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2013

Annual Report

CEPS PLC
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Chairman's Statement

Review of the period

Good progress has been made in 2013.

Trading conditions in the UK and some export markets at last began to show signs of improvement and the depreciation of the Pound, so damaging to our input costs, was reversed somewhat in the latter part of the year. The recovery and revitalisation of Sunline has proceeded well, creating an environment where we are confident in investing for the future.

Group revenue rose 4% to £15.6m (2012: £15.1m) and operating profit advanced by 49% to £348,000 (2012: £233,000 before exceptionals) with markedly different results across the companies.

As noted at the half year, Davies Odell's lack of profit has continued to disappoint, as sales growth has stalled and been outpaced by costs. Sunline's strong recovery has continued into 2014, and Friedman's has had an outstanding year with strong sales and margin growth. Group costs were slightly higher at £331,000, compared to the previous year's total of £313,000, due to the one-off professional costs associated with the share consolidation that was approved by shareholders in June 2013.

Profit before tax has increased to £261,000 from £117,000, before exceptional costs in 2012, and post-tax profits have increased to £181,000 from £19,000, excluding the exceptional impairment charge in 2012. The loss per share on a basic and diluted basis, after accounting for non-controlling interests, is 0.15p, which compares to last year's loss per share of 40.36p, adjusted for the effects of the share consolidation.

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

Financial review

In light of the impairment provision against goodwill attributable to Sunline of £2.5m that was made in last year's accounts, it was very encouraging to see such an improvement in the company's performance during 2013. Indeed, the annual impairment test that was undertaken in 2013 showed that Sunline had recovered a significant amount of the value that was written-off in 2012. However, accounting standards preclude the reinstatement of this amount.

Capital expenditure on plant and machinery amounted to £91,000 in the year and included a third digital printer at Friedman's. More capital investment is planned across all companies in 2014 to meet growing demand for the Group's products and to improve operational efficiencies.

The level of Group debt fell for the third year in a row, in line with management's expectations. At the end of 2013 net debt was £1.7m compared to £1.8m at the previous year end and gearing was 45% (2012: 48%).

A further £186,000 of 9% Guaranteed Loan Stock was repaid to the Company by Friedman's in the year, leaving £89,000 to be repaid in 2014. This was in addition to the £55,000 dividend paid by Friedman's to the Company in April 2013.

During the year the Group generated cash from operating activities of £532,000 (2012: £443,000). After net capital and intangible expenditure of £13,000 (2012: £27,000), the repayment of the capital element of finance leases of £163,000 (2012: £243,000), the dividend paid to the non-controlling interest of £45,000 (2012: £nil), income tax paid of £146,000 (2012: £11,000) and interest charges of £128,000 (2012: £137,000), cash and cash equivalents increased by £37,000 (2012: £8,000).

Chairman's Statement continued

Operational review

Davies Odell

The results at Davies Odell are disappointing. At the half-year the business was profitable, but in the second half, as sales faded badly in the final quarter, the business became loss-making. Sales declined by 4.6% in the year from £5.7m in 2012 to £5.5m, whilst the cost base had been built in anticipation of increased activity. For the year as a whole, growth in *Forcefield* slowed to 7.2%, down from 31.8% in the previous year, shoe component sales were flat and matting sales continued to fall. Gross profit margins before direct overheads fell from 34.4% to 33.9% as a result of our inability to pass on adverse exchange rate movements. EBITDA was negative £69,000, a big drop from the £163,000 positive in 2012.

In January 2014 action was taken to reduce the cost base, improve the forecasting of forward sales and to inject more urgency into new product development and sales effort. A new laser cutter has been delivered, enabling expansion of profitable leather and ethylene-vinyl acetate cutting activities. The business will be monitored very closely for the expected improvements in 2014.

Friedman's

Friedman's has had another outstanding year. Sales continued to grow at £3.9m (2012: £3.7m), up 5.1% but, more impressively, gross profit margin before direct overheads grew from 34.7% to 36.3%. At the heart of this success has been the capability to customise fabric design using our digital design and printing equipment, resulting in both extra sales and better margins. Three digital printers are now installed and fully operational providing welcome extra capacity for this business.

EBITDA improved another 31.6% on the outstanding result for 2012, from £452,000 to £595,000, with overheads well contained.

Sunline

Sunline has managed to sustain the improvement in operating performance outlined at the half year. The changes to operating practices settled down in the busy second half and, just as importantly, the sales growth was forthcoming enabling efficiency improvements to be achieved. More emphasis has been placed on selecting new customers who can gain the most from our range of services and identifying further services to sell to existing clients, thus maximising the profit earned from each customer. Overall, sales rose 11.1% and gross profit margin before direct overheads increased from 35.8% to 39.3%. EBITDA rose very substantially to £371,000 (2012: £162,000 before exceptional impairment charge).

CEM Press

CEM Press's performance remained flat when compared to the previous year with sales of £3.1m (2012: £3.0m) and gross profit margin before direct overheads of 39.8% (2012: 39.9%). EBITDA was £285,000 (2012: £305,000). These financial statements include our share of £36,000 (2012: £18,000) of its full year's post-tax profit.

Steps have been taken in 2014 to strengthen the management team and new factory space has been acquired, which will enable production efficiencies to be made when it becomes operational later in the year.

Dividend

Investment in our underlying businesses is a priority for the Group and a dividend is not proposed at this stage.

Chairman's Statement continued

People

All our business teams have worked hard in 2013 and we thank them for their efforts.

What is clear from the Sunline experience in the last two years is that confronting difficulties and market change head-on with new ways of working and new products is the key to revival. Sunline continues to show the way and we are confident that Davies Odell will now follow its example.

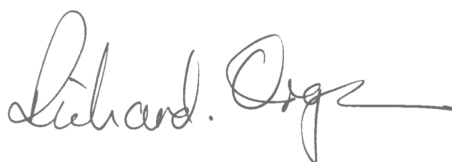
Prospects

Progress continues to be made at Sunline: the improved efficiency will be further embedded by substantial investment in new polywrap equipment in the first half of 2014. This should be fully operational for the busy second half of the year. In addition, work on new lines of business continues apace and I expect to be able to report positively by the half-year. This is all in marked contrast to Sunline's position two years ago and a credit to its resolute management team.

I expect Friedman's to continue to deliver a strong profit stream in 2014.

As noted earlier, steps have been taken at Davies Odell to both reduce costs and improve the flow of new product to enable sales to grow. With the steady improvement in the economic outlook, opportunities certainly exist for *Forcefield* to flourish and for our shoe component business to supply innovative and better margin products. The initial signs in 2014 are encouraging, but will need to be sustained over a long period.

There is no doubt that the trading environment is improving both in the UK and our key markets. The outlook for the Group should improve upon 2013 provided current momentum at Davies Odell can be sustained.



Richard Organ
Chairman
14 May 2014

Strategic Report

The directors present their strategic report on the Group for the year ended 31 December 2013.

Review of the business

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 4.

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:

	2013	2012
Revenue	£15,624,000	£15,068,000
Segmental result (EBITDA) before exceptional costs	£897,000	£777,000
Profit/(loss) before tax	£261,000	(£2,383,000)
Profit/(loss) after tax	£181,000	(£2,481,000)
Total equity	£3,865,000	£3,814,000
Net debt (total borrowing less cash)	£1,745,000	£1,812,000
Gearing ratio (net debt/total equity)	45%	48%

The Chairman has commented on the main key performance indicators in his Statement on pages 2 to 4.

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 pages 8 and 9.

The key risks the Board seeks to mitigate are: competition, employee relations and the 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.

Employee relations – 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.

Supply chain – 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.

See note 2 for an assessment of financial risks.

Future developments

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

By order of the Board
V E Langford
Company Secretary
14 May 2014

Directors' Report

The directors have pleasure in submitting their report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

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 (61) is a non-executive director and Chairman. He has significant experience of manufacturing and marketing in the footwear and clothing industries gained with C & J Clark Ltd and Coats Viyella PLC.

D A Horner (54) is a non-executive director. He qualified as a Chartered Accountant in 1985 with Touche Ross & Co. In 1986 he 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. In 2013 he resigned his membership of the Institute of Chartered Accountants in England and Wales, as his career is now fully involved in fund management.

P G Cook (62) 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 (69) is a non-executive director. He is a Chartered Accountant who was previously Finance Director and Company Secretary of the Group.

V E Langford (52) is Group Finance Director. She is a Chartered Accountant and is also the Company Secretary of CEPS PLC.

The directors retiring by rotation in accordance with Articles 71 and 72 are P G Cook and R T Organ who, being eligible, offer themselves for re-election.

The Company purchased and maintained throughout the financial year and up to the date of this report, Directors' and Officers' liability insurance in respect of itself and its directors.

Significant shareholdings

In addition to directors' shareholdings shown on page 30, the following shareholders held more than 3% of the Company's ordinary shares at 22 April 2014:

	Shares	%
David Abell	237,500	4.4
Elizabeth Horner	319,260	5.9
Lynchwood Nominees Limited	312,500	5.8
Mark Thistlethwayte	860,000	15.9
Chelverton Growth Trust Plc	875,000	16.2

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 44.

For further details of Group financial risk and management thereof see note 2 on pages 23 to 25.

Directors' Report continued

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/she ought to have taken in his/her duty as a director in order to make himself/herself 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
14 May 2014

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 two executive directors. Further details of the Board members are given in the Directors' Report on pages 6 and 7.

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), R T Organ and G C Martin. The audit committee is responsible for the appointment of the external auditors, 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, D A Horner and G C Martin.

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 were based on salary alone and were provided by the Company defined contribution scheme and defined benefits scheme. Contributions were 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. From 2010 no benefits have accrued to directors under these schemes.

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 page 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 without delay all information which the Company needs in order to comply with

Corporate Governance continued

AIM compliance committee continued

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 R T Organ.

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 year 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 Company's and 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 annual report and 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 period. 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;

– prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company and 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.

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

Independent Auditors' Report to the members of CEPS PLC

Report on the financial statements

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2013 and of the Group's profit and the Group's and the parent company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with International Financial Reporting Standards (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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements and parent company financial statements (the 'financial statements'), which are prepared by CEPS PLC, comprise:

- the Consolidated and Company Balance Sheets as at 31 December 2013;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Cash Flows for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and 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.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). 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 the 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.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditors' Report to the members of CEPS PLC continued

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities 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 and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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.

Colin Bates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
14 May 2014

Consolidated Statement of Comprehensive Income

	Notes	2013 £'000	2012 £'000
Revenue	4	15,624	15,068
Cost of sales		(14,019)	(13,574)
Gross profit		1,605	1,494
Distribution costs		(167)	(164)
Administration expenses		(1,090)	(3,597)
Operating profit/(loss)	5	348	(2,267)
Analysis of operating profit/(loss)			
Trading		679	546
Exceptional costs	5	–	(2,500)
Group costs		(331)	(313)
		348	(2,267)
Finance income	9	5	3
Finance costs	9	(128)	(137)
Share of profit of associate	16	36	18
Profit/(loss) before tax		261	(2,383)
Taxation	10	(80)	(98)
Profit/(loss) for the year from continuing operations		181	(2,481)
Other comprehensive loss:			
Items that will not be reclassified to profit or loss			
Actuarial loss on defined benefit pension plans	8	(85)	(83)
Items that may be subsequently reclassified to profit or loss		–	–
Other comprehensive loss for the year, net of tax		(85)	(83)
Total comprehensive income/(loss) for the year		96	(2,564)
Profit/(loss) attributable to:			
Owners of the parent		(8)	(2,054)
Non-controlling interest		189	(427)
		181	(2,481)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(93)	(2,137)
Non-controlling interest		189	(427)
		96	(2,564)
Loss per share			
basic and diluted	12	(0.15)p	(40.36)p*

* The loss per share for the year ended 31 December 2012 has been restated to reflect the share consolidation in the year (see note 24).

Consolidated and Company Balance Sheets

Registered number 507461

		Notes	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Assets	Non-current assets					
	Property, plant and equipment	14	1,004	1,048	–	–
	Intangible assets	15	2,241	2,232	79	79
	Investments in subsidiaries	16	–	–	2,235	2,421
	Investment in associate	16	554	518	500	500
	Deferred tax asset	22	453	505	1	1
			4,252	4,303	2,815	3,001
	Current assets					
	Inventories	17	1,709	1,944	–	–
	Trade and other receivables	18	2,436	2,235	929	762
	Cash and cash equivalents (excluding bank overdrafts)	27	145	56	62	39
			4,290	4,235	991	801
	Total assets		8,542	8,538	3,806	3,802
Equity	Capital and reserves attributable to owners of the parent					
	Share capital	24	541	541	541	541
	Share premium		3,114	3,114	3,166	3,166
	Retained earnings		(25)	68	(21)	17
			3,630	3,723	3,686	3,724
	Non-controlling interest in equity		235	91	–	–
	Total equity		3,865	3,814	3,686	3,724
Liabilities	Non-current liabilities					
	Borrowings	20	510	435	–	–
	Deferred tax liability	22	30	80	–	–
	Provisions for liabilities and charges	23	55	55	–	–
			595	570	–	–
	Current liabilities					
	Borrowings	20	1,380	1,433	–	–
	Trade and other payables	19	2,655	2,604	120	78
	Current tax liabilities		33	101	–	–
	Provisions for liabilities and charges	23	14	16	–	–
			4,082	4,154	120	78
	Total liabilities		4,677	4,724	120	78
	Total equity and liabilities		8,542	8,538	3,806	3,802

The financial statements on pages 12 to 47 were approved by the Board of Directors on 14 May 2014 and signed on its behalf by

P G Cook
Director

Consolidated and Company Statements of Cash Flows

		Group		Company	
		2013	2012	2013	2012
		£'000	£'000	£'000	£'000
Cash flows from operating activities	Cash generated from/(used in) operations	532	443	(181)	(170)
	Income tax (paid)/received	(146)	(11)	–	6
	Interest paid	(128)	(137)	–	–
	Net cash generated from/(used in) operations	258	295	(181)	(164)
Cash flows from investing activities	Purchase of property, plant and equipment	(23)	(35)	–	–
	Purchase of intangibles	(15)	–	–	–
	Investment in associate	–	(500)	–	(500)
	Repayment of loan stock	–	–	186	132
	Disposal of property, plant and equipment	25	8	–	–
	Interest received	–	–	18	34
	Net cash (used in)/generated from investing activities	(13)	(527)	204	(334)
Cash flows from financing activities	Proceeds from placing net of related costs	–	483	–	483
	Dividend paid to non-controlling interest	(45)	–	–	–
	Repayment of capital element of finance leases	(163)	(243)	–	–
	Net cash (used in)/generated from financing activities	(208)	240	–	483
	Net increase/(decrease) in cash and cash equivalents	37	8	23	(15)
	Cash and cash equivalents at the beginning of the year	(309)	(317)	39	54
	Cash and cash equivalents at the end of the year (note 27)	(272)	(309)	62	39
Cash generated from/(used in) operations	Profit/(loss) before income tax	261	(2,383)	(38)	(60)
	Adjustments for:				
	Depreciation and amortisation	218	231	–	–
	Impairment of goodwill	–	2,500	–	–
	Profit of associate	(36)	(18)	–	–
	Loss on disposal of property plant and equipment	6	7	–	–
	Net finance costs	123	134	(145)	(161)
	Retirement benefit obligations	(80)	(80)	–	–
	Changes in working capital:				
	Decrease/(increase) in inventories	235	(36)	–	–
	(Increase)/decrease in trade and other receivables	(201)	107	(40)	47
	Increase in trade and other payables	8	104	42	4
	Decrease in provisions	(2)	(123)	–	–
	Cash generated from/(used in) operations	532	443	(181)	(170)

Consolidated and Company Statements of Changes in Equity

Group

	Share capital £'000	Share premium £'000	Retained earnings £'000	Attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2012	416	2,756	2,205	5,377	518	5,895
Actuarial loss	–	–	(83)	(83)	–	(83)
Loss for the year	–	–	(2,054)	(2,054)	(427)	(2,481)
Total comprehensive loss for the year	–	–	(2,137)	(2,137)	(427)	(2,564)
Proceeds from shares issued	125	375	–	500	–	500
Cost of shares issued	–	(17)	–	(17)	–	(17)
Total contribution by owners of the parent recognised in equity	125	358	–	483	–	483
At 31 December 2012	541	3,114	68	3,723	91	3,814
Actuarial loss	–	–	(85)	(85)	–	(85)
(Loss)/profit for the year	–	–	(8)	(8)	189	181
Total comprehensive (loss)/income for the year	–	–	(93)	(93)	189	96
Dividend paid to non-controlling interest	–	–	–	–	(45)	(45)
Total distributions recognised directly in equity	–	–	–	–	(45)	(45)
At 31 December 2013	541	3,114	(25)	3,630	235	3,865

Company

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 January 2012	416	2,808	71	3,295
Total comprehensive loss for the year	–	–	(54)	(54)
Proceeds from shares issued	125	375	–	500
Cost of share issues	–	(17)	–	(17)
Total contribution by owners of the parent recognised in equity	125	358	–	483
At 31 December 2012	541	3,166	17	3,724
Loss for the year and total comprehensive loss	–	–	(38)	(38)
At 31 December 2013	541	3,166	(21)	3,686

Notes to the Financial Statements

1. Accounting policies

CEPS PLC (the 'Company') is a company incorporated and domiciled in England and Wales. The Company is a public limited company, which is listed on the AIM market of the London Stock Exchange. The address of the registered office is 12b George Street, Bath BA1 2EH.

The principal activities of CEPS PLC are that of an industrial holding company, acquiring stakes in stable, profitable and steadily growing entrepreneurial companies. The activities of the Company's trading subsidiaries are described in note 16. Segmental analysis is given in note 4.

The financial statements are presented in British Pounds Sterling, the currency of the primary economic environment in which the Group's activities are operated. The Group comprises CEPS PLC and its subsidiary companies as set out in note 16.

The registered number of the Company is 507461.

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

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 as applicable to companies reporting under IFRS.

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 its own Statement of Comprehensive Income. Information about the Company result for the year is given in note 13.

Adoption of new and revised accounting standards

The Group has adopted the following new and amended IFRSs as of 1 January 2013:

	Effective date: Accounting periods commencing on or after
Amendment to IAS 1, *Presentation of financial statements* on OCI	1 July 2012
IAS 19 (revised 2011), *Employee benefits*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
Amendment to IAS 12, *Income taxes* on deferred tax	1 January 2013
Amendment to IFRS 1, *First time adoption* on government loans	1 January 2013
Amendments to IFRS 7, *Financial instruments asset and liability offsetting*	1 January 2013
IFRIC 20, *Stripping costs in the production phase of a surface mine*	1 January 2013
Annual improvements 2011	1 January 2013

The adoption of these standards and interpretations has had no material impact on the financial statements of CEPS PLC.

Notes to the Financial Statements continued

1. Accounting policies
continued

At the date of authorisation of these financial statements, the following standards and relevant interpretations, which have not been applied in these financial statements, were in issue but not yet effective, and have not been early adopted by the Group:

	Effective date: Accounting periods commencing on or after
IAS 27 (revised 2011), *Separate financial statements*	1 January 2014
IAS 28 (revised 2011), *Associates and joint ventures*	1 January 2014
IFRS 10, *Consolidated financial statements*	1 January 2014
IFRS 11, *Joint arrangements*	1 January 2014
IFRS 12, *Disclosure of interests in other entities*	1 January 2014
Amendments to IAS 36, *Impairment of assets*	1 January 2014
IFRIC 21, *Levies*	1 January 2014

The adoption of these standards and interpretations are not expected to have a material impact on the financial statements of CEPS PLC in the period they are applied.

Basis of consolidation

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any 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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the Consolidated Statement of Comprehensive Income.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

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

Notes to the Financial Statements continued

1. Accounting policies continued

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of post-acquisition profits or losses is recognised in the Consolidated Statement of Comprehensive Income and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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, and used to assess performance. Information is given for all operating segments where discrete financial information is available.

Revenue recognition

The revenues of Friedman's and Davies Odell arise from the fair values received or receivable for goods sold which are recognised on despatch and exclude VAT.

The revenues of Sunline arise from the fair value received or receivable for services provided which is recognised on completion of the service and excludes VAT.

Notes to the Financial Statements continued

1. Accounting policies continued

Property, plant and equipment

Property, plant and equipment is stated at initial cost, less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administration expenses in the Consolidated Statement of Comprehensive Income.

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 IFRS 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 as stated below.

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.

Notes to the Financial Statements continued

1. Accounting policies
continued

Impairment of intangible assets and property, plant and equipment
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 or depreciation 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 and associates 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, where applicable. Provision is made against the value of inventory, where relevant, to reduce the carrying value of slow moving, obsolete and defective inventory to its net realisable value.

Current and deferred taxation
The tax charge 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.

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 substantively 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 British Pounds 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. Monetary assets and liabilities denominated in foreign currencies at the year end are translated 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.

Notes to the Financial Statements continued

1. Accounting policies
continued

Pensions
The Group operates a defined benefit pension scheme for the benefit of some of its former employees, the assets of which are held separately from those of the Group 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 charged to operating profit. Actuarial gains and losses are recognised in the Consolidated Statement of Comprehensive Income.

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

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. The Group has no further payment obligations once contributions have been paid.

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.

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

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

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

Further details on provisions made are disclosed in note 23.

Notes to the Financial Statements continued

1. Accounting policies
continued

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

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

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

a) Loans and receivables
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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 obligations to pay for goods and services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost. Trade payables includes trade payables, other payables and accruals.

c) Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently stated at amortised cost. Borrowings include bank overdrafts, other loans, trade receivables backed working capital facilities and hire purchase obligations.

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.

Exceptional costs
Costs are considered as exceptional when their size and nature is considered to be outside the ordinary course of business and they are not expected to recur.

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 foreign exchange risk, cash flow and fair value 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 undertakes transactions 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 2013, if Sterling had weakened by 5% against the Euro and all other variables held constant, post-tax profit for the year would have been £21,000 (2012: £23,000) 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 PLC is as far as possible to use the assets of businesses in which it makes investments to secure the necessary borrowings for those investments.

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-1+'.

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 2013				
Trade and other payables	2,171	–	–	–
Other loans*	86	396	–	–
Bank overdrafts	417	–	–	–
Trade receivables backed working capital facilities	888	–	–	–
Finance lease obligations	84	63	62	–
	3,646	459	62	–
At 31 December 2012				
Trade and other payables	2,069	–	–	–
Others loans*	46	396	–	–
Bank overdrafts	365	–	–	–
Trade receivables backed working capital facilities	931	–	–	–
Finance lease obligations	148	28	11	–
	3,559	424	11	–

* The loan holder has confirmed that he will not seek repayment of the principal amount during 2014. The amount classified as less than one year relates to interest on the capital amount.

2.2 Capital risk management

The Group's objectives when managing capital (being the equity and reserves of the Group) 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 2013 and 2012 were as follows:

	2013 £'000	2012 £'000
Total borrowings	1,890	1,868
Less: cash and cash equivalents	(145)	(56)
Net debt	1,745	1,812
Total equity	3,865	3,814
Gearing ratio	45%	48%

Total borrowings have been reduced in the year by the repayment of finance lease obligations of £163,000 (2012: £243,000), less the increase in overdrafts of £52,000 (2012: £109,000) and the reduction in trade receivables backed working capital facilities of £43,000 (2012: reduction of £220,000). The figure has been increased by new finance lease obligations of £176,000 (2012: £77,000). Cash balances increased by £89,000 (2012: fell by £101,000). Total equity increased by the total comprehensive profit for the year of £96,000 less the dividend paid to non-controlling interests of £45,000. As a result gearing reduced to 45% (2012: 48%), which is deemed acceptable.

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.

3. Critical accounting assumptions and judgements

a) Impairment of intangible assets

Where there is an indication that the carrying value of intangible assets 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. Goodwill is held in respect of Sunline and Friedman's. See note 15 for further details.

b) Deferred tax assets

Certain subsidiaries of the Group (principally Davies Odell) have accelerated capital allowances and brought forward tax losses. Deferred tax assets have been recognised in respect of the brought-forward tax losses. The recognition of the assets reflects management's estimate of the recoverable amounts in respect of these items. See note 22 for further details.

c) Retirement benefit liabilities

One subsidiary of the Group operates a defined benefits pension scheme. The scheme is subject to triennial actuarial valuation and the Group commissions an independent qualified actuary to update to each financial year end the previous triennial result. The results of this update are included in the financial statements. In reaching the annually updated results management makes assumptions and estimates. These assumptions and estimates are made advisedly, but are not any guarantee of the performance of the scheme or of the outcome of each triennial review. See note 8 for further details.

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.

The operating segments set out below are the only level for which discrete information is available or utilised by the chief operating decision-maker.

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.

Group costs, costs incurred at Head Office level to support the activities of the Group.

The United Kingdom is the main country of operation from which the Group derives its revenue and operating profit/(loss) and is the principal location of the assets and liabilities of the Group. The Group information provided below, therefore, also represents the geographical segmental analysis. Of the £15,624,000 (2012: £15,068,000) revenue £13,301,000 (2012: £12,730,000) is derived from UK customers with the remaining £2,323,000 (2012: £2,338,000) being derived from a number of overseas countries, none of which is material in isolation. All assets and liabilities are held in the United Kingdom.

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

i) Results by segment

	Davies Odell 2013 £'000	Friedman's 2013 £'000	Sunline 2013 £'000	Total 2013 £'000
Revenue	5,452	3,855	6,317	15,624
Segmental result (EBITDA)	(69)	595	371	897
Depreciation and amortisation charge				(218)
Group costs				(331)
Net finance costs				(123)
Share of profit of associate				36
Profit before taxation				261
Taxation				(80)
Profit for the year				181

Notes to the Financial Statements continued

4. Segmental analysis
continued

	Davies Odell 2012 £'000	Friedman's 2012 £'000	Sunline 2012 £'000	Total 2012 £'000
Revenue	5,714	3,668	5,686	15,068
Segmental result (EBITDA) before exceptional costs	163	452	162	777
Exceptional costs: Impairment charge	–	–	(2,500)	(2,500)
Segmental result (EBITDA) after exceptional costs	163	452	(2,338)	(1,723)
Depreciation and amortisation charge				(231)
Group costs				(313)
Net finance costs				(134)
Share of profit of associate				18
Loss before taxation				(2,383)
Taxation				(98)
Loss for the year				(2,481)

ii) Assets and liabilities by segment as at 31 December

	Segment assets		Segment liabilities		Segment net assets	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
CEPS Group	707	646	(118)	(77)	589	569
Davies Odell	2,139	2,417	(1,188)	(1,166)	951	1,251
Friedman's	2,990	2,902	(1,170)	(1,223)	1,820	1,679
Sunline	2,706	2,573	(2,201)	(2,258)	505	315
Total – Group	8,542	8,538	(4,677)	(4,724)	3,865	3,814

iii) Non-cash expenses and capital expenditure

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

Capital expenditure	2013 £'000	2012 £'000
Davies Odell	16	24
Friedman's	91	32
Sunline	92	56
Total – Group	199	112

Notes to the Financial Statements continued

5. Operating profit/(loss)

	2013 £'000	2012 £'000
Operating profit/(loss) stated after charging/(crediting):		
Loss on disposal of property, plant and equipment	6	7
Exchange loss/(gain)	13	(40)
Other operating lease rentals on land and buildings and on plant and machinery	392	386

	2013 £'000	2012 £'000
Exceptional costs		
Sunline goodwill impairment (see note 15)	–	2,500
	–	2,500

Exceptional costs in 2012 relate to a Sunline goodwill impairment charge and are included within administration expenses.

	2013 £'000	2012 £'000
Fees payable to the Company's auditors		
Audit fees in respect of the statutory audit of the parent company and consolidated financial statements	19	19
Audit fees in respect of the statutory audit of the financial statements of associates of the Company	27	26
	46	45
Taxation compliance services	19	19
Taxation advisory services	13	–
Other non-audit services	5	5
Total fees	83	69

	2013 £'000	2012 £'000
Expenses by nature		
Change in stocks of finished goods and work in progress	(223)	237
Raw materials and consumables	7,172	6,976
Employee benefit expenses	4,848	4,697
Impairment charge	–	2,500
Depreciation and amortisation	218	231
Operating lease payments	392	386
Other expenses	2,869	2,308
	15,276	17,335

Notes to the Financial Statements continued

6. Employees

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

	2013 Number	2012 Number
Management and administration	41	36
Production and sales	139	142
	180	178

The aggregate costs of these persons were:

	2013 £'000	2012 £'000
Wages and salaries	4,322	4,171
Social security costs	387	387
Other pension costs (note 8)	139	139
	4,848	4,697

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:

	2013 £'000	2012 £'000
Short-term employee benefits	173	173

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

	Salaries and fees	
	2013 £'000	2012 £'000
P G Cook	62	62
D A Horner	16	16
V E Langford	55	53
G C Martin	16	16
R T Organ	26	26
	175	173

G C Martin has a pension secured in the Group defined benefits scheme from which he is currently drawing. He is not accruing any further additional benefit under this pension scheme.

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

	2013 £'000	2012 £'000
Wages and salaries	387	363
Social security costs	50	44
Other pension costs	44	43
	481	450

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

	at 31 December 2013 shares	at 31 December 2012 shares
P G Cook	183,250	366,666
D A Horner	1,019,495	1,837,110
G C Martin	10,000	20,251
R T Organ	115,650	169,333

The prior year comparatives have not been revised for the effect of the share consolidation in the year (see note 24). D A Horner's shareholding at 31 December 2013 includes 669,500 shares held by Colinette Holdings Limited, a company that is wholly owned by Chelverton Asset Management Holdings Limited. D A Horner and his family have a 56% interest in Chelverton Asset Management Holdings Limited.

The register of directors' interests, which is open to inspection, contains full details of directors' shareholdings.

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 £139,000 (2012: £142,000). At 31 December 2013 £202,000 (2012: £186,000) of pension contributions remain outstanding.

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 2010 and the main actuarial assumptions were investment returns of 4.7% before retirement and 4.2% after retirement. The valuation showed that the total value of the scheme assets was £3,048,000 and that the level of funding on an ongoing basis is 83%. At 1 October 2011 the Group agreed a recovery plan of £6,200 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 2013 the results of the actuarial valuation at 1 July 2010. The results of the update are as follows:

	2013	2012
Assumptions at 31 December		
Interest rate for discounting liabilities	4.40%	4.20%
Expected return on plan assets	5.50%	5.50%
Retail Price Inflation	3.40%	2.90%
Pensions increase	3.30%	2.90%
Mortality	PCA00	PCA00
Current and future pensioners	year of birth long cohort	year of birth long cohort
Life expectancies (years)		
For a 65 year old male	24.9	24.7
For a 65 year old female	26.6	26.5
For a 65 year old male, currently aged 50	27.2	27.0
For a 65 year old female, currently aged 50	28.1	27.9

The independent actuary estimates that a 0.1% change in the discount rate would change the value of scheme liabilities by approximately £48,000.

The expected return on plan assets has been determined by the current rate of return on the plan, less allowances for future uncertainties on the plan and an allowance for costs to be incurred in administering the plan.

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

	2013 £'000	2012 £'000
Amounts recognised in the balance sheet are as follows:		
Fair value of plan assets	3,039	2,802
Present value of defined benefit obligation	(2,858)	(2,726)
Actuarial surplus not recognised	(181)	(76)
Net surplus	–	–

The actuarial surplus arising on the defined benefit pension scheme has not been recognised as the Group does not have an unconditional right to refunds of surpluses arising in the scheme.

Notes to the Financial Statements continued

8. Pension costs continued

	2013 £'000	2012 £'000
Pension cost recognised in the Consolidated Statement of Comprehensive Income		
Operating cost:		
Current service cost (cost of sales)	–	–
Finance cost:		
Interest cost	113	119
Expected return on plan assets	(118)	(122)
	(5)	(3)
Total pension credit	(5)	(3)
Consolidated Statement of Comprehensive Income		
Actuarial loss	79	191
Experience gains on assets	(99)	(149)
Movement in actuarial surplus not recognised	105	41
Total loss	85	83
Movement in balance sheet for the year		
Net pension liability at the start of the year	–	–
Employer's pension cost	5	3
Consolidated Statement of Comprehensive Income	(85)	(83)
Employer contributions	80	80
Net pension liability at the end of the year	–	–
Reconciliation of the defined benefit obligation		
Defined benefit obligation at the start of the year	2,725	2,530
Current service cost	–	–
Interest cost	113	119
Actuarial loss	79	191
Benefits paid	(59)	(115)
Defined benefit obligation at the end of the year	2,858	2,725
Reconciliation of plan assets		
Fair value of plan assets at the start of the year	2,801	2,565
Expected return on plan assets	118	122
Experience gains on assets	99	149
Employer contributions	80	80
Benefits and expenses paid	(59)	(115)
Fair value of plan assets at the end of the year	3,039	2,801

Notes to the Financial Statements continued

8. Pension costs continued

	2013	2012
Asset categories at the end of the year		
Equities	43%	48%
Bonds	44%	36%
Property	9%	12%
Cash	4%	4%

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Amounts for the current and previous four years are as follows:					
Plan assets	3,039	2,801	2,566	2,347	2,129
Defined benefit obligation	(2,858)	(2,725)	(2,531)	(2,282)	(2,101)
Actuarial surplus not recognised	(181)	(76)	(35)	(65)	(28)
Deficit in scheme	–	–	–	–	–
Actuarial losses on liabilities due to assumptions	(79)	(191)	(173)	(130)	(325)
Experience gains on assets	99	149	46	84	25
Movement in actuarial surplus not recognised	(105)	(41)	30	(37)	226
Total losses recognised for the year	(85)	(83)	(97)	(83)	(74)
Cumulative amount of gains and losses recognised in the Consolidated Statement of Comprehensive Income	25	110	193	290	373

9. Net finance costs

	2013 £'000	2012 £'000
Interest receivable	–	–
Pension scheme finance income (note 8)	5	3
Total finance income	5	3
Interest payable on bank loans and overdrafts	56	55
Interest payable on other loans	40	40
Finance lease costs	12	22
Preference dividend accrued	20	20
Total finance costs	128	137
Net finance costs	123	134

Notes to the Financial Statements continued

10. Taxation

	2013 £'000	2012 £'000
Analysis of taxation in the year:		
Current tax		
Tax on profits of the year	77	119
Tax in respect of prior years	1	(18)
Total current tax	78	101
Deferred tax		
Origination and reversal of temporary differences	(24)	(89)
Tax in respect of prior years	8	57
Impact of change in UK tax rate	18	29
Total deferred tax	2	(3)
Total tax charge	80	98
Deferred tax charged to the Consolidated Statement of Changes in Equity	–	–

The tax assessed for the year is higher (2012: higher) than the standard rate of corporation tax in the UK (23.25%) (2012: 24.5%).

	2013	2012
Factors affecting current tax:		
Profit/(loss) before taxation	261	(2,383)
Profit/(loss) multiplied by the standard rate of UK tax of 23.25% (2012: 24.5%)	61	(584)
Effects of:		
Permanent differences:		
Impairment charge	–	613
Other	(16)	(5)
Prior year adjustment, current tax	1	(18)
Prior year adjustment, deferred tax	8	57
Effect of changes in tax rate	18	35
Deferred tax movements not recognised	8	–
Total tax charge	80	98

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Company's profits for this accounting year are taxed at an effective rate of 23.25%.

The March 2013 Budget Statement announced changes to the UK corporation tax rates that were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These reduced the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. As the changes have been substantively enacted at the balance sheet date their effects are included in these financial statements. Accordingly, the deferred tax balance has been remeasured. No further changes to future tax rates were announced in the March 2014 Budget Statement on 19 March 2014.

Notes to the Financial Statements continued

11. Dividends

No ordinary dividends have been paid or proposed for the year (2012: £nil).

12. Loss per share

Basic loss per share is calculated on the loss for the year after taxation attributable to owners of the Company of £8,000 (2012: loss £2,054,000) and on 5,407,155 (2012: restated 5,089,532) ordinary shares, being the weighted number in issue during the year. The number of ordinary shares for the year ended 31 December 2012 has been restated to reflect the share consolidation in the year (see note 24).

Diluted loss per share is calculated on the weighted number of ordinary shares in issue adjusted to reflect the potential effect of the exercise of options. No adjustment is required in either year because the fair value of options was below the exercise price.

13. Loss of the holding company

Of the Group loss for the year a loss of £38,000 (2012: loss £54,000) is dealt with in the financial statements 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.

Notes to the Financial Statements continued

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 2012	96	3,867	89	4,052
Additions at cost	21	91	–	112
Disposals	–	(31)	–	(31)
at 31 December 2012	117	3,927	89	4,133
Additions at cost	14	134	51	199
Disposals	–	(73)	–	(73)
at 31 December 2013	**131**	**3,988**	**140**	**4,259**
Accumulated depreciation				
at 1 January 2012	47	2,768	65	2,880
Charge for the year	13	202	6	221
Disposals	–	(16)	–	(16)
at 31 December 2012	60	2,954	71	3,085
Charge for the year	12	190	10	212
Disposals	–	(42)	–	(42)
at 31 December 2013	**72**	**3,102**	**81**	**3,255**
Net book amount				
at 31 December 2013	**59**	**886**	**59**	**1,004**
at 31 December 2012	57	973	18	1,048
at 1 January 2012	49	1,099	24	1,172

At the year end, assets held under hire purchase contracts and capitalised as plant, machinery, tools and moulds have a net book value of £238,000 (2012: £478,000) and an accumulated depreciation balance of £84,000 (2012: £392,000).

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

Company

Throughout 2012 and 2013 the Company held no property, plant and equipment.

Notes to the Financial Statements continued

15. Intangible assets

Group

	Goodwill £'000	Other £'000	Total £'000
Cost			
at 1 January 2012 and 31 December 2012	4,839	67	4,906
Additions at cost	–	15	15
at 31 December 2013	4,839	82	4,921
Accumulated amortisation and impairment			
at 1 January 2012	121	43	164
Amortisation charge	–	10	10
Impairment charge	2,500	–	2,500
at 31 December 2012	2,621	53	2,674
Amortisation charge	–	6	6
Impairment charge	–	–	–
at 31 December 2013	2,621	59	2,680
Net book amount			
at 31 December 2013	2,218	23	2,241
at 31 December 2012	2,218	14	2,232
at 1 January 2012	4,718	24	4,742

Company

	Goodwill £'000	Other £'000	Total £'000
Cost			
at 1 January 2012, 31 December 2012 and 31 December 2013	80	17	97
Accumulated amortisation			
at 1 January 2012, 31 December 2012 and 31 December 2013	1	17	18
Net book amount			
at 1 January 2012, 31 December 2012 and 31 December 2013	79	–	79

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. Impairment charges are included in administration expenses and disclosed as an exceptional cost.

Other intangibles relate to computer software and website 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.

Notes to the Financial Statements continued

15. Intangible assets
continued

Impairment tests for goodwill and other intangibles

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

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

	Friedman's £'000	Sunline £'000	Total £'000
at 1 January 2011 and 31 December 2011	1,529	3,189	4,718
Impairment charge	–	(2,500)	(2,500)
at 31 December 2012 and 31 December 2013	**1,529**	**689**	**2,218**

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. A discount rate of 12.59% (2012: 11.9%), representing the estimated pre-tax cost of capital, has been applied to these projections. The risk profile of both CGUs is considered to be similar.

The key assumptions used in the value-in-use calculations are as follows:

	Revenue growth		Gross margin		Long-term growth	
	2013 %	2012 %	2013 %	2012 %	2013 %	2012 %
Friedman's	**3.0**	2.0	**34.0**	34.0	**2.0**	2.0
Sunline	**2.0**	1.0	**47.0**	37.5	**1.0**	1.0

Management has determined the budgeted revenue growth and gross margins based on past performance and their expectations of market developments in the future. Long-term growth rates are based on the lower of the UK long-term growth rate and management's general expectations for the relevant CGU.

The value-in-use calculation is sensitive to changes in the gross margin percentage assumed and the discount rate assumed. A 1% movement in the gross margin percentage results in a change to the value-in-use calculation of £560,000 for Sunline and £300,000 for Friedman's, whilst a 1% movement in the discount rate applied results in a change to the value-in-use calculation of £300,000 for Sunline and £350,000 for Friedman's.

In respect of both Friedman's and Sunline, the value-in-use calculation gives rise to sufficient headroom such that reasonable changes in the key assumptions do not eliminate the headroom.

At December 2012 an impairment charge of £2,500,000 was taken against the carrying value of goodwill related to Sunline. This reflected the trading patterns and the challenging economic and trading environment of the direct mail market in which the business was operating.

Notes to the Financial Statements continued

16. Investments

Group

	Investments in associate 2013 £'000	Investments in associate 2012 £'000
Cost and net book amount		
at 1 January	518	–
Acquisitions	–	500
Share of net profit in associate	36	18
at 31 December	554	518

Company

	Shares in Group subsidiaries £'000	Loans to Group subsidiaries £'000	Total investments in subsidiaries £'000	Investments in associate £'000	Total investments £'000
Cost and net book amount					
at 1 January 2012	674	1,879	2,553	–	2,553
Acquisitions	–	–	–	500	500
Repayments	–	(132)	(132)	–	(132)
at 31 December 2012	674	1,747	2,421	500	2,921
Repayments	–	(186)	(186)	–	(186)
at 31 December 2013	674	1,561	2,235	500	2,735

Of the loans to Group subsidiaries £89,000 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. In both cases repayments will only be requested when surplus cash is available. The balance of £622,000 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) Limited	England	ordinary	100	
Phillips Rubber Limited	England	ordinary	100	
Farmat Limited	England	ordinary	100	
Davies and Company Limited	England	ordinary	100	

Nature of business of trading companies:

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

Notes to the Financial Statements continued

16. Investments continued

Associate

In 2012, the Company acquired an interest in CEM Press Holdings Limited, an associate company. The results of the Group's associate, and its gross assets and liabilities, are as follows:

CEM Press Holdings Limited: year ended 31 December

	Country of Incorporation	Assets £'000	Liabilities £'000	Revenues £'000	Profits £'000	% interest held
2013	United Kingdom	3,117	(924)	3,074	168	21.4
2012	United Kingdom	3,107	(1,081)	3,041	162	21.4

17. Inventories

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Raw materials and consumables	377	389	–	–
Work in progress	16	21	–	–
Finished goods and goods for resale	1,316	1,534	–	–
	1,709	1,944	–	–

The cost of inventories recognised as an expense and included in cost of sales amounted to £6,949,000 (2012: £7,213,000).

18. Trade and other receivables

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Trade receivables	2,164	2,040	–	–
less: provision for impairment of trade receivables	(22)	(27)	–	–
Trade receivables – net	2,142	2,013	–	–
Amount due from subsidiary companies	–	–	917	752
Other receivables	8	1	–	–
Prepayments and accrued income	286	221	12	10
	2,436	2,235	929	762

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

As at 31 December 2013, trade receivables of £1,718,000 (2012: £1,455,000) were fully performing.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2013, trade receivables of £343,000 (2012: £465,000) were past due, but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Notes to the Financial Statements continued

18. Trade and other receivables continued

At 31 December 2013 trade receivables of £103,000 (2012: £120,000) were impaired. A significant portion of the receivables is expected to be recovered and a provision of £22,000 (2012: £27,000) 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:

	2013 £'000	2012 £'000
3 to 6 months	80	51
Over 6 months	23	69
	103	120

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

	2013 £'000	2012 £'000
Sterling	2,346	2,122
Euro	15	91
US $	75	22
	2,436	2,235

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

	2013 £'000	2012 £'000
At 1 January	27	15
Provision for receivables impairment	13	21
Receivables written off during the year	(3)	–
Unused amounts reversed	(15)	(9)
At 31 December	22	27

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 trade and other receivables.

Notes to the Financial Statements continued

19. Trade and other payables

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Trade payables	1,444	1,494	–	–
Other tax and social security	398	489	–	–
Other payables	247	179	–	–
Accruals and deferred income	566	442	120	78
	2,655	2,604	120	78

20. Borrowings

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Non-current:				
Other loans	396	396	–	–
Hire purchase obligations	114	39	–	–
	510	435	–	–
Current:				
Bank overdraft	417	365	–	–
Trade receivables backed working capital facilities	888	931	–	–
Hire purchase obligations	75	137	–	–
	1,380	1,433	–	–
Total borrowings	1,890	1,868	–	–

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 2013 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
Davies Odell and CEPS PLC	417	363	780
Friedman's	–	65	65
Sunline	–	460	460
	417	888	1,305

Notes to the Financial Statements continued

20. Borrowings continued

At 31 December 2012 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
Davies Odell and CEPS PLC	365	358	723
Friedman's	–	108	108
Sunline	–	465	465
	365	931	1,296

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

	2013		2012	
	Bank £'000	Hire purchase £'000	Bank £'000	Hire purchase £'000
Within one year	1,305	75	1,296	137
Between one and two years	–	59	–	28
Between two and five years	–	55	–	11
	1,305	189	1,296	176

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

There is no material difference between the carrying book value and the fair value of the finance lease obligations.

Other loans represent preference shares of £130,000 and loan stock of £200,000 subscribed by non-controlling interests and loan stock of £66,000 issued to non-controlling interests in settlement of deferred consideration. Preference shares carry a dividend of 15% pa and loan stock interest of 15% pa and were repayable in quarterly instalments over three years commencing in April 2009. However, repayment has been deferred until at least 2014. The preference shares and loan stock are held by the non-controlling interest and are in Sunline Direct Mail Holdings Limited.

The minimum lease payments under hire purchase agreements fall due as follows:

	2013 £'000	2012 £'000
Not more than one year	84	148
Between one and two years	63	28
Between two and five years	62	11
	209	187
Finance charge	(20)	(11)
Present value of hire purchase agreement liabilities	189	176

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 subject to renegotiation on an annual basis. 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 2013

Assets as per balance sheet	Loans and receivables £'000
Trade and other receivables (excluding prepayments and accrued income)	2,150
Cash and cash equivalents	145
Total	2,295

Liabilities at amortised cost as per balance sheet	Other financial liabilities £'000
Bank borrowings (excluding hire purchase obligations)	1,305
Hire purchase obligations	189
Trade and other payables (excluding statutory liabilities)	2,257
Other loans	396
Total	4,147

Group
31 December 2012

Assets as per balance sheet	Loans and receivables £'000
Trade and other receivables (excluding prepayments and accrued income)	2,014
Cash and cash equivalents	56
Total	2,070

Liabilities at amortised cost as per balance sheet	Other financial liabilities £'000
Bank borrowings (excluding hire purchase obligations)	1,296
Hire purchase obligations	176
Trade and other payables (excluding statutory liabilities)	2,115
Other loans	396
Total	3,983

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 at amortised cost.

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	2013 £'000	2012 £'000
Davies Odell	470	307
Friedman's	378	371
Sunline	870	777
	1,718	1,455

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 £145,000 (2012: £56,000) which is on account with differing financial institutions and is readily available. The external credit rating as assessed by Standard & Poor's for short-term funds for each of the institutions is A-1+.

22. Deferred tax

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

	Losses £'000	Other timing differences £'000	Accelerated capital allowances £'000	Total £'000
At 1 January 2012, asset/(liability)	489	40	(106)	423
(Debit)/credit to the Consolidated Statement of Comprehensive Income	(38)	14	26	2
at 31 December 2012, asset/(liability)	451	54	(80)	425
(Debit)/credit to the Consolidated Statement of Comprehensive Income	(58)	6	50	(2)
at 31 December 2013, asset/(liability)	**393**	**60**	**(30)**	**423**

Deferred income tax assets and liabilities are 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 £11,000 (2012: £34,000) of the asset and £nil (2012: £nil) of the liability 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. The Group did not recognise deferred tax assets of £167,000 (2012: £139,000) in respect of depreciation charges in excess of capital allowances in Davies Odell. These assets have not been recognised as it is uncertain they will reverse in the foreseeable future, especially given the level of losses already recognised in respect of Davies Odell.

The Company has recognised in 2013 a deferred tax asset of £1,000 (2012: £1,000) in relation to unclaimed capital allowances.

Notes to the Financial Statements continued

23. Provisions for liabilities and charges

	Dilapidations £'000	Redditch closure £'000	Kettering restructure £'000	Total £'000
At 1 January 2012	55	74	65	194
Amounts provided for in the year	–	–	–	–
Amounts utilised for in year	–	(58)	(65)	(123)
At 31 December 2012	55	16	–	71
Amounts provided for in year	–	–	–	–
Amounts utilised for in year	–	(2)	–	(2)
At 31 December 2013	55	14	–	69
These amounts are expected to be settled as follows:				
Current	–	14	–	14
Non-current	55	–	–	55
	55	14	–	69

Dilapidations

Dilapidation provisions are carried against the costs anticipated on termination of property leases. The leases to which they relate are currently due to terminate in 2022.

Redditch closure costs

These costs relate to the closure of an operating site in Sunline. This closure was completed in 2011. However, some of the costs will not be incurred until 2014 as they relate to property matters of the site which will be concluded then.

Kettering restructure costs

These costs relate to staff reorganisation costs in Davies Odell's matting business at Kettering which were announced in 2011. The costs were defrayed in 2012.

24. Share capital

	2013 £'000	2012 £'000
Ordinary shares		
Authorised:		
7,500,000 (2012 restated: 7,500,000) shares of 10p per share	750	750
Issued and fully paid:		
5,407,155 (2012 restated: 5,407,155) shares of 10p per share	541	541

On 10 June 2013 shareholder approval was given for the reorganisation of the Company's share capital. As a result, the number of shareholders was reduced from 1,051 to 185 and the nominal value of the shares was increased from 5p to 10p. The number of shares in issue halved from 10,814,310 to 5,407,155 under the ISIN GB00B86TNX04.

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

	2013 £'000	2012 £'000
Land and buildings:		
within one year	316	316
within two to five years	858	904
after more than five years	704	884
	1,878	2,104

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 equity share dividend			
– 2013	–	–	55
– 2012	–	–	–
Receipt of preference share dividend			
– 2013	–	78	–
– 2012	–	78	–
Receipt of loan note interest			
– 2013	–	127	17
– 2012	–	127	34
Receipt of management charge income			
– 2013	–	15	12
– 2012	–	15	12
Amount owed to the Company			
– 31 December 2013	65	2,323	90
– 31 December 2012	105	2,117	277

27. Cash and cash equivalents

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Cash at bank and in hand	145	56	62	39
Bank overdrafts repayable on demand	(417)	(365)	–	–
	(272)	(309)	62	39

28. Contingent liability

HMRC has made an assessment for a repayment of VAT previously recovered, totalling £93,000 plus interest covering the period to 31 March 2013. The Company is rigorously defending its position previously taken and, due to the uncertainty over the final outcome, no provision has been made.

Notice of Meeting

Annual General Meeting

Notice is hereby given that the Annual General Meeting of CEPS PLC (the 'Company') will be held at 12b George Street, Bath BA1 2EH on Monday 23 June 2014 at 11.30am for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which resolutions numbered 1 to 6 will be proposed as ordinary resolutions and resolutions numbered 7 and 8 as special resolutions.

1 To receive, consider and adopt the Company's annual accounts for the financial year ended 31 December 2013 together with the directors' reports and auditors' report on those accounts.

2 To re-elect P G Cook as a director.

3 To re-elect R T Organ as a director.

4 To re-appoint PricewaterhouseCoopers LLP, Chartered Accountants and Statutory 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.

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

6 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 £209,284.50, such authority to expire at the commencement of the next Annual General Meeting held after the date of the passing of this resolution, 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.

For the purposes of this resolution, '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.

7 THAT subject to and conditional on the passing of resolution number 6 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 securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 6 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:

7.1 in connection with an offer of such securities by way of rights issue (as defined in resolution number 6);

Notice of Meeting continued

Annual General Meeting
continued

7 continued

7.2 otherwise than pursuant to sub-paragraph 7.1 above up to an aggregate nominal amount of £200,000.00 (such shares representing approximately 37% 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.

8 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 10 pence each in the capital of the Company on such terms as the directors think fit, provided that:

8.1 the maximum number of ordinary shares hereby authorised to be purchased is limited to an aggregate of 540,715 (such shares representing approximately 10% of the Company's issued ordinary capital as at the date of this notice);

8.2 the minimum price, exclusive of any expenses, which may be paid for an ordinary share is 10 pence;

8.3 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

8.4 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
14 May 2014

Registered office: 12b 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 proxy(ies) to attend, speak and vote instead of him. 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, Share Registrars at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL not less than 48 hours, excluding any part of a day that is not a working day, 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 11.30am on Thursday 19 June 2014 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 V E Langford, Group Finance G C Martin, Non-executive R T Organ, Non-executive Chairman
Secretary and registered office	V E Langford 12b George Street, Bath BA1 2EH Company number 507461 www.cepsplc.com
Operating locations	Davies Odell Limited 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 Limited 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 Limited 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	Share Registrars Limited Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL telephone 01252 821390, lines are open 9.00am 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)
Independent 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	Cairn Financial Advisers LLP 61 Cheapside, London EC2V 6AX