2016

chelverton
equity partners

Annual Report

CEPS PLC
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Incorporated in
England & Wales
00507461

Contents

Chairman's Statement

Review of the period

I am pleased to report that the stronger companies within the Group continue to make excellent progress. An analysis of the performance by company in 2016 is set out in the Operational Review below.

In the 2015 Chairman's Statement I reported that three of the Group companies were facing operational challenges. During 2016, these companies have taken the necessary steps towards recovery. However, such steps have inevitably incurred further costs and, so, increased their losses in the year. We are hopeful that these companies are, as a result of the actions taken, moving forward and will continue to do so over the next twelve months. Our intention is to continue to support them during this period of transition.

It is worth highlighting that as a result of our annual goodwill impairment review we have reduced the value of the goodwill in Sunline by £611,000 reflecting the fact that the business lost money in the year. In addition, we have had to write-off half the deferred tax asset in Davies Odell, amounting to £219,000. Although these adjustments have had no cash impact, they have clearly had a major impact on the trading results of the Group. Aford Awards, Friedman's and Hickton Consultants have performed solidly in the year and there is strong value being created at these companies.

In the past year there has been considerable coverage of the EU Referendum in June, the consequent fallout and conjecture about Article 50 and the Brexit terms, the change of leaders in all but one of the political parties, the unexpected election of President Trump and the continuing issues in the European Union, including the ongoing problems in Portugal, Spain, Italy and Greece and now, in turn, the UK election in a few weeks. These events have all caused uncertainty which typically leads to action being deferred.

The immediate impact on CEPS was limited to an increase in the cost of purchasing products from overseas in Aford Awards and Davies Odell. Longer term there may be an issue in respect of being able to hire enough people to fill the various roles throughout the Group companies. As an aside, each company has a brief to consider any capital expenditure that can be made to reduce labour costs, improve efficiency and quality.

At CEPS we are taking the view that life will go on and that, in common with the view of Lord Mervyn King, the previous Governor of the Bank of England, in 30 years it will not be possible to pinpoint the exact moment of Brexit on a chart of the long term growth of the UK.

Financial review

Group revenue at £24.32m for the year (2015: £18.23m) was up by 33% whilst operating profit grew by 10% to £536,000 from £486,000. Profit before tax was down at £146,000 (2015: £256,000) before the exceptional goodwill impairment charge of £611,000.

Group costs were lower than last year at £308,000, but 2015 central costs included a £79,000 write-off of historic goodwill. If this is excluded, Group costs are marginally up by £17,000 as compared to £291,000 in 2015. The post-tax loss was £913,000 (2015: profit £57,000).

Earnings per share on a basic and diluted basis were (11.83p) (2015: (3.65p)). In the year there was an improvement in cash generated from operations amounting to £1,113,000 (2015: £889,000), but there was a net decrease in cash and cash equivalents of £67,000 (2015: net increase of £206,000). Year-end cash and cash equivalents (excluding bank overdrafts) were £840,000 (2015: £854,000).

Operational review

Aford Awards

Aford Awards continued to make good progress in the year and produced record profits which, coupled with the acquisition of a small business in Littlehampton, has broadened and expanded the business. Additional space has been rented to manage this growth and to improve efficiency.

Chairman's Statement continued

Operational review
continued

CEM Press

Once we took full control of CEM Press it became clear there was a need to change aspects of the management team and to enhance the sales team. Whilst there have been no significant sales wins as yet, considerable efforts have been made to reposition the company in the market place and we are very hopeful of this being evidenced in the second half of 2017.

Davies Odell

The company was badly affected by the precipitous decline in the value of Sterling after the Referendum as much of the company's product is purchased is in Dollars and Euros. Prices have since been increased and marginally profitable products have been removed from the range, so that having lost money last year the company is now optimistic that the current year, 2017, will be much improved.

In addition, some excellent manufacturing contracts have been won as the current Sterling/Dollar rate makes UK produced product very price competitive.

Continued efficiency gains are being achieved with further reductions in the head count, with no reduction in output.

Friedman's

Friedman's has had another record year with the online business-to-consumer business, Funkifabrics, showing a real step forward in monthly sales and profitability. The company is planning to move to much larger premises in order to have the space and power to develop a new range of printed textile products, with a view to significantly increasing the size of the company over the next three years.

Hickton Consultants

Hickton Consultants had a very pleasing first year under CEPS' ownership in which the company exceeded expectations. Further strong growth is budgeted for in the current year and the company is currently on track. Additionally, and always part of the plan when the business was acquired, the company is looking to acquire other businesses in what is a very fragmented market segment.

Sunline

Having promised much at this stage last year, the business badly disappointed. The Fulfilment and Marketing Services divisions both reduced losses in line with expectations. The major disappointment was the loss incurred by the Polywrap division in the final quarter of the year.

A radical change has been made to the operational approach of the business and in the first three months of the current year the results have been very pleasing. It now appears that the investment of two years ago is finally beginning to pay dividends. This investment was based on the reduction in labour costs, which certainly did not occur in the busy "golden" quarter of last year. The real test as to whether the full recovery has been achieved in this business will not be known until December of this year. However, we are much encouraged by the weekly labour reports showing a significant reduction in labour costs.

The Fulfilment division is growing very rapidly and will become a major profit contributor in the future.

Dividend

A dividend is not proposed at this time (2015:£nil).

Chairman's Statement continued

Power to issue and purchase shares

The Company will be convening its Annual General Meeting to be held on 12 June 2017. Among other resolutions to be proposed, the Board will seek authority to allot shares equating to 111% of its present issued ordinary share capital in line with the requirements of our acquisition strategy.

People

The Board is most grateful for the diligent efforts of all the Group's employees in 2016.

Outlook

As I write this report I currently feel that all businesses are moving in the right direction, appear under a lot more control than in the past and that all the changes and efforts of the past six months are beginning to produce good results. It is our intention to support all our companies and to this end we have secured a £1m loan from a third party in April 2017. The new loan is designed to provide a highly flexible facility to address the possibility of cash demands over the next year and for the purpose of acquisition funding.

In the latest equity placing at the end of January CEPS raised £1.27m and I was happy to invest the maximum I was allowed to at 30% of the issue. I remain completely convinced that the Group is on the right track and that the continuing hard work by many people in the companies will become clearer and the real value of the Group will then be evidenced.

David Horner
Chairman
2 May 2017

Strategic Report

The directors present their Strategic Report on the Group for the year ended 31 December 2016.

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 3 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:

	2016	2015
Revenue	£24,320,000	£18,229,000
Segmental result (EBITDA)	£1,322,000	£1,280,000
(Loss)/profit before tax	(£465,000)	£256,000
(Loss)/profit after tax	(£913,000)	£57,000
Total equity	£4,203,000	£5,061,000
Net debt (total borrowings less cash)	£3,055,000	£1,760,000
Gearing ratio (net debt/total equity)	73%	35%

The Chairman has commented on the main key performance indicators in his Statement on pages 3 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 3 to 5.

By order of the Board
V E Langford
Company Secretary
2 May 2017

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 2016. 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 (57) 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.

V E Langford (55) is Group Finance Director. She is a Chartered Accountant and is also the Company Secretary of CEPS PLC.

G C Martin (72) is a non-executive director. He is a Chartered Accountant who was previously Finance Director and Company Secretary of the Group.

M D Pollard (57) is a non-executive director. He qualified as a chartered accountant with Ernst & Young in 1983, was an analyst in two stockbroking companies and then worked as a fund manager. He is now actively involved in advising a number of private companies.

The directors retiring by rotation in accordance with Articles 71 and 72 are D A Horner and G C Martin who, being eligible, offer themselves for re-election. M D Pollard's appointment as a non-executive director will be ratified at the Annual General Meeting on 12 June 2017.

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 2 May 2017:

	Shares	%
Chelverton Growth Trust Plc	2,802,000	21.2
Hubwise Nominees Limited*	1,143,333	8.7
Walbrook Nominees Limited*	626,667	4.7
Praxis Trustees Limited*	500,000	3.8
Nigel Cobby	459,523	3.5
Lynchwood Nominees Ltd	312,500	2.4

* These holdings (combined totalling 2,270,000 shares, 17.2% holding) are held by Mark Thistlethwayte and his family. Mr Thistlethwayte holds personally and on behalf of his children 1,680,000 shares, 12.7%. Rosemary Thistlethwayte holds 590,000 shares, 4.5%.

Financial and treasury policy

The Group finances its operations by a combination of retained profits, management of working capital, bank overdraft and debtor backed working capital facilities and medium-term loans. The disclosures for financial instruments are made in note 22a to the accounts on page 51.

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 (2015: £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.

In addition the Company has secured a £1m third party loan for the Group's working capital requirements over the next 12 months.

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
2 May 2017

Corporate Governance

The Corporate Governance Report has been included voluntarily.

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 M D Pollard. 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 M D Pollard. It is responsible for making recommendations to the Board on any appointment to the Board.

Remuneration committee

This committee is comprised of M D Pollard (Chair) and G C Martin.

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

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

Pensions for directors were based on salary alone and were provided by the Company defined contribution scheme and defined benefits scheme. Contributions were paid to these schemes in accordance with independent actuarial recommendations or funding rates determined by the remuneration committee as appropriate to the type of scheme. From 2010 no benefits have accrued to directors under these schemes.

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

Full details of directors' remuneration and benefits are given in note 7 to the financial statements on page 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 2016 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 Statements 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 2016 and of the Group's loss 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 and have been prepared in accordance with applicable legal requirements.

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
2 May 2017

Consolidated Statement of Comprehensive Income

	Notes	2016 £'000	2015 £'000
Revenue	4	24,320	18,229
Cost of sales		(19,465)	(15,035)
Gross profit		4,855	3,194
Administration expenses		(4,319)	(2,708)
Operating profit	5	536	486
Goodwill impairment		(611)	–
Adjusted operating (loss)/profit		(75)	486
Analysis of adjusted operating (loss)/profit			
Trading		844	856
Goodwill impairment		(611)	–
Group costs		(308)	(370)
		(75)	486
Finance income	9	26	8
Finance costs	9	(416)	(121)
Loss on disposal of investment		–	(150)
Share of profit of associate	17	–	21
Profit on disposal of associate		–	12
(Loss)/profit before tax		(465)	256
Taxation	10	(448)	(199)
(Loss)/profit for the year from continuing operations		(913)	57
Other comprehensive loss:			
Items that will not be reclassified to profit or loss			
Actuarial loss on defined benefit pension plans	8	(80)	(68)
Items that may be subsequently reclassified to profit or loss		–	–
Other comprehensive loss for the year, net of tax		(80)	(68)
Total comprehensive loss for the year		(993)	(11)
(Loss)/income attributable to:			
Owners of the parent		(1,132)	(275)
Non-controlling interest		219	332
		(913)	57
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(1,212)	(343)
Non-controlling interest		219	332
		(993)	(11)
Earnings per share			
basic and diluted	12	(11.83)p	(3.65)p

The notes on pages 18 to 55 form part of the financial statements.

Consolidated and Company Statements of Financial Position

Company number 00507461

		Notes	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Assets	**Non-current assets**					
	Property, plant and equipment	14	2,419	2,122	–	–
	Intangible assets	16	5,738	4,652	–	–
	Investments in subsidiaries	17	–	–	3,629	2,959
	Investment in associate	17	–	–	–	–
	Deferred tax asset	23	220	440	–	–
			8,377	7,214	3,629	2,959
	Current assets					
	Inventories	18	2,020	2,030	–	–
	Trade and other receivables	19	3,701	3,155	535	132
	Cash and cash equivalents (excluding bank overdrafts)	28	840	854	21	270
			6,561	6,039	556	402
	Total assets		14,938	13,253	4,185	3,361
Equity	**Capital and reserves attributable to owners of the parent**					
	Called up share capital	25	957	957	957	957
	Share premium		3,943	3,943	3,995	3,995
	Retained earnings		(1,924)	(712)	(1,640)	(1,800)
			2,976	4,188	3,312	3,152
	Non-controlling interest in equity		1,227	873	–	–
	Total equity		4,203	5,061	3,312	3,152
Liabilities	**Non-current liabilities**					
	Borrowings	21	2,600	2,275	–	–
	Deferred tax liability	23	80	77	–	–
	Provisions for liabilities and charges	24	50	55	–	–
			2,730	2,407	–	–
	Current liabilities					
	Borrowings	21	3,838	2,319	740	–
	Trade and other payables	20	3,934	3,359	133	209
	Current tax liabilities		171	107	–	–
	Provisions for liabilities and charges	24	62	–	–	–
			8,005	5,785	873	209
	Total liabilities		10,735	8,192	873	209
	Total equity and liabilities		14,938	13,253	4,185	3,361

The profit within the parent financial statements for the year was £160,000 (2015: loss £478,000).

The notes on pages 18 to 55 form part of the financial statements.

The financial statements on pages 13 to 55 were approved by the Board of Directors on 2 May 2017 and signed on its behalf by

D A Horner
Director

Consolidated and Company Statements of Cash Flows

		Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Cash flows from operating activities	Cash generated from/(used in) operations	1,113	889	(402)	57
	Income tax paid	(236)	(59)	–	–
	Income tax received	–	8	–	–
	Interest paid	(416)	(18)	(66)	(42)
	Net cash generated from/(used in) operations	461	820	(468)	15
Cash flows from investing activities	Acquisition of subsidiary net of cash acquired	(188)	(267)	(669)	(270)
	Purchase of property, plant and equipment	(899)	(205)	–	–
	Proceeds from sale of assets	–	12	–	–
	Purchase of intangibles	(33)	(35)	–	–
	Repayment of loan stock	–	–	–	–
	Loan to a subsidiary	–	–	(75)	(60)
	Disposal of property, plant and equipment	–	295	–	–
	Interest received	26	–	223	67
	Net cash used in investing activities	(1,094)	(200)	(521)	(263)
Cash flows from financing activities	Proceeds from/(repayment of) borrowings	1,067	(1,306)	740	(800)
	Proceeds from share issue net of issue costs	–	–	–	1,245
	Dividend paid to non-controlling interest	(180)	(180)	–	–
	Share issue net of costs	–	1,245	–	–
	Repayment of capital element of finance leases	(321)	(173)	–	–
	Net cash generated from/(used in) financing activities	566	(414)	740	445
	Net (decrease)/increase in cash and cash equivalents	(67)	206	(249)	197
	Cash and cash equivalents at the beginning of the year	111	(95)	270	73
	Cash and cash equivalents at the end of the year (note 28)	44	111	21	270
Cash generated from/(used in) operations	(Loss)/profit before income tax	(465)	256	(451)	(478)
	Adjustments for:				
	Depreciation and amortisation	478	503	–	–
	Intangible assets written off	611	–	611	79
	Amounts written-off in relation to a subsidiary undertaking	–	–	–	298
	Profit of associate	–	(21)	–	–
	Loss on disposal of property, plant and equipment	–	138	–	150
	Net finance costs	390	113	(157)	(25)
	Changes in working capital:				
	Decrease in inventories	10	165	–	–
	(Increase)/decrease in trade and other receivables	(546)	(112)	(329)	(8)
	Increase/(decrease) in trade and other payables	578	(93)	(76)	41
	Increase/(decrease) in provisions	57	(60)	–	–
	Cash generated from/(used in) operations	1,113	889	(402)	57

The notes on pages 18 to 55 form part of the financial statements.

Consolidated and Company Statements of Changes in Equity

Group

	Share capital £'000	Share premium £'000	Retained earnings £'000	Attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2015	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 distributions recognised directly in equity	–	–	–	–	(180)	(180)
Changes 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
Actuarial loss	–	–	(80)	(80)	–	(80)
(Loss)/profit for the year	–	–	(1,132)	(1,132)	219	(913)
Total comprehensive (loss)/income for the year	–	–	(1,212)	(1,212)	219	(993)
Dividend paid to non-controlling interest	–	–	–	–	(180)	(180)
Total distributions recognised directly in equity	–	–	–	–	(180)	(180)
Acquisition of a subsidiary	–	–	–	–	315	315
At 31 December 2016	957	3,943	(1,924)	2,976	1,227	4,203

The notes on pages 18 to 55 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 2015	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
	At 31 December 2015	957	3,995	(1,800)	3,152
	Profit for the year and total comprehensive income	–	–	160	160
	At 31 December 2016	**957**	**3,995**	**(1,640)**	**3,312**

The notes on pages 18 to 55 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 11 Laura Place, Bath BA2 4BL.

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 7 (Amendments), *Disclosure initiative*
IAS 12 (Amendments), *Recognition of Deferred Tax*
IFRS 15, *Revenue from Contracts with Customers*
IFRS 16, *Leases*

Notes to the Financial Statements continued

1. Accounting policies
continued

Amendments to IFRS 2, *Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4, *Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'*
Annual Improvements to IFRS Standards 2014-2016 Cycle
IFRIC Interpretation of 22 Foreign Currency Transactions and Advance Consideration
Amendments to IAS 40, *Transfers of Investment Property*

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, based on their initial assessment, 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 economic 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 five and 10 years, over the period of the contract, or between 15% to 25% on a reducing balance basis
Motor vehicles:	Five 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 three 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 three and five 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 of the fair value of the asset or the present value of the minimum lease payments in the Statement of Financial Position and depreciated over the expected useful economic life. The interest element of the rental obligation is charged to the Consolidated Statement of Comprehensive Income over the period of the lease and represents a constant proportion of the balance of capital repayment outstanding.

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

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

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

Further details on provisions 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 2016				
Trade and other payables	3,934	–	–	–
Other loans	1,399	987	897	–
Bank overdrafts	796	–	–	–
Trade receivables backed working capital facilities	1,262	–	–	–
Hire purchase obligations	444	349	475	–
	7,835	**1,336**	**1,372**	**–**
At 31 December 2015				
Trade and other payables	3,359	–	–	–
Others loans	293	971	716	–
Bank overdrafts	743	–	–	–
Trade receivables backed working capital facilities	948	–	–	–
Hire purchase obligations	335	399	351	–
	5,678	1,370	1,067	–

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 2016 and 2015 were as follows:

	2016 £'000	2015 £'000
Total borrowings	3,895	2,614
Less: cash and cash equivalents	(840)	(854)
Net debt	3,055	1,760
Total equity	4,203	5,061
Gearing ratio	73%	35%

In order to provide a more meaningful gearing ratio, total borrowings have been revised to be the sum of bank borrowings, hire purchase obligations and third pary debt, excluding loan notes used to finance the Group's acquisitions. The prior year comparatives have also been revised.

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 Hickton Holdings 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.

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;

Hickton Consultants, a provider of clerk of works services to the construction industry;

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 £24,320,000 (2015: £18,229,000) revenue £21,666,000 (2015: £15,884,000) is derived from UK customers with the remaining £2,654,000 (2015: £2,345,000) 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.

Notes to the Financial Statements continued

4. Segmental analysis
continued

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 2016 £'000	CEM Press 2016 £'000	Davies Odell 2016 £'000	Friedman's 2016 £'000	Hickton 2016 £'000	Sunline 2016 £'000	Total 2016 £'000
Revenue	1,596	2,954	4,317	4,555	2,961	7,937	24,320
Segmental result (EBITDA)	298	(149)	(10)	887	386	(90)	1,322
Depreciation and amortisation charge							(478)
Goodwill impairment							(611)
Group costs							(308)
Net finance costs							(390)
Loss before taxation							(465)
Taxation							(448)
Loss for the year							(913)

	Aford Awards 2015 £'000	CEM Press 2015 £'000	Davies Odell 2015 £'000	Friedman's 2015 £'000	Hickton 2015 £'000	Sunline 2015 £'000	Total 2015 £'000
Revenue	1,468	654	4,971	4,221	–	6,915	18,229
Segmental result (EBITDA) before exceptional costs	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

ii) Assets and liabilities by segment as at 31 December

	Segment assets		Segment liabilities		Segment net assets	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
CEPS Group	30	275	(873)	(178)	(843)	97
Aford Awards	1,465	1,393	(430)	(489)	1,035	904
CEM Press	2,422	2,645	(1,924)	(2,031)	498	614
Davies Odell	1,919	2,147	(1,353)	(1,256)	566	891
Friedman's	3,549	3,408	(915)	(1,031)	2,634	2,377
Hickton	2,431	–	(1,220)	–	1,211	–
Sunline	3,122	3,385	(4,020)	(3,207)	(898)	178
Total – Group	14,938	13,253	(10,735)	(8,192)	4,203	5,061

Notes to the Financial Statements continued

5. Operating profit

	2016 £'000	2015 £'000
Operating profit is stated after charging/(crediting):		
Profit on disposal of property, plant and equipment	(1)	(1)
Exchange loss/(gain)	69	(9)
Other operating lease rentals on land and buildings and on plant and machinery	708	558

	2016 £'000	2015 £'000
Fees payable to the Company's auditors		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	21	36
Fees payable to the Company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	47	36
	68	72
Taxation compliance services	17	15
Total fees	85	87

	2016 £'000	2015 £'000
Expenses by nature		
Change in stocks of finished goods and work in progress	33	(133)
Raw materials and consumables	8,812	7,639
Employee benefit expenses	7,577	5,718
Depreciation and amortisation	478	424
Operating lease payments	708	558
Other expenses	6,131	3,537
	23,739	17,743

Notes to the Financial Statements continued

6. Employees

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

	2016 Number	2015 Number
Management and administration	79	62
Production and sales	224	210
	303	272

The aggregate costs of these persons were:

	2016 £'000	2015 £'000
Wages and salaries	6,930	5,205
Social security costs	535	427
Other pension costs (note 8)	112	86
	7,577	5,718

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

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

	2016 Number	2015 Number
Management and administration	4	4

Notes to the Financial Statements continued

7. Directors' emoluments and interests

The aggregate remuneration of the directors was:

	2016 £'000	2015 £'000
Short-term employee benefits	125	115

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

	Salaries and fees 2016 £'000	Salaries and fees 2015 £'000
D A Horner	24	21
V E Langford	64	53
G C Martin	18	17
R T Organ	9	21
M D Pollard	10	–
	125	112

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 2016 shares	at 31 December 2015 shares
D A Horner	2,863,672	2,863,672
V E Langford	41,667	41,667
G C Martin	10,000	10,000
M D Pollard	500,000	500,000

D A Horner's shareholding at 31 December 2016 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.

Mark Pollard is the beneficial owner of 333,333 CEPS shares and he also has investment authority over a further 166,667 CEPS shares owned by his mother, Mrs C Pollard.

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

Notes to the Financial Statements continued

8. Pension costs

The Group operates a number of defined contribution schemes. The assets of the schemes are held in independently administered funds. The pension cost charge represents contributions payable to the funds and amounted to £112,000 (2015: £86,000). At 31 December 2016 £nil (2015: £nil) of pension contributions remain outstanding.

The Group also operates a defined benefits scheme. The scheme was closed to new members in 1988. The assets of the scheme are held separately from those of the Group in a deposit administration contract underwritten by an insurance company. Contributions to the scheme are determined by a qualified external actuary on the basis of triennial valuations using, for accrued service, the 'projected unit' method and, for future service, the 'attained age' method. The most recent actuarial valuation was at 1 July 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 2016 the results of the actuarial valuation at 1 July 2013. The results of the update are as follows:

	2016	2015
Assumptions at 31 December		
Interest rate for discounting liabilities	2.60%	3.70%
Expected return on plan assets	5.50%	5.50%
RPI price inflation	3.30%	2.90%
CPI price inflation	2.60%	2.20%
Pensions increase	3.20%	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	23.3	23.2
For a 65 year old female	24.6	24.6
For a 65 year old male, currently aged 45	24.7	24.6
For a 65 year old female, currently aged 45	25.4	25.3

The independent actuary estimates that a 0.1% decrease in the discount rate would change the value of scheme liabilities by approximately £69,000.

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:

	2016 £'000	2015 £'000
Amounts recognised in the statement of financial position are as follows:		
Fair value of plan assets	4,065	3,740
Present value of defined benefit obligation	(3,894)	(3,053)
Actuarial surplus not recognised	(171)	(687)
Net surplus	–	–

Notes to the Financial Statements continued

8. Pension costs continued

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.

	2016 £'000	2015 £'000
Pension scheme finance income recognised in the Consolidated Statement of Comprehensive Income		
Interest on obligation	(112)	(106)
Interest income on plan assets	138	114
Pension scheme finance income	26	8
Consolidated Statement of Comprehensive Income		
Experience loss	–	–
Financial assumption (loss)/gain	(789)	150
Mortality assumption gain	–	–
Actuarial (loss)/gain	(789)	150
Experience gains on assets	193	278
Movement in actuarial surplus not recognised	516	(496)
Total loss	(80)	(68)
Movement in Statement of Financial Position for the year		
Net pension liability at the start of the year	–	–
Employer's pension cost	20	8
Consolidated Statement of Comprehensive Income	(80)	(68)
Employer contributions	60	60
Net pension liability at the end of the year	–	–
Reconciliation of the defined benefit obligation		
Defined benefit obligation at the start of the year	3,053	3,157
Interest cost	112	106
Actuarial loss/(gain)	789	(150)
Benefits paid	(60)	(60)
Defined benefit obligation at the end of the year	3,894	3,053
Reconciliation of plan assets		
Fair value of plan assets at the start of the year	3,740	3,348
Expected return on plan assets	138	114
Experience gains on assets	193	278
Employer contributions	60	60
Non investment expenses	(6)	–
Benefits and expenses paid	(60)	(60)
Fair value of plan assets at the end of the year	4,065	3,740

Notes to the Financial Statements continued

8. Pension costs continued

	2016	2015
Asset categories at the end of the year		
Equities	46.7%	42.0%
Bonds	42.9%	44.4%
Property	7.6%	7.6%
Cash	2.9%	6.0%

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Amounts for the current and previous four years are as follows:					
Plan assets	4,065	3,740	3,348	3,039	2,801
Defined benefit obligation	(3,894)	(3,053)	(3,157)	(2,858)	(2,725)
Actuarial surplus not recognised	(171)	(687)	(191)	(181)	(76)
Deficit in scheme	–	–	–	–	–
Actuarial (losses)/gain on liabilities due to assumptions	(789)	150	(234)	(79)	(191)
Experience gains on assets	193	278	157	99	149
Movement in actuarial surplus not recognised	516	(496)	(10)	(105)	(41)
Total losses recognised for the year	(80)	(68)	(87)	(85)	(83)
Cumulative amount of gains and losses recognised in the Consolidated Statement of Comprehensive Income	(210)	(130)	(62)	25	110

9. Net finance costs

	2016 £'000	2015 £'000
Pension scheme finance income (note 8)	26	8
Total finance income	26	8
Interest payable on bank loans and overdrafts	78	69
Interest payable on other loans net of write-back	268	(51)
Amortisation of finance cost	14	–
Finance lease costs	56	103
Total finance costs	416	121
Net finance costs	390	113

Notes to the Financial Statements continued

10. Taxation

	2016 £'000	2015 £'000
Analysis of taxation in the year:		
Current tax		
Tax in respect of current year	215	111
Tax in respect of prior years	14	–
Total current tax	229	111
Deferred tax		
Tax in respect of prior years	219	88
Total deferred tax	219	88
Total tax charge	448	199
Deferred tax charged to the Consolidated Statement of Changes in Equity	–	–

The tax assessed for the year is higher (2015: lower) than the standard rate of corporation tax in the UK (20%) (2015: 21.25%).

	2016 £'000	2015 £'000
Factors affecting current tax:		
(Loss)/profit before taxation	(465)	256
(Loss)/profit multiplied by the standard rate of UK tax of 20% (2015: 20.25%)	(93)	52
Effects of:		
Permanent differences	308	147
Prior year adjustment, current tax	14	–
Prior year adjustment, deferred tax	219	–
Total tax charge	448	199

The standard rate of corporation tax in the UK changed 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%.

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 (2015: £nil).

12. Earnings per share

Basic earnings per share is calculated on the loss for the year after taxation attributable to the owners of the parent of £1,132,000 (2015: loss £275,000) and on 9,573,822 (2015: 7,530,443) 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. Profit of the holding company

Of the Group loss for the year a profit of £160,000 (2015: loss £478,000) is dealt with in the financial statements of CEPS PLC. The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented the results for the Company alone.

Notes to the Financial Statements continued

14. Property, plant and equipment

Group

	Leasehold property improvements £'000	Plant, machinery, tools and moulds £'000	Motor vehicles £'000	Total £'000
Cost				
at 1 January 2015	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
Additions at cost	20	727	4	751
Assets acquired on purchase of a subsidiary	20	128	–	148
Disposals	–	(46)	(15)	(61)
at 31 December 2016	178	6,466	155	6,799
Accumulated depreciation				
at 1 January 2015	85	3,264	80	3,429
Charge for the year	11	381	18	410
at 31 December 2015	96	3,645	98	3,839
Assets acquired on purchase of a subsidiary	20	105	–	125
Adjustment	–	1	1	2
Charge for the year	9	440	17	466
Disposals	–	(42)	(10)	(52)
at 31 December 2016	125	4,149	106	4,380
Net book amount				
at 31 December 2016	53	2,317	49	2,419
at 31 December 2015	42	2,012	68	2,122

At the year end, assets held under hire purchase contracts and capitalised as plant, machinery, tools and moulds have a net book value of £1,679,000 (2015: £1,453,000) and an accumulated depreciation balance of £1,961,000 (2015: £1,699,000).

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

Company

Throughout 2015 and 2016 the Company held no property, plant and equipment.

Notes to the Financial Statements continued

15. Business combinations

Acquisition in 2016

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 carried interest at 10% pa and was repayable in accordance with the terms of the loan agreement.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of net assets acquired was £698,000.

The goodwill of £1,679,000 arising from the acquisition is attributable to the people acquired.

The Group incurred acquisition-related costs of £45,000 for legal expenses. These have been included in administrative expenses in the Consolidated Statement of Comprehensive Income.

The following table shows the fair value of assets and liabilities included in the consolidated Financial Statements at the date of acquisition.

	Fair Value £'000
Identifiable assets	
Property, plant and equipment	23
Cash and cash equivalents	404
Trade and other receivables	680
Trade and other payables	(405)
Deferred tax liabilities	(4)
	698
Net assets acquired	
Purchase price consideration (cash £592,000, equity £55,000 and loan stock £1,416,000)	2,063
Total identifiable net assets	(698)
Non-controlling interests on acquisition	314
Goodwill	1,679
Analysis of cash flows on acquisition	
Cash paid	592
Less: net cash acquired with subsidiary	(404)
Net cash flow on acquisition	188

Notes to the Financial Statements continued

16. Intangible assets

Group

	Goodwill £'000	Customer lists £'000	Other £'000	Total £'000
Cost				
at 1 January 2015	5,878	–	96	5,974
Acquisition	858	577	–	1,435
Additions at cost	–	–	35	35
Disposals	–	–	(62)	(62)
at 31 December 2015	6,736	577	69	7,382
Acquisition	1,679	–	–	1,679
Additions at cost	–	13	20	33
at 31 December 2016	8,415	590	89	9,094
Accumulated amortisation and impairment				
at 1 January 2015	2,621	–	68	2,689
Amortisation charge	–	–	14	14
Impairment	79	–	–	79
Disposals	–	–	(52)	(52)
at 31 December 2015	2,700	–	30	2,730
Adjustment	–	–	3	3
Amortisation charge	–	1	11	12
Impairment	611	–	–	611
at 31 December 2016	3,311	1	44	3,356
Net book amount				
at 31 December 2016	5,104	589	45	5,738
at 31 December 2015	4,036	577	39	4,652

Company

	Customer lists £'000	Other £'000	Total £'000
Cost			
at 1 January 2015, 31 December 2015 and 31 December 2016	80	17	97
Accumulated amortisation			
at 1 January 2015	1	17	18
Impairment	79	–	79
at 31 December 2015 and 31 December 2016	80	17	97
Net book amount			
at 31 December 2015 and 31 December 2016	–	–	–

Notes to the Financial Statements continued

16. Intangible assets
continued

Goodwill is not amortised under IFRS, but is subject to impairment testing either annually or on the occurrence of a triggering event. Impairment charges are included in administration expenses and disclosed as an exceptional cost.

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

Other intangibles relate to computer software, website costs and licences and are amortised over their estimated economic lives. The annual amortisation charge is expensed to cost of sales in the Consolidated Statement of Comprehensive Income.

Impairment tests for goodwill

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	Hickton £'000	Sunline £'000	Total £'000
at 1 January 2015	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
Acquisition of subsidiary	–	–	–	1,679	–	1,679
Additions – customer list	13	–	–	–	–	13
Amortisation charge	(1)	–	–	–	–	(1)
Impairment	–	–	–	–	(611)	(611)
at 31 December 2016	1,051	1,435	1,528	1,679	–	5,693

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 10.85% (2015: 12.23%), 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	
	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Aford Awards	1.0	3.0	32.4	38.1	1.0	2.0
CEM Press	1.0	2.0	38.7	41.0	1.0	2.0
Friedman's	3.0	3.0	42.0	34.1	2.0	2.0
Hickton	1.0	–	37.0	–	–	–
Sunline	2.0	3.0	33.0	39.2	1.0	2.0

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.

Notes to the Financial Statements continued

16. Intangible assets
continued

In respect of Aford Awards, CEM Press, Friedman's and Hickton Consultants the value-in-use calculation gives rise to sufficient headroom such that reasonable changes in the key assumptions do not eliminate the headroom.

At December 2016 an impairment charge of £611,000 was taken against the carrying value of goodwill related to Sunline. This reflected the challenging economic and trading environment of the direct mail market in which the business was operating.

17. Investments

Group

	Investments in associate 2016 £'000	Investments in associate 2015 £'000
Cost and net book amount		
at 1 January	–	568
Share of net profit in associate	–	21
Deemed disposal as a result of step acquisition	–	(589)
at 31 December	–	–

Company

	Shares in Group subsidiaries £'000	Loans to Group subsidiaries £'000	Total investments in subsidiaries £'000	Investments in associate £'000	Total investments £'000
Cost and net book amount					
at 1 January 2015	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
Acquisition	55	615	670	–	670
at 31 December 2016	**872**	**2,757**	**3,629**	**–**	**3,629**

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% loan stock originally repayable in instalments between April 2009 and February 2012. In both cases repayments will only be requested when surplus cash is available.

Notes to the Financial Statements continued

17. Investments continued

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

Name of subsidiary, principal activity and registered address	Place of operation	Proportion of ownership interests	Wholly or non-wholly owned subsidiary
Aford Awards (Holdings) Limited *Holding company for Aford Awards Limited* 11 Laura Place, Bath BA2 4BL	England	70%	Non-wholly
Aford Awards Limited *Suppliers of trophies and awards and engraving specialists* Grange House, The Green, Bearsted, Maidstone, Kent ME14 4DZ	England	73%	Non-wholly
CemTeal Limited *Holding company for CEM Press Holdings Limited* 11 Laura Place, Bath BA2 4BL	England	73%	Non-wholly
CEM Press Holdings Limited *Holding company for CEM Group Limited* 11 Laura Place, Bath BA2 4BL	England	71%	Non-wholly
CEM Group Limited *Holding company for C.E.M. Press Limited* Teal Close, Victoria Business Park, Netherfield, Nottingham NG24 2PE	England	71%	Non-wholly
C.E.M. Press Limited *Design and compilation of fabric, wallpaper and carpet sample books* Teal Close, Victoria Business Park, Netherfield, Nottingham NG24 2PE	England	71%	Non-wholly
Davies Odell Limited *Manufacturer and distributor of protection equipment, matting and footwear components* 11 Laura Place, Bath BA2 4BL	England	85%	Non-wholly
Signature Fabrics Limited *Holding company for Friedman's Limited* Sunaco House, Unit 2, Bletchley Road, Heaton Mersey Industrial Estate, Stockport SK4 3EF	England	55%	Non-wholly
Friedman's Limited *Conversion and distribution of specialist Lycra* Sunaco House, Unit 2, Bletchley Road, Heaton Mersey Industrial Estate, Stockport SK4 3EF	England	55%	Non-wholly
Hickton Holdings Limited *Holding company for Hickton Consultants Limited* 51 Church Street, Elsecar, Barnsley, South Yorkshire S74 8HT	England	55%	Non-wholly

Notes to the Financial Statements continued

17. Investments continued

Name of subsidiary, principal activity and registered address	Place of operation	Proportion of ownership interests	Wholly or non-wholly owned subsidiary
Hickton Consultants Limited *Clerk of Works specialists* Amber Court, 51 Church Street, Elsecar, Barnsley, South Yorkshire S74 8HT	England	55%	Non-wholly
Sunline Direct Mail (Holdings) Limited *Holding company for Sunline Direct Mail Limited* 11 Laura Place, Bath BA2 4BL	England	80%	Non-wholly
Sunline Direct Mail Limited *Supplier of services to the direct mail market* Cotton Way, Weldon Road Industrial Estate, Loughborough, Leicestershire LE11 5FJ	England	80%	Non-wholly
Davies & Co (Kettering) Limited *Dormant company* 11 Laura Place, Bath BA2 4BL	England	85%	Non-wholly
Phillips Rubber Limited *Dormant company* 11 Laura Place, Bath BA2 4BL	England	85%	Non-wholly
Farmat Limited *Dormant company* 11 Laura Place, Bath BA2 4BL	England	85%	Non-wholly
Davies and Company Limited *Dormant company* 11 Laura Place, Bath BA2 4BL	England	85%	Non-wholly

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

Statement of Financial Position	Signature Fabrics Group		Hickton Holdings Group	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
As at 31 December				
Current				
Assets	1,875	1,737	737	–
Liabilities	(907)	(976)	(365)	–
Total current net assets	968	761	372	–
Non-current				
Assets	1,674	143	1,694	–
Liabilities	(8)	(55)	(855)	–
Total non-current net assets	1,666	88	839	–
Net assets	2,634	849	1,211	–

Notes to the Financial Statements continued

17. Investments continued

Statement of Comprehensive Income	Signature Fabrics Group		Hickton Holdings Group	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
For year ended 31 December				
Revenue	4,555	4,221	2,961	–
Profit before income tax	813	835	280	–
Income tax expense	(160)	(157)	(61)	–
Post-tax profit from continuing operations	653	678	219	–
Total comprehensive income	653	678	219	–
Total comprehensive income allocated to non-controlling interests	294	305	98	–
Dividends paid to non-controlling interests	180	180	–	–

Summarised cash flows	Signature Fabrics Group		Hickton Holdings Group	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Cash flows from operating activities				
Cash generated from operations	736	534	465	–
Interest paid	(3)	(4)	(132)	–
Income tax paid	(166)	(61)	(64)	–
Net cash generated from operating activities	567	469	269	–
Net cash used in investing activities	(44)	(25)	(233)	–
Net cash used in financing activities	(432)	(67)	100	–
Net increase in cash and cash equivalents and bank overdrafts	91	377	136	–
Cash, cash equivalents and bank overdrafts at beginning of year	465	88	–	–
Cash, cash equivalents and bank overdrafts at end of year	556	465	136	–

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

18. Inventories

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Raw materials and consumables	664	707	–	–
Work in progress	12	24	–	–
Finished goods and goods for resale	1,344	1,299	–	–
	2,020	2,030	–	–

The cost of inventories recognised as an expense and included in cost of sales amounted to £8,812,000 (2015: £7,639,000).

Notes to the Financial Statements continued

19. Trade and other receivables

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Trade receivables	3,137	2,658	–	–
less: provision for impairment of trade receivables	(17)	(9)	–	–
Trade receivables – net	3,120	2,649	–	–
Amount due from subsidiary companies	–	–	526	127
Other receivables	195	110	–	–
Prepayments and accrued income	386	396	9	5
	3,701	3,155	535	132

As at 31 December 2016, trade receivables of £2,917,000 (2015: £1,658,000) were fully performing.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2016, trade receivables of £210,000 (2015: £925,000) 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 2016 trade receivables of £218,000 (2015: £75,000) were impaired. A significant portion of the receivables is expected to be recovered and a provision of £17,000 (2015: £9,000) 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:

	2016 £'000	2015 £'000
3 to 6 months	209	63
Over 6 months	9	12
	218	75

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

	2016 £'000	2015 £'000
Sterling	3,005	2,562
Euro	121	82
US $	11	14
	3,137	2,658

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:

	2016 £'000	2015 £'000
At 1 January	9	30
Provision for receivables impairment	8	6
Receivables written off during the year	–	(27)
At 31 December	17	9

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	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade payables	2,203	2,042	–	–
Other tax and social security	765	740	4	–
Other payables	251	31	17	–
Accruals and deferred income	715	546	112	209
	3,934	3,359	133	209

Notes to the Financial Statements continued

21. Borrowings

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Non-current:				
Other loans	1,884	1,687	–	–
Hire purchase obligations	716	588	–	–
	2,600	2,275	–	–
Current:				
Bank overdraft	796	743	–	–
Trade receivables backed working capital facilities	1,262	948	–	–
Other loans	1,399	293	740	–
Hire purchase obligations	381	335	–	–
	3,838	2,319	740	–
Total borrowings	6,438	4,594	740	–

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 2016 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
CEM Press	137	–	137
Davies Odell	585	346	931
Sunline	74	916	990
	796	1,262	2,058

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
CEM Press	189	–	189
Davies Odell	554	307	861
Sunline	–	641	641
	743	948	1,691

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:

	2016		2015	
	Bank	Hire purchase	Bank	Hire purchase
	£'000	£'000	£'000	£'000
Within one year	2,058	381	1,691	335
Between one and two years	–	300	–	324
Between two and five years	–	416	–	264
	2,058	1,097	1,691	923

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 £771,000 of 4% Investor Loan Notes, £223,000 of 7% Vendor Loan Notes and £108,000 of 7% Shareholder Loan Notes in CemTeal. 50% (£386,000) of the Investor Loan Notes are repayable at the end of September 2017 and the other 50% (£385,000) at the end of September 2018. CEPS has guaranteed the repayment of the Investor Loan Notes if CemTeal has insufficient cash available to do so. The Vendor Loan Notes and Shareholder Loan Notes will be repaid in instalments by CemTeal between October 2018 and September 2021, subject to cash availability.

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

	2016	2015
	£'000	£'000
Not more than one year	444	335
Between one and two years	349	399
Between two and five years	475	351
	1,268	1,085
Finance charge	(171)	(162)
Present value of hire purchase agreement liabilities	1,097	923

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 2016

Assets as per Statement of Financial Position	Loans and receivables £'000
Trade and other receivables (excluding prepayments and accrued income)	3,315
Cash and cash equivalents	840
Total	4,155

Liabilities at amortised cost as per Statement of Financial Position	Other financial liabilities £'000
Bank borrowings (excluding hire purchase obligations)	2,058
Hire purchase obligations	1,097
Trade and other payables (excluding statutory liabilities)	3,284
Other loans	3,283
Total	9,722

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

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	2016 £'000	2015 £'000
CEPS Group	8	5
Aford Awards	120	112
CEM Press	543	692
Davies Odell	653	604
Friedman's	459	470
Hickton	602	–
Sunline	1,316	1,272
	3,701	3,155

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 £840,000 (2015: £854,000) 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 2015, asset	432	13	6	451
Debit to the Consolidated Statement of Comprehensive Income	(30)	(43)	(15)	(88)
at 31 December 2015, asset/(liability)	402	(30)	(9)	363
(Debit)/credit to the Consolidated Statement of Comprehensive Income	(220)	–	(3)	(223)
at 31 December 2016, asset/(liability)	182	(30)	(12)	140

The deferred income tax is split in the Consolidated Statement of Financial Position between a deferred tax asset of £220,000 (2015: £440,000) and a deferred tax liability of £80,000 (2015: £77,000). 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 through the future taxable profits is probable.

Notes to the Financial Statements continued

24. Provisions for liabilities and charges

	Dilapidations £'000
At 1 January 2015 and 31 December 2015	55
Additions in year	57
At 31 December 2016	112

These amounts are expected to be settled as follows:

	2016 £'000	2015 £'000
Current	62	–
Non-current	50	55
	112	55

Dilapidations

Dilapidation provisions are carried against the costs anticipated on termination of property leases. The leases to which the non-current element relates are currently due to terminate in 2022.

25. Share capital and premium

	Number of shares	Share capital £'000	Share premium £'000	Total £'000
At 1 January 2015	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 and 31 December 2016	9,573,822	957	3,943	4,900

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:

	2016 £'000	2015 £'000
Land and buildings:		
within one year	741	615
within two to five years	1,739	2,304
after more than five years	370	506
	2,850	3,425

27. Related party transactions

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

	Aford Awards (Holdings) Limited £'000	CemTeal Limited £'000	Davies Odell Limited £'000	Signature Fabrics Limited £'000	Hickton Consultants Limited £'000	Sunline Direct Mail (Holdings) Limited £'000
Receipt of equity share dividend						
– 2016	–	–	–	220	–	–
– 2015	–	–	–	220	–	–
Receipt of preference share dividend						
– 2016	–	–	–	–	–	26
– 2015	–	–	–	–	–	–
Receipt/(write-back) of loan note interest						
– 2016	56	44	6	–	45	43
– 2015	56	10	–	–	–	(298)
Receipt of management charge income						
– 2016	20	–	15	30	11	15
– 2015	20	–	15	30	–	15
Amount owed to the Company						
– 31 December 2016	700	839	174	–	623	950
– 31 December 2015	700	567	74	–	–	892

The Company is under the control of its shareholders and not any one party.

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

28. Cash and cash equivalents

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Cash at bank and in hand	840	854	21	270
Bank overdrafts repayable on demand	(796)	(743)	–	–
Net cash at bank	44	111	21	270

Notes to the Financial Statements continued

29. Events after the reporting period

Equity placing

On 26 January 2017 the Company successfully placed 3,626,118 new ordinary shares at a price of 35 pence per share to raise £1,269,141.30 (before expenses) with institutional and private investors. The placing's proceeds were used to repay a loan entered into at the time of the acquisition of Hickton Holdings Limited (formerly RAM1003 Limited) and for general working capital purposes.

Following the issue of the placing shares, the enlarged issued share capital of the Company comprised 13,199,940 ordinary shares of 10 pence each.

Increase in CemTeal Limited shareholding

On 21 February 2017 the Company announced that it had increased its shareholding in its subsidiary CemTeal Limited through the purchase of 7,000 shares for a total consideration of £7,000.

The Company's shareholding in CemTeal and its wholly-owned subsidiary C.E.M. Press Limited has, therefore, increased from 73% to 80%.

Third party loan

On 25 April the Company secured a third party loan for £1m, payable in two tranches of £500,00 each on 2 May 2017 and 15 September 2017, repayable in full by 30 June 2018 and incurring interest at 10% per annum.

Notice of Meeting

Annual General Meeting

Notice is hereby given that the Annual General Meeting of CEPS PLC (the 'Company') will be held at 11 Laura Place, Bath BA2 4BL on Monday 12 June 2017 at 11.30am for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which resolutions numbered 1 to 7 will be proposed as ordinary resolutions and resolutions numbered 8 and 9 as special resolutions.

1 To receive, consider and adopt the Company's annual accounts for the financial year ended 31 December 2016 together with the Directors' Report and Auditors' Report on those accounts.

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

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

4 To ratify the appointment of M D Pollard as a non-executive director.

5 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.

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

7 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 £1,465,000, such authority to expire at the commencement of the next Annual General Meeting held after the date of the passing of this resolution, but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require equity securities to be allotted after the expiry of such period and the directors may allot equity securities pursuant to such an offer or agreement as if the authority had not expired.

8 THAT subject to and conditional on the passing of resolution number 6 and in substitution for any existing authority subsisting at the date of this resolution to the extent unused, the directors be empowered, pursuant to section 570 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 6 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

8.1 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

8 continued

8.2 otherwise than pursuant to sub-paragraph 8.1 above up to an aggregate nominal amount of £1,465,000 (such shares representing approximately 111% of the Company's issued ordinary capital as at the date of this notice), and shall expire at the commencement of the next Annual General Meeting held after the date of the passing of this resolution, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired.

9 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:

9.1 the maximum number of ordinary shares hereby authorised to be purchased is limited to an aggregate of 1,319,994 (such shares representing approximately 10% of the Company's issued ordinary capital as at the date of this notice);

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

9.3 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

9.4 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
2 May 2017

Registered office: 11 Laura Place, Bath BA2 4BL
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 The Courtyard, 17 West Street, Farnham GU9 7DR 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 8 June 2017 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, Non-executive Chairman V E Langford, Group Finance G C Martin, Non-executive M D Pollard, Non-executive
Secretary and registered office	V E Langford 11 Laura Place, Bath BA2 4BL 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
	C.E.M. 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 The Courtyard, 17 West Street, Farnham GU9 7DR 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 Cheyne House, Crown Court, 62-63 Cheapside, London EC2V 6AX