companies tax relief	(4)	(3)
Other timing differences	(61)	(53)
Expenses not deductible for tax purposes	31	1
Prior year adjustment, current tax	1	(5)
Prior year adjustment, deferred tax	(171)	(5)
Total tax charge	(43)	193

11. Dividends

No ordinary dividends have been paid or proposed for the year (2008: £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 £550,000 (2008: £624,000) and on 8,314,297 (2008: 8,314,249) 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 and options. No adjustment is required in either year because the fair value of warrants and options was below the exercise price.

Notes to the Financial Statements continued

13. Profits of the holding company

Of the Group profit for the year a profit of £188,000 prior to consolidation adjustments (2008: loss £37,000) is dealt with in the accounts of CEPS PLC. The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented the results for the Company alone.

14. Property, plant and equipment

Group

	Leasehold property improvements £'000	Plant, machinery, tools and moulds £'000	Motor vehicles £'000	Total £'000
Cost				
at 1 January 2008	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
additions at cost	1	198	24	223
disposals	–	(21)	(19)	(40)
at 31 December 2009	58	3,999	109	4,166
Accumulated depreciation				
at 1 January 2008	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
charge for the year	3	252	18	273
disposals	–	(13)	(15)	(28)
at 31 December 2009	36	2,531	51	2,618
Net book amount				
at 31 December 2009	22	1,468	58	1,548
at 31 December 2008	24	1,530	56	1,610
at 1 January 2008	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 £793,000 (2008: £846,000) and an accumulated depreciation balance of £220,000 (2008: £191,000).

The depreciation has been charged to cost of sales in the Consolidated Statement of Comprehensive Income.

Company

Throughout 2008 and 2009 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 2008	4,823	49	4,872
	additions	86	1	87
	at 31 December 2008	4,909	50	4,959
	adjustment of deferred consideration	(70)	–	(70)
	at 31 December 2009	4,839	50	4,889
	Accumulated amortisation			
	at 1 January 2008	121	–	121
	charge	–	12	12
	at 31 December 2008	121	12	133
	charge	–	12	12
	at 31 December 2009	121	24	145
	Net book amount			
	at 31 December 2009	4,718	26	4,744
	at 31 December 2008	4,788	38	4,826
	at 1 January 2008	4,702	49	4,751
Company	Cost			
	at 1 January 2008, 31 December 2008 and 31 December 2009	80	17	97
	Accumulated amortisation			
	at 1 January 2008	1	–	1
	charge	–	5	5
	at 31 December 2008	1	5	6
	charge	–	6	6
	at 31 December 2009	1	11	12
	Net book amount			
	at 31 December 2009	79	6	85
	at 31 December 2008	79	12	91
	at 1 January 2008	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, the fair value of which has been revisited at each year end. The settlement was finalised at the current year end and the goodwill adjusted.

Notes to the Financial Statements continued

15. Intangible fixed assets
continued

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 and are amortised over their estimated economic lives. The annual amortisation charge is expensed to cost of sales in the Consolidated Statement of Comprehensive Income.

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.

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

	2009 £'000	2008 £'000
Friedman's	1,529	1,529
Sunline	3,189	3,259
Total	4,718	4,788

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 7.8%, representing the Group's current pre-tax cost of capital, has been applied to these projections.

At 31 December 2009 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. Recoverable amounts for Friedman's and Sunline exceeded the carrying values by £4,250,000 and £7,000,000 respectively.

The value-in-use calculations are sensitive to changes in the discount rate and cash flows. The value-in-use of Friedman's and Sunline would be equal to the carrying value of assets if the discount rates were 30% and 17% higher respectively or if forecast cash flows were 79% and 67% lower respectively.

Notes to the Financial Statements continued

16. Fixed asset investments

Company

	2009 £'000	2008 £'000
Shares in group undertakings		
at 1 January	692	692
disposal	(18)	–
at 31 December	674	692
Loan to group undertakings		
at 1 January	1,879	1,879
additions at cost	–	–
at 31 December	1,879	1,879
Total fixed asset investments	2,553	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	55	
Friedman's Limited	England	ordinary		55
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		55

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

During the year Signature Fabrics Limited resolved to redesignate 4,750 issued A Ordinary shares of £1 each and 250 issued B Ordinary shares of £1 each into deferred shares of £1 each. Deferred shares do not carry voting rights and are entitled to a maximum aggregate return of capital of £1. The reclassification has reduced the Company's holding in Signature Fabrics Limited from 75% to 55%. The resultant deemed loss on disposal of £82,000 has been recognised in the Consolidated Statement of Comprehensive Income of the Group and a loss of £18,000 has been recognised in the Company's result for the year.

Notes to the Financial Statements continued

17. Inventories

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Raw materials and consumables	497	715	–	–
Work in progress	23	11	–	–
Finished goods and goods for resale	1,049	1,069	–	–
	1,569	1,795	–	–

The cost of inventories recognised as an expense and included within cost of sales amounted to £7,557,000 (2007: £7,567,000).

18. Trade and other receivables

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade receivables	2,384	2,647	–	–
less: provision for impairment of trade receivables	(15)	(33)	–	–
Trade receivables – net	2,369	2,614	–	–
Amount due from subsidiary companies	–	–	745	550
Other receivables	2	4	–	–
Prepayments and accrued income	251	210	5	2
	2,622	2,828	750	552

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

As at 31 December 2009, trade receivables of £1,669,000 (2008: £1,869,000) were fully performing.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2009, trade receivables of £672,000 (2008: £680,000) 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:

	2009 £'000	2008 £'000
Up to 3 months	552	589
3 to 6 months	120	91
	672	680

Notes to the Financial Statements continued

18. Trade and other receivables continued

As of 31 December 2009, trade receivables of £43,000 (2008: £98,000) were impaired. A portion of the receivables is expected to be recovered and a provision of £15,000 (2008: £33,000) 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:

	2009 £'000	2008 £'000
3 to 6 months	43	53
Over 6 months	–	45
	43	98

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

	2009 £'000	2008 £'000
Sterling	2,539	2,712
Euro	67	111
US $	16	5
	2,622	2,828

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

	2009 £'000	2008 £'000
At 1 January	33	48
Acquisition	–	–
Provision for receivables impairment	–	37
Receivables written off during the year	(14)	(22)
Unused amounts reversed	(4)	(30)
	15	33

The creation and release of provisions for impaired receivables have been included in cost of sales in the Consolidated Statement of Comprehensive Income. 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	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade payables	1,862	1,875	–	–
Other tax and social security	363	349	–	–
Other payables	84	204	–	–
Accruals and deferred income	253	391	62	68
	2,562	2,819	62	68

20. Borrowings

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Non-current:				
Bank borrowings	500	921	–	–
Other loans	395	330	–	–
Finance lease obligations	451	500	–	–
	1,346	1,751	–	–
Current:				
Bank overdraft	105	133	–	–
Bank borrowings	421	650	–	–
Trade receivables backed working capital facilities	888	876	–	–
Finance lease obligations	196	175	–	–
	1,610	1,834	–	–
Total borrowings	2,956	3,585	–	–

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. All borrowings are denominated in Sterling.

At 31 December 2009 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	21	304	325
Sunline	900	–	900
Davies Odell and CEPS PLC	105	584	689
	1,026	888	1,914

Notes to the Financial Statements continued

20. Borrowings continued

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.

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

	2009		2008	
	Bank £'000	Finance lease £'000	Bank £'000	Finance lease £'000
Within one year	993	196	1,009	175
Between one and two years	521	185	271	183
Between two and five years	400	266	1,300	317
	1,914	647	2,580	675

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 £500,000 (2008: £921,000) and their fair values £480,000 (2008: £874,000). The carrying amounts of the non-current finance lease obligations is £451,000 (2008: £500,000) and their fair values £321,000 (2008: £454,000).

Other loans represent preference shares of £130,000 and loan stock of £200,000, subscribed by minorities and loan stock of £65,000 issued to minorities in settlement of deferred consideration. Preference shares carry a dividend of 15% pa and loan stock interest of 15% pa and are each repayable in quarterly instalments over three years commencing in April 2009. The preference shares and loan notes are held by the minority interest and are in Sunline Direct Mail Holdings Limited. The minority has confirmed that he has no intention to seek any settlement during 2010 and, consequently, management believes it is appropriate to recognise the liability as non-current.

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

	2009 £'000	2008 £'000
Not more than one year	241	227
Later than one year but not more than five years	458	556
	699	783
Finance charge	(52)	(108)
Present value of finance lease liabilities	647	675

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 2009

Assets as per balance sheet	Loans and receivables £'000
Trade and other receivables (excluding prepayments)	2,371
Cash and cash equivalents	736
Total	3,107

Liabilities as per balance sheet	Other financial liabilities £'000
Borrowings (excluding finance leases)	1,914
Finance leases	647
Trade and other payables (excluding statutory liabilities)	2,199
Total	4,760

Group, 31 December 2008

Assets as per balance sheet	Loans and receivables £'000
Trade and other receivables (excluding prepayments)	2,618
Cash and cash equivalents	665
Total	3,283

Liabilities as per balance sheet	Other financial liabilities £'000
Borrowings (excluding finance leases)	2,580
Finance leases	675
Trade and other payables (excluding statutory liabilities)	2,470
Total	5,725

The Company's assets in both the current and prior year are categorised as loans and receivables. The Company's liabilities are categorised as other financial liabilities.

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	2009 £'000	2008 £'000
Davies Odell	924	1,028
Friedman's	442	565
Sunline	1,018	1,054
	2,384	2,647

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 £736,000 (2008: £665,000) 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 asset

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	Accelerated capital allowances £'000	Other timing differences £'000	Total £'000
At 1 January 2008, asset	45	58	15	118
(Charge)/credit to the income statement	(22)	(74)	25	(71)
Charged to equity	(23)	–	–	(23)
at 31 December 2008, asset	–	(16)	40	24
(Charge)/credit to the income statement	–	(163)	303	140
at 31 December 2009, asset	–	(179)	343	164

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.

It is currently anticipated that £41,000 of the asset will be utilised within one year.

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 £415,000 (2008: £1,764,000) and gross ACAs of £1,094,000 (2008: £500,000) are unrecognised at the balance sheet date.

The Company has recognised in 2009 a deferred tax asset of £nil (2008: £9,000) in relation to tax losses.

Notes to the Financial Statements continued

23. Provisions for liabilities and charges

Dilapidations provisions at 31 December 2009 were £55,000 (2008: 55,000) and are carried against the costs anticipated on termination of property leases. The leases to which they relate are currently due to terminate in 2012.

24. Called up share capital

	2009 £'000	2008 £'000
Ordinary shares		
Authorised:		
15,000,000 (2008: 15,000,000) shares of 5.0p per share	750	750
Allotted called and fully paid:		
8,314,310 (2008: 8,314,285) shares of 5.0p per share	416	416

Warrants to acquire 25 shares (2008: 54 shares) were exercised during the year at an exercise price of 62.5p. Warrants for a further 1,437,287 ordinary shares at a price of 62.5p per share were outstanding at the year end and lapsed unexercised on 20 April 2010.

Options granted and remaining unexercised at 31 December 2009 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. 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 Consolidated Statement of Comprehensive Income during the year is shown in note 5.

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

	2009 £'000	2008 £'000
Land and buildings leases expiring:		
within one year	342	342
within two to five years	470	737
after more than five years	–	–
	812	1,079

Notes to the Financial Statements continued

26. Related party transactions

The Group has no material transactions with related parties which might reasonably be expected to influence decisions made by users of these financial statements.

During the year the Company entered into the following transactions with its subsidiaries.

	Davies Odell Limited £'000	Sunline Direct Mail Holdings Limited £'000	Signature Fabrics Limited £'000
Receipt of ordinary share dividend			
– 2009	200	–	–
– 2008	–	–	–
Receipt of preference share dividend			
– 2009	–	78	–
– 2008	–	78	–
Receipt of loan note interest			
– 2009	–	127	37
– 2008	–	127	37
Receipt of management charge income			
– 2009	–	15	12
– 2008	–	15	12
Amount owed to the Company			
– 31 December 2009	220	284	241
– 31 December 2008	111	250	190

27. Cash and cash equivalents

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Cash at bank and in hand	736	665	24	3
Bank overdrafts repayable on demand	(105)	(133)	–	–
	631	532	24	3

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 Friday 28 May 2010 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 numbers 6 and 7 as special resolutions.

1 To receive, consider and adopt the Company's annual accounts for the financial year ended 31 December 2009 together with the directors' report and auditors' report on those accounts.

2 To re-elect D A Horner 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 551 of the Companies Act 2006 (the "Act") to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £334,284.50, 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 equity securities to be allotted after the expiry of such period and the directors may allot equity securities pursuant to such an offer or agreement as if the authority had not expired.

'Rights issue' means an offer of equity securities to holders of ordinary shares in the capital of the Company on the register on a record date fixed by the directors in proportion as nearly as may be to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any treasury shares, fractional entitlements or legal or practical issues arising under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or any other matter.

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 570 of the Act, to allot equity shares (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 5 as if section 561(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 (as defined in resolution number 5);

Notice of Meeting continued

Annual General Meeting
continued

6 continued

6.2 otherwise than pursuant to sub-paragraph 6.1 above up to an aggregate nominal amount of £200,150.00 (such shares representing approximately 48% of the Company's issued ordinary capital as at the date of this notice),

and shall expire at the commencement of the next Annual General Meeting held after 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.

7 THAT the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 5 pence each in the capital of the Company on such terms as the directors think fit, provided that:

7.1 the maximum number of ordinary shares hereby authorised to be purchased is limited to an aggregate of 831,431 (such shares representing approximately 10% of the Company's issued ordinary capital as at the date of this notice);

7.2 the minimum price, exclusive of any expenses, which may be paid for an ordinary share is 5 pence;

7.3 the maximum price, exclusive of any expenses, which may be paid for each ordinary share is an amount equal to the higher of: (a) 105 per cent of the average of the middle market quotations for an ordinary share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day on which the ordinary share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003; and

7.4 the authority hereby conferred shall, unless previously revoked and varied, expire at the commencement of the next Annual General Meeting held after the date of the passing of the resolution (except in relation to the purchase of ordinary shares the contract for which was concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry).

On behalf of the Board
V E Langford
Secretary
Dated 5 May 2010

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/her. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. 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, PXS, of 34 Beckenham Road, Beckenham, Kent BR3 4TU, 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 2010 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.

Group Information

Directors	P G Cook, Group Managing D A Horner, Non-executive G C Martin FCA, Non-executive R T Organ BA(Hons) FRSA, Non-executive Chairman
Secretary and registered office	Vivien Langford 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 0GA telephone 0871 664 0300 - calls cost 10p per minute plus network extras, lines are open 8.30am to 5.30pm Monday to Friday
Share price information	The day-to-day movement of the share price on the London Stock Exchange can be found on the Company's website and at www.londonstockexchange.com (code CEPS)
Auditors	PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors 31 Great George Street, Bristol BS1 5QD
Solicitors	Berwin Leighton Paisner LLP Adelaide House, London Bridge, London EC4R 9HA
Nominated adviser and broker	Astaire Securities plc 30 Old Broad Street, London EC2N 1HT telephone 020 7448 4400, fax 020 7448 4411