



**Half-Yearly Report
to Shareholders 2023**

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Chairman's Statement

The country, both the public and businesses, have in the main recovered from the problems caused by the Coronavirus pandemic. The painful price pressures brought on by the problems caused by the Russian invasion of the Ukraine are also abating as supply chains catch up with the rapidly changing market.

The general poor understanding of how inflation 'works' has been clearly exposed in the general media as the passage of time will, in the end, cause inflation to decline to normal levels. This of course begs the question as to what is normal! Periodically over the past 15 years some observers have been very concerned about the spectre of deflation in the United Kingdom. Other analysts have put forward strong views that some inflation is a positive for a healthy economy. This recent inflation spike was caused principally by a very rapid rise in energy prices and food prices. Both were caused by supply shortages rather than excess demand. A look at a graph for spot gas prices over the past five years shows that prices have declined to the level prevailing in April 2021. Going back 25 years, spot rates are the same level as they were in August 1999. In addition, the recent strengthening of Sterling, in particular against the US Dollar, also helps in the battle against inflation.

Raising interest rates has always been used as part of the Treasury's response to curbing inflation. However, over the past 30 years the percentage of mortgages on fixed term rates has risen from almost nil to about 80% of the market. Consequently, any change in interest rates, which always has a lagged effect, is now even slower in its impact. In fact, for the large number of people who have cash savings and no debt, the raising of interest rates has been highly beneficial.

I suspect that over the next 16 months the state of play in the UK will be much improved on where things sit today. Growth in GDP, whilst weak, is beating the experts' forecasts with the IMF and Bank of England having to revise their estimates upwards. The United Kingdom, forecast by these august bodies to be bottom of the G7

growth tables, appears to be continually confounding views.

Review of the period

We remain pleased with the ongoing progress being made by the CEPS Group. Despite the general depressing tone of the mass media, the BBC, the Bank of England and the IMF, we are hoping for a background of steadily improving macroeconomic conditions for the rest of the year and with this state continuing into 2024. However, whilst our companies have continued to make progress, the outlook for the future, whilst a war is being fought on the eastern edge of Europe, remains uncertain.

Reports across many sectors and from many businesses is that input cost inflation has abated such that it is now seen to be a 2022 problem. With a very modest uptick in unemployment over the past three months and a very gradual return to work of the 'economically inactive' the shortage of available labour appears to be abating.

Operational review

Aford Awards

The company has continued its organic development. In addition, the integration of the business and assets of Impact Promotional Merchandise, acquired last year, has made a big difference to the strength, breadth, and depth of the company. In common with the developments in the Hickton Group last year, Aford Awards had been effectively overtrading off its historical structure for several years and consequently was finding growth very hard to achieve. With the recent acquisitions, the company has had to add more overhead and operational structure to put it in a position where it can manage its growth in the future in a controlled manner.

The maximum interim deferred payment of £210,000 was paid to the vendor of the business of Impact Promotional Merchandise on 14 March 2023. A further four payments will be made amounting to a maximum total of £240,000 over the next 18 months.

Chairman's Statement continued

Friedman's including Milano International

Friedman's has produced a further growth in sales with profits to match. Milano has also started to grow revenue and EBITDA contribution. Both Friedman's and Milano have outperformed budgeted expectations.

Having been highly dependent on the senior management, steps are being taken to broaden and deepen the management function as appropriate for a company of its size and ambition.

Hickton Group

The Hickton Group has had an excellent first six months of this financial year with sales, gross profit and EBITDA being ahead of budget.

On 6 July 2023, the Company purchased a further 1.4% (1,625 shares) of Hickton Group and £56,884 8% Investor Loan Notes for £58,509, taking its shareholding from 52.4% to 53.8%. This is of course a very low risk way of CEPS PLC achieving growth by acquisition.

Vale Brothers

The company has continued to struggle, in common with all its competitors, as demand for its products has been very weak. Further restructuring is taking place to 'right-size' the business for the prevailing demand.

Financial review

It is pleasing that sales for the Group for the first six months of 2023 at £15.05m were solidly up on the comparable period in 2022 of £12.99m, an increase of 15.9%.

Aford Awards generated revenue of £1.99m for the first six months of 2023 compared to £1.56m for the same period in 2022. The segmental result, presented as EBITDA, was £393,000 in H1 2023 compared to £410,000 in the same period in the previous year. As highlighted above in the operational review, more overhead has been put in place and it is expected that the benefit of this will be seen in the second half.

Revenue from Friedman's and Milano International was £3.52m in H1 2023 compared to £3.19m in H1 2022, with a return to more normal trading conditions. EBITDA also improved from £227,000 in H1 2021 to £545,000 in H1 2023.

Hickton Group's revenue in H1 2023 increased to £9.55m from £8.24m in the same period of 2022. The CEPS Board is very pleased with the recovery in Hickton and can confirm that the issues of the second half of last year have been resolved. Consequently, EBITDA has increased from £820,000 in the first six months of 2022 to £1.01m in H1 of 2023.

The operating profit for CEPS Group increased by 47.3% from £930,000 in H1 2022 to £1.37m in H1 2023. Included within operating profit are CEPS Group costs which have increased to £188,000 for the six months (2022: £167,000). Part of this increase can be explained by the fact that the Head Office operation is now run from its own offices in Bath. Increased professional costs account for the rest of the increase.

Vale Brothers has reported a loss for the period to June 2023. The Group, as at 31 December 2022, was carrying a £nil investment in respect of its shareholding and £nil for the loan notes receivable from this associate and has no contractual commitment to provide any further funding. Consistent with this position, the Group is not required to account for a share of this loss and has, therefore, included £nil in the results. As stated above, further action is being taken to restructure the business.

Net finance costs have increased slightly period-on-period from £344,000 in H1 2022 to £393,000 in H1 2023. Much of the debt is on fixed rate terms and, as cash generation increases, overall debt is expected to decline and, consequently, the finance charge is expected to reduce.

The corporation tax charge of £184,000 (H1 2022: £67,000) is primarily a provisional charge on the profits generated by the Hickton Group.

Chairman's Statement continued

Profit after tax for the period was £793,000 compared to £460,000 for the first six months of 2022. This has resulted in an improved earnings per share attributable to owners of the parent of 1.93p (H1 2022: 1.07p).

The Group saw an improvement in net cash generated from operating activities between the two periods. This amounted to £2.01m in H1 2023 and £825,000 in H1 2022. Net debt has also fallen from £6.08m at 30 June 2022 to £5.67m at 30 June 2023. Both these factors explain the improvement in the gearing ratio from 158% at 30 June 2022 to 107% at 30 June 2023. As at 30 June 2023 CEPS Group had £1.49m cash and cash equivalents (excluding bank overdrafts) (H1 2022: £1.74m).

Dividend

The Board remains keen to recommence the payment of dividends after a very long time of non-payment. However, this will need a balance sheet reconstruction to allow this to happen as the first step in this process. Proposals to effect this will be put forward to shareholders in the near future.

Prospects

The Board is pleased to see the progress for the first six months evidenced in these interim accounts during a period of relative trading normality, as compared to recent years. Whilst the macro position is uncertain, the CEPS Group of companies have clear objectives and are set up to continue to improve their performance. The management teams are showing determination and resilience to ensure that their companies emerge from the current difficulties in a better place in their markets.



David Horner
Chairman
4 September 2023

Consolidated Statement of Comprehensive Income

	Unaudited 6 months to 30 June 2023 £'000	Unaudited 6 months to 30 June 2022 £'000	Audited 12 months to 31 December 2022 £'000
Revenue	3 15,054	12,988	26,449
Cost of sales	<u>(8,867)</u>	<u>(7,652)</u>	<u>(15,538)</u>
Gross profit	6,187	5,336	10,911
Other operating income	20	24	47
Administration expenses	<u>(4,837)</u>	<u>(4,430)</u>	<u>(8,835)</u>
Operating profit	3 1,370	930	2,123
Analysis of operating profit			
Trading	1,538	1,073	2,476
Other operating income	20	24	47
Group costs	<u>(188)</u>	<u>(167)</u>	<u>(400)</u>
	<u>1,370</u>	<u>930</u>	<u>2,123</u>
Share of associate loss	–	(59)	(66)
Net finance costs	<u>(393)</u>	<u>(344)</u>	<u>(711)</u>
Profit before tax	977	527	1,346
Taxation	<u>(184)</u>	<u>(67)</u>	<u>(270)</u>
Profit for the period	<u>793</u>	<u>460</u>	<u>1,076</u>
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gain on defined benefit pension plans	–	–	54
Other comprehensive income for the period, net of tax	<u>–</u>	<u>–</u>	<u>54</u>
Total comprehensive income for the period	<u>793</u>	<u>460</u>	<u>1,130</u>
Income attributable to:			
Owners of the parent	405	224	460
Non-controlling interest	<u>388</u>	<u>236</u>	<u>616</u>
	<u>793</u>	<u>460</u>	<u>1,076</u>
Total comprehensive income attributable to:			
Owners of the parent	405	224	514
Non-controlling interest	<u>388</u>	<u>236</u>	<u>616</u>
	<u>793</u>	<u>460</u>	<u>1,130</u>
Earnings per share attributable to owners of the parent during the period			
basic and diluted	4 <u>1.93p</u>	<u>1.07p</u>	<u>2.19p</u>

The notes on pages 9 to 12 form part of the half-yearly results.

Consolidated Statement of Financial Position

		Unaudited as at 30 June 2023 £'000	Unaudited as at 30 June 2022 £'000	Audited as at 31 December 2022 £'000
Assets				
	Non-current assets			
	Property, plant and equipment	5 1,098	693	671
	Right-of-use assets	5 1,857	1,850	1,694
	Intangible assets	11,649	11,830	11,728
	Investment in associate	–	7	–
		<u>14,604</u>	<u>14,380</u>	<u>14,093</u>
	Current assets			
	Inventories	2,296	1,781	2,138
	Trade and other receivables	4,840	4,145	4,006
	Cash and cash equivalents (excluding bank overdrafts)	1,488	1,743	1,284
		<u>8,624</u>	<u>7,669</u>	<u>7,428</u>
	Total assets	3 <u>23,228</u>	<u>22,049</u>	<u>21,521</u>
Equity				
	Capital and reserves attributable to owners of the parent			
	Called up share capital	8 2,100	2,100	2,100
	Share premium	7,017	7,017	7,017
	Retained earnings	(7,121)	(7,816)	(7,526)
		<u>1,996</u>	<u>1,301</u>	<u>1,591</u>
	Non-controlling interest in equity	3,312	2,544	2,924
	Total equity	<u>5,308</u>	<u>3,845</u>	<u>4,515</u>
Liabilities				
	Non-current liabilities			
	Borrowings	7,648	8,219	8,367
	Lease liabilities	1,636	1,652	1,522
	Trade and other payables	120	240	208
	Deferred tax liability	338	344	338
		<u>9,742</u>	<u>10,455</u>	<u>10,435</u>
	Current liabilities			
	Borrowings	1,822	2,097	1,487
	Lease liabilities	373	342	313
	Trade and other payables	4,263	4,180	3,325
	Current tax liabilities	1,720	1,130	1,446
		<u>8,178</u>	<u>7,749</u>	<u>6,571</u>
	Total liabilities	3 <u>17,920</u>	<u>18,204</u>	<u>17,006</u>
	Total equity and liabilities	<u>23,228</u>	<u>22,049</u>	<u>21,521</u>

The notes on pages 9 to 12 form part of the half-yearly results.

Consolidated Statement of Cash Flows

	Unaudited 6 months to 30 June 2023 £'000	Unaudited 6 months to 30 June 2022 £'000	Audited 12 months to 31 December 2022 £'000
Cash flows from operating activities			
Profit for the financial period	793	460	1,076
Adjustments for:			
Depreciation and amortisation	390	360	719
Loss on disposal of fixed assets	2	–	6
Pension contributions less than administrative charge	–	–	69
Share of associate loss	–	59	66
Net finance costs	393	344	711
Taxation charge	184	67	270
Changes in working capital			
Movement in inventories	(158)	(161)	(518)
Movement in trade and other receivables	(834)	(1,109)	(970)
Movement in trade and other payables	1,347	881	301
Cash generated from operations	2,117	901	1,730
Corporation tax paid	(111)	(76)	(61)
Net cash generated from operating activities	2,006	825	1,669
Cash flows from investing activities			
Interest received	6	6	12
Acquisition of subsidiaries and businesses, net of cash acquired (including deferred consideration)	(223)	(575)	(611)
Purchase of property, plant and equipment	(525)	(32)	(120)
Proceeds from sale of assets	–	–	3
Purchase of intangible fixed assets	(23)	(74)	(75)
Net cash used in investing activities	(765)	(675)	(791)
Cash flows from financing activities			
Proceeds from borrowings	–	437	396
Repayment of borrowings	(405)	(332)	(773)
Dividends paid to minority shareholders in subsidiary	–	(157)	(157)
Interest paid	(451)	(268)	(815)
Lease liability payments	(181)	(168)	(326)
Net cash flow used in financing activities	(1,037)	(488)	(1,675)
Net increase/(decrease) in cash and cash equivalents	204	(338)	(797)
Cash and cash equivalents at the beginning of the period	1,284	2,081	2,081
Cash and cash equivalents at the end of the period	1,488	1,743	1,284
Cash and cash equivalents			
Cash at bank and in hand	1,488	1,743	1,284

The notes on pages 9 to 12 form part of the half-yearly results.

Consolidated Statement of Changes in Equity

	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 2022 (audited)	2,100	7,017	(8,040)	1,077	2,465	3,542
Profit and total comprehensive income for the period	–	–	224	224	236	460
Dividends paid to minority shareholders in a subsidiary	–	–	–	–	(157)	(157)
At 30 June 2022 (unaudited)	2,100	7,017	(7,816)	1,301	2,544	3,845
Actuarial gain	–	–	54	54	–	54
Profit for the period	–	–	236	236	380	616
Total comprehensive income for the financial period	–	–	290	290	380	670
At 31 December 2022 (audited)	2,100	7,017	(7,526)	1,591	2,924	4,515
Profit and total comprehensive income for the financial period	–	–	405	405	388	793
At 30 June 2023 (unaudited)	2,100	7,017	(7,121)	1,996	3,312	5,308

The notes on pages 9 to 12 form part of the half-yearly results.

Notes to the Financial Information

1. General information

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 admitted to trading on the AIM market of the London Stock Exchange. The address of the registered office is 11 Laura Place, Bath BA2 4BL.

The registered number of the Company is 00507461.

This condensed consolidated half-yearly financial information was approved by the directors for issue on 5 September 2023.

This condensed consolidated half-yearly financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022 were approved by the Board of directors on 4 May 2023 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

This condensed consolidated half-yearly financial information has not been reviewed or audited.

There is no specific seasonality in relation to the condensed consolidated half-yearly financial information.

Basis of preparation

This condensed consolidated half-yearly financial information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34, *Interim Financial Reporting*. The condensed consolidated half-yearly financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with IFRS as adopted by the United Kingdom.

Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022 and with those to be applied for the year ending 31 December 2023, as described in the 2022 annual financial statements. There are no new standards or interpretations expected to be adopted in 2023 that would have a significant impact on the financial statements.

2. Exceptional items

There have been no material exceptional items in the period ended 30 June 2023 (2022: none).

3. Segmental analysis

The chief operating decision maker of the Group is its Board. Each operating segment regularly reports its performance to the Board which, based on those reports, allocates resources to and assesses the performance of those operating segments.

Operating segments and their principal activities are as follows:

- Aford Awards, including Impact Promotional Merchandise, a sports trophy, engraving and promotional merchandising company;
- Friedman's, a convertor and distributor of specialist lycra, including Milano International (trading as Milano Pro-Sport), a designer and manufacturer of leotards; and
- Hickton Group, comprising Hickton Quality Control, BRCS, Cook Brown Building Control, Cook Brown Energy, Morgan Lambert and Qualitas Compliance, providers of services in the construction industry.

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 of the Group. The Group information provided below, therefore, also represents the geographical segmental analysis. Of the £15,054,000 (2022: £12,988,000) of revenue, £14,188,000 (2022: £12,115,000) is derived from UK customers.

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

Notes to the Financial Information

3. Segmental analysis continued

i) Results by segment

Unaudited 6 months to 30 June 2023

	Aford Awards £'000	Fried- man's £'000	Hickton Group £'000	Total Group £'000
Revenue	1,985	3,520	9,549	15,054
Segmental result (EBITDA)	393	545	1,010	1,948
Right-of-use depreciation charge	(37)	(84)	(47)	(168)
Depreciation and amortisation charge	(69)	(113)	(40)	(222)
Group costs				(188)
Net finance costs				(393)
Profit before taxation				977
Taxation				(184)
Profit for the period				793

Unaudited 6 months to 30 June 2022

	Aford Awards £'000	Fried- mans £'000	Hickton Group £'000	Total Group £'000
Revenue	1,560	3,192	8,236	12,988
Segmental result (EBITDA)	410	227	820	1,457
Right-of-use depreciation charge	(38)	(70)	(53)	(161)
Depreciation and amortisation charge	(45)	(96)	(58)	(199)
Group costs				(167)
Share of associate loss				(59)
Net finance costs				(344)
Profit before taxation				527
Taxation				(67)
Profit for the period				460

Audited 12 months to 31 December 2022

	Aford Awards £'000	Fried- mans £'000	Hickton Group £'000	Total Group £'000
Revenue	3,086	6,423	16,940	26,449
Segmental result (EBITDA)	546	897	1,800	3,243
Right-of-use depreciation charge	(75)	(129)	(100)	(304)
Depreciation and amortisation charge	(115)	(183)	(117)	(415)
Group costs				(400)
Share of associate loss				(66)
Net finance costs				(712)
Profit before taxation				1,346
Taxation				(270)
Profit for the year				1,076

Notes to the Financial Information continued

3. Segmental analysis continued

ii) Assets and liabilities by segment

Unaudited as at 30 June

	Segment assets		Segment liabilities		Segment net assets/(liabilities)	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Continuing operations:						
CEPS Group	192	167	(5,455)	(5,322)	(5,263)	(5,155)
Aford Awards	4,099	4,039	(2,028)	(2,152)	2,071	1,887
Friedman's	8,377	7,538	(2,884)	(2,390)	5,493	5,148
Hickton Group	10,560	10,305	(7,553)	(8,340)	3,007	1,965
Total – Group	23,228	22,049	(17,920)	(18,204)	5,308	3,845

Audited as at 31 December 2022

	Segment assets £'000		Segment liabilities £'000		Segment net assets/(liabilities) £'000	
Continuing operations:						
CEPS Group		286		(5,410)		(5,124)
Aford Awards		4,014		(2,170)		1,844
Friedman's		7,575		(2,244)		5,331
Hickton Group		9,646		(7,182)		2,464
Total – Group		21,521		(17,006)		4,515

4. Earnings per share

Basic earnings per share is calculated on the profit after taxation for the period attributable to owners of the Company of £405,000 (2022: £224,000) and on 21,000,000 (2022: 21,000,000) ordinary shares, being the weighted number in issue during the period.

5. Property, plant and equipment

In the period ended 30 June 2023, a subsidiary in the Friedman's segment purchased the freehold property, formerly leased for the operations, for £388,000 plus costs.

£284,000 of the increase in right-of-use assets and lease liabilities in the period ended 30 June 2023 results from a rent review in respect of existing premises.

6. Net debt and gearing

Gearing ratios at 30 June 2023, 30 June 2022 and 31 December 2022 are as follows:

	Group unaudited 30 June 2023 £'000	Group unaudited 30 June 2022 £'000	Group audited 31 December 2022 £'000
Total borrowings	7,161	7,818	7,420
Less: cash and cash equivalents	(1,488)	(1,743)	(1,284)
Net debt	5,673	6,075	6,136
Total equity	5,308	3,845	4,515
Gearing ratio	107%	158%	136%

In order to provide a more meaningful gearing ratio, total borrowings are the sum of bank borrowings and third-party debt, excluding loan notes used to finance the Group's acquisitions.

Notes to the Financial Information continued

7. Pension scheme

Further to the announcement on 13 December 2021 that the Trustees of the Company's defined benefit scheme (the Dinkie Heel plc Retirement Benefits Scheme (the 'Scheme')) had entered into a buy-in contract with Aviva, the Scheme continues to be formally wound-up.

It is expected that the Scheme will have surplus funds once the final balancing premium is paid to Aviva conditional on the Scheme completing a process to verify the detailed amounts payable to members and dependants. This process should be complete within the next six months. The amount the Trustees expect may be left over is in the order of £700,000 (the 'Surplus') although it may be more or less than that. In accordance with the formal rules of the Scheme, it is the intention of the Trustees to pay the Surplus to CEPS PLC, as the employer for the Scheme, after deducting the required amount of tax, currently expected to be 35% and the net amount receivable would then be £455,000.

Historically, the actuarial surplus on the Scheme has not been recognised in the Company's accounts as the Company does not have an unconditional right to refunds of surpluses arising in the Scheme. The contingent asset will not be recognised until there is certainty over the final amount and receipt and any payment of the Surplus to CEPS PLC will have a positive impact on the Company's and Group's balance sheet when it is received.

8. Share capital and premium

	Number of shares	Share capital £'000	Share premium £'000	Total £'000
At 1 January 2023 and 30 June 2023	<u>21,000,000</u>	<u>2,100</u>	<u>7,017</u>	<u>9,117</u>

9. Post balance sheet events

On 6 July 2023, the Company purchased a further 1.4% (1,625 shares) of Hickton Group and £56,884 8% Investor Loan Notes for £58,509, taking its shareholding from 52.4% to 53.8%.

10. Related-party transactions

During the period the Company entered into the following transactions with its subsidiary groups:

	Aford Awards Group Holdings Limited £'000	Signature Fabrics Limited £'000	Hickton Group Limited £'000
Loan note interest receivable			
6 months to 30 June 2023	38	29	95
6 months to 30 June 2022	32	30	95
For the year to 31 December 2022 (audited)	70	60	191
Management charge income receivable			
6 months to 30 June 2023	10	18	6
6 months to 30 June 2022	10	18	6
For the year to 31 December 2022 (audited)	20	35	13
Amount owed to the Company			
30 June 2023	1,310	969	2,453
30 June 2022	1,235	1,164	2,382
For the year to 31 December 2022 (audited)	1,235	1,000	2,406

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

Statement of Directors' Responsibility

The directors confirm that, to the best of their knowledge, these condensed consolidated half-yearly financial statements have been prepared in accordance with IAS 34 as adopted by the United Kingdom. The interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and
- material related-party transactions in the first six months of the financial year and any material changes in the related-party transactions described in the last Annual Report.

A list of current directors is maintained on the CEPS PLC website: www.cepsplc.com.

By order of the Board



David Horner
Chairman
4 September 2023