



chelverton
equity partners

2015

Annual Report

CEPS PLC
Registered address:
12b George Street
Bath BA1 2EH
T 01225 483030
www.cepsplc.com
Incorporated in
England & Wales
00507461



Contents

	page
Chairman's Statement	2
Strategic Report	6
Directors' Report	7
Corporate Governance	9
Independent Auditors' Report	11
Consolidated Statement of Comprehensive Income	13
Consolidated and Company Statements of Financial Position	14
Consolidated and Company Statements of Cash Flows	15
Consolidated and Company Statements of Changes in Equity	16
Notes to the Financial Statements	18
Notice of Meeting	57
Group Information	60

Chairman's Statement

Review of the period

This is my first Chairman's Statement and I thought I would take the opportunity to set out again the original plan on which I led the refinancing of what was then called Dinkie Heel plc and was renamed CEPS plc (Chelverton Equity PartnerS).

The objective then, and today, is to acquire profitable cash generative companies operating in niche market sectors in partnership with the 'business drivers' of these companies. With the input, both strategic and financial from the CEPS Board, the intention is to encourage and help the management teams to develop the businesses and to grow them steadily over time.

As the companies grow their profits and generate cash, the free cash will be used to repay the funding used to originally acquire the company. The style and structure of this approach has more in common with the creation of a conglomerate and is different to the private equity approach, where companies are owned for up to five years and then sold. Once the acquisition debt due to banks, vendor shareholders and CEPS has been repaid then the free cash generated will be used to pay dividends and to further develop the company. CEPS will receive its share of any dividends paid and will also support any company initiative requiring further investment.

The original plan was to acquire one company a year financed as to 50% in equity and 50% in bank debt. It was felt that once eight companies had been acquired, further development of those eight companies and further acquisitions would then be financed from the Group's cash flow with no further equity issuance. With the acquisition of Friedman's in 2005 and then Sunline in early 2007, the plan was on track. However, the onset of the Credit Crunch and the 'Great Recession' put everything on hold as the trading of companies became less predictable and it also became impossible to obtain bank debt to finance further acquisitions.

It was not until five years later, in 2012, that CEPS made its next acquisition with other investors in the partial purchase of CEM Press. Since then CEPS has acquired Aford Awards in November 2014, the balance of CEM Press in October 2015 and, very recently, Hickton Consultants in January 2016.

CEPS now has six subsidiaries and has made very significant progress in the past eighteen months both in increasing the breadth of the business and also in investing in the development and improvement of the CEPS' businesses. As ever evidence of improvement takes a while to become clear to people not involved day to day in the companies.

Shareholder value in CEPS is created as follows:

1. The size of a target company generally means that it is too small for a private equity investor to deem worthwhile applying time and large resources to. At the same time, there are few individuals with adequate resources to compete. Therefore, there is generally very little price competition when CEPS acquires a company.
2. Because CEPS is effectively a conglomerate, no acquired company has any particular strategic value and, therefore, CEPS will not overpay.
3. Vendors are asked to retain part of their consideration as interest bearing loan notes, which has the dual effect of mitigating the risk of purchase and, also, provides an element of gearing.
4. The management team invests in the shares of a new company established to buy the target and also to provide a measure of commitment to a five year plan by providing interest bearing loan finance.

Chairman's Statement continued

5. The repayment, in time, of all of the purchase price bar £100,000, being the share capital of the new company, means that CEPS and the management team get all of their investment back whilst still owning the company.

6. Under the ownership of CEPS, these acquired companies will become better quality companies as the appropriate elements of corporate governance are gradually and appropriately introduced.

7. Finally, and of greatest importance, we will aim to acquire companies whose profits are steadily growing and will consequently become more valuable.

Further acquisitions will be either as stand-alone companies or additions to existing subsidiaries.

Financial review

The results for the year do not evidence the significant positive developments that have taken place in each of the subsidiaries over the past 12 months. We expect this progress to be more apparent at the interim stage in September and, of course, for the full set of results for the current year.

As a result of the three purchases mentioned above, CEPS is now a much broader Group than eighteen months ago and the profit contribution from these acquisitions is expected to make a material difference to the Group accounts.

Overall, Group revenue at £18.2m for the year (2014: £17.0m) was up by 7% whilst operating profit grew almost 100% to £486,000 from £244,000. Profit before tax was up 60.8% at £394,000 (2014: £245,000) before an exceptional charge of £138,000 due to the required accounting treatment in respect of the CEM Press acquisition. Group costs were marginally higher than last year at £370,000, but include a £79,000 write-off of historic goodwill. If this is excluded, Group costs are down by £61,000 at £291,000 (2014: £352,000) mainly reflecting the non-replacement of Peter Cook, the former Group Managing Director, but including an ex-gratia payment to him. Post-tax profit was £57,000 (2014: £251,000) due to a significant tax charge of £199,000 (2014: credit of £6,000 resulting from a deferred tax adjustment). Earnings per share on a basic and diluted basis were (3.65p) (2014: (3.13p)). In the year there was an improvement in cash generated from operations amounting to £889,000 (2014: £580,000) and there was a net increase in cash and cash equivalents of £206,000 (2014: £177,000). Year end cash and cash equivalents (excluding bank overdrafts) were £854,000 (2014: £346,000). The enlarged Group has contributed to these improvements and cash is expected to improve further in future years.

Operational review

Aford Awards

We looked to expand the business in 2015 by making a small acquisition. However, we were not prepared to meet the price expectations of the vendor. We will continue to look at ways of expanding the business both organically and by acquisition, in 2016. The creation of a new showroom and investment in a new engraving machine will improve the sales and marketing capability and manufacturing capacity.

CEM Press

CEPS completed the purchase of CEM Press through a new company with the existing management team at the end of September 2015. As the business had been underinvested for several years, a number of projects are now underway aimed at improving efficiency and quality. This will, as ever, take a little while. However, we are pleased that in this brief period of majority ownership, improvements in the operational efficiencies are beginning to be evident.

Chairman's Statement continued

Davies Odell

Trading continued to be difficult in 2015 and sadly it was necessary to address the cost base by making eight people redundant. A considerable amount of effort has gone into addressing the issues in the company and progress is now being made. We expect that Davies Odell will make some progress in 2016.

Friedman's

The company has had an excellent 2015 and we expect it to do well in 2016, notwithstanding the cost impact of a weakening Pound. The continuing development of Funki Fabrics is expected to become a major profit driver in 2016 and beyond.

Hickton

Hickton was acquired after the financial year end with a number of investors from the Chelverton Investor Club and the managing director of the company. Trading has gone well in the brief period of ownership and we expect Hickton to make a good contribution to the Group in 2016.

Sunline

After the very difficult operational issues in 2014, it is pleasing to be able to report that Sunline's original business moved back into profit in 2015, albeit with the use of extra labour to ensure no repeat of the problems experienced in 2014. In 2016 the emphasis will be on fine-tuning the labour costs, now that the capacity and efficiency of the production line has been established. Also, additional sales resource has been recruited to fill the extra capacity of the new plant.

The 'Pick, Pack and Despatch' business which was started in 2014 made very good progress in 2015, although it is still loss-making as it has yet to reach critical mass. It is expected that the business will break into profit on a monthly basis at the end of this year and, thereafter, will become a valuable earnings stream and an important adjunct to the polywrap business.

Dividend

A dividend is not proposed at this time (2014: £nil), but the situation will be kept under review.

Power to issue and purchase shares

The Company will be convening its Annual General Meeting to be held on 20 June 2016. Among other resolutions to be proposed, the Board will seek authority to allot shares equating to 100% of its present issued ordinary share capital in line with the requirements of our acquisition strategy.

Chairman's Statement continued

People

The Board is most grateful for the diligent efforts of all the Group's employees in 2015.

I am sorry to have to report that Peter Cook, formerly Group Managing Director, has had to retire from the Company as a consequence of a serious illness.

Also Richard Organ has stated that he wishes to step down from the Board at the AGM. I would like to thank Richard for all he has done for the Group over the past 16 years. We all wish him well in his gradual retirement.

We are currently considering potential candidates for the role of Non-Executive Director and hope to be in a position to make an announcement shortly.

Prospects

Underlying trading in the Group companies is improving. Steps have been taken in all of the subsidiaries to promote further development and, once the uncertainty caused by the European Union Referendum is removed, one way or the other, we believe our companies will continue to make progress.

Against this background, we anticipate further recovery at Sunline, continued good results from Friedman's and a good maiden contribution from Hickton Consultants. Aford Awards and CEM Press are expected to make steady progress and Davies Odell should, as the year progresses, begin to show a return to appropriate profits.

Trading in the year to date is in line with the Board's expectations. Whilst there is currently great uncertainty at the macro level in the UK economy, our companies are working hard to make multiple small improvements in their trading. We expect the Group to make further significant progress as the year unfolds.



David Horner
Chairman
29 April 2016

Strategic Report

The directors present their Strategic Report on the Group for the year ended 31 December 2015.

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 5.

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

	2015	2014
Revenue	£18,229,000	£16,981,000
Segmental result (EBITDA)	£1,280,000	£919,000
Profit before tax	£256,000	£245,000
Profit after tax	£57,000	£251,000
Total equity	£5,061,000	£4,068,000
Net debt (total borrowing less cash)	£3,740,000	£3,936,000
Gearing ratio (net debt/total equity)	74%	97%

The Chairman has commented on the main key performance indicators in his Statement on pages 2 to 5.

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 9 and 10.

The key risks the Board seeks to mitigate are: competition, dependence on key personnel 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. As a result there is the risk that competitors could emerge to challenge the products offered by the Group. This could result, over time, in price competition and margin pressure. 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.

Dependence on key personnel – the Group's performance is largely dependent on its subsidiary staff and managers. The success of the Group will continue to be dependent on the expertise and experience of the directors and the management team, and the loss of personnel could still have an adverse effect on the Group. This risk is mitigated by ensuring that key personnel are suitably incentivised and contractually bound.

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 the financial risks.

Future developments

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

By order of the Board
 V E Langford
Company Secretary
 29 April 2016

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 2015. Certain information required by the Companies Act 2006 relating to information to be provided in the Directors' Report is set out in the Chairman's Statement and Strategic Report and includes: principal activity, review of the business and principal risks and uncertainties.

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:

D A Horner (56) is an executive director and Chairman. 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 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.

R T Organ BA(Hons) FRSA (63) is a non-executive director. He has significant experience of manufacturing and marketing in the footwear and clothing industries gained with C & J Clark Limited and Coats Viyella PLC.

G C Martin (71) is a non-executive director. He is a Chartered Accountant who was previously Finance Director and Company Secretary of the Group.

V E Langford (54) is Group Finance Director. She is a Chartered Accountant and is also the Company Secretary of CEPS PLC.

P G Cook (64) stepped down as Group Managing Director on 9 December 2015 due to ill health.

The directors retiring by rotation in accordance with Articles 71 and 72 are V E Langford who, being eligible, offers herself for re-election, and R T Organ who will be resigning from the Board at the Annual General Meeting on 20 June 2016.

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 33, the following shareholders held more than 3% of the Company's ordinary shares at 20 April 2016:

	Shares	%
Chelverton Growth Trust Plc	1,535,000	16.0
FXCM Nominees Limited	1,143,333	11.9
Praxis Trustees Limited	500,000	5.2
Nigel Cobby	333,333	3.5
Mark Pollard	333,333	3.5
Lynchwood Nominees Limited	312,500	3.3

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 52.

For further details of Group financial risk and management thereof see note 2 on pages 25 to 27.

No dividend is recommended for the period (2014: £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 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 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
 29 April 2016

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 the Chairman, the Finance Director and two non-executive directors. Further details of the Board members are given in the Directors' Report on pages 7 and 8.

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 G C Martin (Chair) and R T Organ. 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 D A Horner (Chair) and R T Organ. It is responsible for making recommendations to the Board on any appointment to the Board.

Remuneration committee

This committee is comprised of R T Organ (Chair) and D A Horner.

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

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

Pensions for directors 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 33.

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 V E Langford.

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 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements 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 8, 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 2015 and of the Group's profit and Group's and parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company 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.

Joseph Archer (Senior Statutory Auditor)
for and on behalf of PKF Littlejohn LLP
Statutory Auditor
1 Westferry Circus, Canary Wharf, London E14 4HD
29 April 2016

Consolidated Statement of Comprehensive Income

	Notes	2015 £'000	2014 £'000
Continuing operations:			
Revenue	4	18,229	16,981
Cost of sales		(15,035)	(14,640)
		<hr/>	<hr/>
Gross profit		3,194	2,341
Distribution costs		(180)	(207)
Administration expenses		(2,528)	(1,890)
		<hr/>	<hr/>
Operating profit	5	486	244
Analysis of operating profit			
Trading		856	596
Group costs		(370)	(352)
		<hr/>	<hr/>
		486	244
Finance income	9	8	11
Finance costs	9	(121)	(24)
Loss on step acquisition	15	(138)	–
Share of investment accounted for using the equity method	17	21	14
		<hr/>	<hr/>
Profit before tax		256	245
Taxation	10	(199)	6
		<hr/>	<hr/>
Profit for the year from continuing operations		57	251
		<hr/>	<hr/>
Other comprehensive loss:			
Items that will not be reclassified to profit or loss			
Re-measurement of post employment benefit obligations	8	(68)	(87)
		<hr/>	<hr/>
Items that may be subsequently reclassified to profit or loss		–	–
		<hr/>	<hr/>
Other comprehensive loss for the year, net of tax		(68)	(87)
		<hr/>	<hr/>
Total comprehensive (loss)/income for the year		(11)	164
		<hr/>	<hr/>
(Loss)/profit attributable to:			
Owners of the parent		(275)	(169)
Non-controlling interest		332	420
		<hr/>	<hr/>
		57	251
		<hr/>	<hr/>
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(343)	(256)
Non-controlling interest		332	420
		<hr/>	<hr/>
		(11)	164
		<hr/>	<hr/>
Earnings per share from continuing operations attributable to equity holders of the parent			
basic and diluted	12	(3.65)p	(3.13)p
		<hr/>	<hr/>

The notes on pages 18 to 56 form part of the financial statements.

Consolidated and Company Statements of Financial Position

Company number 00507461

	Notes	Group 2015 £'000	2014 £'000	Company 2015 £'000	Company 2014 £'000
Assets					
		Non-current assets			
Property, plant and equipment	14	2,122	1,999	—	—
Intangible assets	16	4,652	3,285	—	79
Investments in subsidiaries	17	—	—	2,959	2,294
Investment using the equity method	17	—	568	—	500
Deferred tax asset	23	440	487	—	—
		7,214	6,339	2,959	2,873
		Current assets			
Inventories	18	2,030	1,914	—	—
Trade and other receivables	19	3,155	2,569	132	363
Cash and cash equivalents (excluding bank overdrafts)	28	854	346	270	73
		6,039	4,829	402	436
Total assets		13,253	11,168	3,361	3,309
Equity					
		Capital and reserves attributable to owners of the parent			
Called up share capital	25	957	541	957	541
Share premium		3,943	3,114	3,995	3,166
Retained earnings		(712)	(281)	(1,800)	(1,322)
		4,188	3,374	3,152	2,385
Non-controlling interest in equity		873	694	—	—
Total equity		5,061	4,068	3,152	2,385
Liabilities					
		Non-current liabilities			
Borrowings	21	2,275	1,406	—	—
Deferred tax liability	23	77	36	—	—
Provisions for liabilities and charges	24	55	55	—	—
		2,407	1,497	—	—
		Current liabilities			
Borrowings	21	2,319	2,876	—	800
Trade and other payables	20	3,359	2,672	209	124
Current tax liabilities		107	55	—	—
		5,785	5,603	209	924
Total liabilities		8,192	7,100	209	924
Total equity and liabilities		13,253	11,168	3,361	3,309

The notes on pages 18 to 56 form part of the financial statements.

The financial statements on pages 13 to 56 were approved by the Board of Directors on 29 April 2016 and signed on its behalf by

D A Horner
Director

Consolidated and Company Statements of Cash Flows

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Cash flows from operating activities				
Cash generated from/(used in) operations	889	580	123	(200)
Income tax paid	(59)	(113)	—	—
Interest received	8	—	—	—
Interest paid	(18)	(24)	(41)	(14)
Net cash generated from/(used in) operations	820	443	82	(214)
Cash flows from investing activities				
Acquisition of subsidiary net of cash acquired	(267)	(1,054)	(270)	(770)
Purchase of property, plant and equipment	(205)	(517)	—	—
Proceeds from sale of assets	12	—	—	—
Purchase of intangibles	(35)	(14)	—	—
Repayment of loan stock	—	—	—	89
Loan to a subsidiary	—	—	(60)	—
Disposal of property, plant and equipment	295	—	—	—
Interest received	—	—	—	106
Net cash used in investing activities	(200)	(1,585)	(330)	(575)
Cash flows from financing activities				
Proceeds from/(repayment of) borrowings	(1,306)	1,574	(800)	800
Proceeds from share issue net of issue costs	—	—	1,245	—
Dividend paid to non-controlling interest	(180)	(45)	—	—
Share issue net of costs	1,245	—	—	—
Repayment of capital element of finance leases	(173)	(210)	—	—
Net cash (used in)/generated from financing activities	(414)	1,319	445	800
Net increase in cash and cash equivalents	206	177	197	11
Cash and cash equivalents at the beginning of the year	(95)	(272)	73	62
Cash and cash equivalents at the end of the year (note 28)	111	(95)	270	73
Cash generated from/(used in) operations	889	580	123	(200)
Profit/(loss) before income tax	256	245	(479)	(1,301)
Adjustments for:				
Depreciation and amortisation	503	320	—	—
Intangible assets written off	—	—	79	—
Amounts written-off in relation to a subsidiary undertaking	—	—	298	1,159
Profit of associate	(21)	(14)	—	—
Loss on disposal on step acquisition	138	45	150	—
Net finance costs	113	13	41	(124)
Retirement benefit obligations	—	(77)	—	—
Changes in working capital:				
Decrease/(increase) in inventories	165	(134)	—	—
(Increase)/decrease in trade and other receivables	(112)	(37)	(7)	61
(Decrease)/increase in trade and other payables	(93)	233	41	5
Decrease in provisions	(60)	(14)	—	—
Cash generated from/(used in) operations	889	580	123	(200)

The notes on pages 18 to 56 form part of the financial statements.

Consolidated and Company Statements of Changes in Equity

Group	At 1 January 2014	Share capital £'000	Share premium £'000	Retained earnings £'000	Attributable to owners of the parent £'000		Non- controlling interest £'000	Total equity £'000
					Attributable to owners of the parent £'000	Non- controlling interest £'000		
		541	3,114	(25)	3,630	235		3,865
Other comprehensive income:								
re-measurement of post employee benefit obligations		—	—	(87)	(87)	—	(87)	
(Loss)/profit for the year		—	—	(169)	(169)	420	251	
Total comprehensive (loss)/income for the year		—	—	(256)	(256)	420	164	
Dividend paid to non-controlling interest		—	—	—	—	(45)	(45)	
Total transactions recognised directly in equity		—	—	—	—	(45)	(45)	
Change in ownership interest in a subsidiary not resulting in loss of control		—	—	—	—	54	54	
Acquisition of a subsidiary		—	—	—	—	30	30	
Total changes in ownership that do not result in a loss of control		—	—	—	—	84	84	
Total transactions with owners recognised directly in equity		—	—	—	—	39	39	
At 31 December 2014		541	3,114	(281)	3,374	694	4,068	
Other comprehensive income:								
re-measurement of post employee benefit obligations		—	—	(68)	(68)	—	(68)	
(Loss)/profit for the year		—	—	(275)	(275)	332	57	
Total comprehensive (loss)/income for the year		—	—	(343)	(343)	332	(11)	
Proceeds from shares issued net of expenses		416	829	—	1,245	—	1,245	
Total contributions by owners of the parent recognised in equity		416	829	—	1,245	—	1,245	
Dividend paid to non-controlling interest		—	—	—	—	(180)	(180)	
Total transactions recognised directly in equity		—	—	—	—	(180)	(180)	
Change in ownership interest in an associate		—	—	(88)	(88)	—	(88)	
Acquisition of a subsidiary		—	—	—	—	27	27	
Total changes in ownership interest that do not result in a loss of control		—	—	(88)	(88)	27	(61)	
Total transactions with owners recognised directly in equity		—	—	(88)	(88)	(153)	(241)	
At 31 December 2015		957	3,943	(712)	4,188	873	5,061	

The notes on pages 18 to 56 form part of the financial statements.

Consolidated and Company Statements of Changes in Equity

continued

		Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Company	At 1 January 2014	541	3,166	(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
	Loss for the year and total comprehensive loss	—	—	(478)	(478)
	Proceeds from shares issued net of costs	416	829	—	1,245
	Total transactions with owners of the parent recognised directly in equity	416	829	—	1,245
	At 31 December 2015	957	3,995	(1,800)	3,152

The notes on pages 18 to 56 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 the Company 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 financial statements are presented in British Pounds Sterling (£), the currency of the primary economic environment in which the Group's activities are operated and 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 00507461.

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 the 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 Group's business activities and financial position likely to affect its future development, performance and position are set out in the front end of the report. The directors have carried out a detailed assessment of going concern as part of the financial reporting process and, having conducted a full review of the updated business plan, budgets and associated commitments at the year end, have concluded that the Group has adequate financial resources to continue in operational existence for at least 12 months from the date of the signing of these financial statements and, therefore, continue to adopt the going concern basis in the preparation of these accounts.

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.

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:

Standards issued but not yet effective:

IAS 1 (Amendments), *Presentation of Financial Statements: Disclosure initiative*

IAS 7 (Amendments), *Disclosure initiative*

IAS 12 (Amendments), *Recognition of Deferred Tax*

IAS 16 (Amendment), *Clarification of Acceptable Methods of Depreciation*

IAS 19 (Amendment), *Defined Benefit Plans: Employee Contributions*

IAS 27 (Amendments), *Equity method in Separate Financial Statements*

Notes to the Financial Statements continued

1. Accounting policies continued

IAS 38 (Amendments), *Clarification of Acceptable Methods of Amortisation*
 IFRS 9, *Financial Instruments*
 IFRS 10 (Amendments), *Contribution of Assets between an Investor and its Associate or Joint Venture*
 IFRS 11 (Amendments), *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*
 IFRS 15, *Revenue from Contracts with Customers*
 IFRS 16, *Leases*
Annual Improvements, 2011-2013 Cycle
Annual Improvements, 2012-2014 Cycle

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 consolidated 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.

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. Acquisition related costs are expressed as incurred. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

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

Notes to the Financial Statements continued

1. Accounting policies continued

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.

Revenue recognition

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met. The Company bases its estimate of return on historical results, taking into account the customer type, transaction type and the specifics of each arrangement.

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

Notes to the Financial Statements continued

1. Accounting policies

continued

Property, plant and equipment

Property, plant and equipment is stated at initial cost, less accumulated depreciation and impairment losses. Cost includes the original 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 are 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 arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree over the fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets acquired, the difference is recognised directly in equity.

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 not amortised, but is tested for impairment at the operating segment level.

b) Customer lists

Customer lists acquired in a business combination are recognised at fair value at the acquisition date. They are considered to have an indefinite useful life and impairment reviews are undertaken annually or if changes in circumstances indicate a potential impairment.

c) 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 arising from experience adjustments and changes in actuarial assumptions are recognised in the Consolidated Statement of Comprehensive Income.

Pension schemes' surpluses, only to the extent that they are considered recoverable, 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. 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 or 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 recognised are disclosed in note 24.

Share capital

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

Notes to the Financial Statements continued

1. Accounting policies continued

Financial instruments

The Group and Company 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 and Company 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 and other 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 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 and other 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 and Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group and Company'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 2015				
Trade and other payables	3,359	—	—	—
Other loans	293	971	716	—
Bank overdrafts	743	—	—	—
Trade receivables backed working capital facilities	948	—	—	—
Finance lease obligations	334	400	351	—
	5,677	1,371	1,067	—
 At 31 December 2014				
Trade and other payables	2,626	—	—	—
Others 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	—

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 2015 and 2014 were as follows:

	2015 £'000	2014 £'000
Total borrowings	4,594	4,282
Less: cash and cash equivalents	(854)	(346)
Net debt	<u>3,740</u>	<u>3,936</u>
Total equity	<u>5,061</u>	<u>4,068</u>
Gearing ratio	74%	97%

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. See note 8 for further details.

d) Acquisitions

During the year the Group acquired CEM Teal Limited (see note 15). Management has 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 CODM.

Operating segments and their principal activities are as follows:

Aford Awards, a sports trophy and engraving company.

CEM Press, a manufacturer of fabric and wallpaper pattern books, swatches and shade cards.

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 £18,229,000 (2014: £16,981,000) revenue £15,884,000 (2014: £14,662,000) is derived from UK customers with the remaining £2,345,000 (2014: £2,319,000) 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 2015 £'000	CEM Press 2015 £'000	Davies Odell 2015 £'000	Friedman's 2015 £'000	Sunline 2015 £'000	Total 2015 £'000
Revenue	1,468	654	4,971	4,221	6,915	18,229
Segmental result (EBITDA)	273	(49)	(73)	925	204	1,280
Depreciation and amortisation charge						(424)
Group costs						(370)
Net finance costs						(113)
Loss on step acquisition						(138)
Share of investment accounted for using the equity method						21
Profit before taxation						256
Taxation						(199)
Profit for the year						57

Notes to the Financial Statements continued

4. Segmental analysis continued

i) Results by segment continued

	Aford Awards 2014 £'000	CEM Press 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)	(7)	—	216	643	67	919
Depreciation and amortisation charge						(323)
Group costs						(352)
Net finance costs						(13)
Share of investment using the equity method						14
Profit before taxation						245
Taxation						6
Profit for the year						251

ii) Assets and liabilities by segment as at 31 December

	Segment assets		Segment liabilities		Segment net assets	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
CEPS Group	275	736	(178)	(924)	97	(188)
Aford Awards	1,393	1,350	(489)	(579)	904	771
CEM Press	2,645	—	(2,031)	—	614	—
Davies Odell	2,147	2,430	(1,256)	(1,308)	891	1,122
Friedman's	3,408	2,953	(1,031)	(853)	2,377	2,100
Sunline	3,385	3,699	(3,207)	(3,436)	178	263
Total – Group	13,253	11,168	(8,192)	(7,100)	5,061	4,068

iii) Non-cash expenses and capital expenditure

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

Capital expenditure	2015 £'000	2014 £'000
Aford Awards	5	29
CEM Press	361	—
Davies Odell	74	121
Friedman's	2	49
Sunline	93	1,152
Total – Group	535	1,351

Notes to the Financial Statements continued

5. Operating profit

	2015 £'000	2014 £'000
Operating profit is stated after charging/(crediting):		
(Profit)/loss on disposal of property, plant and equipment	(1)	45
Exchange gain	(9)	(10)
Other operating lease rentals on land and buildings and on plant and machinery	558	453

	2015 £'000	2014 £'000
Auditor remuneration		
Fees payable to the Company's auditor for the audit of the Group's and Company's annual accounts	36	28
Fees payable to the Company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	36	31
	72	59
Taxation compliance services	15	14
Other non-audit services	-	19
Total fees	87	92

	2015 £'000	2014 £'000
Expenses by nature		
Change in stocks of finished goods and work in progress	(132)	124
Raw materials and consumables	7,639	7,777
Employee benefit expenses	5,718	5,015
Depreciation and amortisation	424	320
Operating lease payments	558	453
Other expenses	3,536	3,048
Total expenses	17,743	16,737

Notes to the Financial Statements continued

6. Employees

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

	2015 Number	2014 Number
Management and administration	62	46
Production and sales	210	146
	<hr/> 272	<hr/> 192

The aggregate costs of these persons were:

	2015 £'000	2014 £'000
Wages and salaries	5,205	4,472
Social security costs	427	419
Other pension costs (note 8)	86	124
	<hr/> 5,718	<hr/> 5,015

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:

	2015 £'000	2014 £'000
Short-term employee benefits	115	173

The remuneration of the Chairman, D A Horner, and of the other directors who served during the year was:

	Short term employee benefits					
	Termination benefits		Salaries and fees		Total	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
P G Cook	25	–	3	62	28	62
D A Horner	–	–	21	16	21	16
V E Langford	–	–	53	53	53	53
G C Martin	–	–	17	16	17	16
R T Organ	–	–	21	26	21	26
	<hr/> 25	<hr/> –	<hr/> 115	<hr/> 173	<hr/> 140	<hr/> 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.

Of those directors who remain in office at the year end, their beneficial interests, including those of their families, in shares of the Group were:

	at 31 December 2015 shares	at 31 December 2014 shares
D A Horner	2,863,672	1,047,005
V E Langford	41,667	–
G C Martin	10,000	10,000
R T Organ	173,983	115,650

D A Horner's shareholding at 31 December 2015 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 £86,000 (2014: £124,000). At 31 December 2015 £nil (2014: £6,000) 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

Notes to the Financial Statements continued

8. Pension costs continued

future service, the 'attained age' method. The most recent actuarial valuation was at 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 2015 the results of the actuarial valuation at 1 July 2013. The results of the update are as follows:

	2015	2014
Assumptions at 31 December		
Interest rate for discounting liabilities	3.70%	3.40%
Expected return on plan assets	5.50%	5.50%
RPI price inflation	2.90%	2.90%
CPI price inflation	2.20%	2.20%
Pensions increase	2.90%	2.90%
 Mortality	PCA00	PCA00
Current and future pensioners	year of birth long cohort	year of birth long cohort
 Life expectancies (years)		
For a 65 year old male	23.2	23.2
For a 65 year old female	24.6	24.5
For a 65 year old male, currently aged 45	24.6	24.5
For a 65 year old female, currently aged 45	25.3	25.3

The independent actuary estimates that a 0.1% change in the discount rate would change the value of scheme liabilities by approximately £49,000.

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:

	2015 £'000	2014 £'000
Amounts recognised in the statement of financial position are as follows:		
Fair value of plan assets	3,740	3,348
Present value of defined benefit obligation	(3,053)	(3,157)
Actuarial surplus not recognised	(687)	(191)
 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	2015 £'000	2014 £'000
Pension cost recognised in the Consolidated Statement of Comprehensive Income		
Finance cost:		
Interest cost	106	124
Expected return on plan assets	(114)	(134)
	<hr/>	<hr/>
	(8)	(10)
Total pension credit	(8)	(10)
	<hr/>	<hr/>
Consolidated Statement of Comprehensive Income		
Experience loss	—	(74)
Financial assumption gain/(loss)	150	(323)
Mortality assumption gain	—	163
	<hr/>	<hr/>
Actuarial gain/(loss)	150	(234)
Experience gains on assets	278	157
Movement in actuarial surplus not recognised	(496)	(10)
	<hr/>	<hr/>
Total loss	(68)	(87)
	<hr/>	<hr/>
Movement in Statement of Financial Position for the year		
Net pension liability at the start of the year	—	—
Employer's pension cost	8	10
Other comprehensive income	(68)	(87)
Employer contributions	60	77
	<hr/>	<hr/>
Net pension liability at the end of the year	—	—
	<hr/>	<hr/>
Reconciliation of the defined benefit obligation		
Defined benefit obligation at the start of the year	3,157	2,858
Interest cost	106	124
Actuarial (gain)/loss	(150)	234
Benefits paid	(60)	(59)
	<hr/>	<hr/>
Defined benefit obligation at the end of the year	3,053	3,157
	<hr/>	<hr/>
Reconciliation of plan assets		
Fair value of plan assets at the start of the year	3,348	3,039
Expected return on plan assets	114	134
Experience gains on assets	278	157
Employer contributions	60	77
Benefits and expenses paid	(60)	(59)
	<hr/>	<hr/>
Fair value of plan assets at the end of the year	3,740	3,348
	<hr/>	<hr/>

Notes to the Financial Statements continued

8. Pension costs continued

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
Asset categories at the end of the year					
Equities	42.0%	41.8%			
Bonds	44.4%	45.0%			
Property	7.6%	8.7%			
Cash	6.0%	4.5%			
Amounts for the current and previous four years are as follows:					
Plan assets	3,740	3,348	3,039	2,801	2,566
Defined benefit obligation	(3,053)	(3,157)	(2,858)	(2,725)	(2,531)
Actuarial surplus not recognised	(687)	(191)	(181)	(76)	(35)
Deficit in scheme	—	—	—	—	—
Actuarial gain/(losses) on liabilities due to assumptions	150	(234)	(79)	(191)	(173)
Experience gains on assets	278	157	99	149	46
Movement in actuarial surplus not recognised	(496)	(10)	(105)	(41)	30
Total losses recognised for the year	(68)	(87)	(85)	(83)	(97)
Cumulative amount of gains and losses recognised in the Consolidated Statement of Comprehensive Income	(130)	(62)	25	110	193

9. Net finance costs

	2015	2014
	£'000	£'000
Interest receivable	—	1
Pension scheme finance income (note 8)	8	10
Total finance income	8	11
Interest payable on bank loans and overdrafts	69	56
Interest payable on other loans net of write-back	(51)	59
Finance lease costs	103	43
Preference dividend written-back	—	(134)
Total finance costs	121	24
Net finance costs	(113)	(13)

Notes to the Financial Statements continued

10. Taxation

	2015 £'000	2014 £'000
Analysis of taxation in the year:		
Current tax		
Tax on profits of the year	111	43
Tax in respect of prior years	–	(21)
Total current tax	111	22
Deferred tax		
Origination and reversal of temporary differences	88	(28)
Total deferred tax	88	(28)
Total tax charge/(credit)	199	(6)
Deferred tax charged to the Consolidated Statement of Changes in Equity	–	–
Factors affecting current tax:		
Profit before taxation	256	245
Profit multiplied by the standard rate of UK tax of 20.25% (2014: 21.5%)	52	53
Effects of:		
Permanent differences	147	(38)
Prior year adjustment, current tax	–	(21)
Total tax charge/(credit)	199	(6)

The tax assessed for the year is higher (2014: lower) than the standard rate of corporation tax in the UK (20.25%) (2014: 21.5%).

Factors affecting current tax:		
Profit before taxation	256	245
Profit multiplied by the standard rate of UK tax of 20.25% (2014: 21.5%)	52	53
Effects of:		
Permanent differences	147	(38)
Prior year adjustment, current tax	–	(21)
Total tax charge/(credit)	199	(6)

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Group's profits for this accounting year are taxed at an effective rate of 20.25%.

Reductions in the United Kingdom corporation tax rate to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Group's future current tax charge accordingly. The deferred tax balance has been calculated based on the rate of 20%.

Notes to the Financial Statements continued

11. Dividends

No ordinary dividends have been paid or proposed for the year (2014: £nil).

12. Earnings per share

Basic earnings per share is calculated on the loss for the year after taxation of £275,000 (2014: loss £169,000) and on 7,530,443 (2014: 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 £478,000 (2014: loss £1,301,000) is dealt with in the financial statements of CEPS PLC. The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented the results for the Company alone.

Notes to the Financial Statements continued

14. Property, plant and equipment

Group	Cost	Leasehold property improvements £'000	Plant, machinery, tools and moulds £'000	Motor vehicles £'000	Total £'000
	at 1 January 2014	131	3,988	140	4,259
	Additions at cost	6	1,318	27	1,351
	Disposals	—	(160)	(22)	(182)
	at 31 December 2014	137	5,146	145	5,428
	Additions at cost	1	183	21	205
	Assets acquired on purchase of a subsidiary	—	330	—	330
	Disposals	—	(2)	—	(2)
	at 31 December 2015	138	5,657	166	5,961
	Accumulated depreciation				
	at 1 January 2014	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
	Charge for the year	11	381	18	410
	at 31 December 2015	96	3,645	98	3,839
	Net book amount				
	at 31 December 2015	42	2,012	68	2,122
	at 31 December 2014	52	1,882	65	1,999

At the year end, assets held under hire purchase contracts and capitalised as plant, machinery, tools and moulds have a net book value of £1,453,000 (2014: £1,539,000) and an accumulated depreciation balance of £1,699,000 (2014: £1,461,000).

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

Company

Throughout 2014 and 2015 the Company held no property, plant and equipment.

Notes to the Financial Statements continued

15. Business combinations Acquisition in 2015

During the year CEPS significantly increased its indirect shareholding in CEM Press Limited from 21.4% to 71.5% and, as a result, gained control. CEPS previously acquired its shareholding in CEM Press Limited through CEM Press Holdings Limited (formerly NG42 Acquisitions Limited) which was initially formed for the purpose of acquiring CEM Press.

In line with CEPS' financing strategy, the acquisition was effected by the introduction of a new holding company, CEM Teal Limited, which has acquired 97.9% of CEM Press and of which CEPS is a 73% shareholder. Taking control of CEM Press will enable the Group to modernise its working practices, reduce costs and develop relationships.

CEM Press is a manufacturer of fabric and wallpaper pattern books, swatches and shade cards, with a focus on the high-end fabric and wallpaper market.

A loss of £138,000 arose as a result of the step acquisition in respect of the original investment in CEM Press. Up to the date of acquisition the Group's share of CEM Press results was £21,000 (profit).

The Group incurred acquisition related costs of £18,000 for legal expenses. These have been included in administrative expenses in the Statement of Consolidated Income.

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	330
Intangible assets (customer lists)	577
Stock	281
Cash and cash equivalents	3
Trade receivables	682
Other current assets	106
Total assets	1,979
Assumed liabilities	
Current liabilities	
Trade and other payables	796
Non-current liabilities	
Borrowings	78
Provisions for liabilities and charges	60
Total liabilities	934
Total identifiable net assets	1,061
Purchase price consideration (cash £270,000, equity £90,000 and loan stock £1,532,000)	1,892
Total identifiable net assets	(1,061)
Non-controlling interests on acquisition	27
Goodwill	858

Notes to the Financial Statements continued

15. Business combinations	£'000
continued	
Analysis of cash flows on acquisition	
Year ended 31 December 2015	
Cash paid	270
Less: net cash acquired with the subsidiary	(3)
Net cash flow on acquisition	267

The fair values have been determined on a provisional basis. The fair value of intangible assets (CEM Press's customer relationships) has been determined provisionally pending completion of management's valuation.

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustment to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

CEM Press has been successfully integrated post-acquisition into the Group.

From the date of acquisition, CEM Press has contributed £655,000 of revenue and contributed a loss before tax of £113,000, 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 £3,114,000 and the profit before tax from continuing operations for the Group would have been £51,000.

Notes to the Financial Statements continued

16. Intangible assets

	Goodwill £'000	Customer lists £'000	Other £'000	Total £'000
Group				
Cost				
at 1 January 2014	4,839	–	82	4,921
Additions at cost	1,039	–	14	1,053
	—	—	—	—
at 31 December 2014	5,878	–	96	5,974
Acquisition	858	577	–	1,435
Additions at cost	–	–	35	35
Impairment	(79)	–	–	(79)
Disposals	–	–	(62)	(62)
	—	—	—	—
at 31 December 2015	6,657	577	69	7,303
Accumulated amortisation and impairment				
at 1 January 2014	2,621	–	59	2,680
Amortisation charge	–	–	9	9
	—	—	—	—
at 31 December 2014	2,621	–	68	2,689
Amortisation charge	–	–	14	14
Disposals	–	–	(52)	(52)
	—	—	—	—
at 31 December 2015	2,621	–	30	2,651
Net book amount				
at 31 December 2015	4,036	577	39	4,652
at 31 December 2014	3,257	–	28	3,285
Company				
Cost				
at 1 January 2014 and 31 December 2014	80	17	97	
	—	—	—	—
Impairment	(79)	–	(79)	
	—	—	—	—
at 31 December 2015	1	17	18	
Accumulated amortisation				
at 1 January 2014, 31 December 2014				
and 31 December 2015	1	17	18	
	—	—	—	—
Net book amount				
at 31 December 2015	–	–	–	
at 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. Amortisation charges are included in administration expenses.

Customer lists are not amortised, but are subject to annual impairment reviews.

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 intangible assets (goodwill and customer lists)

The Group tests goodwill and intangible assets arising on the acquisition of a subsidiary (customer lists) annually for impairment or more frequently if there are indications that goodwill or customer lists 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	CEM Press £'000	Friedman's £'000	Sunline £'000	Total £'000
at 1 January 2014	–	–	1,529	689	2,218
Acquisition of subsidiary	1,039	–	–	–	1,039
	—	—	—	—	—
at 31 December 2014	1,039	–	1,529	689	3,257
Acquisition of subsidiary:					
Goodwill	–	858	–	–	858
Customer lists	–	577	–	–	577
Amortisation charge	–	–	(1)	(78)	(79)
	—	—	—	—	—
at 31 December 2015	1,039	1,435	1,528	611	4,613
	—	—	—	—	—

The recoverable amount of a CGU is based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond five years are assumed to be constant. A discount rate of 12.23% (2014: 14.26%), representing the estimated pre-tax cost of capital, has been applied to these projections.

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

	Revenue growth		Gross margin		Long-term growth	
	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
Aford Awards	3.0	3.0	38.1	35.9	2.0	2.0
CEM Press	2.0	–	41.0	–	2.0	–
Friedman's	3.0	3.0	34.1	36.0	2.0	2.0
Sunline	3.0	3.0	39.2	43.7	2.0	3.0

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

	Investments in associate				
	2015 £'000	2014 £'000			
Group					
Cost and net book amount at 1 January	568	554			
Share of net profit in associate	21	14			
Deemed disposal as a result of step acquisition (note 15)	(589)	–			
	—	—			
at 31 December	—	568			
	—	—			
	Shares in Group subsidiaries £'000	Loans to Group subsidiaries £'000	Total investments in subsidiaries £'000	Investments in associate £'000	Total investments £'000
Company					
Cost and net book amount at 1 January 2014	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
Disposal	–	–	–	(500)	(500)
Acquisition	73	592	665	–	665
	—	—	—	—	—
at 31 December 2015	817	2,142	2,959	–	2,959
	—	—	—	—	—

Of the loans to Group subsidiaries £592,000 is represented by 7% loan stock repayable in instalments between October 2018 and September 2021 and £850,000 by 5% (originally 15%) loan stock originally repayable in instalments between April 2009 and February 2012. In all 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	Place of operation	Proportion of ownership interests	Proportion of ownership held by non-controlling interest
Aford Awards (Holdings) Limited Holding company for Aford Awards Limited	England	70%	30%
Aford Awards Limited Suppliers of trophies and awards and engraving specialists	England	70%*	30%*
CEM Teal Limited Holding company for CEM Press (Holdings) Limited	England	73%	27%
CEM Press (Holdings) Limited Holding company for CEM Group Limited	England	71%*	29%*
CEM Group Limited Holding company for CEM Press Limited	England	71%*	29%*
CEM Press Limited Design and compilation of fabric, wallpaper and carpet sample books	England	71%*	29%*
Davies Odell Limited Manufacturer and distributor of protection equipment, matting and footwear components	England	85%	15%
Signature Fabrics Limited Holding company for Friedman's Limited	England	55%	45%
Friedman's Limited Conversion and distribution of specialist Lycra	England	55%*	45%*
Sunline Direct Mail (Holdings) Limited Holding company for Sunline Direct Mail Limited	England	80%	20%
Sunline Direct Mail Limited Supplier of services to the direct mail market	England	80%*	20%*
Davies & Co (Kettering) Limited Dormant company	England	85%	15%
Phillips Rubber Limited Dormant company	England	85%	15%
Farmat Limited Dormant company	England	85%	15%
Davies and Company Limited Dormant company	England	85%	15%

* 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	
	2015 £'000	2014 £'000
As at 31 December		
Current		
Assets	1,737	1,241
Liabilities	(976)	(756)
Total current net assets	761	485
Non-current		
Assets	143	183
Liabilities	(55)	(96)
Total non-current net assets	88	87
Net assets	849	572

Statement of Comprehensive Income

	Signature Fabrics Group	
	2015 £'000	2014 £'000
For year ended 31 December		
Revenue	4,221	3,926
Profit before income tax	835	574
Income tax expense	(157)	(106)
Post-tax profit from continuing operations	678	468
Other comprehensive income	—	—
Total comprehensive income	678	468
Total comprehensive income allocated to non-controlling interests	305	211
Dividends paid to non-controlling interests	180	45

Summarised cash flows

	Signature Fabrics Group	
	2015 £'000	2014 £'000
Cash flows from operating activities		
Cash generated from operations	534	271
Interest paid	(4)	(5)
Income tax paid	(61)	(113)
Net cash generated from operating activities	469	153
Net cash used in investing activities	(25)	(120)
Net cash used in financing activities	(67)	(28)
Net increase in cash and cash equivalents and bank overdrafts	377	5
Cash, cash equivalents and bank overdrafts at beginning of year	88	83
Cash, cash equivalents and bank overdrafts at end of year	465	88

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

18. Inventories

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Raw materials and consumables	707	458	—	—
Work in progress	24	23	—	—
Finished goods and goods for resale	1,299	1,433	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
	2,030	1,914	—	—
	<hr/>	<hr/>	<hr/>	<hr/>

The cost of inventories recognised as an expense and included in cost of sales amounted to £7,639,000 (2014: £7,777,000).

Notes to the Financial Statements continued

19. Trade and other receivables

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade receivables	2,658	2,281	—	—
less: provision for impairment of trade receivables	(9)	(30)	—	—
Trade receivables – net	2,649	2,251	—	—
Amount due from subsidiary companies	—	—	127	346
Other receivables	110	81	—	12
Prepayments and accrued income	396	237	5	5
	3,155	2,569	132	363

As at 31 December 2015, trade receivables of £1,658,000 (2014: £1,709,000) were fully performing.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2015, trade receivables of £925,000 (2014: £482,000) 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 2015 trade receivables of £75,000 (2014: £90,000) were provided. A significant portion of the receivables is expected to be recovered and a provision of £9,000 (2014: £30,000) 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:

	2015 £'000	2014 £'000
3 to 6 months	63	81
Over 6 months	12	9
	75	90

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

	2015 £'000	2014 £'000
Sterling	2,562	2,197
Euro	82	79
US \$	14	5
	2,658	2,281

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:

	2015 £'000	2014 £'000
At 1 January	30	22
Provision for receivables impairment	6	10
Receivables written off during the year	(27)	(19)
Unused amounts reversed	—	17
	<hr/>	<hr/>
At 31 December	9	30
	<hr/>	<hr/>

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	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade payables	2,042	1,690	—	—
Other tax and social security	740	398	—	—
Other payables	31	116	—	—
Accruals and deferred income	546	468	209	124
	<hr/>	<hr/>	<hr/>	<hr/>
	3,359	2,672	209	124
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements continued

21. Borrowings

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Non-current:				
Other loans	1,687	686	—	—
Hire purchase obligations	588	720	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
	2,275	1,406	—	—
Current:				
Bank overdraft	743	441	—	—
Trade receivables backed working capital facilities	948	1,262	—	—
Other loans	293	900	—	800
Hire purchase obligations	335	273	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
	2,319	2,876	—	800
Total borrowings	<hr/>	<hr/>	<hr/>	<hr/>
	4,594	4,282	—	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 2015 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	—	—	—
CEM Press	189	—	189
Davies Odell	554	307	861
Friedman's	—	—	—
Sunline	—	641	641
	<hr/>	<hr/>	<hr/>
	743	948	1,691

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	—	—	—
CEM Press	—	—	—
Davies Odell	441	421	862
Friedman's	—	29	29
Sunline	—	812	812
	<hr/>	<hr/>	<hr/>
	441	1,262	1,703

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:

	2015		2014	
	Bank	Finance leases/ Hire purchase £'000	Bank	Finance leases/ Hire purchase £'000
Within one year	1,691	335	1,703	273
Between one and two years	—	324	—	268
Between two and five years	—	264	—	452
	1,691	923	1,703	993

The fair value of non-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 5% pa (reduced from 15%) and loan stock interest of 5% pa (reduced from 15%) and were repayable in quarterly instalments over three years commencing in April 2009. However, repayment has been deferred until at least 2017. The preference shares and loan stock are held by the non-controlling interest and are in Sunline Direct Mail (Holdings) Limited.

Other loans also include £963,000 of 4% Investor Loan Notes, £223,000 of 7% Vendor Loan Notes and £108,000 of 7% Shareholder Loan Notes in CEM Teal. 20% (£193,000) of the Investor Loan Notes are repayable at the end of September 2016, 40% (£385,000) at the end of September 2017 and the balance (£385,000) at the end of September 2018. CEPS has guaranteed the repayment of the Investor Loan Notes if CEM Teal has insufficient cash available to do so. The Vendor Loan Notes and Shareholder Loan Notes will be repaid in instalments by CEM Teal between October 2018 and September 2021, subject to cash availability.

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

	2015 £'000	2014 £'000
Not more than one year	334	329
Between one and two years	400	302
Between two and five years	351	474
	1,085	1,105
Finance charge	(162)	(112)
	923	993

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 2015	Assets as per Statement of Financial Position	Loans and receivables £'000
		Trade and other receivables (excluding prepayments and accrued income)	2,759
		Cash and cash equivalents	854
		Total	3,613
		Liabilities at amortised cost as per Statement of Financial Position	Other financial liabilities £'000
		Bank borrowings (excluding hire purchase obligations)	1,691
		Hire purchase obligations	923
		Trade and other payables (excluding statutory liabilities)	2,619
		Other loans	1,980
		Total	7,213
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
		Hire purchase obligations	993
		Trade and other payables (excluding statutory liabilities)	2,274
		Other loans	1,586
		Total	6,556

The Company's assets in both the current and prior year are categorised as cash and cash equivalents 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 and other receivables are analysed between:

Group	2015 £'000	2014 £'000
CEPS Group	5	17
Aford Awards	112	72
CEM Press	692	—
Davies Odell	604	691
Friedman's	470	449
Sunline	1,272	1,340
	<hr/>	<hr/>
	3,155	2,569
	<hr/>	<hr/>

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 £854,000 (2014: £346,000) 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 2014, asset/(liability)	393	60	(30)	423
Credit/(debit) to the Consolidated Statement of Comprehensive Income	39	(47)	36	28
	<hr/>	<hr/>	<hr/>	<hr/>
at 31 December 2014, asset/(liability)	432	13	6	451
Debit to the Consolidated Statement of Comprehensive Income	(30)	(43)	(15)	(88)
	<hr/>	<hr/>	<hr/>	<hr/>
at 31 December 2015, asset/(liability)	402	(30)	(9)	363
	<hr/>	<hr/>	<hr/>	<hr/>

The deferred income tax is split in the Consolidated Statement of Financial Position between a deferred tax asset of £440,000 (2014: £487,000) and a deferred tax liability of £77,000 (2014: £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 2014	55	14	69
Amounts utilised for in year	—	(14)	(14)
	—	—	—
At 31 December 2014	55	—	55
Amounts utilised for in year	—	—	—
	—	—	—
At 31 December 2015	55	—	55
	—	—	—

These amounts are expected to be settled as follows:

Current	—	—	—
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 and premium

	Number of shares	Ordinary shares £'000	Share premium £'000	Total £'000
At 1 January 2014 and 31 December 2014	5,407,155	541	3,114	3,655
Shares issued	4,166,667	416	834	1,250
Transaction costs	—	—	(5)	(5)
	—	—	—	—
at 31 December 2015	9,573,822	957	3,943	4,900
	—	—	—	—

The Group issued 4,166,667 shares on 29 June 2015. The ordinary shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to £1.25m (30 pence per share). The related transaction costs amounting to £5,000 have been netted off with the deemed proceeds.

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:

	2015 £'000	2014 £'000
Land and buildings:		
within one year	615	372
within two to five years	2,304	1,187
after more than five years	506	606
	<hr/>	<hr/>
	3,425	2,165

27. Related party transactions

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

	Aford Awards (Holdings) £'000	CEM Teal Limited £'000	Davies Odell Limited £'000	Signature Fabrics Limited £'000	Sunline Direct Mail (Holdings) £'000
Receipt of equity share dividend					
– 2015	–	–	–	220	–
– 2014	–	–	–	55	–
Waiver of preference share dividend					
– 2015	–	–	–	–	–
– 2014	–	–	–	–	(537)
Receipt/(write-back) of loan note interest					
– 2015	56	10	–	–	(298)
– 2014	9	–	–	2	127
Receipt of management charge income					
– 2015	20	–	15	30	15
– 2014	3	–	–	12	15
Amount owed to/(by) the Company					
– 31 December 2015	700	567	74	–	892
– 31 December 2014	700	–	(1)	–	1,196

During the year the following directors subscribed for shares in CEPS: D A Horner 1,816,667 shares, V E Langford 41,667 shares, and R T Organ 58,333 shares.

During the year fees amounting to £62,844, inclusive of VAT, for the services of V E Langford were recharged from Chelverton Asset Management.

Directors' remuneration is shown in note 7 on page 33.

28. Cash and cash equivalents

	Group 2015 £'000	2014 £'000	Company 2015 £'000	2014 £'000
Cash at bank and in hand	854	346	270	73
Bank overdrafts repayable on demand	(743)	(441)	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	111	(95)	270	73

Notes to the Financial Statements continued

29. Events after the reporting period

On 1 February 2016 CEPS announced that it had acquired 54.97% of the issued share capital of a newly incorporated company, Hickton Holdings Limited (formerly RAM (1003) Limited) for an investment of £670,000 made up of 54,973 ordinary shares for £55,000 and £615,000 Shareholder Loan Notes with an 8% interest rate. Hickton Holdings Limited was formed to acquire 100% of Hickton Consultants Limited, a leading provider of clerk of works services to the construction industry, providing a quality assurance resource on larger value projects across the UK, with customers ranging from end-user clients, architects, project management firms and contractors. The business was established in 1991 and is based in Elsecar, South Yorkshire.

In order to finance the acquisition, CEPS received a loan from a third party for £690,000. The loan carries interest at 10% pa and is repayable on or before 31 January 2017 and may be repaid in one or more instalments after 30 October 2016. The loan is secured against assets held (directly or indirectly) by D A Horner.

Details of net assets acquired and goodwill are as follows:

	On acquisition £'000
Purchase consideration:	
Cash paid	1,415
Deferred consideration	650
	<hr/>
Total purchase consideration	2,065
Fair value of assets acquired (see below)	(701)
Non-controlling interest	315
	<hr/>
Goodwill	1,679

The above goodwill is attributable to Hickton Consultants' strong position and profitability in trading in the clerk of works market.

The assets and liabilities arising from the acquisition, provisionally determined, are as follows:

	On acquisition £'000
Cash and cash equivalents	600
Property, plant and equipment	23
Trade and other receivables	660
Trade and other payables	(402)
Borrowings	(176)
Deferred tax liabilities	(4)
	<hr/>
Net assets acquired	701

If new information obtained within one year from the acquisition date about the facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

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 20 June 2016 at 11.30am for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which resolutions numbered 1 to 5 will be proposed as ordinary resolutions and resolutions numbered 6 to 8 as special resolutions.

- 1 To receive, consider and adopt the Company's annual accounts for the financial year ended 31 December 2015 together with the Directors' and Auditors' Reports on those accounts.
- 2 To re-elect V E Langford as a director.
- 3 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.
- 4 To authorise the directors to agree the auditors' remuneration.
- 5 THAT, in substitution for any existing authority subsisting at the date of this resolution to the extent unused, the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £957,382, 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.
- 6 To delete Article 3 from the Articles of Association.
- 7 THAT subject to and conditional on the passing of resolution number 5 and in substitution for any existing authority subsisting at the date of this resolution to the extent unused, the directors be empowered, pursuant to section 570 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 5 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

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 above up to an aggregate nominal amount of £957,382 (such shares representing approximately 100% 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 957,382 (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
29 April 2016

Registered office: 12b George Street, Bath BA1 2EH
Registered in England and Wales with number 00507461

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 16 June 2016 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

D A Horner, Chairman
 V E Langford, Group Finance
 G C Martin, Non-executive
 R T Organ, Non-executive

Secretary and registered office

V E Langford
 12b George Street, Bath BA1 2EH
 Company number 00507461
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

CEM Press Limited
 Teal Close, Victoria Business Park, Netherfield, Nottingham NG24 2PE
 telephone 0115 961 3581
 email info@cemgroup.co.uk; www.cemgroup.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

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

Hickton Consultants Limited
 51 Church Street, Elsecar, Barnsley, South Yorkshire S74 8HT
 telephone 01226 743959
 email info@hickton.co.uk; www.hickton.co.uk

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