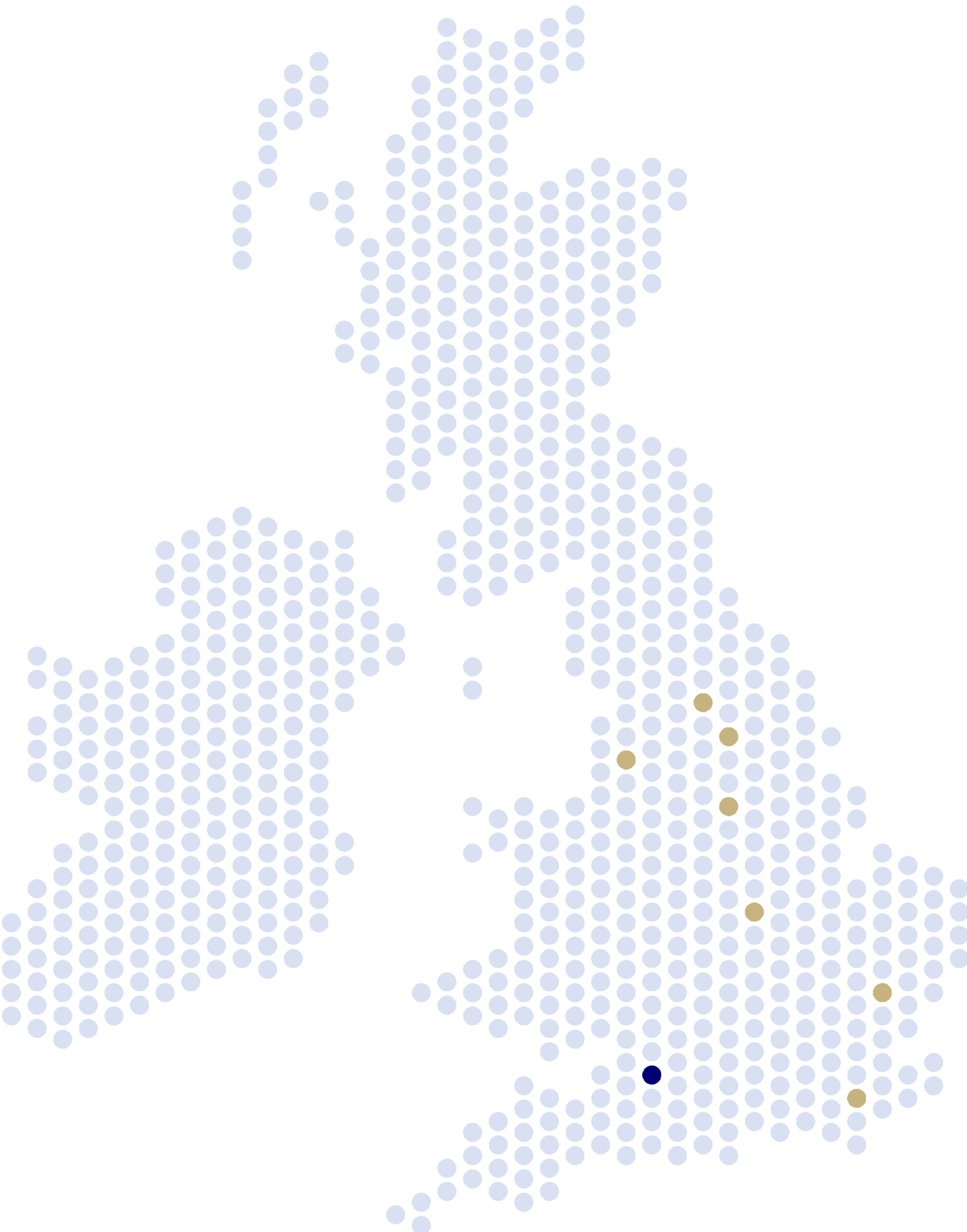
CEPS PLC

Partnering for success



Annual Report 2018

Contents

Chairman's Statement

Financial review

These accounts from CEPS PLC are even more complicated than usual with discontinued activities in the form of Sunline Direct Mail ("Sunline"), exceptional costs being non-cash write-offs relating to CEM and of course movements on the deferred tax account which every other year make the tax charge look somewhat unusual!

The headline results are that total revenue was £21.6m for the year ended 31 December 2018 (2017: £23.6m) with some £3.1m represented by the discontinued activities of Sunline. Therefore, continuing revenue was £18.5m (2017: £16.9m).

Adjusted operating profit was £629,000 (2017: £1.1m) but included discontinued losses of £350,000 (2017: losses of £61,000). Consequently, ongoing operating profits were £979,000 (2017: £1.2m), which included significant losses in two of the five remaining subsidiaries. Both 2018 and 2017 had intangible impairments of £588,000 (customer lists) and £847,000 (goodwill) respectively. The operating loss after exceptional items was £12,000 (2017: operating profit after exceptional items £254,000).

In 2018 there was a loss before tax of £308,000 (2017: profit of £55,000) but this was after including discontinued losses of £445,000 (2017: losses of £156,000) and an intangible write-off of £588,000 (2017: £847,000). Consequently, the ongoing profit was a modest £137,000 (2017: £211,000).

Group costs were higher than last year at £386,000 (2017: £322,000) but included non-recurring costs of £25,000.

Loss per share on a basic and diluted basis was 9.06p (2017: (4.11p)). The loss per share for the continuing operations was 6.26p (2017: (3.14p)) and if the impact of intangible impairments in both years is ignored, as well as the deferred tax asset write-off of £220,000 in 2018, the loss per share improves to 0.91p (2017: earnings per share 3.4p).

In the year 2018, cash generated from operations was £1.7m (2017: £1.8m) and there was a net increase in cash and cash equivalents of £854,000 (2017: £807,000). Year-end cash was £1.7m (2017: £851,000).

Operational review

Aford Awards

This company had another very good year and produced record profits. The repayment of the CEPS acquisition loan notes has commenced with £163,000 repaid in the year.

Several acquisition opportunities were investigated with a very small operation, C & M Trophies, being acquired in Littlehampton. This was modestly successful. However, it was decided in October to close the operation and to retain as much business as possible and service it out of Aford Awards' operation in Maidstone. This was a very useful exercise and gave the team much needed experience.

Other bolt-on deals are being investigated.

CEM Press

2018 was a very disappointing year for this company. Whilst it did win a number of large orders, as expected last year, it was unable to efficiently produce the volume of product within a demanding production schedule. It is also even more disappointing as other parts of the business performed well but were dragged back by the deficiencies of this production process.

After the year-end a major strategic move was made by the acquisition on 27 March 2019 of Travelfast Limited, trading as Sampling International ("Sampling"), based in Batley in West Yorkshire, for up to £1.2m conditional on the performance of the combined CEM and Sampling operations over a three-year period.

Chairman's Statement continued

Operational review
continued

Sampling is approximately twice the size of CEM and this merged group creates one of the largest pattern book and shade card makers in the UK with two production facilities. Some 40% of Sampling's business is in carpet sampling, a completely new area of sampling for CEM.

The objective of the merger is to broaden the CEM/Sampling business and, over time, to become more efficient through the specialism of activities. Inevitably this will make 2019 a year of transition as exceptional costs are incurred in setting up the merged business such that it can deliver our expectation of good and growing profits into the future.

As we stated last year, we wanted CEM to be a consolidator in a fragmented industry sector. The first major step has been achieved and we are confident that there will be other opportunities to grow by targeted acquisition going forward.

Under accounting rules, the carrying value of the intangible assets (customer lists and goodwill) needs to be reviewed annually and impaired if required. Consequently, the Board decided to write-off completely the value of the customer lists (£588,000). This is a non-cash item and does not affect the underlying value of the business.

Davies Odell

This company had a tough year and was loss-making, which was disappointing after the move back into modest profit, at the EBITDA level before exceptional costs, the previous year.

This company unfortunately had to make three people redundant to drive greater efficiency through the business and this cost was taken in the last quarter of the year with none of the benefit of the reduced cost base coming through in the results.

Since the year end this company has been profitable each month from a lower cost base, is ahead of budget and is working hard to improve efficiency and service levels. Its financial position and balance sheet are now better than they have been for many years and is the result of several years of steady improvement in the working capital position.

Friedman's

Another excellent year for the company with record ongoing profitability, pre-exceptional costs, which in turn has produced very strong cash generation.

The move to the new premises in Altrincham in March of last year was executed with minimum disruption to the business. These premises now showcase this excellent business and it is a real pleasure to have seen the development of this company over the past 12 years of CEPS' ownership.

The new premises and access to sufficient power has "future-proofed" the business and has enabled the team to set up a new product area marketed through the website www.alexandermaverick.co.uk which is selling customer designed and coloured cottons and linen for home furnishings. This goes alongside the rapidly growing Funki Fabrics website, www.funkifabrics.com, which is selling customer designed and coloured Lycra.

Hickton Consultants

This was a record set of results for this company with an acceleration in performance in the year with the second half being a significant improvement on the first half as the benefits of the acquisition of BRCS started to appear.

We are keen to expand this business and have reviewed several acquisition opportunities.

Chairman's Statement continued

Operational review
continued

Sunline

As we reported at the interim stage this company went into administration on 13 June 2018. Having struggled to improve efficiency through automation and mechanisation and to change the product mix from some 90% plastic/10% paper to 60% plastic/40% paper, the impact of the introduction of the EU General Data Protection Act ("GDPR") in the first quarter of last year, which caused clients to delay placing orders, and the whole "Plastics Debate" led to the eventual administration of the company.

It is pleasing to note that anecdotally everyone who wanted a job got one within a very short period.

Dividend

Whilst we had planned to carry out a capital reconstruction last year to enable CEPS to be able to pay a dividend, events around the Sunline administration meant that the Board considered this to be inappropriate.

Recognising the confidence that the Board has in the future of CEPS, this process will be "resurrected".

Power to allot additional shares

CEPS will be convening its Annual General Meeting to be held on 17 June 2019. Among other resolutions to be proposed, the Board will seek authority to allot shares equating to 100% of its present issued ordinary share capital in line with the requirements of our acquisition strategy.

People

The Board is most grateful to the ongoing efforts of all the Group's employees at a time of pressure and challenges in our companies. The Board would like to thank Mark Pollard for his three years of service and to welcome David Johnson as a non-executive director.

Outlook

I feel that there is no doubt that the CEPS "Group" in overall terms is going in the right direction. Certainly, as I said earlier, these accounts are very confusing and complicated, and it is hard, in the absence of individual company monthly management accounts, for the CEPS shareholder to discern this level of progress and improvement. I sincerely hope that the interim accounts and then final accounts in one year's time will clearly evidence what I believe to be the case.

To assist in the understanding of CEPS and its group of companies, the Board is investigating commissioning a third-party research company to produce periodic research which can be displayed on our website and sent out to interested parties, including existing and potential shareholders.

We are investigating a number of potential bolt-on acquisitions for 2019. These types of transaction bring considerable benefit, typically at a reasonable price and should, logically, be lower risk.

It is pleasing to have managed to get to this point without mentioning Brexit! We have reflected over the last few years on the impact some form of Brexit may have on our companies and it is our belief that if the UK economy continues to grow, as various august bodies are forecasting, then the economic environment will be satisfactory for our companies.

As the UK is still unclear around the outcome of Brexit and the likely impact on the UK economy it is not possible to have a clear view on how this will impact the Group. However, because the Group has trading with Europe we acknowledge that there may be some impact.

Trading so far in the current year is marginally ahead of the Board's expectations and we will do all we can to keep pushing things forward.

David Horner
Chairman
7 May 2019

Strategic Report

The directors present their Strategic Report on the Group for the year ended 31 December 2018.

Review of the business

The principal activities of CEPS PLC are that of an industrial holding company, acquiring majority stakes in stable, profitable and steadily growing entrepreneurial companies. The activities of the Company's trading subsidiaries are described in note 17 to the accounts. Segmental analysis is given in note 4 to the accounts.

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

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

	2018	2017
Revenue	£21,592,000	£23,601,000
Segmental result (EBITDA) (pages 36 and 37)	£1,485,000	£1,920,000
(Loss)/profit before tax	(£308,000)	£55,000
Loss after tax	(£876,000)	(£221,000)
Total equity	£5,460,000	£4,954,000
Net debt (total borrowings less cash) (page 32)	£1,352,000	£2,732,000
Gearing ratio (net debt/total equity)	25%	55%

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

The Board also monitors matters relating to health and safety and the environment and reviews them at its regular meetings. The risks to the business arising from changes to the trading environment and employee retention and training are also regularly monitored and reviewed.

The Board operates a continuous process for identifying, evaluating and managing risk. The internal controls seek to minimise the impact of identified risks, as explained in the Corporate Governance statement on pages 8 and 9.

The key risks the Board seeks to mitigate are: competition, dependence on key personnel and the supply chain.

Competition – while the Group's trade is differentiated, there is still significant pricing pressure and the barriers to entry are relatively low. As a result there is the risk that competitors could emerge to challenge the products offered by the Group. This could result, over time, in price competition and margin pressure. In order to mitigate this pressure, local management seek to hold regular discussions with customers and actively monitor the market for changes in competitors' prices.

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

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

See note 2 for an assessment of the financial risks.

Future developments

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

By order of the Board
V E Langford
Company Secretary
7 May 2019

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 2018.

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 (59) 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 Chelverton UK Dividend Trust Plc and is a director of Athelney Trust plc and a number of private companies. In 2013 he resigned his membership of the Institute of Chartered Accountants in England and Wales, as his career is now fully involved in fund management.

G C Martin (74) is a non-executive director. He is a Chartered Accountant who was previously Finance Director and Company Secretary of the Group.

V E Langford (57) is Group Finance Director. She is a Chartered Accountant and is also the Company Secretary of CEPS PLC.

D E Johnson (59) is a non-executive director. He has worked in the investment sector for a number of years. Between 2003 and 2013 he worked for Panmure Gordon as Head of Sales from 2006 and then Head of Equities from 2009. More recently he has acted as a consultant to Chelverton Asset Management and acted as a non-executive director of both private and AIM quoted companies. He has recently been appointed as Chairman of Diversified Gas & Oil PLC.

M D Pollard retired on 29 March 2019 and was replaced by D E Johnson.

The directors retiring by rotation in accordance with Articles 71 and 72 are D A Horner and G C Martin who, being eligible, offer themselves for re-election.

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

Significant shareholdings

The following shareholders held more than 3% of the Company's ordinary shares at 7 May 2019:

	Shares	%
Chelverton Growth Trust Plc	5,060,000	29.8
Charles Stanley & Co Ltd Rock (Nominees) Ltd*	4,546,438	26.7
D A Horner	2,225,972	13.1
Mrs M C Horner	1,000,000	5.9
Lawshare Nominees**	731,646	4.3

* Included within this holding are shares held on behalf of D A Horner and close family members. Holdings are on behalf of D A Horner's SIPP (970,838 shares, 5.7%), on behalf of D A Horner personally (84,500 shares, 0.5%) and on behalf of his mother, Mrs E Horner (350,000 shares, 2.1%).

* Included within this holding are shares held by M E Thistlethwayte and his family. M E Thistlethwayte holds personally and on behalf of his wife and children 2,410,000 shares, 14.2%. Mrs R Thistlethwayte holds 590,000 shares, 3.5%.

** Included within this holding are 522,709 shares of which M D Pollard is the beneficial owner and a further 166,667 shares owned by his mother, Mrs C Pollard, over which he has investment authority.

Financial and treasury policy

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

For further details of Group financial risk and management thereof see note 2.

The Company had intended to undertake a capital reconstruction during 2018 which, if successful, would have facilitated the payment of future dividends. However, due to the failure of Sunline, no dividend was paid in 2018 (2017: £nil).

Directors' Report continued

Disclosure of information to auditor

So far as each director is aware, there is no relevant information of which the Company's auditor is unaware. Relevant information is defined as 'information needed by the Company's auditor in connection with preparing their report'. Each director has taken all the steps (such as making enquiries of other directors and the auditor 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 auditor is aware of that information.

Independent auditor

PKF Cooper Parry Group Limited was appointed as auditor for CEPS PLC on 5 December 2018 and their re-appointment will be submitted to the Annual General Meeting.

Going concern

At the time of approving the financial statements the directors consider that it is appropriate to adopt the going concern basis of preparation.

The directors have considered the impact of the current economic environment on the Company's and Group's future cash flows and their ability to meet liabilities as they fall due, being a period of not less than 12 months from the date of approving the financial statements. The directors have also considered compliance with future banking covenants, and the borrowings structure of the Group.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

– select suitable accounting policies and then apply them consistently;

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

By order of the Board
V E Langford
Company Secretary
7 May 2019

Corporate Governance

It is the Board's intention to comply with the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies, as far as is reasonably practicable for a company of its size.

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. For details around how the Group applies specific principles of the Code please refer to the Company's website www.cepsplc.com. 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 6 and 7.

All directors are subject to retirement by rotation and re-election by the shareholders in accordance with the Articles of Association.

The Board meets regularly, at least six times a year and with additional meetings being arranged when necessary.

The Company seeks constructive dialogue with institutional and private shareholders through direct contact and through the opportunity for all shareholders to attend and ask questions at the Annual General Meeting.

Audit committee

This committee comprises G C Martin (Chair) and D E Johnson. The audit committee is responsible for the appointment of the external auditor, agreeing the nature and scope of the audit and reviewing and making recommendations to the Board on matters related to the issue of financial information to the public. It assists all directors in discharging their responsibility to ensure that accounting records are adequate and that the financial statements give a true and fair view.

Nomination committee

This committee is comprised of D E Johnson (Chair) and D A Horner. It is responsible for making recommendations to the Board on any appointment to the Board.

Remuneration committee

This committee is comprised of D E Johnson (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.

Corporate Governance continued

AIM 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.

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 Auditor's Report to the members of CEPS PLC

Opinion

We have audited the financial statements of CEPS plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the Consolidated Income Statement and Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements and the notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- the Group and parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report to the members of CEPS PLC continued

Key audit matters

We identified the key audit matters described below as those which were most significant in the audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matter in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

Carrying value and impairment of goodwill

The Group has a significant goodwill balance in relation to acquisitions made by management. The Group's assessment of carrying value requires significant judgement, in particular regarding cash flows, growth rates, discount rates and sensitivity assumptions.

Our response to the risk

We challenged the assumptions used in the impairment model for goodwill, which is described in note 16.

We considered historical trading performance by comparing recent growth rates of both revenue and operating profit.

We assessed the appropriateness of the assumptions concerning growth rates and inputs to the discount rates against latest market expectations.

We performed sensitivity analysis to determine whether an impairment would be required if costs increase at a higher than forecast rate.

Materiality

The materiality for the Group financial statements as a whole was set at £324,000. This has been determined with reference to the benchmark of the Group's revenue which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 1.5% of Group revenue as presented in the Group Income Statement.

The materiality for the parent company financial statements as a whole was set at £195,000. This has been determined with reference to the parent company's gross assets, which we consider to be an appropriate measure for a holding company with investments in trading subsidiaries. Materiality represents 10% of gross assets as presented on the face of the parent company's Statement of Financial Position.

Independent Auditor's Report to the members of CEPS PLC continued

An overview of the scope of our audit

We adopted a risk-based audit approach. We gained a detailed understanding of the Group's business, the environment it operates in and the risks it faces. The key elements of our audit approach were as follows:

The audit team evaluated each component of the Group by assessing its materiality to the Group as a whole. This was done by considering the percentage of total Group assets, liabilities, revenues and profit before taxes which each component represented. From this, we determined the significance of the component to the Group as a whole, and devised our planned audit response. In order to address the audit risks described in the Key audit matters section which were identified during our planning process, we performed a full-scope audit of the financial statements of the parent company, CEPS PLC, and all of the Group's trading subsidiaries, providing 100% coverage of revenues and profit before tax for these components. The operations that were subject to full-scope audit procedures made up 100% of consolidated revenues and profit before tax.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Chairman's Statement, the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Chairman's Statement, the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Chairman's Statement, the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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 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.

Independent Auditor's Report to the members of CEPS PLC continued

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the parent 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 parent company's members those matters we are required to state to them in an auditor's 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Katharine Warrington (Senior Statutory Auditor)

for and on behalf of PKF Cooper Parry Group Limited
Chartered Accountants
Statutory Auditor
Sky View, Argosy Road, East Midlands Airport, Castle Donington, Derby DE74 2SA
7 May 2019

Consolidated Statement of Comprehensive Income

	Notes	Continuing operations 2018 £'000	Discontinued operations 2018 £'000	2018 £'000	2017 £'000
Revenue	4	18,474	3,118	21,592	23,601
Cost of sales		(12,469)	(3,172)	(15,641)	(18,187)
Gross profit/(loss)		6,005	(54)	5,951	5,414
Administration expenses		(5,026)	(296)	(5,322)	(4,313)
Adjusted operating profit/(loss)	5	979	(350)	629	1,101
Exceptional items	6	–	(53)	(53)	–
Goodwill impairment	16	–	–	–	(847)
Customer list impairment	16	(588)	–	(588)	–
Operating profit/(loss)		391	(403)	(12)	254
Analysis of adjusted operating profit/(loss)					
Trading		1,365	(350)	1,015	1,423
Exceptional item		–	(53)	(53)	–
Goodwill impairment		–	–	–	(847)
Customer list impairment		(588)	–	(588)	–
Group costs		(386)	–	(386)	(322)
		391	(403)	(12)	254
Finance income	10	15	–	15	128
Finance costs	10	(269)	(42)	(311)	(337)
Profit on disposal of investment		–	–	–	10
Profit/(loss) before tax		137	(445)	(308)	55
Taxation	11	(568)	–	(568)	(276)
Loss for the year		(431)	(445)	(876)	(221)
Other comprehensive loss: Items that will not be reclassified to profit or loss					
Actuarial loss on defined benefit pension plans	9	(88)	–	(88)	(66)
Other comprehensive loss for the year, net of tax		(88)	–	(88)	(66)
Total comprehensive loss for the year		(519)	(445)	(964)	(287)
(Loss)/income attributable to:					
Owners of the parent		(946)	(423)	(1,369)	(532)
Non-controlling interest		515	(22)	493	311
		(431)	(445)	(876)	(221)
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(1,034)	(423)	(1,457)	(598)
Non-controlling interest		515	(22)	493	311
		(519)	(445)	(964)	(287)
Earnings per share basic and diluted	13	(6.26p)	(2.80p)	(9.06p)	(4.11p)

The notes on pages 22 to 63 form part of the financial statements.

Consolidated Statement of Comprehensive Income (prior year)

	Notes	Continuing operations 2017 £'000	Discontinued operations 2017 £'000	2017 £'000
Revenue	4	16,926	6,675	23,601
Cost of sales		(11,793)	(6,394)	(18,187)
Gross profit		5,133	281	5,414
Administration expenses		(3,971)	(342)	(4,313)
Adjusted operating profit/(loss)	5	1,162	(61)	1,101
Goodwill impairment	16	(847)	–	(847)
Operating profit/(loss)		315	(61)	254
Analysis of adjusted operating profit/(loss)				
Trading		1,484	(61)	1,423
Goodwill impairment		(847)	–	(847)
Group costs		(322)	–	(322)
		315	(61)	254
Finance income	10	128	–	128
Finance costs	10	(242)	(95)	(337)
Profit on disposal of investment		10	–	10
Profit/(loss) before tax		211	(156)	55
Taxation	11	(276)	–	(276)
Loss for the year		(65)	(156)	(221)
Other comprehensive loss:				
Items that will not be reclassified to profit or loss				
Actuarial loss on defined benefit pension plans	9	(66)	–	(66)
Other comprehensive loss for the year, net of tax		(66)	–	(66)
Total comprehensive loss for the year		(131)	(156)	(287)
(Loss)/income attributable to:				
Owners of the parent		(407)	(125)	(532)
Non-controlling interest		342	(31)	311
		(65)	(156)	(221)
Total comprehensive (loss)/income attributable to:				
Owners of the parent		(473)	(125)	(598)
Non-controlling interest		342	(31)	311
		(131)	(156)	(287)
Earnings per share				
basic and diluted	13	(3.14p)	(0.97p)	(4.11p)

The notes on pages 22 to 63 form part of the financial statements.

Consolidated and Company Statements of Financial Position

Company number 00507461

		Notes	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Assets	Non-current assets					
	Property, plant and equipment	15	991	2,320	–	–
	Intangible assets	16	4,741	5,600	–	–
	Investments in subsidiaries	17	–	–	1,350	3,635
	Deferred tax asset	23	–	226	–	–
			5,732	8,146	1,350	3,635
	Current assets					
	Inventories	18	1,815	1,770	–	–
	Trade and other receivables	19	3,331	3,691	553	2,217
	Cash and cash equivalents (excluding bank overdrafts)	28	1,705	1,371	48	36
			6,851	6,832	601	2,253
	Total assets		12,583	14,978	1,951	5,888
Equity	Capital and reserves attributable to owners of the parent					
	Called up share capital	25	1,700	1,320	1,700	1,320
	Share premium	25	5,841	4,843	5,841	4,895
	Retained earnings		(4,013)	(2,556)	(7,213)	(1,405)
			3,528	3,607	328	4,810
	Non-controlling interest in equity		1,932	1,347	–	–
	Total equity		5,460	4,954	328	4,810
Liabilities	Non-current liabilities					
	Borrowings	21	1,128	2,223	–	–
	Trade and other payables	20	–	313	–	–
	Deferred tax liability	23	88	71	–	–
	Provisions for liabilities	24	–	50	–	–
			1,216	2,657	–	–
	Current liabilities					
	Borrowings	21	2,734	3,503	1,310	1,000
	Trade and other payables	20	2,925	3,556	313	78
	Current tax liabilities		248	258	–	–
	Provisions for liabilities	24	–	50	–	–
			5,907	7,367	1,623	1,078
	Total liabilities		7,123	10,024	1,623	1,078
	Total equity and liabilities		12,583	14,978	1,951	5,888

The loss within the parent company financial statements for the year was £5,808,000 (2017: profit of £301,000).

The notes on pages 22 to 63 form part of the financial statements.

The financial statements on pages 14 to 63 were approved by the Board of Directors on 7 May 2019 and signed on its behalf by

D A Horner
Director

Consolidated and Company Statements of Cash Flows

		Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Cash flows from operating activities	(Loss)/profit before income tax	(308)	55	(5,718)	301
	Adjustments for:				
	Depreciation and amortisation	470	497	–	–
	Profit on disposal of a subsidiary	(147)	–	–	–
	Amount written-off in relation to subsidiary undertakings	–	–	5,421	–
	Customer list impairment	588	–	–	–
	Goodwill impairment	–	847	–	–
	Loss/(profit) on disposal of property, plant and equipment	29	(17)	–	–
	Net finance costs/(income)	296	209	(143)	(246)
	Dividends received	–	–	(55)	(275)
	Changes in working capital:				
	Movement in inventories	(86)	250	–	–
	Movement in trade and other receivables	(773)	11	(7)	2
	Movement in trade and other payables	1,682	(75)	104	(56)
	Movement in provisions	(100)	(12)	–	–
	Cash generated from/(used in) operations	1,651	1,765	(398)	274
	Income tax paid	(258)	(229)	–	–
	Interest received	–	128	100	–
	Interest paid	(311)	(337)	(79)	(54)
	Net cash generated from/(used in) operations	1,082	1,327	(377)	(328)
Cash flows from investing activities	Acquisition of subsidiary net of cash acquired	–	(444)	–	–
	Dividends received	–	–	55	275
	Increase of existing shareholding in subsidiary	–	(7)	–	(7)
	Purchase of property, plant and equipment	(859)	(266)	–	–
	Proceeds from sale of assets	1	32	–	–
	Purchase of intangibles	(150)	(11)	–	–
	Repayment of loan stock	–	–	163	–
	Loan to a subsidiary	–	–	(1,465)	(1,549)
	Interest received	–	–	–	100
	Net cash used in investing activities	(1,008)	(696)	(1,247)	(1,181)
Cash flows from financing activities	(Repayment of)/proceeds from borrowings	(267)	(476)	310	260
	Proceeds from share issue net of issue costs	1,326	1,263	1,326	1,263
	Dividend paid to non-controlling interest	(45)	(225)	–	–
	Repayment of capital element of finance leases	(234)	(386)	–	–
	Net cash generated from financing activities	780	176	1,636	1,523
	Net increase in cash and cash equivalents	854	807	12	15
	Cash and cash equivalents at the beginning of the year	851	44	36	21
	Cash and cash equivalents at the end of the year (note 28)	1,705	851	48	36

The notes on pages 22 to 63 form part of the financial statements.

Group Statements of Cash Flows (current year)

		Continuing operations 2018 £'000	Discontinued operations 2018 £'000	2018 £'000
Cash flows from operating activities	Profit/(loss) before income tax	137	(445)	(308)
	Adjustments for:			
	Depreciation and amortisation	324	146	470
	Profit on disposal of a subsidiary	–	(147)	(147)
	Customer list impairment	588	–	588
	Loss on disposal of property, plant and equipment	29	–	29
	Net finance costs	254	42	296
	Changes in working capital:			
	Movement in inventories	(90)	4	(86)
	Movement in trade and other receivables	(731)	(42)	(773)
	Movement in trade and other payables	939	743	1,682
	Movement in provisions	(50)	(50)	(100)
	Cash generated from operations	1,400	251	1,651
	Income tax paid	(258)	–	(258)
	Interest paid	(269)	(42)	(311)
	Net cash generated from operations	873	209	1,082
Cash flows from investing activities	Purchase of property, plant and equipment	(769)	(90)	(859)
	Proceeds from sale of assets	1	–	1
	Purchase of intangibles	(150)	–	(150)
	Net cash used in investing activities	(918)	(90)	(1,008)
Cash flows from financing activities	Repayment of borrowings	(267)	–	(267)
	Proceeds from share issue net of issue costs	1,326	–	1,326
	Dividend paid to non-controlling interest	(45)	–	(45)
	Repayment of capital element of finance leases	(115)	(119)	(234)
	Net cash generated from financing activities	899	(119)	780
	Net increase in cash and cash equivalents	854	–	854
	Cash and cash equivalents at the beginning of the year	851	–	851
	Cash and cash equivalents at the end of the year (note 28)	1,705	–	1,705

The notes on pages 22 to 63 form part of the financial statements.

Group Statements of Cash Flows (prior year)

		Continuing operations 2017 £'000	Discontinued operations 2017 £'000	2017 £'000
Cash flows from operating activities	Profit/(loss) before income tax	211	(156)	55
	Adjustments for:			
	Depreciation and amortisation	213	284	497
	Goodwill impairment	847	–	847
	Loss on disposal of property, plant and equipment	(7)	(10)	(17)
	Net finance costs	114	95	209
	Changes in working capital:			
	Movement in inventories	233	17	250
	Movement in trade and other receivables	(215)	226	11
	Movement in trade and other payables	114	(189)	(75)
	Movement in provisions	(12)	–	(12)
	Cash generated from operations	1,498	267	1,765
	Income tax paid	(229)	–	(229)
	Interest received	128	–	128
	Interest paid	(242)	(95)	(337)
	Net cash generated from operations	1,155	172	1,327
Cash flows from investing activities	Acquisition of subsidiary net of cash acquired	(444)	–	(444)
	Increase of existing shareholding in subsidiary	(7)	–	(7)
	Purchase of property, plant and equipment	(266)	–	(266)
	Proceeds from sale of assets	(11)	43	32
	Purchase of intangibles	(11)	–	(11)
	Net cash (used in)/generated from investing activities	(739)	43	(696)
Cash flows from financing activities	Repayment of borrowings	(476)	–	(476)
	Proceeds from share issue net of issue costs	1,263	–	1,263
	Dividend paid to non-controlling interest	(225)	–	(225)
	Repayment of capital element of finance leases	(245)	(141)	(386)
	Net cash generated from financing activities	317	(141)	176
	Net increase in cash and cash equivalents	733	74	807
	Cash and cash equivalents at the beginning of the year	118	(74)	44
	Cash and cash equivalents at the end of the year (note 28)	851	–	851

The notes on pages 22 to 63 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 2017	957	3,943	(1,924)	2,976	1,227	4,203
Actuarial loss	–	–	(66)	(66)	–	(66)
(Loss)/profit for the year	–	–	(532)	(532)	311	(221)
Total comprehensive (loss)/income for the year	–	–	(598)	(598)	311	(287)
Changes in ownership interest in a subsidiary	–	–	(34)	(34)	34	–
Dividend paid to non-controlling interest	–	–	–	–	(225)	(225)
Total distributions recognised directly in equity	–	–	(34)	(34)	(191)	(225)
Proceeds from shares issued net of costs	363	900	–	1,263	–	1,263
At 31 December 2017	1,320	4,843	(2,556)	3,607	1,347	4,954
Actuarial loss	–	–	(88)	(88)	–	(88)
(Loss)/profit for the year	–	–	(1,369)	(1,369)	493	(876)
Total comprehensive (loss)/ income for the year	–	–	(1,457)	(1,457)	493	(964)
Changes in ownership interest in a subsidiary	–	–	–	–	137	137
Dividend paid to non-controlling interest	–	–	–	–	(45)	(45)
Total distributions recognised directly in equity	–	–	–	–	92	92
Correction to opening position	–	52	–	52	–	52
Proceeds from shares issued net of costs	380	946	–	1,326	–	1,326
At 31 December 2018	1,700	5,841	(4,013)	3,528	1,932	5,460

Share capital comprises the nominal value of shares subscribed for.

Share premium represents the amount above nominal value received for shares issued, less transaction costs.

Retained earnings comprise accumulated comprehensive income for one year and prior periods attributable to the parent, less dividends paid.

Non-controlling interest represents the element of retained earnings which are not attributable to the owners of the parent.

The notes on pages 22 to 63 form part of the financial statements.

Consolidated and Company Statements of Changes in Equity

continued

Company

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	957	3,995	(1,640)	3,312
Actuarial loss	–	–	(66)	(66)
Profit for the year	–	–	301	301
Total comprehensive income for the year	–	–	235	235
Proceeds from shares issued net of costs	363	900	–	1,263
At 31 December 2017	1,320	4,895	(1,405)	4,810
Actuarial loss	–	–	(88)	(88)
Loss for the year	–	–	(5,720)	(5,720)
Total comprehensive loss for the year	–	–	(5,808)	(5,808)
Proceeds from shares issued net of costs	380	946	–	1,326
At 31 December 2018	1,700	5,841	(7,213)	328

The notes on pages 22 to 63 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 company limited by shares, 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 financial statements are to the year ended 31 December 2018 (2017: year ended 31 December 2017).

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 on a going concern basis under the historical cost convention 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 on page 16.

Notes to the Financial Statements continued

1. Accounting policies
continued

Standards and interpretations

The Group has adopted the following new standards, or new provisions of amended standards:

IFRS 9, *Financial instruments*;
IFRS 15, *Revenue from contracts with customers*;
Amendments to IAS7, *Disclosure initiative*;
Amendments to IFRS 2, *Classification and measurement of share based payment transactions*;
IFRIC interpretation on 22 foreign currency transactions and advance considerations;
Amendments to IAS40, *Transfers of investment property*;
Annual improvements to IFRSs 2014-2016 Cycle.

There has been no material impact on either amounts reported or disclosed in the financial statements arising from first time adoption.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been applied early by the Group. Management anticipates that the following pronouncements relevant to the Group's operations will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement, once adopted by the EU:

IFRS 16, *Leases* (effective 1 January 2019);
Amendments to IFRS 9, *Prepayment features with negative compensation* (effective 1 January 2019);
Amendments to IAS 19, *Employee Benefits Plan Amendment, Curtailment or Settlement* (effective 1 January 2019);
IFRIC 23, *Uncertainty over Income Tax Treatments* (effective 1 January 2019);
Annual improvements to IFRSs 2015-2017 Cycle (effective 1 January 2019).

Other than in respect of IFRS 16, the directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

With regards to IFRS 16, at 31 December 2018 the Group holds non-cancellable operating lease commitments totalling £2,387,000. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the directors are currently assessing it potential impact. A preliminary assessment indicates that the Group will recognise a right-of-use asset of £1,552,000 and a corresponding lease liability of £1,716,000 in respect of leases held. The impact on the Income Statement during the year ended 31 December 2018 would be estimated as £301,000 of depreciation and £158,000 of finance costs.

In contrast, for finance leases where the Group is a lessee, as the Group has already recognised an asset and a related finance lease liability for the lease arrangement, the directors do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Notes to the Financial Statements continued

1. Accounting policies continued

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. For subsidiaries entering administration the disposal date is taken to be the date the administrator is appointed.

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 within the relevant adjustment period.

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

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions; that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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.

Notes to the Financial Statements continued

1. Accounting policies continued

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 performance obligations 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, Hickton and Sunline are recognised in the accounting period in which the services are provided by reference to the performance obligations satisfied by the year end date. Performance obligations are clearly defined within each customer contract.

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 33% on a reducing balance basis
Motor vehicles:	Between three and 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.

Repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the period in which they are incurred.

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.

Notes to the Financial Statements continued

1. Accounting policies
continued

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. Customer lists are assessed to have indefinite life. When a decision is taken to terminate a product or a service, the related customer lists are amortised over the remaining life of the product or service. 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.

d) Licences for the distribution of certain products
Licences for the distribution of certain products are amortised evenly over three years.

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

Notes to the Financial Statements continued

1. Accounting policies
continued

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.

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 are not recognised in the Statement of Financial Position as the Group does not have an unconditional right to the refund of surpluses under the scheme.

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.

Exceptional items
Exceptional items are transactions that fall within the ordinary activities of the Company, but are presented separately due to their size or incidence.

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.

Notes to the Financial Statements continued

1. Accounting policies
continued

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased assets.

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 (see note 25).

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

Notes to the Financial Statements continued

1. Accounting policies
continued

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.

b) Cash and cash equivalents
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.

c) 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.

d) 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.

e) Borrowing costs
The Group has no borrowing costs with respect to the acquisition or construction of qualifying assets. All other borrowing costs are recognised as an expense as incurred and in accordance with the effective interest rate methods.

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.

	2018	2017
	£'000	£'000
Fixed rate instruments		
Liabilities	2,896	4,214
	2,896	4,214

	2018	2017
	£'000	£'000
Floating rate instruments		
Liabilities	966	1,512
	966	1,512

Notes to the Financial Statements continued

2. Financial risk management continued

2.1 Financial risk factors continued

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.

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 2018				
Trade and other payables	1,271	–	–	–
Other loans	1,340	272	292	331
Bank loans	513	112	–	–
Trade receivables backed working capital facilities	796	–	–	–
Hire purchase obligations	85	110	11	–
	4,005	494	303	331
At 31 December 2017				
Trade and other payables	2,150	313	–	–
Other loans	1,385	280	958	–
Bank overdrafts	520	–	–	–
Bank loans	275	455	–	–
Trade receivables backed working capital facilities	992	–	–	–
Hire purchase obligations	331	241	289	–
	5,653	1,289	1,247	–

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 2018 and 2017 were as follows:

	2018 £'000	2017 £'000
Total borrowings	3,057	4,103
Less: cash	(1,705)	(1,371)
Net debt	1,352	2,732
Total equity	5,460	4,954
Gearing ratio	25%	55%

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 party debt, excluding loan notes used to finance the Group's acquisitions. The prior year comparatives are also calculated on this basis.

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

The Directors make estimates and assumptions concerning the future. They are also required to exercise judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are assessed below:

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) Impairment of non-current assets
The Company assesses the impairment of tangible fixed assets subject to depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include the following:

– significant underperformance relative to historical or projected future operating results;

– significant changes in the manner of the use of the acquired assets or the strategy for the overall business; and

– significant negative industry or economic trends.

c) Depreciation and residual values
The Directors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that asset lives and residual values are appropriate.

The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projects' disposal values.

d) Carrying value of stocks
Management reviews the market value of and demand for its stocks on a periodic basis to ensure stock is recorded in the Financial Statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stocks. Management uses its knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the Company's products and achievable selling prices.

e) Recoverability of trade debtors
Trade and other debtors are recognised to the extent that they are judged recoverable. Management reviews are performed to estimate the level of reserves required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

Management makes allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of debtors and the charge in the Consolidated Statement of Comprehensive Income.

Notes to the Financial Statements continued

3. Critical accounting assumptions, judgements and estimates continued

f) Leases
Management must determine whether leases entered into by the Company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis based on an evaluation of the terms and conditions of the arrangements, and accordingly whether the lease requires an asset and liability to be recognised in the Consolidated Statement of Financial Position.

g) Taxation
There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due.

h) Deferred tax assets
Certain subsidiaries of the Group (principally Davies Odell) have accelerated capital allowances and brought forward tax losses. In the previous year deferred tax assets were 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. Due to the uncertainty around the level of future profits deferred tax assets have been written-off this year.

i) Retirement benefit liabilities
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 9 for further details.

Notes to the Financial Statements continued

4. Segmental analysis

The Chief Operating Decision-Maker ('CODM') of the Group is its Board. Each operating segment regularly reports its performance to the Board which, based on those reports, allocates resources to and assesses the performance of those operating segments.

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

Operating segments and their principal activities are as follows:

Aford Awards, a sports trophy and engraving company;

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

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

Friedman's, a convertor and distributor of specialist Lycra;

Hickton, including BRCS, a provider of services to the construction industry;

Sunline, a supplier of services to the direct mail market. The company entered administration on 13 June 2018 and is therefore shown as a discontinued operation in these financial statements.

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. All Group revenue is recognised at a point in time, rather than over a period in time, in line with the requirements of IFRS 15.

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) before exceptional costs. Other information provided to the Board is measured in a manner consistent with that in the financial statements.

i) Results by segment

	Aford Awards 2018 £'000	CEM Press 2018 £'000	Davies Odell 2018 £'000	Fried-man's 2018 £'000	Hickton 2018 £'000	Continuing operations 2018 £'000	Discont-inued operations Sunline 2018 £'000	Total 2018 £'000
Revenue	1,902	2,824	3,919	5,345	4,484	18,474	3,118	21,592
Expenses	(1,564)	(3,251)	(4,026)	(4,173)	(3,771)	(16,785)	(3,322)	(20,107)
Segmental result (EBITDA) before exceptional costs	338	(427)	(107)	1,172	713	1,689	(204)	1,485
Depreciation and amortisation charge	(13)	(68)	(58)	(179)	(6)	(324)	(146)	(470)
Exceptional items						–	(53)	(53)
Customer list impairment						(588)	–	(588)
Group costs						(386)	–	(386)
Net finance costs						(254)	(42)	(296)
Profit/(loss) before taxation						137	(445)	(308)
Taxation						(568)	–	(568)
Loss for the year						(431)	(445)	(876)

Notes to the Financial Statements continued

4. Segmental analysis continued

i) Results by segment continued

	Aford Awards 2017 £'000	CEM Press 2017 £'000	Davies Odell 2017 £'000	Fried-man's 2017 £'000	Hickton 2017 £'000	Continuing operations 2017 £'000	Discont-inued operations Sunline 2017 £'000	Total 2017 £'000
Revenue	1,907	2,414	3,804	5,053	3,748	16,926	6,675	23,601
Expenses	(1,579)	(2,724)	(3,771)	(3,855)	(3,301)	(15,230)	(6,451)	(21,681)
Segmental result (EBITDA) before exceptional costs	328	(310)	33	1,198	447	1,696	224	1,920
Depreciation and amortisation charge	(23)	(70)	(72)	(41)	(6)	(212)	(285)	(497)
Goodwill impairment						(847)	–	(847)
Group costs						(322)	–	(322)
Net finance costs						(114)	(95)	(209)
Profit on disposal of investments						10	–	10
Profit/(loss) before taxation						211	(156)	55
Taxation						(276)	–	(276)
Loss for the year						(65)	(156)	(221)

ii) Assets and liabilities by segment as at 31 December

	Segment assets 2018 £'000	Segment assets 2017 £'000	Segment liabilities 2018 £'000	Segment liabilities 2017 £'000	Segment net assets 2018 £'000	Segment net assets 2017 £'000
CEPS Group	**59**	41	**(1,623)**	(1,078)	**(1,564)**	(1,037)
Aford Awards	**1,762**	1,558	**(494)**	(346)	**1,268**	1,212
CEM Press	**1,090**	1,400	**(1,410)**	(1,627)	**(320)**	(227)
Davies Odell	**1,426**	1,974	**(966)**	(1,401)	**460**	573
Friedman's	**4,759**	3,860	**(1,017)**	(800)	**3,742**	3,060
Hickton	**3,487**	3,368	**(1,613)**	(1,942)	**1,874**	1,426
Sunline	**–**	2,777	**–**	(2,830)	**–**	(53)
Total – Group	**12,583**	14,978	**(7,123)**	(10,024)	**5,460**	4,954

Notes to the Financial Statements continued

5. Operating profit

	2018 £'000	2017 £'000
Operating profit is stated after charging/(crediting):		
Loss on disposal of property, plant and equipment	29	17
Exchange loss/(gain)	58	(46)
Other operating lease rentals on land and buildings and on plant and machinery	640	404

	2018 £'000	2017 £'000
Fees payable to the Company's auditor		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	27	22
Fees payable to the Company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	42	52
	69	74
Taxation compliance services	17	19
Taxation advisory services	2	–
Total fees	88	93

	2018 £'000	2017 £'000
Expenses by nature		
Raw materials and consumables	7,528	6,928
Employee benefit expenses	6,489	7,691
Depreciation and amortisation	470	497
Operating lease payments	640	380
Other expenses	5,836	7,004
	20,963	22,500

6. Exceptional items

	2018 £'000	2017 £'000
Exceptional loss		
Onerous lease provision	200	–
Profit on disposal of subsidiary	(147)	–
	53	–

The onerous lease provision arose on the disposal of the subsidiary in the year, with CEPS PLC being the guarantor of the remaining lease payments.

The profit on disposal of a subsidiary represents the net liabilities on entering administration, offset by the value of the non-controlling interest at disposal. For further information on the disposal please refer to note 17.

Notes to the Financial Statements continued

7. Employees

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

	2018 Number	2017 Number
Management and administration	53	71
Production and sales	161	215
	214	286

The aggregate costs of these persons were:

	2018 £'000	2017 £'000
Wages and salaries	5,839	6,956
Social security costs	537	591
Other pension costs (note 9)	113	144
	6,489	7,691

Key management personnel are deemed to be members of the Board and their compensation is shown in note 8.

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

	2018 Number	2017 Number
Management and administration	4	4

The aggregate costs of these persons were:

	2018 £'000	2017 £'000
Wages and salaries	136	125
Social security costs	21	10
	157	135

Notes to the Financial Statements continued

8. Directors' emoluments and interests

The aggregate remuneration of the directors was:

	2018 £'000	2017 £'000
Short-term employee benefits	136	125

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

	Salaries and fees 2018 £'000	Salaries and fees 2017 £'000
D A Horner	24	24
V E Langford	76	65
G C Martin	18	18
M D Pollard	18	18
	136	125

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 2018 shares	at 31 December 2017 shares
D A Horner	4,831,310	3,950,000
V E Langford	41,667	41,667
G C Martin	10,000	10,000
M D Pollard	689,376	689,376

D A Horner's (and close family) shareholding is made up as follows:

	at 31 December 2018 shares		at 31 December 2017 shares	
D A Horner	2,225,972		2,229,162	
Held by Charles Stanley & Co Rock (Nominees) Ltd on behalf of D A Horner's SIPP	970,838		970,838	
Held by Charles Stanley & Co Rock (Nominees) Ltd on behalf of D A Horner	84,500		–	
Mrs M C Horner (wife)	1,000,000		200,000	
H R Horner (son)	100,000		100,000	
T A Horner (son)	100,000		100,000	
Held by Charles Stanley & Co Rock (Nominees) Ltd on behalf of Mrs E Horner (mother)	350,000		350,000	
	4,831,310	28.4%	3,950,000	29.9%

M D Pollard is the beneficial owner of 522,709 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

9. 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 £113,000 (2017: £144,000). At 31 December 2018 £14,702 (2017: £3,440) of pension contributions remain outstanding.

The Group also operates a defined benefits scheme (Dinkie Heel Defined Benefit Pension 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 2016 and the main actuarial assumptions were investment returns of 2.3% before retirement and 2.3% after retirement. The valuation showed that the total value of the scheme assets was £4,444,000 and that the level of funding on an ongoing basis is 94%. At 27 September 2017 the Group agreed a recovery plan of £6,200 per month, an amount intended to restore a 100% funding level over four years and five months from the valuation date, which is by 30 November 2020.

With effect from 28 July 2017 CEPS PLC transferred the Dinkie Heel Defined Benefit Pension Scheme from Davies Odell Limited to CEPS PLC. This was an intra-Group transfer and there was no change in the overall liability of the CEPS Group. CEPS PLC was the existing guarantor of the scheme.

The Group commissioned an independent qualified actuary to update to 31 December 2018 the results of the actuarial valuation at 1 July 2016. The results of the update are as follows:

	2018	2017
Assumptions at 31 December		
Interest rate for discounting liabilities	2.60%	2.40%
Expected return on plan assets	2.60%	2.40%
RPI price inflation	3.30%	3.30%
CPI price inflation	2.60%	2.60%
Pensions increase	3.20%	3.20%
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	22.8	22.8
For a 65 year old female	24.5	24.5
For a 65 year old male, currently aged 45	24.1	24.0
For a 65 year old female, currently aged 45	25.2	25.2

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

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

Notes to the Financial Statements continued

9. Pension costs continued

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

	2018 £'000	2017 £'000
Amounts recognised in the statement of financial position are as follows:		
Fair value of plan assets	4,762	4,445
Present value of defined benefit obligation	(3,725)	(3,819)
Actuarial surplus not recognised	(1,037)	(626)
Net surplus	–	–

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

	2018 £'000	2017 £'000
Pension scheme finance income recognised in the Consolidated Statement of Comprehensive Income		
Interest on obligation	(91)	(100)
Interest income on plan assets	105	105
	14	5
Consolidated Statement of Comprehensive Income		
Financial assumption (loss)/gain	(11)	72
Actuarial (loss)/gain	(11)	72
Experience gains on assets	334	317
Movement in actuarial surplus not recognised	(411)	(455)
Total loss	(88)	(66)
Movement in Statement of Financial Position for the year		
Net pension liability at the start of the year	–	–
Employer's pension cost/(income)	8	(1)
Consolidated Statement of Comprehensive Income	(88)	(66)
Employer contributions	80	67
Net pension liability at the end of the year	–	–
Reconciliation of the defined benefit obligation		
Defined benefit obligation at the start of the year	3,819	3,894
Interest cost	91	100
Actuarial loss/(gain)	11	(72)
Benefits paid	(196)	(103)
Defined benefit obligation at the end of the year	3,725	3,819

The past service cost of £110,000 arising from the equalisation of male and female pay within the scheme during one year is not recognised in the Consolidated Statement of Comprehensive Income on the grounds of materiality. This is, however, reflected in the closing actuarial surplus not recognised of £1,037,000.

Notes to the Financial Statements continued

9. Pension costs continued

	2018 £'000	2017 £'000
Reconciliation of plan assets		
Fair value of plan assets at the start of the year	4,445	4,065
Expected return on plan assets	105	105
Experience gains on assets	334	317
Employer contributions	80	67
Non investment expenses	(6)	(6)
Benefits and expenses paid	(196)	(103)
Fair value of plan assets at the end of the year	4,762	4,445

	2018	2017
Asset categories at the end of the year		
Equities	39.0%	45.9%
Bonds	49.0%	47.4%
Property	11.1%	5.8%
Cash	0.9%	0.9%

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Amounts for the current and previous four years are as follows:					
Plan assets	4,762	4,445	4,065	3,740	3,348
Defined benefit obligation	(3,725)	(3,819)	(3,894)	(3,053)	(3,157)
Actuarial surplus not recognised	(1,037)	(626)	(171)	(687)	(191)
Deficit in scheme	–	–	–	–	–
Actuarial (loss)/gain on liabilities due to assumptions	(11)	72	(789)	150	(234)
Experience gains on assets	334	317	193	278	157
Movement in actuarial surplus not recognised	(411)	(455)	516	(496)	(10)
Total losses recognised for the year	(88)	(66)	(80)	(68)	(87)
Cumulative amount of gains and losses recognised in the Consolidated Statement of Comprehensive Income	(364)	(276)	(210)	(130)	(62)

Notes to the Financial Statements continued

10. Net finance costs

	2018 £'000	2017 £'000
Bank interest receivable	1	123
Pension scheme finance income (note 9)	14	5
Total finance income	15	128
Interest payable on bank loans and overdrafts	56	55
Interest payable on other loans	198	194
Amortisation of finance cost	15	15
Finance lease costs	42	73
Total finance costs	311	337
Net finance costs	296	209

Notes to the Financial Statements continued

11. Taxation

	2018 £'000	2017 £'000
Analysis of taxation in the year:		
Current tax		
Tax on profits of the year	323	317
Tax in respect of prior years	2	(21)
Total current tax	325	296
Deferred tax		
Current year deferred tax movement	237	(20)
Tax in respect of prior years	6	–
Total deferred tax	243	(20)
Total tax charge	568	276

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK (19%) (2017: 19%).

	2018 £'000	2017 £'000
Factors affecting current tax:		
(Loss)/profit	(308)	55
(Loss)/profit multiplied by the standard rate of UK tax of 19% (2017: 19%)	(59)	11
Effects of:		
Expenses not deductible	16	10
Expenses not deductible goodwill impairment	112	161
Capital allowances in excess of depreciation	4	(11)
Adjustment to tax in prior periods	8	(21)
Other timing differences	(5)	(40)
Deferred tax write-off	220	–
Deferred tax not recognised	272	166
Total tax charge	568	276

The standard rate of corporation tax in the UK changed to 19% with effect from 1 April 2017. Accordingly, the Group's profits for the previous accounting year are taxed at an effective rate of 19%. Current year profits have been taxed at the actual rate of 19%.

Reduction in the United Kingdom corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax balance has been calculated based on the rate of 17%.

There are unused trading losses within various subsidiaries. Please refer to the subsidiary accounts for further information.

Notes to the Financial Statements continued

12. Dividends

The Company had intended to undertake a capital reconstruction during 2018 which, if successful, would have facilitated the payment of future dividends. However, due to the failure of Sunline, no dividend was paid in 2018 (2017: £nil).

13. 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 £1,369,000 (2017: loss £532,000) and on 15,105,176 (2017: 12,951,576) ordinary shares, being the weighted number in issue during the year.

Basic earnings per share for continuing operations is calculated on the loss for the year after taxation attributable to owners of the parent of £946,000 (2017: loss £407,000) and on 15,105,176 (2017: 12,951,576) ordinary shares, being the weighted number in issue during the year. Basic earnings per share for discontinued operations is calculated on the loss for the year after taxation attributable to owners of the parent of £423,000 (2017: loss £125,000) and on 15,105,176 (2017: 12,951,576) ordinary shares, being the weighted number in issue during the year.

14. Profit of the holding company

Of the Group loss for the year a loss of £5,808,000 (2017: profit of £301,000) is dealt with in the financial statement 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

15. Property, plant and equipment

Group

	Leasehold property improvements £'000	Plant, machinery, tools and moulds £'000	Motor vehicles £'000	Total £'000
Cost				
at 1 January 2017	178	6,466	155	6,799
Additions at cost	15	380	21	416
Assets acquired on purchase of a subsidiary	21	45	–	66
Disposals	–	(64)	(28)	(92)
at 31 December 2017	214	6,827	148	7,189
Additions at cost	316	581	32	929
Disposals	(146)	(4,648)	(142)	(4,936)
at 31 December 2018	**384**	**2,760**	**38**	**3,182**
Accumulated depreciation				
at 1 January 2017	125	4,149	106	4,380
Assets acquired on purchase of a subsidiary	21	33	–	54
Charge for the year	9	452	17	478
Disposals	–	(20)	(23)	(43)
at 31 December 2017	155	4,614	100	4,869
Charge for the year	32	340	40	412
Disposals	(108)	(2,867)	(115)	(3,090)
at 31 December 2018	**79**	**2,087**	**25**	**2,191**
Net book amount				
at 31 December 2018	**305**	**673**	**13**	**991**
at 31 December 2017	59	2,213	48	2,320

At the year end, assets held under hire purchase contracts and capitalised as plant, machinery, tools and moulds have a net book value of £290,000 (2017: £1,479,000) and an accumulated depreciation balance of £2,410,000 (2017: £2,194,000).

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

Company

Throughout 2017 and 2018 the Company held no property, plant and equipment.

Notes to the Financial Statements continued

16. Intangible assets

Group

	Goodwill £'000	Customer lists £'000	Other £'000	Total £'000
Cost				
at 1 January 2017	8,415	590	89	9,094
Acquisition	535	182	–	717
Additions at cost	–	–	11	11
at 31 December 2017	8,950	772	100	9,822
Additions at cost	–	–	150	150
Fair value adjustment	(363)	–	–	(363)
Disposals	(2,981)	–	–	(2,981)
at 31 December 2018	5,606	772	250	6,628
Accumulated amortisation and impairment				
at 1 January 2017	3,311	1	44	3,356
Amortisation charge	–	4	15	19
Impairment	847	–	–	847
at 31 December 2017	4,158	5	59	4,222
Amortisation charge	44	4	10	58
Impairment	–	588	–	588
Disposals	(2,981)	–	–	(2,981)
at 31 December 2018	1,221	597	69	1,887
Net book amount				
at 31 December 2018	4,385	175	181	4,741
at 31 December 2017	4,792	767	41	5,600

Company

	Goodwill £'000	Customer lists £'000	Other £'000	Total £'000
Cost				
at 1 January 2017, 31 December 2017 and 31 December 2018	80	–	17	97
Accumulated amortisation				
at 1 January 2017, 31 December 2017 and 31 December 2018	80	–	17	97
Net book amount				
at 31 December 2018				
at 31 December 2017	–	–	–	–

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 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.

Notes to the Financial Statements continued

16. Intangible assets
continued

Impairment tests for goodwill and intangible assets

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	Total £'000
at 1 January 2017	1,051	1,435	1,528	1,679	5,693
Acquisition of subsidiary	–	–	–	535	535
Additions – customer list	–	–	11	182	193
Amortisation charge	(4)	–	(11)	–	(15)
Impairment	–	(847)	–	–	(847)
at 31 December 2017	1,047	588	1,528	2,396	5,559
Fair value adjustment	–	–	–	(363)	(363)
Amortisation charge	(4)	–	(44)	–	(48)
Impairment	–	(588)	–	–	(588)
at 31 December 2018	**1,043**	**–**	**1,484**	**2,033**	**4,560**

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 9.36% (2017: 9.95%), 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	
	2018 %	2017 %	**2018 %**	2017 %	**2018 %**	2017 %
Aford Awards	**1.0**	3.0	**32.2**	31.6	**1.0**	1.0
CEM Press	**4.7**	2.0	**33.0**	34.0	**0.0**	1.0
Friedman's	**3.0**	5.0	**45.0**	42.0	**2.0**	2.0
Hickton	**2.0**	2.0	**40.6**	41.1	**1.0**	1.0

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

In respect of Aford Awards, 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 31 December 2018 an impairment charge of £588,000 was taken against the carrying amount of customer lists related to CEM Press. This reflected the challenging economic trading environment of the pattern book market in which the business was operating.

Notes to the Financial Statements continued

17. Investments

Company

	Shares in Group subsidiaries £'000	Loans to Group subsidiaries £'000	Total investments in subsidiaries £'000
Cost			
at 1 January 2017	352	3,277	3,629
Adjustment	(1)	–	(1)
Acquisition	7	–	7
at 31 December 2017	358	3,277	3,635
Disposals	(80)	(1,370)	(1,450)
Repayment	–	(163)	(163)
at 31 December 2018	278	1,744	2,022
Accumulated amortisation and impairment			
at 1 January 2017 and 31 December 2017	–	–	–
Impairment	80	592	672
at 31 December 2018	80	592	672
Net book amount			
at 31 December 2018	198	1,152	1,350
at 31 December 2017	358	3,277	3,635

The loans to Group subsidiaries' balance is represented by 8% loan stock which has no set repayment date. Repayments will only be requested when surplus cash is available.

On 13 June 2018 Sunline entered administration and as a result the £80,000 of shares and £1,370,000 of loan notes were written off to the Statement of Comprehensive Income.

At 31 December 2018 an impairment charge of £80,000 against shares and £592,000 in respect of loan notes was made for CEM Press due to continued losses.

Notes to the Financial Statements continued

17. Investments continued

Investments in subsidiary companies are stated at cost less provision for impairment. 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	70%	Non-wholly
BRCS (Building Control) Limited *Provider of building control services* Amber Court, 51 Church Street, Elsecar, Barnsley, South Yorkshire S74 8HT	England	52%	Non-wholly
CemTeal Limited *Holding company for CEM Press Holdings Limited* 11 Laura Place, Bath BA2 4BL	England	80%	Non-wholly
CEM Press Holdings Limited *Holding company for CEM Group Limited* 11 Laura Place, Bath BA2 4BL	England	78%	Non-wholly
CEM Group Limited *Holding company for C.E.M. Press Limited* Teal Close, Victoria Business Park, Netherfield, Nottingham NG24 2PE	England	78%	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	78%	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* Unit E, Altrincham Business Park, 3 Tudor Road, Cheshire WA14 5RZ	England	55%	Non-wholly
Friedman's Limited *Conversion and distribution of specialist Lycra* Unit E, Altrincham Business Park, 3 Tudor Road, Cheshire WA14 5RZ	England	55%	Non-wholly
Hickton Holdings Limited *Holding company for Hickton Consultants Limited* Amber Court, 51 Church Street, Elsecar, Barnsley, South Yorkshire S74 8HT	England	52%	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	52%	Non-wholly
Sunline Direct Mail (Holdings) Limited *Holding company for Sunline Direct Mail Limited* *Entered administration on 13 June 2018 and shown as a discontinued operation* 11 Laura Place, Bath BA2 4BL	England	80%	Non-wholly
Sunline Direct Mail Limited *Entered administration on 13 June 2018 and shown as a discontinued operation* 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	100%	Wholly
Phillips Rubber Limited* *Dormant company* 11 Laura Place, Bath BA2 4BL	England	100%	Wholly
Farmat Limited* *Dormant company* 11 Laura Place, Bath BA2 4BL	England	100%	Wholly
Davies and Company Limited* *Dormant company* 11 Laura Place, Bath BA2 4BL	England	100%	Wholly

* These entries are excluded from the consolidation on the basis that they are dormant.

The non-controlling interests disclosed below are considered to be material based on percentage holding and performance contributed to the Group.

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	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
As at 31 December				
Current				
Assets	**2,525**	2,113	**1,439**	1,249
Liabilities	**(855)**	(785)	**(1,117)**	(537)
Total current net assets	**1,670**	1,328	**322**	712
Non-current				
Assets	**2,235**	1,747	**2,048**	2,119
Liabilities	**(163)**	(15)	**(496)**	(1,404)
Total non-current net assets	**2,072**	1,732	**1,552**	715
Net assets	**3,742**	3,060	**1,874**	1,427

Notes to the Financial Statements continued

17. Investments continued

Statement of Comprehensive Income	Signature Fabrics Group 2018 £'000	Signature Fabrics Group 2017 £'000	Hickton Holdings Group 2018 £'000	Hickton Holdings Group 2017 £'000
For year ended 31 December				
Revenue	5,345	5,053	4,484	3,748
Profit before income tax	988	1,153	636	373
Income tax expense	(170)	(192)	(127)	(52)
Post-tax profit from continuing operations	818	961	509	321
Total comprehensive income	818	961	509	321
Total comprehensive income allocated to non-controlling interests	368	433	242	147
Dividends paid to non-controlling interests	45	225	–	–

Summarised cash flows	Signature Fabrics Group 2018 £'000	Signature Fabrics Group 2017 £'000	Hickton Holdings Group 2018 £'000	Hickton Holdings Group 2017 £'000
Cash flows from operating activities				
Cash generated from operations	1,170	796	148	763
Interest paid	(6)	(3)	(65)	(79)
Income tax paid	(193)	(160)	(79)	(61)
Net cash generated from operating activities	971	633	4	623
Net cash used in investing activities	(694)	(115)	(32)	(538)
Net cash (used in)/generated from financing activities	(61)	(225)	(119)	6
Net increase in cash, cash equivalents and bank overdrafts	216	293	(147)	91
Cash, cash equivalents and bank overdrafts at beginning of year	849	556	227	136
Cash, cash equivalents and bank overdrafts at end of year	1,065	849	80	227

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 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Raw materials and consumables	440	537	–	–
Work in progress	17	17	–	–
Finished goods and goods for resale	1,358	1,216	–	–
	1,815	1,770	–	–

The cost of inventories recognised as an expense and included in cost of sales amounted to £7,528,000 (2017: £6,928,000).

Notes to the Financial Statements continued

19. Trade and other receivables

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade receivables	2,738	2,844	–	–
less: provision for impairment of trade receivables	(13)	(13)	–	–
Trade receivables – net	2,725	2,831	–	–
Amount due from subsidiary companies	–	–	541	2,210
Other receivables	94	143	8	–
Prepayments and accrued income	512	717	4	7
	3,331	3,691	553	2,217

As at 31 December 2018, trade receivables of £1,006,000 (2017: £1,104,000) were fully performing.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2018, trade receivables of £1,718,000 (2017: £1,670,000) 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 2018 trade receivables of £230,000 (2017: £57,000) were impaired. A significant portion of the receivables is expected to be recovered and a provision of £13,000 (2017: £13,000) 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:

	2018 £'000	2017 £'000
3 to 6 months	216	57
Over 6 months	14	–
	230	57

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

	2018 £'000	2017 £'000
Sterling	2,505	2,831
Euro	126	13
US $	93	–
	2,724	2,844

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:

	2018 £'000	2017 £'000
At 1 January	13	17
Provision for receivables impairment	–	4
Receivables written off during the year	–	(8)
At 31 December	13	13

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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Non-current:				
Deferred consideration	–	313	–	–
	–	313	–	–
Current:				
Trade payables	1,126	1,896	–	–
Other tax and social security	745	662	2	2
Deferred consideration	145	254	–	–
Other payables	253	210	200	–
Accruals and deferred income	656	534	111	76
	2,925	3,556	313	78
Total trade and other payables	2,925	3,869	313	78

At the end of the year contingent consideration of £145,000 (2017: £567,000) was payable relating to the acquisition of BRCS (Building Control) Limited on 18 May 2017. During the year this balance was adjusted down to fair value with £363,000 adjusted against goodwill (see note 16). An element was repaid in May 2018 and the remaining £145,000 is included within creditors due within one year and is due to be repaid on 18 May 2019. Amounts are contingent on performance over the two year period and therefore represent the best estimate at the year end date.

Notes to the Financial Statements continued

21. Borrowings

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Non-current:				
Bank loans	112	455	–	–
Other loans	895	1,238	–	–
Hire purchase obligations	121	530	–	–
	1,128	2,223	–	–
Current:				
Bank overdraft	–	520	–	–
Bank loans	513	275	–	–
Trade receivables backed working capital facilities	796	992	–	–
Other loans	1,340	1,385	1,310	1,000
Hire purchase obligations	85	331	–	–
	2,734	3,503	1,310	1,000
Total borrowings	3,862	5,726	1,310	1,000

Bank borrowings and overdrafts are secured by fixed and floating charges over the assets of the subsidiaries 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.

Obligations under hire purchase contracts are secured against the assets to which they relate.

At 31 December 2018 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	–	395	395
Davies Odell	350	229	579
Hickton	275	172	447
	625	796	1,421

At 31 December 2017 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	211	–	211
Davies Odell	608	290	898
Hickton	430	–	430
Sunline	1	702	703
	1,250	992	2,242

Notes to the Financial Statements continued

21. Borrowings continued

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

	2018		2017	
	Bank £'000	Hire purchase £'000	Bank £'000	Hire purchase £'000
Within one year	1,309	85	1,787	331
Between one and two years	112	110	455	241
Between two and five years	–	11	–	289
	1,421	206	2,242	861

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.

Other loans include £223,000 of 7% Vendor Loan Notes and £108,000 of 7% Shareholder Loan Notes in CemTeal. The Vendor Loan Notes and Shareholder Loan Notes are repayable on demand, subject to cash availability.

Also included within other loans are £384,000 of Shareholder Loan Notes in Hickton Holdings which are unsecured and attract interest at 8% per annum. Amounts are repayable by quarterly installments between 31 March 2020 and 31 July 2022.

There are £90,000 of Shareholder Loan Notes in Aford Awards Holdings which are unsecured, attract interest at 8% per annum and are repayable on demand as there is no set repayment date.

Within CEPS PLC are other loans of £1,310,000 due to a company under common control. The total available facility is £2,000,000. Amounts were initially repayable by 31 March 2019 at the latest. However, post year end on 22 February 2019 the repayment date has been extended to 31 March 2020. Amounts due attract interest at 5% per annum. The loan is unsecured, but guaranteed by a director, see note 27.

There are £120,000 of other loans payable by Signature Fabrics to a director of the company. Amounts are unsecured, attract interest at 5% per annum and are repayable in monthly installments ending 31 July 2022.

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

	2018 £'000	2017 £'000
Not more than one year	95	390
Between one and two years	74	280
Between two and five years	77	316
	246	986
Finance charge	(40)	(125)
Present value of hire purchase agreement liabilities	206	861

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 2018

Assets as per Statement of Financial Position	Loans and receivables £'000
Trade and other receivables (excluding prepayments and accrued income)	2,819
Cash and cash equivalents	1,705
Total	4,524

Liabilities at amortised cost as per Statement of Financial Position	Other financial liabilities £'000
Bank borrowings (excluding hire purchase obligations)	1,421
Hire purchase obligations	206
Trade and other payables (excluding statutory liabilities)	1,126
Other loans	2,235
Total	4,988

Group
31 December 2017

Assets as per Statement of Financial Position	Loans and receivables £'000
Trade and other receivables (excluding prepayments and accrued income)	2,974
Cash and cash equivalents	1,371
Total	4,345

Liabilities at amortised cost as per Statement of Financial Position	Other financial liabilities £'000
Bank borrowings (excluding hire purchase obligations)	2,242
Hire purchase obligations	861
Trade and other payables (excluding statutory liabilities)	1,895
Other loans	2,623
Total	7,621

The Group's assets in both the current and prior year are categorised as cash and cash equivalents and receivables. The Group'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	2018 £'000	2017 £'000
CEPS Group	12	6
Aford Awards	91	145
CEM Press	751	445
Davies Odell	548	785
Friedman's	570	502
Hickton	1,359	717
Sunline	–	1,091
	3,331	3,691

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 £1,705,000 (2017: £1,371,000) 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+.

Notes to the Financial Statements continued

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 2017, asset/(liability)	182	(30)	(12)	140
Credit/(debit) to the Consolidated Statement of Comprehensive Income	7	(4)	17	20
Arising on acquisition of a subsidiary	–	–	(5)	(5)
at 31 December 2017, asset/(liability)	189	(34)	–	155
Credit/(debit) to the Consolidated Statement of Comprehensive Income	(189)	31	(85)	(243)
at 31 December 2018, liability	**–**	**(3)**	**(85)**	**(88)**

The deferred income tax is split in the Consolidated Statement of Financial Position between a deferred tax asset of £nil (2017: £226,000) and a deferred tax liability of £88,000 (2017: £71,000). 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.

Due to uncertainty around the level of future profits in relation to certain subsidiaries the deferred tax asset carried in respect of losses was written-off in the year.

Notes to the Financial Statements continued

24. Provisions for liabilities

	Dilapidations £'000
At 1 January 2017	112
Release of provision in year	(12)
At 31 December 2017	100
Release of provision in year	(100)
At 31 December 2018	–

These amounts are expected to be settled as follows:

	2018 £'000	2017 £'000
Current	–	50
Non-current	–	50
	–	100

Dilapidations
Dilapidation provisions were carried against the costs anticipated on termination of property leases. The leases to which these provisions related were terminated in one year and amounts were settled in full.

25. Share capital and share premium

	Number of shares	Ordinary shares £'000	Share premium £'000	Total £'000
At 1 January 2017	9,573,822	957	3,943	4,900
Shares issued	3,626,118	363	907	1,270
Transaction costs	–	–	(7)	(7)
At 31 December 2017	13,199,940	1,320	4,843	6,163
Shares issued	3,800,060	380	950	1,330
Transaction costs	–	–	(4)	(4)
Correction to opening position	–	–	52	52
at 31 December 2018	**17,000,000**	**1,700**	**5,841**	**7,541**

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:

	2018 £'000	2017 £'000
Land and buildings:		
within one year	377	901
within two to five years	1,314	2,145
after more than five years	696	920
	2,387	3,966

Notes to the Financial Statements continued

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 Holdings Limited £'000	Sunline Direct Mail (Holdings) Limited £'000
Receipt of equity share dividend						
– 2018	–	–	–	55	–	–
– 2017	–	–	–	275	–	–
Receipt of preference share dividend						
– 2018	–	–	–	–	–	–
– 2017	–	–	–	–	–	26
Receipt of loan interest						
– 2018	51	111	12	–	49	–
– 2017	56	69	7	–	49	93
Receipt of management charge income						
– 2018	20	–	15	35	13	1
– 2017	20	–	15	35	13	15
Amount owed to the Company						
– 31 December 2018	537	–	534	–	623	–
– 31 December 2017	700	1,593	153	–	627	2,414
Loans and investments written-off or impaired						
– 2018	–	2,719	–	–	–	2,702
– 2017	–	–	–	–	–	–

At the year end the parent company owed £1,310,000 to an entity under common control and interest of £29,000 (2017: £nil) was charged on this loan during the year. The loan is guaranteed by D A Horner.

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

Key management personnel's remuneration is shown in note 8.

At the year end amounts owed to directors of subsidiary companies and their close family members in respect of acquisition loan notes amounted to £277,000 (2017: £277,000). Interest paid on these loans in the year amounted to £22,000 (2017: £19,000).

At the year end amounts owed to a director of a subsidiary company in relation to a loan amounted to £120,000. Interest paid on this loan in the year amounted to £3,000 (2017: £nil).

At the year end the total amounts owed by a director shareholder of a subsidiary company was £70,000 (2017: £70,000) in respect of unpaid share capital and associated expenses.

During the year a subsidiary company paid rent on a property amounting to £21,000 (2017: £14,000) to a pension scheme in which certain subsidiary directors are trustees.

During the year a subsidiary company purchased goods totalling £362,000 (2017: £1,265,000) from entities under the control of one of the subsidiary directors. At the year end the subsidiary company owed £56,000 (2017: £208,000) to these entities. All transactions were conducted under normal commercial terms.

Notes to the Financial Statements continued

28. Cash and cash equivalents

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Cash at bank and in hand	1,705	1,371	48	36
Bank overdrafts repayable on demand	–	(520)	–	–
	1,705	851	48	36

29. Changes in liabilities arising from financing activities

	1 January 2018 £'000	Cash flows £'000	Non-cash changes £'000	31 December 2018 £'000
Current				
Borrowings	3,172	(241)	(282)	2,649
Finance lease obligations	331	(234)	(12)	85
Non-current				
Borrowings	1,693	–	(686)	1,007
Finance lease obligations	530	–	(409)	121
	5,726	(475)	(1,389)	3,862

Non-cash changes relate largely to the disposal of Sunline on administration.

30. Post balance sheet event

Acquisition of Sampling International

On 27 March 2019 CemTeal Limited purchased 100% of the share capital of Travelfast Limited, which trades as Sampling International, for a consideration of £9. There is the potential for further consideration to be paid, dependent on performance of the company, with a maximum consideration of £1,200,009. The remaining consideration is payable over a three-year period from the completion date.

Notes to the Financial Statements continued
Group Information

Directors	D A Horner, Chairman V E Langford, Group Finance G C Martin, Non-executive D E Johnson, 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; email orders@afordawards.co.uk; www.afordawards.co.uk
	BRCS (Building Control) Limited Synergy Centre, 5 Hoffmanns Way, Chelmsford CM1 1GU telephone 01245 350937; email info@brcs.co.uk; www.brcs.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 email info@daviesodell.co.uk; www.forcefieldbodyarmour.com email info@davieskett.co.uk; www.equimat.co.uk
	Friedman's Limited Unit E, Altrincham Business Park, 3 Tudor Road, Cheshire WA14 5RZ telephone 0161 975 9002; email info@friedmans.co.uk; www.friedmans.co.uk; www.funkifabrics.com; www.alexandermaverick.co.uk
	Hickton Consultants Limited Amber Court, 51 Church Street, Elsecar, Barnsley, South Yorkshire S74 8HT telephone 01226 743959; email info@hickton.co.uk; www.hickton.co.uk
	Travelfast Limited trading as Sampling International Unit 11, Grange Road Industrial Estate, Grange Road, Batley WF17 6LN telephone 01924 477778; email enquiries@samplingint.co.uk; www.samplingint.co.uk
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 auditor	PKF Cooper Parry Group Limited Sky View, Argosy Road, East Midlands Airport, Castle Donington, Derby DE74 2SA
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

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 17 June 2019 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 2018 together with the Directors' Report and Auditor's Report on those accounts.

2 To re-appoint D A Horner as a director, being a director who retires by rotation pursuant to Article 72 of the Company's articles of association (the Articles').

3 To re-appoint G C Martin as a non-executive director, being a director who retires by rotation pursuant to Article 72 of the Articles.

4 To re-appoint D E Johnson as a non-executive director, being a director who, having been appointed by the directors since the previous Annual General Meeting, retires pursuant to Article 71.1 of the Articles.

5 To re-appoint PKF Cooper Parry Group Limited, Chartered Accountants and Statutory Auditor, as auditor 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 auditor's 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 £1,700,000, 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 7 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 7 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

Notice of Meeting continued

Annual General Meeting
continued

8 continued

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.

8.2 otherwise than pursuant to sub-paragraph 8.1 above up to an aggregate nominal amount of £1,700,000 (such shares representing 100% of the Company's issued ordinary capital as at the date of this notice), and shall expire at the commencement of the next Annual General Meeting held after the date of the passing of this resolution, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired.

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 1,700,000 (such shares representing 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(6) of the Market Abuse Regulation, (EU) No 596/2014 (as amended); 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
7 May 2019

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 13 June 2019 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.