2014

chelverton
equity partners

Annual Report

CEPS PLC
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Contents

Chairman's Statement

Review of the period

The continued progress anticipated in my half-yearly update has been undermined by the severe production problems which emerged at Sunline in the latter part of the year. The newly automated production lines suffered significant underperformance during the key profit earning period, turning expected budgeted profit into heavy losses. Fortunately, the other two majority-owned businesses in the Group produced strong results. In addition, at the end of the year we were pleased to purchase a 70% equity stake in Aford Awards, a highly profitable sports trophy and engraving company based in Maidstone, Kent.

Overall, Group revenue at £17.0m for the year (2013: £15.6m) was up by 9%, though operating profit fell by 30% due to the difficulties at Sunline. Friedman's had another excellent year with the full benefit of our investment in digital printing hitting the bottom line. The team at Davies Odell has done a creditable job in continuing to grow the *Forcefield* brand strongly and in turning a loss in 2013 into a profit close to budget.

Profit before tax was down 6% at £245,000 (2013: £261,000) with Group costs up by £21,000 at £352,000 (2013: £331,000) on the previous year, entirely due to the fees associated with the purchase of Aford Awards. Post-tax profit was £251,000 (2013: £181,000) due to a tax credit of £6,000 (2013: charge of £80,000) resulting from a deferred tax adjustment. Earnings per share on a basic and diluted basis were (3.13p) (2013: (0.15p)).

Financial review

The defining feature of 2014 from a financial perspective was the level of investment by the CEPS Group, both capital and corporate in nature.

On 3 November 2014 CEPS acquired a 70% equity stake in Aford Awards (Holdings) Limited, a company which was formed to acquire 100% of Aford Awards Limited. Trading results for November and December 2014 have been included in these accounts.

For the Group as a whole, capital expenditure amounted to £1.4m, the largest proportion of which was undertaken by Sunline (£1.2m) who, by means of this expenditure, restructured its polywrap production line. This has enabled the production process to become automated and for despatch to be made in trays, which will become the industry norm in 2016.

The majority of the investment in the year was financed by debt, hence the increase in net debt from £1.7m at the end of 2013 to £3.9m at the end of 2014 and the resulting increase in gearing from 45% to 97% over the same period.

A write-back to finance costs of £134,000, resulting from the waiver of the amount of outstanding preference dividend due to Sunline's non-controlling interest, explains the reduction in finance costs from £128,000 last year to £24,000 this year.

During the year, Friedman's fully repaid the remaining £89,000 of 9% Guaranteed Loan Stock and paid a dividend of £100,000 (2013: £100,000), £55,000 of which was paid to CEPS.

In 2014 there was an improvement in cash generated from operations which totalled £580,000 (2013: £532,000). After net capital and intangible expenditure of £1,585,000 (2013: £13,000), mainly financed by the proceeds of borrowings amounting to £1,574,000 (2013: £nil), the dividend paid to non-controlling interests of £45,000 (2013: £45,000), the repayment of the capital element of finance leases of £210,000 (2013: £163,000), income tax paid of £113,000 (2013: £146,000) and interest charges of £24,000 (2013: £128,000), cash and cash equivalents increased by £177,000 (2013: £37,000).

Chairman's Statement continued

Operational review

Aford Awards

This report only covers two of the quiet months trading at Aford Awards, during which the business made a small loss. The rest of the year (not reported here) was solidly profitable.

Davies Odell

After a difficult 2013, the team at Davies Odell has done a good job, increasing turnover by 2% and, of greater importance, increasing delivered margins. The growth in the *Forcefield* brand continued strongly through the second half, with excellent motorcycle sell-through in the late summer. Margins have continued to improve, partly due to positive currency movements, but also because much more effort is now being focused on value engineering the products. Matting sales have stabilised and shoe component sales overall are stable with some very positive signs for new soling products for 2015.

Friedman's

The picture I outlined at the half year has been extended into the second half. Sales increased modestly by 2% to £3.9m (2013: £3.8m) after a much stronger first half and margins continued to improve. Another digital printer has now been purchased and commissioned and is enabling extensive short-run production runs for customers purchasing directly via the Funki Fabrics website.

Sunline

During Sunline's busiest period it became apparent that there were substantial issues with the newly automated (polywrap) lines. A combination of a shortage of skilled labour, the unforeseen interaction between lines causing slow running and the shortage of work despatchable in the trays used in production, created major levels of underproduction. This, inevitably, required extensive and expensive contracting-out and large unforeseen overtime costs in order to meet customer deadlines.

So, although sales rose 5% in the second half of 2014 from £3.3m to £3.5m, operating profit fell from a profit of £237,000 in 2013 to a loss of £149,000 in 2014.

CEM Press (Associate)

Although CEM Press's sales increased in 2014 by 12% to £3.4m from £3.1m in 2013, the gross profit margin weakened due to competitive pressures and overheads increased because of the costs of the additional leased premises and the recruitment of more highly skilled personnel. These financial statements include the Group's share of £14,000 (2013: £36,000) of its full year post-tax profits.

Dividend

A dividend is not proposed at this time (2013: £nil), but the situation will be kept under review.

Employees

As ever, the Board is most grateful for the diligent efforts of all the Group's employees in 2014. I would particularly like to single out everyone at Sunline, where the problems which appeared so dramatically in September/October have all been addressed thoughtfully and yet at speed.

I am sorry to have to report that Peter Cook has been seriously ill.

Finally, I would like to thank all those who have steadfastly supported me in the ten years I have been Chairman of CEPS. The task has always been both a challenge and a pleasure and I look forward to continuing my involvement as a non-executive director.

Chairman's Statement continued

Prospects

The underlying trading environment is strengthening slowly in the UK and USA, though the Eurozone remains pretty flat. Any upside from this is being offset by margin reductions because of the strengthening of the Dollar and weakening of the Euro.

Against this background, I anticipate further strong performances from Friedman's and, for the first time, Aford Awards. Increased sales at Davies Odell have been hard to generate in the first quarter of 2015 and I remain cautious about its prospects.

Sunline is in the process of hauling itself back to profitability. The early months of 2015 show the business breaking-even. The team is resolutely addressing the issues that have been identified with additional recruitment, more training for current staff, careful emphasis on detailed production planning on the automated polywrap lines and by driving up the potential to despatch in trays from 15% to above 70%. I expect the business to make further substantial progress as the year unfolds.

Richard Organ
Chairman
22 April 2015

Strategic Report

The directors present their Strategic Report on the Group for the year ended 31 December 2014.

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 17 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:

	2014	2013
Revenue	£16,981,000	£15,624,000
Segmental result (EBITDA)	£942,000	£897,000
Profit before tax	£245,000	£261,000
Profit after tax	£251,000	£181,000
Total equity	£4,068,000	£3,865,000
Net debt (total borrowing less cash)	£3,936,000	£1,745,000
Gearing ratio (net debt/total equity)	97%	45%

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
22 April 2015

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 2014.

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 (62) 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 (55) 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 (63) 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 (70) is a non-executive director. He is a Chartered Accountant who was previously Finance Director and Company Secretary of the Group.

V E Langford (53) 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 D A Horner and G C Martin 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 31, the following shareholders held more than 3% of the Company's ordinary shares at 22 April:

	Shares	%
Lynchwood Nominees Limited	312,500	5.8
Elizabeth Horner	350,000	6.5
FXCM Nominees Limited	410,000	7.6
Praxis Trustees Limited	500,000	9.3
Chelverton Growth Trust Plc	1,000,000	18.5

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 22a to the accounts on page 49.

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

No dividend is recommended for the period (2013: £nil).

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

PKF Littlejohn LLP were appointed auditors during the year.

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

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 their 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 corporate and financial information on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Company is compliant with the AIM Rule 26 regarding the Company's website.

By order of the Board
V E Langford
Company Secretary
22 April 2015

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 31.

Corporate Governance continued

AIM compliance committee

In accordance with AIM Rule 31 the Company is required to have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules; seek advice from its nominated adviser (‘Nomad’) regarding its compliance with the AIM Rules whenever appropriate and take that advice into account; provide the Company’s Nomad with any information it requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Companies and the AIM Rules for Nominated Advisers; ensure that each of the Company’s directors accepts full responsibility, collectively and individually, for compliance with the AIM Rules; and ensure that each director discloses without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the director or could with reasonable diligence be ascertained by the director.

In order to ensure that these obligations are being discharged, the Board has established a committee of the Board (the ‘AIM committee’), chaired by 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.

Independent Auditors' Report to the members of CEPS PLC

We have audited the Group and Parent Company financial statements (the 'financial statements') of CEPS PLC for the year ended 31 December 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statement of Cash Flows and the Consolidated and Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone, other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, set out on page 7, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial instruments

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Statement, Strategic Report, Directors' Report and Corporate Governance 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 during 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 financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Chairman's Statement, Directors' Report, Strategic Report and Corporate Governance Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Alistair Roberts (Senior Statutory Auditor)
for and on behalf of PKF Littlejohn LLP
Chartered Accountants and Statutory Auditors
1 Westferry Circus, Canary Wharf, London E14 4HD
22 April 2015

Consolidated Statement of Comprehensive Income

	Notes	2014 £'000	2013 £'000
Revenue	4	16,981	15,624
Cost of sales		(14,640)	(14,019)
Gross profit		2,341	1,605
Distribution costs		(207)	(167)
Administration expenses		(1,890)	(1,090)
Operating profit	5	244	348
Analysis of operating profit			
Trading		596	679
Group costs		(352)	(331)
		244	348
Finance income	9	11	5
Finance costs	9	(24)	(128)
Share of profit of associate	17	14	36
Profit before tax		245	261
Taxation	10	6	(80)
Profit for the year from continuing operations		251	181
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial loss on defined benefit pension plans	8	(87)	(85)
Items that may be subsequently reclassified to profit or loss		–	–
Other comprehensive income for the year, net of tax		(87)	(85)
Total comprehensive income for the year		164	96
Profit/(loss) attributable to:			
Owners of the parent		(169)	(8)
Non-controlling interest		420	189
		251	181
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(256)	(93)
Non-controlling interest		420	189
		164	96
Earnings per share attributable to owners of the parent during the year			
basic and diluted	12	(3.13)p	(0.15)p

The notes on pages 16 to 52 form part of the financial statements.

Consolidated and Company Statements of Financial Position

Company number 507461

		Notes	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Assets	Non-current assets					
	Property, plant and equipment	14	1,999	1,004	–	–
	Intangible assets	16	3,285	2,241	79	79
	Investments in subsidiaries	17	–	–	2,294	2,235
	Investment in associate	17	568	554	500	500
	Deferred tax asset	23	487	453	–	1
			6,339	4,252	2,873	2,815
	Current assets					
	Inventories	18	1,914	1,709	–	–
	Trade and other receivables	19	2,569	2,436	363	929
	Cash and cash equivalents (excluding bank overdrafts)	28	346	145	73	62
			4,829	4,290	436	991
	Total assets		11,168	8,542	3,309	3,806
Equity	Equity attributable to owners of the parent					
	Share capital	25	541	541	541	541
	Share premium		3,114	3,114	3,166	3,166
	Retained earnings		(281)	(25)	(1,322)	(21)
			3,374	3,630	2,385	3,686
	Non-controlling interests		694	235	–	–
	Total equity		4,068	3,865	2,385	3,686
Liabilities	Non-current liabilities					
	Borrowings	21	1,406	510	–	–
	Deferred tax liability	23	36	30	–	–
	Provisions for liabilities and charges	24	55	55	–	–
			1,497	595	–	–
	Current liabilities					
	Borrowings	21	2,876	1,380	800	–
	Trade and other payables	20	2,672	2,655	124	120
	Current tax liabilities		55	33	–	–
	Provisions for liabilities and charges	24	–	14	–	–
			5,603	4,082	924	120
	Total liabilities		7,100	4,677	924	120
	Total equity and liabilities		11,168	8,542	3,309	3,806

The notes on pages 16 to 52 form part of the financial statements.

The financial statements on pages 12 to 52 were approved by the Board of Directors on 22 April 2015 and signed on its behalf by

D A Horner
Director

Consolidated and Company Statements of Cash Flows

		Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Cash flows from operating activities	Cash generated from/(used in) operations	580	532	(200)	(181)
	Income tax (paid)/received	(113)	(146)	–	–
	Interest paid	(24)	(128)	(14)	–
	Net cash generated from/(used in) operations	443	258	(214)	(181)
Cash flows from investing activities	Acquisition of subsidiary net of cash acquired	(1,054)	–	(770)	–
	Purchase of property, plant and equipment	(517)	(23)	–	–
	Purchase of intangibles	(14)	(15)	–	–
	Repayment of loan stock	–	–	89	186
	Disposal of property, plant and equipment	–	25	–	–
	Interest received	–	–	106	18
	Net cash (used in)/generated from investing activities	(1,585)	(13)	(575)	204
Cash flows from financing activities	Proceeds from borrowings	1,574	–	800	–
	Dividend paid to non-controlling interest	(45)	(45)	–	–
	Repayment of capital element of finance leases	(210)	(163)	–	–
	Net cash generated from/(used in) financing activities	1,319	(208)	800	–
	Net increase in cash and cash equivalents	177	37	11	23
	Cash and cash equivalents at the beginning of the year	(272)	(309)	62	39
	Cash and cash equivalents at the end of the year (note 27)	(95)	(272)	73	62
Cash generated from/(used in) operations	Profit/(loss) before income tax	245	261	(1,301)	(38)
	Adjustments for:				
	Depreciation and amortisation	320	218	–	–
	Amounts written-off in relation to a subsidiary undertaking	–	–	1,159	–
	Profit of associate	(14)	(36)	–	–
	Loss on disposal of property, plant and equipment	45	6	–	–
	Net finance costs	13	123	(124)	(145)
	Retirement benefit obligations	(77)	(80)	–	–
	Changes in working capital:				
	(Increase)/decrease in inventories	(134)	235	–	–
	(Increase)/decrease in trade and other receivables	(37)	(201)	61	(40)
	Increase in trade and other payables	233	8	5	42
	Decrease in provisions	(14)	(2)	–	–
	Cash generated from/(used in) operations	580	532	(200)	(181)

The notes on pages 16 to 52 form part of the financial statements.

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 2013	541	3,114	68	3,723	91	3,814
Other comprehensive income – actuarial loss	–	–	(85)	(85)	–	(85)
(Loss)/profit for the year	–	–	(8)	(8)	189	181
Total comprehensive income for the year	–	–	(93)	(93)	189	96
Dividend paid to non-controlling interest	–	–	–	–	(45)	(45)
Total transactions recognised directly in equity	–	–	–	–	(45)	(45)
At 31 December 2013	541	3,114	(25)	3,630	235	3,865
Other comprehensive income – actuarial loss	–	–	(87)	(87)	–	(87)
(Loss)/profit for the year	–	–	(169)	(169)	420	251
Total comprehensive income for the year	–	–	(256)	(256)	420	164
Dividend paid to non-controlling interest	–	–	–	–	(45)	(45)
Total transactions recognised directly in equity	–	–	–	–	(45)	(45)
Changes in ownership interest in a subsidiary not resulting in loss of control	–	–	–	–	54	54
Acquisition of a subsidiary	–	–	–	–	30	30
At 31 December 2014	**541**	**3,114**	**(281)**	**3,374**	**694**	**4,068**

Company

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 January 2013	541	3,166	17	3,724
Loss for the year	–	–	(38)	(38)
Total comprehensive income	–	–	(38)	(38)
At 31 December 2013	541	3,168	(21)	3,686
Loss for the year	–	–	(1,301)	(1,301)
Total comprehensive income	–	–	(1,301)	(1,301)
At 31 December 2014	**541**	**3,166**	**(1,322)**	**2,385**

The notes on pages 16 to 52 form part of the financial statements.

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 17. Segmental analysis is given in note 4.

The functional and presentational currency of the Group is Great British Pounds (£). All figures are reported in £'000. The Group comprises CEPS PLC and its subsidiary companies as set out in note 17.

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 as adopted by the European Union ('IFRS'), 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.

IFRS 10 Consolidated financial statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 required management to exercise judgement to determine which entities are controlled and, therefore, are required to be consolidated. The Group has applied IFRS 10 retrospectively in accordance with the transition provisions of IFRS 10. There is no material impact on the Group as a result of applying this standard.

There has been no material impact on the financial statements as a result of the adoption of IFRS 12, IAS 27 and IAS 28.

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:

Issued, but not yet EU adopted:
IFRS 9, *Financial instruments*
IFRS 14, *Regulatory deferral accounts*
IFRS 15, *Revenue from contracts with customers*
Amendment to IAS 19, *Employee contributions*
Amendment to IFRS 11, *Accounting for acquisitions of interests in joint operations*
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*
Amendments to IAS 16 and IAS 41, *Bearer plants*
Amendment to IFRS 10, IFRS 12 and IAS 28, *Investment entities, applying the consolidation exemption*
Amendments to IAS 1, *Disclosure initiative*
Amendments to IAS 27, *Equity method in separate financial statements*
Amendments to IFRS 10 and IAS 28, *Sale of contribution of assets between an investor and its associate or joint venture*

Issued and EU adopted:
IFRIC 21, *Levies*

Whilst the directors do not anticipate the adoption of these standards and interpretation in future reporting periods will have a material impact on the Group's financial statements, they have yet to complete their full assessment in relation to the impact of IFRS 15.

Basis of consolidation

The financial statements incorporate the financial statements of the Company and its subsidiaries (the 'Group').

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee entity and has the ability to affect these returns through its power over the investee. Control is lost when the Group no longer has rights to variable returns from its involvement with an investee entity and no longer has the ability to affect those returns as it no longer has power over the investee. When control is lost the subsidiaries are de-recognised and no longer consolidated.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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.

Notes to the Financial Statements continued

1. Accounting policies
continued

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.

Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions; that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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.

Notes to the Financial Statements continued

1. Accounting policies
continued

Revenue recognition

The revenues of Aford Awards, 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.

Property, plant and equipment

Property, plant and equipment is stated at initial cost, less accumulated depreciation and impairment losses. Cost includes the original 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 between 15% to 25% on a reducing balance basis
Motor vehicles:	5 years straight line, or 25% reducing balance
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 date of the statement of financial position.

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.

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
Intangible 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 date of the statement of financial position 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 date of the statement of financial position 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 date of the statement of financial position. 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 Statement of Financial Position.

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
Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as 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 the lower of cost of the fair value of the asset or the present value of the minimum lease payments in the Statement of Financial Position 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 24.

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 Statement of Financial Position 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 Statement of Financial Position.

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 using the effective interest method. 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 using the effective interest method. Borrowings include bank overdrafts, bank loans, 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 date of the statement of financial position.

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.

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 date of the statement of financial position 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 2014				
Trade and other payables	2,626	–	–	–
Other loans	996	496	190	–
Bank overdrafts	441	–	–	–
Trade receivables backed working capital facilities	1,262	–	–	–
Finance lease obligations	329	302	474	–
	5,654	798	664	–
At 31 December 2013				
Trade and other payables	2,569	–	–	–
Others loans	86	396	–	–
Bank overdrafts	417	–	–	–
Trade receivables backed working capital facilities	888	–	–	–
Finance lease obligations	84	63	62	–
	4,044	459	62	–

Other loans have increased due to the acquisition of Aford Awards. The due dates for the loans to be repaid are based on management's expectations. £96,000 (2013: £86,000) classified as less than one year relates to interest on a capital amount.

Notes to the Financial Statements continued

2. Financial risk management continued

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 Statement of Financial Position. Net debt is calculated as total borrowings less cash and cash equivalents.

The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014 £'000	2013 £'000
Total borrowings	4,282	1,890
Less: cash and cash equivalents	(346)	(145)
Net debt	3,936	1,745
Total equity	4,068	3,865
Gearing ratio	97%	45%

Total borrowings have been reduced in the year by the repayment of finance lease obligations of £210,000 (2013: £163,000), less the increase in overdrafts of £24,000 (2013: £52,000) and the increase in trade receivables backed working capital facilities of £374,000 (2013: reduction of £43,000). The figure has been increased by new finance lease obligations of £1,152,000 (2013: £176,000) and loans of £1.2m used to acquire Aford Awards. Cash balances increased by £201,000 (2013: increased by £89,000). Total equity increased by the total comprehensive income for the year of £164,000 less the dividend paid to non-controlling interests of £45,000, plus £54,000 relating to the interest in a subsidiary not resulting in loss of control and £30,000 arising on the acquisition of a subsidiary. As a result, gearing increased to 97% (2013: 47%), 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 values of all financial assets and liabilities approximate to their carrying values.

Notes to the Financial Statements continued

3. Critical accounting assumptions, judgements and estimates

a) Impairment of intangible assets (including goodwill)

The Group tests annually whether intangible assets (including goodwill) have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of the cash-generating units have been determined based on value-in-use calculations. The calculations require the use of estimates (note 16).

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 23 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, which include the estimates used. See note 8 for further details.

d) Acquisitions

During the period the Group acquired Aford Awards (see note 15). Management have made estimates concerning the intangible assets arising on acquisition as well as the fair value of the assets and liabilities at the acquisition date.

Notes to the Financial Statements continued

4. Segmental analysis

The chief operating decision-maker ('CODM') 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:

Aford Awards, a sports trophy and engraving company.

Davies Odell, a manufacturer and distributor of protection equipment, matting and footwear components.

Friedman's, a convertor and distributor 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 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 £16,981,000 (2013: £15,624,000) revenue £14,662,000 (2013: £13,301,000) is derived from UK customers with the remaining £2,319,000 (2013: £2,323,000) 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). Other information provided to the Board is measured in a manner consistent with that in the financial statements.

i) Results by segment

	Aford Awards 2014 £'000	Davies Odell 2014 £'000	Friedman's 2014 £'000	Sunline 2014 £'000	Total 2014 £'000
Revenue	146	5,579	3,926	7,330	16,981
Segmental result (EBITDA) before exceptional costs	(7)	216	643	67	919
Depreciation and amortisation charge					(323)
Group costs					(352)
Net finance costs					(13)
Share of profit of associate					14
Profit before taxation					245
Taxation					6
Profit for the year					251

Notes to the Financial Statements continued

4. Segmental analysis continued

i) Results by segment continued

	Aford Awards 2013 £'000	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) before exceptional costs	–	(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

ii) Assets and liabilities by segment as at 31 December

	Segment assets		Segment liabilities		Segment net assets	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
CEPS Group	**736**	707	**(924)**	(118)	**(188)**	589
Aford Awards	**1,350**	–	**(579)**	–	**771**	–
Davies Odell	**2,430**	2,139	**(1,308)**	(1,188)	**1,122**	951
Friedman's	**2,953**	2,990	**(853)**	(1,170)	**2,100**	1,820
Sunline	**3,699**	2,706	**(3,436)**	(2,201)	**263**	505
Total – Group	**11,168**	8,542	**(7,100)**	(4,677)	**4,068**	3,865

iii) Non-cash expenses and capital expenditure

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

Capital expenditure	**2014 £'000**	2013 £'000
Aford Awards	**–**	–
Davies Odell	**121**	16
Friedman's	**49**	91
Sunline	**1,152**	92
Total – Group	**1,322**	199

Notes to the Financial Statements continued

5. Operating profit

	2014 £'000	2013 £'000
Operating profit is stated after charging/(crediting):		
Loss on disposal of property, plant and equipment	45	6
Exchange (gain)/loss	(10)	13
Other operating lease rentals on land and buildings and on plant and machinery	453	392

	2014 £'000	2013 £'000
Fees payable to the Company's auditors		
Fees payable to the Company's auditor for the audit of the Company's financial statements	28	19
Fees payable to the Company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	31	27
	59	46
Taxation compliance services	14	19
Taxation advisory services	–	13
Other non-audit services	19	5
Total fees	92	83

	2014 £'000	2013 £'000
Expenses by nature		
Change in stocks of finished goods and work in progress	124	(223)
Raw materials and consumables	7,777	7,172
Employee benefit expenses	5,015	4,848
Depreciation and amortisation	320	218
Operating lease payments	453	392
Other expenses	3,048	2,869
	16,737	15,276

Notes to the Financial Statements continued

6. Employees

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

	2014 Number	2013 Number
Management and administration	46	41
Production and sales	146	139
	192	180

The aggregate costs of these persons were:

	2014 £'000	2013 £'000
Wages and salaries	4,472	4,322
Social security costs	419	387
Other pension costs (note 8)	124	139
	5,015	4,848

Key management personnel are deemed to be members of the Board 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:

	2014 £'000	2013 £'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 2014 £'000	Salaries and fees 2013 £'000
P G Cook	62	62
D A Horner	16	16
V E Langford	53	53
G C Martin	16	16
R T Organ	26	26
	173	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 directors' beneficial interests, including those of their families, in shares of the Group were:

	at 31 December 2014 shares	at 31 December 2013 shares
P G Cook	183,250	183,250
D A Horner	1,047,005	1,019,495
G C Martin	10,000	10,000
R T Organ	115,650	115,650

D A Horner's shareholding at 31 December 2014 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.

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 £124,000 (2013: £139,000). At 31 December 2014 £6,000 (2013: £202,000) 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

Notes to the Financial Statements continued

8. Pension costs continued

1 July 2013 and the main actuarial assumptions were investment returns of 3.8% before retirement and 3.3% after retirement. The valuation showed that the total value of the scheme assets was £3,621,000 and that the level of funding on an ongoing basis is 88%. At 1 October 2014 the Group agreed a recovery plan of £4,550 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 2014 the results of the actuarial valuation at 1 July 2013. The results of the update are as follows:

	2014	2013
Assumptions at 31 December		
Interest rate for discounting liabilities	3.40%	4.40%
Expected return on plan assets	5.50%	5.50%
RPI price inflation	2.90%	3.40%
CPI price inflation	2.20%	2.70%
Pensions increase	2.90%	3.30%
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	23.2	24.9
For a 65 year old female	24.5	26.6
For a 65 year old male, currently aged 45	24.5	28.0
For a 65 year old female, currently aged 45	25.3	28.6

The independent actuary estimates that a 0.1% change in the discount rate would change the value of scheme liabilities by approximately £54,000.

The independent actuary estimates that a 0.1% change in the RPI would change the value of scheme liabilities by approximately £39,000.

The independent actuary estimates that an increase of one year in life expectancy would change the value of the scheme liabilities by approximately £70,000.

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:

	2014 £'000	2013 £'000
Amounts recognised in the statement of financial position are as follows:		
Fair value of plan assets	3,348	3,039
Present value of defined benefit obligation	(3,157)	(2,858)
Actuarial surplus not recognised	(191)	(181)
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

	2014 £'000	2013 £'000
Pension cost recognised in the Consolidated Statement of Comprehensive Income		
Finance cost:		
Interest cost	124	113
Expected return on plan assets	(134)	(118)
	(10)	(5)
Total pension credit	(10)	(5)
Consolidated Statement of Comprehensive Income		
Experience loss	74	–
Financial assumption loss	323	79
Mortality assumption gain	(163)	–
Actuarial loss	234	79
Experience gains on assets	(157)	(99)
Movement in actuarial surplus not recognised	10	105
Total loss	87	85
Movement in Statement of Financial Position for the year		
Net pension liability at the start of the year	–	–
Employer's pension cost	10	5
Consolidated Statement of Comprehensive Income	(87)	(85)
Employer contributions	77	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	2,858	2,725
Interest cost	124	113
Actuarial loss	234	79
Benefits paid	(59)	(59)
Defined benefit obligation at the end of the year	3,157	2,858
Reconciliation of plan assets		
Fair value of plan assets at the start of the year	3,039	2,801
Expected return on plan assets	134	118
Experience gains on assets	157	99
Employer contributions	77	80
Benefits and expenses paid	(59)	(59)
Fair value of plan assets at the end of the year	3,348	3,039

Notes to the Financial Statements continued

8. Pension costs continued

	2014	2013
Asset categories at the end of the year		
Equities	41.8%	43.0%
Bonds	45.0%	44.0%
Property	8.7%	9.0%
Cash	4.5%	4.0%

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Amounts for the current and previous four years are as follows:					
Plan assets	3,348	3,039	2,801	2,566	2,347
Defined benefit obligation	(3,157)	(2,858)	(2,725)	(2,531)	(2,282)
Actuarial surplus not recognised	(191)	(181)	(76)	(35)	(65)
Deficit in scheme	–	–	–	–	–
Actuarial losses on liabilities due to assumptions	(234)	(79)	(191)	(173)	(130)
Experience gains on assets	157	99	149	46	84
Movement in actuarial surplus not recognised	(10)	(105)	(41)	30	(37)
Total losses recognised for the year	(87)	(85)	(83)	(97)	(83)
Cumulative amount of gains and losses recognised in the Consolidated Statement of Comprehensive Income	(416)	25	110	193	290

9. Net finance costs

	2014 £'000	2013 £'000
Interest receivable	1	–
Pension scheme finance income (note 8)	10	5
Total finance income	11	5
Interest payable on bank loans and overdrafts	56	56
Interest payable on other loans	59	40
Finance lease costs	43	12
Preference dividend (written-back)/accrued	(134)	20
Total finance costs	24	128
Net finance costs	13	123

Notes to the Financial Statements continued

10. Taxation

	2014 £'000	2013 £'000
Analysis of taxation in the year:		
Current tax		
Tax on profits of the year	43	77
Tax in respect of prior years	(21)	1
Total current tax	22	78
Deferred tax		
Origination and reversal of temporary differences	(28)	(24)
Tax in respect of prior years	–	8
Impact of change in UK tax rate	–	18
Total deferred tax	(28)	2
Total tax (credit)/charge	(6)	80
Deferred tax charged to the Consolidated Statement of Changes in Equity	–	–

The tax assessed for the year is lower (2013: higher) than the standard rate of corporation tax in the UK (21.5%) (2013: 23.25%).

	2014 £'000	2013 £'000
Factors affecting current tax:		
Profit before taxation	245	261
Profit multiplied by the standard rate of UK tax of 21.5% (2013: 23.25%)	53	61
Effects of:		
Permanent differences	(38)	(16)
Prior year adjustment, current tax	(21)	1
Prior year adjustment, deferred tax	–	8
Effect of changes in tax rate	–	18
Deferred tax movements not recognised	–	8
Total tax (credit)/charge	(6)	80

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Company's profits for this accounting year are taxed at an effective rate of 21.5%.

Notes to the Financial Statements continued

11. Dividends

No ordinary dividends have been paid or proposed by the Company for the year (2013: £nil).

12. Earnings per share

Basic earnings per share is calculated on the loss for the year after taxation attributable to owners of the Company of £169,000 (2013: loss £8,000) and on 5,407,155 (2013: 5,407,155) ordinary shares, being the weighted number in issue during the year.

No adjustment is required for dilution in either year as there are no items that would have a dilutive impact on earnings per share.

13. Loss of the holding company

Of the Group loss for the year a loss of £1,301,000 (2013: loss £38,000) is dealt with in the individual 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.

In the second half of the year it was decided that, given the level of Sunline's accrued dividend on its 15% preference shares (£671,000) this would be waived by the shareholders. The adjustment resulted in a £537,000 loss to the Company. At the same time it was agreed to cancel an old inter-company debt between CEPS and Sunline for £622,000, which, although it had no impact on the consolidated result, further increased the Company loss to £1,301,000.

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 2013	117	3,927	89	4,133
Additions	14	134	51	199
Disposals	–	(73)	–	(73)
at 31 December 2013	131	3,988	140	4,259
Additions	6	1,318	27	1,351
Disposals	–	(160)	(22)	(182)
at 31 December 2014	137	5,146	145	5,428
Accumulated depreciation				
at 1 January 2013	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
Charge for the year	13	279	19	311
Disposals	–	(117)	(20)	(137)
at 31 December 2014	85	3,264	80	3,429
Net book amount				
at 31 December 2014	52	1,882	65	1,999
at 31 December 2013	59	886	59	1,004

At the year end, assets held under hire purchase contracts and capitalised as plant, machinery, tools and moulds have a net book value of £1,539,000 (2013: £238,000) and an accumulated depreciation balance of £194,000 (2013: £84,000).

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

Company

Throughout 2013 and 2014 the Company held no property, plant and equipment.

Notes to the Financial Statements continued

15. Business combinations

Acquisition in 2014

During the year CEPS acquired 70% of the share capital of a newly incorporated company, Aford Awards (Holdings) Limited, which was formed to acquire 100% of Aford Awards Limited for £1,593,000, the acquisition of which was completed on 3 November 2014.

Aford Awards is a sports trophy and engraving company based in Maidstone, Kent. The company was established in 1981 and produces and sells trophies, awards and gifts and associated products and services. It is profitable, cash generative and has enjoyed annual growth in sales and EBITDA over the last five years. Jon Ford, who has been the managing director of Aford Awards since 2005, remains in this role.

Aford Awards has been successfully integrated post-acquisition into the Group.

The fair value of the identifiable assets and liabilities acquired and their carrying values as of the acquisition date, were as follows:

	£'000
Identifiable assets	
Property, plant and equipment	30
Stock	71
Cash and cash equivalents	539
Trade receivables	93
Other current assets	3
Total assets	736
Assumed liabilities	
Deferred tax	6
Current liabilities	
Trade and other payables	176
Total liabilities	182
Total identifiable net assets	554
Purchase price consideration	1,593
Goodwill	1,039
Analysis of cash flows on acquisition	
Year ended 31 December 2014	
Cash paid	1,593
Less: net cash acquired with the subsidiary	(539)
Net cash flow on acquisition	1,054

From the date of acquisition, Aford Awards has contributed £146,000 of revenue and contributed a loss before tax of £10,000, attributable to the continuing operations of the Group. If the business combination had taken place at the beginning of the year, revenue from continuing operations for the Group would have been £1,357,000 and the profit before tax from continuing operations for the Group would have been £311,000.

An analysis by management at acquisition did not find there to be any intangible assets other than goodwill arising.

Notes to the Financial Statements continued

16. Intangible assets

Group

	Goodwill £'000	Other £'000	Total £'000
Cost			
at 1 January 2013 and 31 December 2013	4,839	82	4,921
Additions at cost	1,039	14	1,053
at 31 December 2014	5,878	96	5,974
Accumulated amortisation and impairment			
at 1 January 2013	2,621	53	2,674
Amortisation charge	–	6	6
at 31 December 2013	2,621	59	2,680
Amortisation charge	–	9	9
at 31 December 2014	2,621	68	2,689
Net book amount			
at 31 December 2014	3,257	28	3,285
at 31 December 2013	2,218	23	2,241

Company

	Goodwill £'000	Other £'000	Total £'000
Cost			
at 1 January 2013, 31 December 2013 and 31 December 2014	80	17	97
Accumulated amortisation			
at 1 January 2013, 31 December 2013 and 31 December 2014	1	17	18
Net book amount			
at 1 January 2013, 31 December 2013 and 31 December 2014	79	–	79

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

16. Intangible assets
continued

Impairment tests for goodwill

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:

	Aford Awards £'000	Friedman's £'000	Sunline £'000	Total £'000
at 1 January 2013 and 31 December 2013	–	1,529	689	2,218
Acquisition of subsidiary	1,039	–	–	1,039
at 31 December 2014	**1,039**	**1,529**	**689**	**3,257**

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 14.26% (2013: 12.59%), 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	
	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %
Aford Awards	3.0	–	35.9	–	2.0	–
Friedman's	3.0	3.0	36.0	34.0	2.0	2.0
Sunline	3.0	2.0	43.7	47.0	3.0	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 fall of 10% in respect of the above assumptions does not give rise to an indication of impairment in relation to the carrying value of the CGUs noted. As such, management does not consider the carrying value of the goodwill for each CGU to be impaired.

Notes to the Financial Statements continued

17. Investments

Group

	Investments in associate 2014 £'000	Investments in associate 2013 £'000
Cost and net book amount at 1 January	554	518
Share of net profit in associate	14	36
at 31 December	568	554

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 2013	674	1,747	2,421	500	2,921
Repayments	–	(186)	(186)	–	(186)
at 31 December 2013	674	1,561	2,235	500	2,735
Write-off	–	(622)	(622)	–	(622)
Acquisition	70	700	770	–	770
Repayments	–	(89)	(89)	–	(89)
at 31 December 2014	744	1,550	2,294	500	2,794

Of the loans to Group subsidiaries £700,000 is represented by 8% loan stock repayable in instalments between January 2016 and January 2018 and £850,000 by 15% loan stock originally repayable in instalments between April 2009 and February 2012. In both cases repayments will only be requested when surplus cash is available.

Notes to the Financial Statements continued

17. Investments continued

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 subsidiary and principal activity	Principal place of business and incorporation	Proportion of ownership interests	Wholly owned subsidiary
Aford Awards (Holdings) Limited Holding company for Aford Awards Limited	England	70%	No
Aford Awards Limited Suppliers of trophies and awards and engraving specialists	England	70%*	No
Davies Odell Limited Manufacturer and distributor of protection equipment, matting and footwear components	England	85%	No
Signature Fabrics Limited Holding company for Friedman's Limited	England	55%	No
Friedman's Limited Converter and distributor of specialist Lycra	England	55%*	No
Sunline Direct Mail (Holdings) Limited Holding company for Sunline Direct Mail Limited	England	80%	No
Sunline Direct Mail Limited Supplier of services to the direct mail market	England	80%*	No
Davies & Co (Kettering) Limited Dormant company	England	85%	No
Phillips Rubber Limited Dormant company	England	85%	No
Farmat Limited Dormant company	England	85%	No
Davies and Company Limited Dormant company	England	85%	No

* Held via subsidiaries.

Notes to the Financial Statements continued

17. Investments continued

Details of non-wholly owned subsidiaries that have a material non-controlling interest are disclosed below:

Statement of Financial Position	Signature Fabrics Group 2014 £'000	Signature Fabrics Group 2013 £'000
As at 31 December		
Current		
Assets	1,241	1,261
Liabilities	(756)	(1,167)
Total current net assets	485	94
Non-current		
Assets	183	171
Liabilities	(96)	(64)
Total non-current net assets	87	107
Net assets	572	201

Statement of Comprehensive Income	Signature Fabrics Group 2014 £'000	Signature Fabrics Group 2013 £'000
For year ended 31 December		
Revenue	3,926	3,855
Profit before income tax	574	535
Income tax expense	(106)	(107)
Post-tax profit from continuing operations	468	428
Total comprehensive income	468	428
Total comprehensive income allocated to non-controlling interests	211	192
Dividends paid to non-controlling interests	45	45

Summarised cash flows	Signature Fabrics Group 2014 £'000	Signature Fabrics Group 2013 £'000
Cash flows from operating activities		
Cash generated from operations	271	572
Interest paid	(5)	(22)
Income tax paid	(113)	(163)
Net cash generated from operating activities	153	387
Net cash used in investing activities	(120)	(117)
Net cash used in financing activities	(28)	(210)
Net increase in cash and cash equivalents and bank overdrafts	5	60
Cash, cash equivalents and bank overdrafts at beginning of year	83	23
Cash, cash equivalents and bank overdrafts at end of year	88	83

There are no restrictions on the cash flows of the Group arising as a result of the non-controlling interests within Group subsidiaries.

Notes to the Financial Statements continued

17. Investments continued

Associate

The Group owns 21.4% of the share capital of CEM Press Holdings Limited, a company located in England and whose wholly-owned subsidiary is involved in the design and manufacture of fabric and wallpaper pattern books and shade cards. Summarised information of the material associate is set out below and represents amounts from the associate's financial statements that were prepared under UK GAAP, as the associate does not prepare its financial statements under IFRS and it would be impracticable so to do.

	2014 £'000	2013 £'000
Current assets	996	1,036
Non-current assets	2,235	2,073
Current liabilities	(764)	(738)
Non-current liabilities	(210)	(206)
The following amounts have been included in the amounts above:		
Cash and cash equivalents	225	76
Current financial liabilities	(163)	(188)
Non-current financial liabilities	(150)	(181)
Revenue	3,437	3,074
Profit from continuing operations before tax	87	208
Profit from continuing operations after tax	92	140
The following amounts have been included in profit:		
Profit from continuing operations after tax	92	140
Depreciation and amortisation	75	57
Interest expense	13	22
Income tax (credit)/expense	(6)	68

The investment in the associate is measured using the equity method as follows:

	2014 £'000	2013 £'000
Interest in the associate at 1 January	554	518
Share of profit for the period	14	36
Interest in the associate at 31 December	568	554

18. Inventories

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Raw materials and consumables	458	377	–	–
Work in progress	23	16	–	–
Finished goods and goods for resale	1,433	1,316	–	–
	1,914	1,709	–	–

The cost of inventories recognised as an expense and included in cost of sales amounted to £7,777,000 (2013: £6,949,000).

Notes to the Financial Statements continued

19. Trade and other receivables

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade receivables	2,281	2,164	–	–
less: provision for impairment of trade receivables	(30)	(22)	–	–
Trade receivables – net	2,251	2,142	–	–
Amount due from subsidiary companies	–	–	346	917
Other receivables	81	8	12	–
Prepayments and accrued income	237	286	5	12
	2,569	2,436	363	929

As at 31 December 2014, trade receivables of £1,709,000 (2013: £1,718,000) were fully performing.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2014, trade receivables of £482,000 (2013: £343,000) were past due, but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

At 31 December 2014 trade receivables of £90,000 (2013: £103,000) were impaired. A significant portion of the receivables is expected to be recovered and a provision of £30,000 (2013: £22,000) 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:

	2014 £'000	2013 £'000
3 to 6 months	81	80
Over 6 months	9	23
	90	103

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

	2014 £'000	2013 £'000
Sterling	2,197	2,346
Euro	79	15
US $	5	75
	2,281	2,436

Notes to the Financial Statements continued

19. Trade and other receivables continued

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

	2014 £'000	2013 £'000
At 1 January	22	27
Provision for receivables impairment	10	13
Receivables written off during the year	(19)	(3)
Unused amounts reversed	17	(15)
At 31 December	30	22

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.

20. Trade and other payables

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade payables	1,690	1,444	–	–
Other tax and social security	398	398	–	–
Other payables	116	247	–	–
Accruals and deferred income	468	566	124	120
	2,672	2,655	124	120

Notes to the Financial Statements continued

21. Borrowings

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Non-current:				
Other loans	686	396	–	–
Hire purchase obligations	720	114	–	–
	1,406	510	–	–
Current:				
Bank overdraft	441	417	–	–
Trade receivables backed working capital facilities	1,262	888	–	–
Other loans	900	–	800	–
Hire purchase obligations	273	75	–	–
	2,876	1,380	800	–
Total borrowings	4,282	1,890	800	–

Bank borrowings and overdrafts are secured by fixed and floating charges over the assets of the subsidiary to which they relate. 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 2014 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
Aford Awards	–	–	–
Davies Odell	441	421	862
Friedman's	–	29	29
Sunline	–	812	812
	441	1,262	1,703

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
Aford Awards	–	–	–
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

21. Borrowings continued

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

	2014		2013	
	Bank £'000	Hire purchase £'000	Bank £'000	Hire purchase £'000
Within one year	1,703	273	1,305	75
Between one and two years	–	268	–	59
Between two and five years	–	452	–	55
	1,703	993	1,305	189

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.

£396,000 of other loans represent preference shares of £130,000, 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 2015. The preference shares and loan stock are held by the non-controlling interest and are in Sunline Direct Mail (Holdings) Limited.

The remainder of the other loans balance relates to loans used for the funding of the acquisition of Aford Awards (Holdings) Limited.

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

	2014 £'000	2013 £'000
Not more than one year	329	84
Between one and two years	302	63
Between two and five years	479	62
	1,105	209
Finance charge	(112)	(20)
Present value of hire purchase agreement liabilities	993	189

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

22a. Financial instruments by category

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

Group
31 December 2014

Assets as per Statement of Financial Position	Loans and receivables £'000
Trade and other receivables (excluding prepayments and accrued income)	2,332
Cash and cash equivalents	346
Total	2,678

Liabilities at amortised cost as per Statement of Financial Position	Other financial liabilities £'000
Bank borrowings (excluding hire purchase obligations)	1,703
Finance lease liabilities	993
Trade and other payables (excluding statutory liabilities)	2,274
Other loans	1,586
Total	6,556

Group
31 December 2013

Assets as per Statement of Financial Position	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 Statement of Financial Position	Other financial liabilities £'000
Bank borrowings (excluding hire purchase obligations)	1,305
Finance lease obligations	189
Trade and other payables (excluding statutory liabilities)	2,257
Other loans	396
Total	4,147

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

22b. 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	2014 £'000	2013 £'000
Aford Awards	72	–
Davies Odell	691	470
Friedman's	449	378
Sunline	1,340	870
	2,552	1,718

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 £346,000 (2013: £145,000) 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+.

23. Deferred tax

The following are the major deferred tax assets and liabilities 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 2013, 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
Credit/(debit) to the Consolidated Statement of Comprehensive Income	39	(47)	36	28
at 31 December 2014, asset	432	13	6	451

The deferred income tax is split on the Statement of Financial Position between a deferred tax asset of £487,000 and a deferred tax liability of £36,000. These are shown net in the table above.

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.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit of the future taxable profits is probable.

Notes to the Financial Statements continued

24. Provisions for liabilities and charges

	Dilapidations £'000	Redditch closure £'000	Total £'000
At 1 January 2013	55	16	71
Amounts utilised for in year	–	(2)	(2)
At 31 December 2013	55	14	69
Amounts utilised for in year	–	(14)	(14)
At 31 December 2014	55	–	55
These amounts are expected to be settled as follows:			
Non-current	55	–	55
	55	–	55

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 were not incurred until 2014 as they relate to property matters of the site which were concluded then. This provision has now been fully utilised.

25. Share capital

	2014 £'000	2013 £'000
Ordinary shares		
Authorised:		
7,500,000 (2013: 7,500,000) shares of 10p per share	750	750
Issued and fully paid:		
5,407,155 (2013: 5,407,155) shares of 10p per share	541	541

Notes to the Financial Statements continued

26. 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:

	2014 £'000	2013 £'000
Land and buildings:		
within one year	372	316
within two to five years	1,187	858
after more than five years	606	704
	2,165	1,878

27. Related party transactions

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

	Aford Awards (Holdings) Limited £'000	Davies Odell Limited £'000	Sunline Direct Mail (Holdings) Limited £'000	Signature Fabrics Limited £'000
Receipt of equity share dividend				
– 2014	–	–	–	55
– 2013	–	–	–	55
(Waiver)/receipt of preference share dividend				
– 2014	–	–	(537)	–
– 2013	–	–	78	–
Receipt of loan note interest				
– 2014	9	–	127	2
– 2013	–	–	127	17
Receipt of management charge income				
– 2014	3	–	15	12
– 2013	–	–	15	12
Amount owed to/(by) the Company				
– 31 December 2014	700	(1)	1,196	–
– 31 December 2013	–	65	2,323	90

During the period, the Company obtained a loan of £800,000 to help fund the acquisition of Aford Awards. D A Horner, a director, acts as guarantor for this loan.

During the period, fees amounting to £62,844 for the services of V E Langford, a director, were recharged from Chelverton Asset Management Holdings Limited.

28. Cash and cash equivalents

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Cash at bank and in hand	346	145	73	62
Bank overdrafts repayable on demand	(441)	(417)	–	–
	(95)	(272)	73	62

29. Contingent liability

On 17 December 2014 HMRC informed the Company that it did not intend to take any further action in respect of the disputed VAT amount of £93,000 plus interest.

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 8 June 2015 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 2014 together with the directors' reports and auditors' report on those accounts.

2 To re-elect D A Horner as a director.

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

4 To re-appoint PKF Littlejohn 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 £600,000, 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.

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 below);

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.

Notice of Meeting continued

Annual General Meeting
continued

7 continued

7.2 otherwise than pursuant to sub-paragraph 7.1 up to an aggregate nominal amount of £600,000.00 (such shares representing approximately 111% 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
Company Secretary
22 April 2015

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 4 June 2015 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	Aford Awards Limited Grange House, Bearsted Green Business Centre, Maidstone, Kent ME14 4DF telephone 01622 738711, fax 01622 630051 email orders@afordawards.co.uk; www.afordawards.co.uk
	Davies Odell Limited Portland Road, Rushden, Northants NN10 0DJ telephone 01933 410818, fax 01933 315976 email info@daviesodell.co.uk; www.forcefieldbodyarmour.com email info@davieskett.co.uk; www.equimat.co.uk; www.farmat.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	PKF Littlejohn LLP 1 Westferry Circus, Canary Wharf, London E14 4HD
Solicitors	Roxburgh Milkins Limited Merchants House North, Wapping Road, Bristol BS1 4RW
Nominated adviser and broker	Cairn Financial Advisers LLP 61 Cheapside, London EC2V 6AX