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COMPANIES HOUSE

# Annual Report 2021

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## Chairman's Statement

I am pleased to present the results for CEPS PLC for the year ended 31 December 2021. As I have been saying for several years I have been looking forward to the occasion when the published accounts would be simpler to read and understand. Whilst the comparatives for 2020 remain complex due to the accounting treatment of discontinued operations, I am pleased that the results we are reporting on for 2021 are hopefully clear and readily understandable.

It already seems like a long time ago, but it is important to remember that the first six months of this reporting period were subject to lockdown regulations and of course, and for those of us whose Christmas celebrations were put on hold, the very rapid rise of the Covid Omicron variant towards the end of 2021, had, for a briefer period, a major impact on the economy.

So, it is encouraging to report that sales for the Group have risen from £11.9m, being the continuing activities in 2020, to £20.3m in 2021. This represents a 70% increase. Because of the impact of Covid restrictions this comparison is between 'apples and pears' and, were we to compare this with sales in the financial year to 31 December 2019, the last year unaffected by Covid, this would be a 62% increase. However, as shareholders are aware, several acquisitions have been made in 2021 meaning the comparison takes into account acquisitive as well as organic growth.

We are delighted that the strategic steps taken over the past few years are now finally being evidenced in the results with this being the first year, for some 10 years, that all the subsidiary segments and the associate have been profitable. This is a major positive step forward and as the old saying goes 'you make money by not losing money'!

In common with every enterprise in the United Kingdom, and indeed Europe, our companies are of course facing issues with recruitment and retention of their workforces. As readers of my statements, with respect to this Company and other businesses with which I am involved, will know this has been a concern and a theme I have written about for many years. The problem of finding people to do 'the job' as I have said before is, in my view, only going to get worse in the future. I am not going to enter a Leave/Remain debate here as it is not relevant as this is a European-wide problem. However, in the short term, with the number of vacancies in the UK leading inexorably to significant wage rises and with the modest strengthening of Sterling against the Euro, a number of registered European workers who have left the UK will return.

The answer in the longer term is the use of more automation, robotisation, artificial intelligence, smarter working and, dare I say it, harder working for much more reward. The management teams of the businesses are doing their jobs which involves working to manage around these issues and to put in place plans to mitigate these issues in the future.

It is interesting to observe that with constant social media and rolling 24-hour news on a year-round basis these issues are discussed, dissected, and agonised over by all and sundry. The UK has had a driver, and in particular HGV driver, shortage for many, many decades. Indeed, I recall as a 20-year-old considering qualifying as a driver as the option looked like a ready source of part-time work and, therefore, funding as a university student. If one believed the rhetoric six months ago the whole country was going to grind to a halt as nothing would ever be moved by road again! Whilst I am fully aware that there are far more serious and tragic events unfolding in Eastern Europe, I cannot recall when I last read about the 'driver crisis'.

Whilst in no way belittling the issues facing people across the country caused by steeply rising prices, history has shown these events are short-lived and will pass. Indeed, with one of my 'other hats on', it appears to me that a number of public companies are already starting to talk about distribution issues beginning to ease and of course, largely unreported, gas prices have declined over the past month, having reached a recent peak. If this trend continues it will, in my view, mean that inflation, as driven by gas prices will decline from May onwards!

## Chairman's Statement continued

### Financial review

As already mentioned, total revenue from continuing operations increased to £20.3m from £11.9m, an increase of 70%. In addition, gross profits from continuing operations have increased from £4.4m in 2020 to £8.4m, an increase of 93% and operating profits from continuing operations have significantly improved from a loss of £252,000 to a profit of £1.6m.

Looking at the underlying companies in some more detail.

#### Aford Awards

As shareholders will recall, we effected a change of the management team on the 30 September 2020. This new team has made rapid progress over the past 18 months. As a result of the transaction, CEPS' shareholding increased from 70% to 75% and the amount of loan stock held by CEPS increased by £525,000. I am aware that a few market participants struggle with the idea that superficially little appears to have changed in the corporate structure and yet somehow the extra loan stock has been created! This is a very important part of the CEPS strategy and shareholders should be aware that, periodically, these sorts of reconstructions will take place.

The new team took the opportunity afforded by the significant reduction of business in the first six months of 2021 caused by the lockdown to completely restructure and reposition the operation. This meant that the company was fully set up to action the next part of the plan, which was to acquire, relocate and integrate very small lifestyle type businesses in its market. To that end, three small operations were acquired in September 2021.

As a result of these small transactions being announced, an owner of another business in the sector, Impact Promotional Merchandise Limited, got in touch and the business and assets of that operation were acquired very recently on 12 April 2022 for an initial payment of £558,000 and deferred consideration of an additional £450,000 to be paid post completion on pre-determined dates. I have personally guaranteed the deferred consideration should Aford Awards not be able to fund it.

Sales were £1.4m as compared to £844,000 in 2020, against and of great relevance £2.0m in 2019, the last year unaffected by Covid. The associated EBITDAs were £235,000, £111,000 (after significant government support) and £411,000 respectively. I am pleased to say that the company has just had a record first quarter in 2022 as business starts to return to normal post-Covid.

#### Friedman's

During 2021 there has been a strong recovery in the Friedman's business, the lycra printer, and a much slower recovery in Milano International, the manufacturer of leotards and gymnastic clothing. Whilst gym clubs remained closed throughout the last two years there was effectively no demand for the products. More recently, as clubs have reopened and competitions have recommenced following easing of lockdown restrictions in the first quarter of 2022, sales have rebounded.

Friedman's is currently struggling to acquire plain lycra and is facing significant rises in prices when it can be obtained. In addition, in the Milano business, there is a shortage of people to manufacture the products and this will for a period act as a constraint on the company.

Sales were £4.8m as compared to £3.9m in 2020 and £5.8m in 2019. The associated EBITDAs were £809,000, £124,000 (after significant government support) and £1.2m respectively.

## Chairman's Statement continued

### Financial review continued

#### Hickton Group

With the inclusion of the Cook Brown businesses for a full 12 months (they were acquired in March 2020), and the inclusion for almost ten months of the Millington Lord group of businesses (which includes Millington Lord Limited ('MLL') as a holding company with three wholly owned subsidiaries: Morgan Lambert Limited ('ML'), Qualitas Compliance Limited ('QC') and Morgan Lambert Electrical Limited ('MLE')), revenues have increased dramatically from £7.1m to £14.2m. For completeness, and to demonstrate the growth in the business, sales were £4.7m in 2019. EBITDA in 2021 was £1.5m, up from £929,000 in 2020 and £850,000 in 2019.

In order to retain its working capital headroom while having sufficient funding to pay the deferred and earnout consideration in relation to the acquisition of MLL, Hickton Group carried out a modest fundraise of £433,800 and CEPS invested £143,640 in a mix of ordinary equity and 8% loan stock. As the management team was keen to commit more funds CEPS was content to let its holding moderately decrease from 54.7% to 52.4%.

MLL is a gas and electrical safety consultancy, providing auditing, consulting and training services. ML is the group's principal operating subsidiary and services clients in the social housing market, whereas QC provides the same services to private sector clients. This addition has complemented the existing building services and the companies have integrated well within the Hickton Group. We have an ambitious management team with their own equity incentive to continue growing these businesses, looking to add more quality building compliance services and income.

#### Vale Brothers

Following the sale of Davies Odell Limited to a new holding company called Vale Brothers Group Limited and the effective merger of the business with Vale Brothers in December 2020, it is pleasing to report that the company contributed £66,000 of profit in 2021, accounted for as an associate as CEPS' shareholding is only 33%.

It is worth noting that as an 85% subsidiary of CEPS in prior years, Davies Odell had lost money in seven of the previous eight years.

In common with the other companies in the CEPS Group, Vale Brothers is struggling to recruit skilled workers and is experiencing high input cost inflation. Whilst the company is passing these on by increasing prices there will be an inevitable lag in timing.

### Capital and debt structure

In order to provide funds for the modest 'bolt-on' acquisitions mentioned above, a placing of 4,000,000 new shares was made at 40p per share in September raising £1.6m of gross funds or £1.58m net of expenses. This takes the total issued share capital to 21,000,000 shares. Details of the major shareholders in CEPS are set out in the Directors' Report.

In May 2021, a new loan was entered into with a third party to provide £2.0m to replace the existing £2.0m from another third party. This loan is due to be repaid on 30 June 2025. This, therefore, allows three years to ensure adequate repayment of sufficient of the current £5.0m of loan stock due to CEPS from Group companies.

In addition, the term of the loan from Chelverton Asset Management Limited (which as at 31 December 2021 stood at £2,950,000 with all interest having been paid up to the year end) has been extended such that it is now on a rolling 18-month notice basis.

I continue to personally guarantee both these loans. In addition, my loan to the Company stands at £192,000 at 31 December 2021.

Cash held by the Company at the financial year end was £468,000 (2020: £31,000) and Group cash was £2.1m (2020: £2.3m).

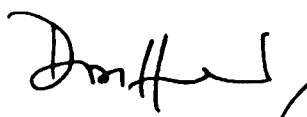
## Chairman's Statement continued

### Pension

The Company's defined benefit pension scheme has reported a surplus in recent years which has allowed the Trustees to enter into a buy-in contract with Aviva. This will secure the benefits for the members of the scheme and remove future funding risks for pensioners and the Company. The current expectation is that the contract will convert to a full buy-out policy in due course without the need for any additional funding and whilst I would not, as yet, anticipate any significant surplus at that time, if one does arise there would be some cash returning into CEPS. We are, therefore, now considerably down the road to removing both the risks and the administrative costs that have previously arisen from the scheme.

### Outlook

We are much encouraged by the results produced here as they confirm that the strategy, being followed over the past four years is now beginning to show good progress. As the vestiges of the Covid crisis are put behind us and the issues directly and indirectly resulting from the various lockdowns are overcome, we are confident that the CEPS group of companies will make good progress in the coming year.



David Horner  
*Chairman*  
9 May 2022

## Strategic Report

The directors present their Strategic Report on the Group for the year ended 31 December 2021.

### Review of the business

The principal activities of CEPS PLC are that of a holding company for service and manufacturing companies, acquiring stakes in stable, profitable and steadily growing entrepreneurial companies. The activities of the Company's trading subsidiaries are described in note 19 to the accounts. Segmental analysis is given in note 4 to the accounts.

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

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

	2021	2020
Revenue	<b>£20,333,000</b>	£13,952,000
Segmental result (EBITDA) (page 38)	<b>£2,565,000</b>	£1,044,000
Profit/(loss) before tax	<b>£996,000</b>	(£645,000)
Profit/(loss) after tax	<b>£792,000</b>	(£665,000)
Total equity	<b>£3,542,000</b>	£1,093,000
Net debt (total borrowings less cash) (page 34)	<b>£5,552,000</b>	£5,220,000
Gearing ratio (net debt/total equity)	<b>157%</b>	478%

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

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

The Board operates a continuous process for identifying, evaluating and managing risk. The internal controls seek to minimise the impact of identified risks, as explained in the Corporate Governance statement on pages 11 and 12.

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 teams, 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.

## Strategic Report continued

### Directors' duties

The directors of the Company are required to act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows: 'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole'.

The directors are aware of their obligations with regard to the matters under section 172, namely:

- a) the likely consequences of any decision in the long term;
- b) the interest of the Company's employees;
- c) the need to foster the Company's business relationships with suppliers, customers and others;
- d) the impact of the Company's operations on the community and the environment;
- e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly between members of the Company.

The Board regularly receives reports from management on issues in respect of shareholders, suppliers, the community, the environment and regulators, which it takes into account in its decision-making process. In addition to this, the Board seeks to understand the interests and views of the organisations' stakeholders by engaging with them directly as appropriate.

### Coronavirus

The trading companies in the Group largely recovered from the impact of the pandemic and lockdowns in 2021. Sales from continuing operations for the Group have risen from £11.9m in 2020 to £20.3m in 2021. However, several acquisitions were made in the year so the comparison takes into account acquisitive as well as organic growth. The subsidiaries used the Government's Coronavirus Job Retention Scheme to safeguard their employees during the lockdown, but to a much lesser extent than in 2020 (£236,000 in 2021 compared to £765,000 in 2020).

The economic environment continues to remain uncertain. However, the Group is generating cash from operations with significant headroom in the banking covenants and mitigating actions could be taken to compensate for inflationary pressures and a degree of fluctuation in the economy. The Group had a closing cash balance of £2.1m of which the Company's balance was £468,000. A loan of £2.0m to the Company is not repayable until 30 June 2025 and a loan of £2.95m is, post year end, subject to an 18-month notice of repayment.

On this basis, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of these financial statements. The directors, therefore, continue to adopt the going concern basis in preparing the financial statements.

Further information around how the directors have assessed going concern is set out in the notes to the financial statements on page 25.

### Future developments

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



By order of the Board  
V E Langford  
Company Secretary  
9 May 2022



## 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 2021.

### 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 (62) 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 a number of private companies. In 2013 he resigned his membership of the Institute of Chartered Accountants in England and Wales, as his career is now fully involved in fund management.

V E Langford (60) is Group Finance Director. She is a Chartered Accountant and is also the Company Secretary of CEPS PLC.

D E Johnson (62) 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 is Chairman of Diversified Energy Company PLC.

G C Martin (77) is a non-executive director. He is a Chartered Accountant who was previously Finance Director and Company Secretary of the Group.

The director retiring by rotation in accordance with Articles 71 and 72 is G C Martin who, being eligible, offers himself 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 9 May 2022:

	Shares	%
JIM Nominees Ltd <sup>1</sup>	5,530,301	26.33
Charles Stanley & Co Ltd Rock (Nominees) Ltd <sup>2,4</sup>	4,782,445	22.77
D A Horner	3,621,162	17.24
Mrs M C Horner <sup>3</sup>	1,000,000	4.76
Altonover Enterprises Limited	1,000,000	4.76
Lawshare Nominees <sup>5</sup>	829,646	3.95

<sup>1</sup> Included within this holding are shares held by Chelverton Growth Trust plc (5,460,301, 26.00%).

<sup>2</sup> 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 (1,105,338 shares, 5.26%), on behalf of Mrs M C Horner (22,500 shares, 0.11%) and on behalf of his mother, Mrs E Horner (350,000 shares, 1.67%).

<sup>3</sup> The overall holding for Mrs M C Horner is 1,022,500 shares, 4.87%, being 1,000,000 shares held personally and 22,500 shares held in Charles Stanley & Co Ltd Rock (Nominees) Ltd.

The overall beneficial holding of the Horner family is 6,299,000 Ordinary Shares, representing 29.99% of the Company's issued share capital.

<sup>4</sup> 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, 11.48%. Mrs R Thistlethwayte holds 590,000 shares, 2.81%.

<sup>5</sup> 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, 3.28%.

## Directors' Report continued

<b>Financial and treasury policy</b>	<p>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 26a.</p> <p>For further details of Group financial risk and management thereof see note 2.</p> <p>No dividend was paid in 2021 (2020: £nil).</p>
<b>Disclosure of information to auditor</b>	<p>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.</p>
<b>Independent auditor</b>	<p>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.</p>
<b>Statement of directors' responsibilities</b>	<p>The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.</p> <p>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 UK adopted International Financial Reporting Standards (IFRSs). 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:</p> <ul style="list-style-type: none"> <li>- select suitable accounting policies and then apply them consistently;</li> <li>- make judgements and accounting estimates that are reasonable and prudent;</li> <li>- 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;</li> <li>- 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.</li> </ul> <p>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.</p> <p>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.</p> <p>The Company is compliant with the AIM Rule 26 regarding the Company's website.</p>

## Directors' Report continued

### Employees

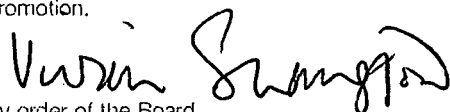
The Group employed 219 (2020: 182) employees at the year end.

The Group's policy is to actively involve its employees in the business to ensure that matters of concern to them, including the Group's aims and objectives and the financial and economic factors which impact them are communicated in an open and regular manner.

The directors are committed to delivering the highest standards of health and safety for employees, customers and others that might be affected by the Group's activities.

The Group is committed to employing the right people, training them well and promoting from within wherever possible. Well trained and motivated employees are key to delivering good service to the Group's customers and are fundamental to the long-term success of the business.

The Group operates an equal opportunities policy that aims to treat individuals fairly and not to discriminate on the basis of sex, race, ethnic origin, disability or any other basis. Applications for employment are fully considered on their merits, and employees are given appropriate training and equal opportunities for career development and promotion.



By order of the Board  
V E Langford  
Company Secretary  
9 May 2022

## Corporate Governance

It is the Board's intention to comply with the OCA 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](http://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 8 to 10.

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.

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## Corporate Governance continued

### 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.

### 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.

### Going concern

The directors continue to adopt the going concern basis in preparing the financial statements for the reasons explained in the Strategic Report on page 7.

# 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 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity, 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 UK adopted International financial reporting standards.

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 2021 and of the Group's profit for the year then ended;
- the Group and parent company financial statements have been properly prepared in accordance with UK adopted International financial reporting standards; and
- 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 as applied to listed entities, 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.

## Our approach to the audit (Overview of the scope of the parent company and group audits)

### 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 are described in note 18.

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.

# Independent Auditor's Report

## to the members of CEPS PLC continued

### Our approach to the audit (Overview of the scope of the parent company and group audits) continued

#### Impact of Covid-19 on going concern

The Group has been impacted by the global Coronavirus pandemic. The Group's assessment of its going concern capability requires significant judgement by the directors on whether the Group will continue in operation for a period of at least 12 months from the date of approval of the financial statements.

#### Our response to the risk

We have reviewed the financial forecasts prepared for the Group and challenged the assumptions used in these forecasts whilst considering the impacts of Coronavirus. We considered performance of the Group post year end and the finances that are available to the Group and when these are expected to be repaid. We considered adequacy of disclosures made in respect of going concern in the financial statements.

### Our application of materiality

The materiality for the Group financial statements as a whole was set at £304,000. 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 £274,000, capped at 90% of Group materiality. 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.

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 material trading subsidiaries, providing 95% coverage of revenues and 92% coverage of profit before tax for the Group.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- reviewing management's cash flow forecasts for a period of 12 months from the date of approval of these financial statements;
- assessing the reasonableness of management's forecasts and assumptions and assessing remaining cash headroom within those forecasts; and
- reviewing results post year end to the date of approval of these financial statements and assessing them against original budgets.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

# Independent Auditor's Report

## to the members of CEPS PLC continued

### Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the annual 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 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 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 Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in 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 parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, 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 Group and the parent 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 Group and the parent company or to cease operations, or have no realistic alternative but to do so.



# Independent Auditor's Report

## to the members of CEPS PLC continued

### 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud, are detailed below.

The objectives of our audit in respect to fraud are to identify and assess the risks of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses, and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. Fraud may be especially difficult to detect because of the possibility of collusion.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Group through discussions with directors and other management;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Group, including Companies Act 2006, UK adopted international accounting standards and relevant tax legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence where applicable;
- the identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit;
- we assessed the susceptibility of the Group's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
  - making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
  - considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations; and
- To address the risk of fraud through management bias and override of controls, we:
  - tested journal entries to identify unusual transactions;
  - assessed whether judgements and assumptions made in determining the accounting estimates set out in note 3 were indicative of potential bias;

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

### Auditor's responsibilities for the audit of the financial statements continued

- investigated the rationale behind significant or unusual transactions;
- reviewed client's basis for provisions; and
- reviewed nominals of certain nominal codes for indication of any management override.
- In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:
  - agreeing financial statement disclosures to underlying supporting documentation;
  - reading the minutes of meetings of those charged with governance;
  - enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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.

*Cooper Parry Group Limited*

Katharine Warrington (Senior Statutory Auditor)

for and on behalf of Cooper Parry Group Limited  
Chartered Accountants  
Statutory Auditor

Sky View, Argosy Road, East Midlands Airport, Castle Donington, Derby DE74 2SA  
9 May 2022

## Consolidated Statement of Comprehensive Income

	Notes	2021 £'000	Continuing operations 2020 £'000	Discontinued operations 2020 £'000	Total 2020 £'000
Revenue	4	20,333	11,861	2,091	13,952
Cost of sales		(11,946)	(7,511)	(1,817)	(9,328)
Gross profit		8,387	4,350	274	4,624
Other operating income		276	690	171	861
Administration expenses before exceptional items		(7,043)	(4,811)	(662)	(5,473)
Adjusted operating profit/(loss)		1,620	229	(217)	12
Exceptional items	6	–	(127)	(64)	(191)
Impairment of intangible assets	6	–	(354)	–	(354)
Operating profit/(loss)	5	1,620	(252)	(281)	(533)
Analysis of operating profit/(loss)					
Trading		2,002	659	(217)	442
Exceptional items		–	(127)	(64)	(191)
Impairment of intangible assets		–	(354)	–	(354)
Group costs		(382)	(430)	–	(430)
		1,620	(252)	(281)	(533)
Profit on disposal of discontinued operation	6	–	–	626	626
Share of associate		66	–	–	–
Finance income	10	24	24	–	24
Finance costs	10	(714)	(732)	(30)	(762)
Profit/(loss) before tax		996	(960)	315	(645)
Taxation	11	(204)	(20)	–	(20)
Profit/(loss) for the financial year		792	(980)	315	(665)
Other comprehensive income/(loss): Items that will not be reclassified to profit or loss					
Actuarial gain/(loss) on defined benefit pension plans	9	73	(13)	–	(13)
Other comprehensive income/(loss) for the year, net of tax		73	(13)	–	(13)
Total comprehensive income/(loss) for the financial year		865	(993)	315	(678)
Income/(loss) attributable to:					
Owners of the parent		296	(939)	315	(624)
Non-controlling interests		496	(41)	–	(41)
		792	(980)	315	(665)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		369	(952)	315	(637)
Non-controlling interests		496	(41)	–	(41)
		865	(993)	315	(678)
Earnings per share					
basic and diluted (pence)	13	1.64p	(5.52p)	1.85p	(3.67p)

The notes on pages 24 to 72 form part of the financial statements.

## Consolidated and Company Statements of Financial Position

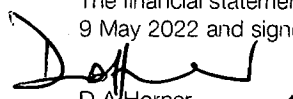
Company number 00507461

	Notes	Group		Company	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	15	764	633	–	–
Right-of-use assets	16	1,225	976	–	–
Intangible assets	18	10,729	9,208	–	–
Investments	19	66	–	3,274	3,181
		<u>12,784</u>	<u>10,817</u>	<u>3,274</u>	<u>3,181</u>
<b>Current assets</b>					
Inventories	20	1,612	1,441	–	–
Trade and other receivables	21	3,036	1,883	1,257	1,200
Cash and cash equivalents (excluding bank overdrafts)	22	2,081	2,332	468	31
		<u>6,729</u>	<u>5,656</u>	<u>1,725</u>	<u>1,231</u>
<b>Total assets</b>		<u>19,513</u>	<u>16,473</u>	<u>4,999</u>	<u>4,412</u>
<b>Equity</b>					
<b>Capital and reserves attributable to owners of the parent</b>					
Called up share capital	28	2,100	1,700	2,100	1,700
Share premium	28	7,017	5,841	7,017	5,841
Retained earnings		<u>(8,040)</u>	<u>(8,402)</u>	<u>(9,369)</u>	<u>(9,124)</u>
		1,077	(861)	(252)	(1,583)
Non-controlling interests in equity		<u>2,465</u>	<u>1,954</u>	<u>–</u>	<u>–</u>
<b>Total equity</b>		<u>3,542</u>	<u>1,093</u>	<u>(252)</u>	<u>(1,583)</u>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Borrowings	25	8,436	6,415	4,950	2,950
Lease liabilities	25	1,096	887	–	–
Trade and other payables	23	45	–	–	–
Deferred tax liability	27	255	51	–	–
		<u>9,832</u>	<u>7,353</u>	<u>4,950</u>	<u>2,950</u>
<b>Current liabilities</b>					
Borrowings	25	1,759	3,861	192	2,650
Lease liabilities	25	258	248	–	–
Trade and other payables	23	3,141	2,909	105	392
Current tax liabilities	24	981	1,009	4	3
		<u>6,139</u>	<u>8,027</u>	<u>301</u>	<u>3,045</u>
<b>Total liabilities</b>		<u>15,971</u>	<u>15,380</u>	<u>5,251</u>	<u>5,995</u>
<b>Total equity and liabilities</b>		<u>19,513</u>	<u>16,473</u>	<u>4,999</u>	<u>4,412</u>

The comprehensive expense within the parent company financial statements for the year was a loss of £245,000 (2020: profit of £1,343,000).

The notes on pages 24 to 72 form part of the financial statements.

The financial statements on pages 18 to 72 were approved by the Board of Directors on 9 May 2022 and signed on its behalf by

  
D A Horner  
Director

# Consolidated and Company Statements of Cash Flows

	2021 £'000	2020 £'000
<b>Group</b>		
<b>Cash flows from operating activities</b>		
Profit/(loss) for the financial year	792	(665)
Adjustments for:		
Depreciation and amortisation	564	601
Loss on disposal of fixed assets	6	-
Profit on disposal of subsidiaries	-	(626)
Customer list impairment	-	182
Impairment of goodwill	-	172
Pension contributions less than administrative charge	84	9
Share of associate profit	(66)	-
Net finance costs	690	738
Taxation charge	204	20
Changes in working capital:		
Movement in inventories	(171)	375
Movement in trade and other receivables	(261)	325
Movement in trade and other payables	(469)	377
<b>Cash generated from operations</b>	<b>1,373</b>	<b>1,508</b>
Corporation tax paid	(187)	(241)
<b>Net cash generated from operations</b>	<b>1,186</b>	<b>1,267</b>
<b>Cash flows from investing activities</b>		
Interest received	13	2
Acquisition of subsidiaries, net of cash acquired	(1,220)	(866)
Acquisition of minority shareholdings in subsidiaries	-	(1,366)
Disposal of subsidiaries, net of cash	-	(4)
Purchase of property, plant and equipment	(309)	(95)
Proceeds from sale of assets	35	1
Purchase of intangible assets	(73)	(24)
<b>Net cash used in investing activities</b>	<b>(1,554)</b>	<b>(2,352)</b>
<b>Cash flows from financing activities</b>		
Issue of share capital	1,018	-
Proceeds from borrowings	3,330	3,174
Repayment of borrowings	(3,108)	(904)
Loan issue costs paid	-	(86)
Proceeds from subsidiary share issue	4	26
Interest paid	(791)	(432)
Lease liability payments	(336)	(319)
<b>Net cash generated from financing activities</b>	<b>117</b>	<b>1,459</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(251)</b>	<b>374</b>
Cash and cash equivalents at the beginning of the year	2,332	1,958
<b>Cash and cash equivalents at the end of the year (note 22)</b>	<b>2,081</b>	<b>2,332</b>

Major non-cash movements: £558,000 of new share capital was settled against a loan liability and there were £555,000 of non-cash additions to right-of-use assets and lease liabilities in the year (no major non-cash movements in 2020).

The notes on pages 24 to 72 form part of the financial statements.

# Consolidated and Company Statements of Cash Flows

continued

	2021 £'000	2020 £'000
<b>Company</b>		
<b>Cash flows from operating activities</b>		
(Loss)/profit for the financial year	(318)	1,356
Adjustments for:		
Profit on disposal of subsidiaries	–	(1,876)
Exceptional items (non-cash)	–	119
Pension contributions less than administrative charge	84	9
Net finance costs	4	49
Changes in working capital:		
Movement in trade and other receivables	17	5
Movement in trade and other payables	(86)	(60)
Movement in amounts owed by Group undertakings	–	(73)
<b>Net cash used in operations</b>	<b>(299)</b>	<b>(471)</b>
<b>Cash flows from investing activities</b>		
Interest received	333	124
Acquisition of minority shareholdings in subsidiaries	–	(30)
Investment in subsidiary share capital	(4)	–
Loan repayment from subsidiary company	50	–
Loans to subsidiary companies	(239)	(282)
<b>Net cash generated from/(used in) investing activities</b>	<b>140</b>	<b>(188)</b>
<b>Cash flows from financing activities</b>		
Issue of share capital	1,018	–
Proceeds from borrowings	2,250	870
Repayment of borrowings	(2,150)	–
Interest paid	(522)	(201)
<b>Net cash generated from financing activities</b>	<b>596</b>	<b>669</b>
<b>Net increase in cash and cash equivalents</b>	<b>437</b>	<b>10</b>
Cash and cash equivalents at the beginning of the year	31	21
<b>Cash and cash equivalents at the end of the year (note 22)</b>	<b>468</b>	<b>31</b>

Major non-cash movements: £558,000 of new share capital was settled against a loan liability (no major non-cash movements in 2020).

The notes on pages 24 to 72 form part of the financial statements.

## Consolidated and Company Statements of Changes in Equity

Group		Attributable to owners					Total equity £'000
		Share capital £'000	Share premium £'000	Retained earnings £'000	of the parent £'000	Non-controlling interest £'000	
	At 1 January 2020	1,700	5,841	(6,808)	733	2,018	2,751
	Actuarial loss	-	-	(13)	(13)	-	(13)
	Loss for the year	-	-	(624)	(624)	(41)	(665)
	Total comprehensive loss for the financial year	-	-	(637)	(637)	(41)	(678)
	Changes in ownership interest in subsidiaries (note 6)	-	-	(957)	(957)	(23)	(980)
	Total distributions recognised directly in equity	-	-	(957)	(957)	(23)	(980)
	At 31 December 2020	1,700	5,841	(8,402)	(861)	1,954	1,093
	Actuarial gain	-	-	73	73	-	73
	Profit for the year	-	-	296	296	496	792
	Total comprehensive income for the financial year	-	-	369	369	496	865
	Shares issued in the year	400	1,176	-	1,576	-	1,576
	Changes in ownership interest in subsidiaries (note 19)	-	-	(7)	(7)	15	8
	Total contributions and distributions recognised directly in equity	400	1,176	(7)	1,569	15	1,584
	At 31 December 2021	2,100	7,017	(8,040)	1,077	2,465	3,542

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 is not attributable to the owners of the parent.

The notes on pages 24 to 72 form part of the financial statements.

## Consolidated and Company Statements of Changes in Equity

continued

		Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
<b>Company</b>	At 1 January 2020	1,700	5,841	(10,467)	(2,926)
	Actuarial loss	–	–	(13)	(13)
	Loss for the financial year	–	–	1,356	1,356
	Total comprehensive loss for the year	–	–	1,343	1,343
	At 31 December 2020	1,700	5,841	(9,124)	(1,583)
	Actuarial loss	–	–	73	73
	Profit for the year	–	–	(318)	(318)
	Total comprehensive income for the financial year	–	–	(245)	(245)
	Shares issued in the year	400	1,176	–	1,576
	<b>At 31 December 2021</b>	<b>2,100</b>	<b>7,017</b>	<b>(9,369)</b>	<b>(252)</b>

The notes on pages 24 to 72 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 a holding company for service and manufacturing companies, acquiring stakes in stable, profitable and steadily growing entrepreneurial companies. The activities of the Company's trading subsidiaries are described in note 19. 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 19. The financial statements are to the year ended 31 December 2021.

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 UK adopted International Financial Reporting Standards ('IFRS'), IFRIC interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The Company has taken advantage of the exemption under the Companies Act 2006 not to present its own Statement of Comprehensive Income. Information about the Company result for the year is given in note 14.

# Notes to the Financial Statements continued

## 1. Accounting policies continued

### Standards and interpretations

The Group has not adopted any new standards or new provisions of amended standards in these financial statements.

There are no new standards, interpretations and amendments which are not yet effective in these financial statements, expected to have a material effect on the Group's future financial statements.

### Going concern

The trading companies in the Group largely recovered from the impact of the pandemic and lock downs in 2021 and this trend has continued in 2022 to date. There was a net cash inflow from operations of £1.2m and closing cash balances of £2.1m. The directors have considered the trading performance and financial position of the Company and of the Group together with detailed forecasts for the period to the end of 2023. The Aford Awards, Signature and Hickton sub-groups service their bank and shareholder held debt from cash generated in the trading subsidiaries which are trading profitably and have seen increased activity as the UK overall economy has improved. The Group is generating cash from operations with significant headroom in the banking covenants and mitigating actions could be taken to compensate for inflationary pressures and a degree of fluctuation in the economy. The Company had cash balances at 31 December 2021 and is receiving interest and fees from the trading subsidiary groups. A loan of £2.0m is not repayable until 30 June 2025 and the loan of £2.95m is now subject to a rolling 18-month notice of repayment.

After making enquiries, the directors, therefore, have reasonable expectation that the Company and the Group have adequate resources to operate and to meet liabilities for the foreseeable future. Accordingly, the going concern basis of preparation continues to be adopted in the financial statements.

### 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.

## Notes to the Financial Statements continued

### 1. Accounting policies continued

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the Consolidated Statement of Comprehensive Income.

Entities in which the Group holds a participating interest and over whose operating and financial policies the Group exercises significant influence are treated as associates. Associates are accounted for using the equity method and subject to impairment.

Investments in subsidiaries are accounted for at cost less impairment. Acquisition related costs are expensed 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.

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 Milano International arise from the fair values received or receivable for goods sold which are recognised on despatch and exclude VAT.

The revenues of the Hickton Group subsidiary companies 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.

## Notes to the Financial Statements continued

### 1. Accounting policies continued

#### Property, plant and equipment

Property, plant and equipment is stated at initial cost, less accumulated depreciation and impairment losses. Cost includes the original price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated on an appropriate basis over the deemed useful economic life of an asset and is applied to the cost less any residual value. The asset classes are depreciated over the following periods (the useful life, the residual value and the depreciation method are assessed annually):

Plant and machinery	Between five and 10 years 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.

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 an estimated life of eight years. 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.

## Notes to the Financial Statements continued

### 1. Accounting policies continued

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 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.

## Notes to the Financial Statements continued

### 1. Accounting policies continued

#### 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 scheme 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.

#### Discontinued operations

In the event of a sale or administration of a material element of the Group's operations in the year the Consolidated Statement of Comprehensive Income discloses the separate results of the continued and discontinued operations as well as the totals. The comparative results are also restated on this basis and an analysis of the disposal assets, liabilities and consideration received is included in the notes.

#### Exceptional items

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

#### Leases

Under IFRS 16, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is first available for use by the Group.

Assets and liabilities arising from a lease are initially measured at the present value of the lease payments and payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate that the lessee would have to pay to borrow the funds necessary to obtain an asset with similar terms, security and conditions.

## Notes to the Financial Statements continued

### 1. Accounting policies continued

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the Consolidated Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Short term rentals payable under operating leases continue to be charged in the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term.

#### 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 27.

#### Share capital

Ordinary shares are classified as equity.

#### Financial instruments

The Group and Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on the Statement of Financial Position at fair value when the Group and Company becomes a party to the contractual provisions of the instrument.

##### a) Loans and receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and its estimated future cash flow. The carrying amount of the asset is reduced through the use of a bad debt provision and the amount of the loss is recognised in the Consolidated Statement of Comprehensive Income within cost of sales. When a trade receivable is uncollectible it is written off against the bad debt provision. Subsequent recoveries of amounts previously written off are credited against cost of sales in the Consolidated Statement of Comprehensive Income.

## Notes to the Financial Statements continued

### 1. Accounting policies continued

#### 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.

##### 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. All lease liabilities reflect fixed interest rates. 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.

	2021 £'000	2020 £'000
<b>Fixed rate instruments</b>		
Liabilities	<u>7,734</u>	<u>8,478</u>
	2021 £'000	2020 £'000
<b>Floating rate instruments</b>		
Liabilities	<u>2,461</u>	<u>1,798</u>

## 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
<b>At 31 December 2021</b>				
Trade and other payables	2,098	–	–	–
Other loans	879	3,882	3,912	47
Bank loans	732	901	456	–
IFRS 16 lease liability	332	302	697	280
Trade receivables backed working capital facilities	554	–	–	–
	<b>4,595</b>	<b>5,085</b>	<b>5,065</b>	<b>327</b>
<b>At 31 December 2020</b>				
Trade and other payables	2,065	–	–	–
Other loans	3,278	3,458	1,516	132
Bank loans	583	497	795	17
IFRS 16 lease liability	248	166	426	295
	<b>6,174</b>	<b>4,121</b>	<b>2,737</b>	<b>444</b>

## 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 2021 and 2020 were as follows:

	2021 £'000	2020 £'000
Total borrowings	7,633	7,552
Less: cash	(2,081)	(2,332)
Net debt	5,552	5,220
Total equity	3,542	1,093
Gearing ratio	157%	478%

In order to provide a more meaningful gearing ratio, total borrowings have been revised to be the sum of bank borrowings 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 18).

#### 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 utilise judgement in respect of any option clauses in leases and whether such an option to extend would be reasonably certain to be exercised. Management consider all facts and circumstances including past practice, costs of alternatives and future forecasts to determine the lease term. Management also apply judgement and estimation in assessing the discount rate, which is based on the incremental borrowing rate. These judgements impact on the lease term and associated lease liabilities.

#### g) 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;

Friedman's, a convertor and distributor of specialist lycra, including Milano International (trading as Milano Pro-Sport), a designer and manufacturer of leotards;

Hickton Group, comprising Hickton Consultants, BRCS, Cook Brown, Morgan Lambert and Qualitas Compliance, providers of services to the construction industry.

Discontinued operations represent the activities of Davies Odell, a manufacturer and distributor of protection equipment, matting and footwear components, until disposal in December 2020.

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. Group revenue is recognised at a point in time, other than £4,234,000 (2020: £2,674,000) in respect of Cook Brown Building Control which is recognised over a period in time as the services are performed, 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 2021 £'000	Friedman's 2021 £'000	Hickton Group 2021 £'000	Total 2021 £'000
Revenue	1,385	4,762	14,186	20,333
Expenses	(1,150)	(3,953)	(12,665)	(17,768)
Segmental result (EBITDA)	235	809	1,521	2,565
Depreciation and amortisation charge	(22)	(135)	(100)	(257)
IFRS 16 depreciation	(45)	(168)	(93)	(306)
Group costs				(382)
Share of associate profit				66
Net finance costs (including IFRS 16)				(690)
Profit before taxation				996
Taxation				(204)
Profit for the year				792

	Aford Awards 2020 £'000	Friedman's 2020 £'000	Hickton Group 2020 £'000	Continuing operations 2020 £'000	Discontinued operations 2020 £'000	Total 2020 £'000
Revenue	844	3,878	7,139	11,861	2,091	13,952
Expenses	(733)	(3,754)	(6,210)	(10,697)	(2,211)	(12,908)
Segmental result (EBITDA) before exceptional costs	111	124	929	1,164	(120)	1,044
Depreciation and amortisation charge	(7)	(209)	(40)	(256)	(63)	(319)
IFRS 16 depreciation	(47)	(139)	(63)	(249)	(34)	(283)
Exceptional costs	-	-	(481)	(481)	(64)	(545)
Profit on disposal of discontinued operations				-	626	626
Group costs				(430)	-	(430)
Net finance costs (including IFRS 16)				(708)	(30)	(738)
(Loss)/profit before taxation				(960)	315	(645)
Taxation				(20)	-	(20)
(Loss)/profit for the year				(980)	315	(665)

## Notes to the Financial Statements continued

4. Segmental analysis  
continued

## ii) Assets and liabilities by segment as at 31 December

	Segment assets		Segment liabilities		Segment net assets/(liabilities)	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
CEPS Group	543	57	(5,251)	(5,995)	(4,708)	(5,938)
Aford Awards	1,974	1,661	(789)	(601)	1,185	1,060
Friedman's	7,620	7,363	(2,146)	(2,227)	5,474	5,136
Hickton Group	9,376	7,393	(7,785)	(6,558)	1,591	835
Total – Group	19,513	16,474	(15,971)	(15,381)	3,542	1,093

## iii) Revenue by geographical destination

	2021 £'000	2020 £'000
UK	19,048	11,939
Europe	762	1,091
Rest of world	523	922
	20,333	13,952

## iv) Nature of revenue

	2021 £'000	2020 £'000
Products – recognised at a point in time	6,147	6,813
Services – recognised over time delivered	14,186	7,139
	20,333	13,952



## Notes to the Financial Statements continued

<b>5. Operating profit/(loss)</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating profit/(loss) is stated after charging/(crediting):</b>		
In other operating income:		
Government job retention scheme income	(236)	(765)
Other government pandemic support grant income	(26)	(96)
In administration expenses:		
Loss on disposal of property, plant and equipment	6	1
Exchange losses	6	57
Short term operating lease rentals	211	134
	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Fees payable to the Company's auditor</b>		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	35	28
Fees payable to the Company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	91	74
Other accountancy services	–	15
	<b>126</b>	<b>117</b>
Taxation compliance services subsidiaries	24	21
Taxation advisory services	–	–
<b>Total fees</b>	<b>150</b>	<b>138</b>
	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Expenses by nature</b>		
Raw materials and consumables	2,717	3,506
Employee benefit expenses	8,045	5,800
Depreciation on owned assets	180	253
Depreciation on right-of-use assets	306	283
Amortisation of intangible assets	77	66
Operating lease payments	211	134
Other expenses	7,453	4,759
	<b>18,989</b>	<b>14,801</b>
<b>6. Exceptional items</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Exceptional items in the Consolidated Statement of Comprehensive Income</b>		
Impairment of consolidated goodwill and customer lists	–	354
Acquisition expenses	–	101
Other restructuring related costs including severance payments	–	90
	<b>–</b>	<b>545</b>
Profit on disposal of subsidiaries	–	(626)
	<b>–</b>	<b>(81)</b>

## Notes to the Financial Statements continued

### 6. Exceptional items continued

Elements of the Hickton Group goodwill and customer lists intangible relating to BRCS were impaired in the prior year.

The expenses related to the acquisition of Cook Brown were expensed in accordance with IFRS 3.

The prior year profit on disposal related to the net liabilities eliminated from the consolidation on the administration of the CEM Press and Travelfast businesses.

	2021 £'000	2020 £'000
<b>Exceptional amounts charged directly to equity</b>		
Consideration paid in respect of minority shareholdings in subsidiaries	-	(1,942)
Net change in non-controlling interests	-	1,049
Transaction costs	-	(64)
	<u>-</u>	<u>(957)</u>

These net debits to equity comprise the consideration paid in respect of the purchase of minority shareholdings less the movement in non-controlling interests, in accordance with the accounting standard, where a subsidiary remains a subsidiary after the restructuring. In both Hickton Group and Aford Awards, a new intermediate holding company acquired all the shares based on values applicable at the transaction dates in the year, financed by new bank and loan note debt, including a roll over of prior loan notes. This resulted in the release of the non-controlling interest in the wholly owned companies within the sub-groups.

The restructuring of the Hickton Group sub-group involved the incorporation of a new 55% owned subsidiary, Hickton Group Limited ('HGL'), which purchased all of the shares in Hickton Holdings Limited ('HHL') and redeemed the shareholder loan notes. CEPS PLC previously held 52% of HHL. The former minority shareholders in HHL made a partial exit alongside a degree of reinvestment in HGL and new investment by the Cook Brown management team as part of the acquisition consideration (note 17). All of CEPS PLC's holdings in HHL were reinvested in loan notes in HGL.

The restructuring of the Aford Awards sub-group involved the incorporation of a new 75% owned subsidiary, Aford Awards Group Holdings Limited, which purchased all of the shares in Aford Awards (Holdings) Limited. CEPS PLC previously held 70% of this business and its consideration on transfer of the holding comprised new loan notes receivable in Aford Awards Group Holdings Limited. The former 30% minority shareholding was acquired for cash and the new Aford Awards management team invested in the current 25% minority shareholding within this sub-group.

In addition, the minority 15% in Davies Odell was purchased in order to facilitate the transfer of this to a new associate entity, Vale Brothers Group Limited. This was considered to give a greater chance of turnaround as it has been combined with the complementary Vale Brothers business.

## Notes to the Financial Statements continued

### 7. Employees

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

	2021 Number	2020 Number
Management and administration	97	71
Production and sales	122	111
	<u>219</u>	<u>182</u>

The aggregate costs of these persons were:

	2021 £'000	2020 £'000
Wages and salaries	6,990	5,110
Social security costs	723	503
Other pension costs (note 9)	331	187
	<u>8,044</u>	<u>5,800</u>

Key management personnel are deemed to be members of the Board and local management in the Group and their compensation was as follows:

	2021 £'000	2020 £'000
Aggregate remuneration	1,252	999
Aggregate pension contributions	193	82
	<u>1,445</u>	<u>1,081</u>

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

	2021 Number	2020 Number
Management and administration	<u>4</u>	<u>4</u>

The aggregate costs of these persons were:

	2021 £'000	2020 £'000
Wages and salaries	124	116
Social security costs	8	13
	<u>132</u>	<u>129</u>

## Notes to the Financial Statements continued

## 8. Directors' emoluments and interests

The aggregate remuneration of the directors was:

	2021 £'000	2020 £'000
Short-term employee benefits	<b>124</b>	116

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

	Salaries and fees	
	2021 £'000	2020 £'000
D A Horner	—	6
V E Langford	<b>88</b>	83
G C Martin	<b>18</b>	14
D E Johnson	<b>18</b>	13
	<b>124</b>	116

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 2021 shares	at 31 December 2020 shares
D A Horner (and close family)	<b>6,299,000</b>	4,881,310
V E Langford	<b>150,000</b>	41,667
G C Martin	<b>10,000</b>	10,000
D E Johnson	<b>250,000</b>	95,000

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

	at 31 December 2021 shares	at 31 December 2020 shares
D A Horner	<b>3,643,662</b>	2,225,972
Held by Charles Stanley & Co Ltd Rock (Nominees) Ltd on behalf of D A Horner's SIPP	<b>970,838</b>	970,838
Held by Charles Stanley & Co Ltd Rock (Nominees) Ltd on behalf of D A Horner	<b>84,500</b>	84,500
Held by Charles Stanley & Co Ltd Rock (Nominees) Ltd on behalf of D A Horner's ISA	<b>50,000</b>	50,000
Mrs M C Horner (wife)	<b>1,000,000</b>	1,000,000
H R Horner (son)	<b>100,000</b>	100,000
T A Horner (son)	<b>100,000</b>	100,000
Held by Charles Stanley & Co Ltd Rock (Nominees) Ltd on behalf of Mrs E Horner (mother)	<b>350,000</b>	350,000
	<b>6,299,000 29.99%</b>	<b>4,881,310 28.71%</b>

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 £331,000 (2020: £187,000). At 31 December 2021 £41,884 (2020: £24,412) 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 2019 and the main actuarial assumptions were investment returns of 2.0% before retirement and 2.0% after retirement. The valuation showed that the total value of the scheme assets was £5,353,000 and that the level of funding on an ongoing basis is 117%. The preliminary assessment reveals a surplus in the scheme and, based on these results, no recovery plan is necessary.

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 Trustee of the scheme entered into a buy-in contract with Aviva in December 2021 and the current expectation is that the contract will convert to a full buy-out policy in due course without the need for any additional financial support from the Company. The Scheme is expected to go into formal winding-up once data cleansing and Guaranteed Minimum Pension equalisation is complete. It is possible that at this time a surplus will be repaid to the Company, but it is not yet possible to determine the amount.

The Group commissioned an independent qualified actuary to update to 31 December 2021 the results of the actuarial valuation at 1 July 2019. The results of the update are as follows:

	2021	2020
Assumptions at 31 December		
Interest rate for discounting liabilities	1.80%	1.10%
Expected return on plan assets	1.80%	1.10%
RPI price inflation	3.70%	3.20%
CPI price inflation	3.00%	2.50%
Pensions increase	3.50%	3.10%
Mortality pre and post retirement	S3PxA	S3PxA
Improvements based on	CMI 2020	CMI 2019
	1.25%	1.25%
Life expectancies (years)		
For a 65 year old male	21.9	21.9
For a 65 year old female	24.3	24.2
For a 65 year old male, currently aged 45	23.2	23.2
For a 65 year old female, currently aged 45	25.7	25.7

The independent actuary estimates that a 0.1% decrease in the discount rate before and after retirement would change the value of scheme liabilities by approximately £44,000.

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:

	2021 £'000	2020 £'000
Amounts recognised in the Statement of Financial Position are as follows:		
Fair value of plan assets	4,436	5,106
Present value of defined benefit obligation	(3,546)	(4,070)
Actuarial surplus not recognised	(890)	(1,036)
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.		
	2021 £'000	2020 £'000
Included in the Consolidated Statement of Comprehensive Income for the year		
Pension administrative expenses	(84)	(36)
Pension scheme finance income		
Interest on obligation	(43)	(67)
Interest income on plan assets	54	89
	11	22
	(73)	(14)
Included in the Consolidated Statement of Other Comprehensive Income		
Financial assumption actuarial loss	276	(359)
Experience gains on assets	(358)	145
Movement in actuarial surplus not recognised	155	201
Total gain/(loss)	73	(13)
Movement in Statement of Financial Position for the year		
Net pension liability at the start of the year	—	—
Employer's pension cost	(73)	(14)
Other comprehensive income	73	(13)
Employer contributions	—	27
Net pension liability at the end of the year	—	—
Reconciliation of the defined benefit obligation		
Defined benefit obligation at the start of the year	4,070	3,754
Interest cost	43	67
Actuarial loss from changes in financial assumptions	(276)	359
Benefits paid	(291)	(110)
Defined benefit obligation at the end of the year	3,546	4,070

## Notes to the Financial Statements continued

## 9. Pension costs continued

	2021 £'000	2020 £'000
Reconciliation of plan assets		
Fair value of plan assets at the start of the year	5,106	4,991
Expected return on plan assets	54	89
Experience gains on assets	(358)	145
Employer contributions	9	30
Non investment expenses	(84)	(39)
Benefits and expenses paid	(291)	(110)
Fair value of plan assets at the end of the year	<u>4,436</u>	<u>5,106</u>
Asset categories at the end of the year		
Equities	0.0%	41.6%
Bonds	0.0%	48.9%
Property	0.0%	8.4%
Cash	21.3%	1.1%
Annuities	78.7%	0.0%

## Notes to the Financial Statements continued

### 10. Net finance costs

	2021 £'000	2020 £'000
Bank interest receivable	–	2
Other interest receivable	13	–
Pension scheme finance income (note 9)	11	22
<b>Total finance income</b>	<b>24</b>	<b>24</b>
Interest payable on bank loans and overdrafts	83	101
Interest payable on other loans	516	512
Other interest payable	4	–
Amortisation of finance cost	22	44
Lease liability financing charges	89	105
<b>Total finance costs</b>	<b>714</b>	<b>762</b>
<b>Net finance costs</b>	<b>690</b>	<b>738</b>



## Notes to the Financial Statements continued

## 11. Taxation

	2021 £'000	2020 £'000
Analysis of taxation in the year:		
Current tax		
Tax on profits of the year	153	41
Tax in respect of prior years	(9)	(14)
Total current tax	144	27
Deferred tax		
Current year deferred tax movement	8	(13)
Tax in respect of prior years	20	6
Change in tax rate	32	–
Total deferred tax	60	(7)
<b>Total tax charge</b>	<b>204</b>	<b>20</b>

The tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK (19%) (2020: 19%).

Factors affecting current tax:		
Profit/(loss) before taxation	996	(645)
Profit/(loss) multiplied by the standard rate of UK tax of 19% (2020: 19%)	189	(123)
Effects of:		
Expenses not deductible	27	46
Expenses not deductible goodwill impairment	–	67
Additional capital allowances	(15)	–
Additional research and development allowances	(20)	–
Adjustments to tax in prior periods	11	(14)
Other timing differences	–	(2)
Gain on disposal not taxed	–	(119)
Adjustments to deferred tax rate	32	6
Deferred tax not recognised	(20)	159
<b>Total tax charge</b>	<b>204</b>	<b>20</b>

The rate from 1 April 2020 remained at 19% rather than the previously enacted reduction to 17%. In May 2021 a change in rate to 25% from April 2023 was substantively enacted. The rate of 25% is accordingly applied to UK deferred taxation balances at 31 December 2021 (2020: 19%).

There are tax losses carried forward in the Company of approximately £1.8m and in the subsidiary companies of £30,000 (2020: £1.3m and £195,000).

## Notes to the Financial Statements continued

### 12. Dividends

No dividends were paid during the year (2020: £nil).

### 13. Earnings per share

Basic earnings per share is calculated on the profit for the year after taxation attributable to the owners of the parent of £296,000 (2020: loss of £624,000) and on 18,084,932 (2020: 17,000,000) ordinary shares, being the weighted number in issue during the year.

Basic earnings per share for continuing operations is calculated on the profit for the year after taxation attributable to owners of the parent of £296,000 (2020: loss of £939,000) and on 18,084,932 (2020: 17,000,000) ordinary shares, being the weighted number in issue during the year. Basic earnings per share from discontinued operations is calculated on the profit for the year after taxation attributable to owners of the parent of £nil (2020: profit of £315,000) and on 18,084,932 (2020: 17,000,000) ordinary shares, being the weighted number in issue during the year.

There are no potentially dilutive shares in the Group.

### 14. Profit of the holding company

Of the Group result for the year a loss of £245,000 (2020: profit of £1,343,000) 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

	Leasehold property improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
<b>Group</b>				
<b>Cost</b>				
at 1 January 2020	677	4,049	46	4,772
Assets acquired on purchase of a subsidiary	34	77	–	111
Additions at cost	22	74	–	96
Disposals on sale or administration of subsidiaries	(253)	(3,559)	(37)	(3,849)
Disposals	–	(35)	–	(35)
at 31 December 2020	480	606	9	1,095
Assets acquired on purchase of a subsidiary or business	–	43	–	43
Additions at cost	7	289	13	309
Disposals	–	(172)	(1)	(173)
<b>at 31 December 2021</b>	<b>487</b>	<b>766</b>	<b>21</b>	<b>1,274</b>
<b>Accumulated depreciation</b>				
at 1 January 2020	340	3,298	35	3,673
Accumulated depreciation acquired on purchase of a subsidiary	24	51	–	75
Charge for the year	50	202	1	253
Disposals on sale or administration of subsidiaries	(225)	(3,253)	(27)	(3,505)
Disposals	–	(34)	–	(34)
at 31 December 2020	189	264	9	462
Charge for the year	45	135	–	180
Disposals	–	(131)	(1)	(132)
<b>at 31 December 2021</b>	<b>234</b>	<b>268</b>	<b>8</b>	<b>510</b>
<b>Net book amount</b>				
<b>at 31 December 2021</b>	<b>253</b>	<b>498</b>	<b>13</b>	<b>764</b>
at 31 December 2020	291	342	–	633

## Company

Throughout 2020 and 2021 the Company held no property, plant and equipment.

## Notes to the Financial Statements continued

## 16. Right-of-use assets

	Leasehold property improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
<b>Group</b>				
<b>Cost</b>				
At 1 January 2020	1,321	–	149	1,470
Assets acquired on purchase of a subsidiary	30	11	14	55
Additions at cost	162	5	–	167
Reclassification	39	–	(39)	–
Disposals on sale of a subsidiary	(52)	–	(48)	(100)
Disposals at the end of the lease term	(98)	–	(64)	(162)
At 31 December 2020	1,402	16	12	1,430
Assets acquired on purchase of a subsidiary	20	–	–	20
Additions at cost	354	181	–	535
Disposals at the end of the lease term	(162)	–	(12)	(174)
<b>At 31 December 2021</b>	<b>1,614</b>	<b>197</b>	<b>–</b>	<b>1,811</b>
<b>Accumulated depreciation</b>				
At 1 January 2020	320	–	78	398
Charge for the year	246	5	32	283
Disposals on sale of a subsidiary	(26)	–	(39)	(65)
Disposals at the end of the lease term	(98)	–	(64)	(162)
At 31 December 2020	442	5	7	454
Charge for the year	252	49	5	306
Disposals at the end of the lease term	(162)	–	(12)	(174)
<b>At 31 December 2021</b>	<b>532</b>	<b>54</b>	<b>–</b>	<b>586</b>
<b>Net book amount</b>				
<b>At 31 December 2021</b>	<b>1,082</b>	<b>143</b>	<b>–</b>	<b>1,225</b>
At 31 December 2020	960	11	5	976

At the year end, assets held under hire purchase contracts and capitalised as plant and machinery right-of-use assets have a net book value of £76,000 (2020: £46,000).

The depreciation of £29,000 (2020: £23,000) in respect of these has been charged to cost of sales in the Consolidated Statement of Comprehensive Income.

On 29 December 2021, a subsidiary entered into new property leases to replace those ending on its existing premises on 1 January 2022. The leases are for a term of up to 10 years and the estimated right-of-use asset of £750,000 will be accounted for from 1 January 2022.

## Company

Throughout 2020 and 2021 the Company held no right-of-use assets.

## Notes to the Financial Statements continued

### 17. Business combinations and disposals

#### i) Acquisition in 2021 of Millington Lord Limited

On 15 March 2021 a subsidiary, Hickton Group Limited, acquired 100 per cent of the issued share capital of Millington Lord Limited with its two trading subsidiaries Morgan Lambert Limited and Qualitas Compliance Limited. There was initial cash consideration of £700,000 together with deferred and contingent amounts of £400,000 which were subsequently paid in the year.

The acquisition has been accounted for using the acquisition method of accounting. After including the fair value of customer intangible assets and related deferred tax, the fair value of net assets acquired was £248,000.

Goodwill of £852,000 arose from the acquisition primarily in respect of the overall workforce skills and their ability to generate income. Acquisition fees of £45,500 were incurred which have been expensed as an administrative cost in the year.

The following table shows the fair value of assets and liabilities included in the consolidated statements at the date of acquisition:

	Fair value £'000
<b>Identifiable assets and liabilities</b>	
Intangible assets	350
Property, plant and equipment	33
Trade and other receivables	892
Cash and cash equivalents	55
Trade and other payables	(726)
Lease liabilities	(20)
Borrowings	(223)
Corporation tax payable	(17)
Deferred taxation	(96)
	<u>248</u>
Goodwill	852
	<u>1,100</u>
<b>Consideration</b>	
Cash consideration	<u>1,100</u>
<b>Analysis of cash flows on acquisition</b>	
Cash paid	1,100
Less: net cash acquired with the subsidiary	(55)
	<u>1,045</u>
Net cash outflow on acquisition	

From the date of acquisition, Morgan Lambert Limited and Qualitas Compliance Limited contributed £4,490,000 of revenue and £221,000 of profit before tax (excluding amortisation of intangible assets). If the combination had taken place at the beginning of the year, the revenue would have been £5,318,000 and the profit before tax would have been £284,000.

#### ii) Acquisition in 2021 by Aford Awards Limited of trophy businesses' trade and assets

A subsidiary, Aford Awards Limited, purchased tangible fixed assets with a fair value of £30,000 and the trade, including customer relationships valued at £207,000, of three trophy businesses on 2 September 2021 for cash consideration of £176,000 paid in 2021 and £131,000 of estimated contingent consideration payable. After providing for £48,000 of deferred tax, £117,000 of goodwill arises in respect of the businesses.

The businesses contributed £69,000 of revenue for the four months in the year after the acquisition date. They are integrated into the overall Aford Awards business and generate similar margins.

## Notes to the Financial Statements continued

### 17. Business combinations and disposals continued

#### iii) Acquisition in 2020 of Cook Brown Building Control Limited and Cook Brown Energy Limited

On 11 March 2020 a newly incorporated subsidiary, Hickton Group Limited, acquired 100 per cent of the issued share capital of Cook Brown Building Control Limited ('CBBC') and Cook Brown Energy Limited ('CBE').

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of net assets acquired was £296,000.

Goodwill of £3,234,000 arose from the acquisition primarily in respect of the overall workforce skills and their ability to generate income. Acquisition fees of £101,000 were incurred which have been expensed as an exceptional administrative cost in the year.

The following table shows the fair value of assets and liabilities included in the consolidated statements at the date of acquisition:

	Fair value £'000
<b>Identifiable assets and liabilities</b>	
Intangible assets	9
Property, plant and equipment	91
Trade and other receivables	643
Cash and cash equivalents	734
Trade and other payables	(1,021)
Lease liabilities	(55)
Corporation tax payable	(103)
Deferred taxation	(2)
	<u>296</u>
Goodwill	3,234
	<u>3,530</u>
<b>Consideration</b>	
Cash consideration	1,600
Existing loans offset against consideration	270
Shares issued	25
Loan notes issued	1,635
	<u>3,530</u>
<b>Analysis of cash flows on acquisition</b>	
Cash paid	1,600
Less: net cash acquired with the subsidiary	(734)
	<u>866</u>
Net cash outflow on acquisition	<u>866</u>

From the date of acquisition CBBC and CBE contributed £2,834,000 of revenue and £437,000 of profit before tax. If the combination had taken place at the beginning of the year, the revenue would have been £3,408,000 and the profit before tax would have been £517,000.

## Notes to the Financial Statements continued

### 17. Business combinations and disposals continued

#### iv) Disposals in 2020 of CEM Press and the related subsidiaries and Davies Odell Limited

An administration process commenced in January 2020 in respect of CEM Press and the related subsidiaries and they have been treated as disposals from 1 January 2020.

On 20 December 2020, the Group acquired the minority interest of 15% in Davies Odell Limited and transferred the shares to a new company, Vale Brothers Group Limited, in return for a 33% shareholding. This ceased to be a subsidiary and is now treated as an associate.

The trading from Davies Odell Limited and the profit on disposal of all subsidiaries is presented in discontinued operations in the Consolidated Statement of Comprehensive Income.

The assets and liabilities disposed of were as follows:

	CEM companies £'000	Davies Odell £'000
Property, plant and equipment	239	139
Inventories	9	429
Trade and other receivables	1,135	396
Cash and cash equivalents	4	–
Borrowings	(1,147)	(303)
Trade and other payables	(1,839)	(404)
Lease liabilities	(97)	(58)
Corporation tax payable	(103)	–
Deferred taxation	(53)	–
	<u>(1,852)</u>	<u>199</u>
Non-controlling interest released	1,027	–
(Profit)/loss on disposal	<u>(825)</u>	<u>199</u>

The cash flows from the discontinued operations were as follows:

	2021 £'000	2020 £'000
Operating cash flows	–	58
Investing cash flows	–	(5)
Financing cash flows	–	(164)

## Notes to the Financial Statements continued

## 18. Intangible assets

Intangible assets		Goodwill £'000	Customer relationship assets £'000	Other £'000	Total £'000
Group	Cost				
	at 1 January 2020	7,684	772	251	8,707
	Additions at cost	3,234	–	34	3,268
	Disposals	(1,241)	–	–	(1,241)
	at 31 December 2020	9,677	772	285	10,734
	Additions at cost	969	557	72	1,598
	<b>at 31 December 2021</b>	<b>10,646</b>	<b>1,329</b>	<b>357</b>	<b>12,332</b>
	<b>Accumulated amortisation and impairment</b>				
	at 1 January 2020	1,626	590	131	2,347
	Amortisation charge	–	–	66	66
	Impairment	172	182	–	354
	Disposals	(1,241)	–	–	(1,241)
	at 31 December 2020	557	772	197	1,526
	Amortisation charge	–	50	27	77
	<b>at 31 December 2021</b>	<b>557</b>	<b>822</b>	<b>224</b>	<b>1,603</b>
	<b>Net book amount</b>				
	<b>at 31 December 2021</b>	<b>10,089</b>	<b>507</b>	<b>133</b>	<b>10,729</b>
	at 31 December 2020	9,120	–	88	9,208
Company	<b>Cost</b>				
	at 1 January 2020, 31 December 2020 and 31 December 2021	80	–	17	97
	<b>Accumulated amortisation</b>				
	at 1 January 2020, 31 December 2020 and 31 December 2021	80	–	17	97
	<b>Net book amount</b>				
	at 31 December 2021	–	–	–	–
	at 31 December 2020	–	–	–	–

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 relationship related assets and other intangibles in respect of computer software, website costs and licences are amortised over their estimated economic lives. The annual amortisation charge is included in administrative expenses in the Consolidated Statement of Comprehensive Income.

**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.



## Notes to the Financial Statements continued

18. Intangible assets  
continued

For the purpose of impairment testing, goodwill and customer lists are allocated to the Group's cash generating units (CGUs) on a business segment basis:

	Aford Awards £'000	Friedman's £'000	Hickton Group £'000	Total £'000
<b>Goodwill</b>				
at 1 January 2020	1,040	3,167	2,033	6,240
Additions at cost	–	–	3,234	3,234
Impairment	–	–	(354)	(354)
	<u>1,040</u>	<u>3,167</u>	<u>4,913</u>	<u>9,120</u>
at 31 December 2020	1,040	3,167	4,913	9,120
Additions at cost	117	–	852	969
	<u>1,157</u>	<u>3,167</u>	<u>5,765</u>	<u>10,089</u>
<b>at 31 December 2021</b>	<b>1,157</b>	<b>3,167</b>	<b>5,765</b>	<b>10,089</b>

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 increase only by a long-term growth rate of 1%. A discount rate of 11.0% (2020: 10.0%), representing the estimated pre-tax cost of capital, has been applied to these projections.

A key assumption used in the value-in-use calculations is that trading will return to pre-pandemic revenue levels in the Friedman's and Aford Awards businesses. The Hickton Group businesses have not been affected to any major degree and forecasts reflect a continuation of 2021 trading results and underlying growth trends.

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, Hickton Consultants, Cook Brown and Morgan Lambert within the Hickton Group the value-in-use calculation gives rise to sufficient headroom such that reasonable changes in the key assumptions do not eliminate the headroom. The Milano International business within the Friedman's segment has been impacted by the pandemic, but a return to the level of trading profits achieved prior to this supports the goodwill in respect of this business.

At 31 December 2020 impairment charges of £354,000 were taken against the BRCS business goodwill and customer list assets (within Hickton Group) as this business incurred a loss in both 2019 and 2020. Actions have been taken to improve margins, but the business had not recovered in 2021.

## Notes to the Financial Statements continued

## 19. Investments

Company	Cost	Shares in Group subsidiaries £'000	Loans to Group subsidiaries £'000	Total investments in subsidiaries £'000
	at 1 January 2020	278	1,417	1,695
	Additions	230	2,768	2,998
	Disposals	(305)	(592)	(897)
	Repayment	–	(615)	(615)
	at 31 December 2020	203	2,978	3,181
	Additions	4	139	143
	Repayment	–	(50)	(50)
	<b>at 31 December 2021</b>	<b>207</b>	<b>3,067</b>	<b>3,274</b>
	<b>Accumulated amortisation and impairment</b>			
	at 31 December 2020 and 2021	–	–	–
	<b>Net book amount</b>			
	<b>at 31 December 2021</b>	<b>207</b>	<b>3,067</b>	<b>3,274</b>
	at 31 December 2020	203	2,978	3,181

The loans to Group subsidiaries' balance is represented by £2,592,000 of 8% loan stock, £100,000 of 6% loan stock and £375,000 of 7% loan stock which have no set repayment dates (2020: £2,453,000 of 8% loan stock, £150,000 of 6% loan stock and £375,000 of 7% loan stock). Repayments will only be requested when surplus cash is available.

As a result of a fundraising transaction in Hickton Group Limited ('HGL') during the year which included additional investment from the subsidiary's management, the Company's equity holding in HGL has decreased from 54.7% to 52.4%. The Company also advanced a further £139,000 of loan stock to HGL.

**Investment in associate**

The Company and the Group also hold 33% of the ordinary shares in Vale Brothers Group Limited, a company registered in England and Wales. This associate holding was acquired in exchange for the shares in Davies Odell Limited together with loan notes receivable of £405,000 in Vale Brothers Group Limited on 18 December 2020. Both the investment in shares and loan stock are considered to have a fair value of £nil with no value recorded in the consolidation at 31 December 2020 or 2021. Vale Brothers Group Limited also owns Vale Brothers Limited, a complementary business, and the transaction was entered into in order to look for a longer term recovery of both businesses. A £66,000 equity accounted share of the reported pre- and post-tax profit has been consolidated but the directors do not consider there is, as yet, sufficient track record to re-evaluate the value of the overall investment.

## Notes to the Financial Statements continued

### 19. 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 and principal activity	Place of operation	Proportion of ownership interests	Wholly or non-wholly owned subsidiary
Aford Awards Group Holdings Limited <i>Holding company for Aford Awards (Holdings) Limited</i>	England	75%	Non-wholly
Aford Awards (Holdings) Limited <i>Holding company for Aford Awards Limited</i>	England	75%	Non-wholly
Aford Awards Limited <i>Suppliers of trophies and awards and engraving specialists</i>	England	75%	Non-wholly
BRCS (Building Control) Limited <i>Provider of building control services</i>	England	52%	Non-wholly
Cook Brown Building Control Limited <i>Provider of building control services</i>	England	52%	Non-wholly
Cook Brown Energy Limited <i>Provider of building control services</i>	England	52%	Non-wholly
Friedman's Limited <i>Conversion and distribution of specialist Lycra</i>	England	52%	Non-wholly
Hickton Group Limited <i>Holding company for Hickton Holdings Limited and the Cook Brown subsidiaries</i>	England	52%	Non-wholly
Hickton (Holdings) Limited <i>Holding company for Hickton Consultants Limited</i>	England	52%	Non-wholly
Hickton Consultants Limited <i>Clerk of Works specialists</i>	England	52%	Non-wholly
Milano International Holdings Limited <i>Holding company for Milano International Limited</i>	England	50%	Non-wholly
Milano International Limited (trading as Milano Pro-Sport) <i>Design and manufacture of leotards</i>	England	50%	Non-wholly
Millington Lord Limited <i>Intermediate holding company</i>	England	52%	Non-wholly
Morgan Lambert Limited <i>Gas and electrical safety services</i>	England	52%	Non-wholly
Qualitas Compliance Limited <i>Gas safety consultancy services</i>	England	52%	Non-wholly
Signature Fabrics Limited <i>Holding company for Friedman's Limited</i>	England	55%	Non-wholly

## Notes to the Financial Statements continued

## 19. Investments continued

Name of subsidiary and principal activity	Place of operation	Proportion of ownership interests	Wholly or non-wholly owned subsidiary
Davies & Co (Kettering) Limited* <i>Dormant company</i>	England	100%	Wholly
Phillips Rubber Limited* <i>Dormant company</i>	England	100%	Wholly
Farmat Limited* <i>Dormant company</i>	England	100%	Wholly
Davies and Company Limited* <i>Dormant company</i>	England	100%	Wholly

\* These entities 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 as follows:

**Consolidated Statement of Financial Position**

	Signature Fabrics Group		Hickton Holdings Group	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
As at 31 December				
Current				
Assets	3,105	2,807	2,615	2,246
Liabilities	(1,165)	(1,241)	(4,151)	(3,379)
Total current net assets	1,940	1,566	(1,536)	(1,133)
Non-current				
Assets	4,515	4,556	6,762	5,147
Liabilities	(981)	(986)	(3,634)	(3,178)
Total non-current net assets	3,534	3,570	3,128	1,969
Net assets	5,474	5,136	1,592	836

**Consolidated Statement of Comprehensive Income**

	Signature Fabrics Group		Hickton Holdings Group	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
For year ended 31 December				
Revenue	4,762	3,878	14,186	7,139
Profit/(loss) before income tax	357	(391)	826	360
Income tax (expense)/credit	(57)	48	(128)	(68)
Post-tax profit from continuing operations	300	(343)	698	292
Total comprehensive income/(loss)	300	(343)	698	292
Total comprehensive income/(loss) allocated to non-controlling interests	130	(167)	337	135

## Notes to the Financial Statements continued

### 20. Inventories

		2021 £'000	2020 £'000
Group	Raw materials and consumables	752	485
	Work in progress	27	10
	Finished goods and goods for resale	833	946
		<u>1,612</u>	<u>1,441</u>

The cost of inventories recognised as an expense and included in cost of sales amounted to £2,717,000 (2020: £3,506,000).

### Company

The Company has no inventories (2020: none).

## Notes to the Financial Statements continued

## 21. Trade and other receivables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade receivables	2,713	1,430	4	4
less: provision for impairment of trade receivables	(16)	(9)	–	–
Trade receivables – net	2,697	1,421	4	4
Amount due from subsidiary companies	–	–	1,248	1,174
Other receivables	27	76	1	20
Prepayments and accrued income	312	386	4	2
	<u>3,036</u>	<u>1,883</u>	<u>1,257</u>	<u>1,200</u>

As at 31 December 2021, Group trade receivables of £1,310,000 (2020: £712,000) were fully performing.

Group trade receivables that are less than three months past due are not considered impaired. As of 31 December 2021, trade receivables of £1,279,000 (2020: £597,000) 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 2021, Group trade receivables of £124,000 (2020: £121,000) were potentially impaired. A significant portion of the receivables is expected to be recovered and a provision of £16,000 (2020: £9,000) has been made for non-recovery. The individually impaired receivables mainly relate to customers who are in unexpectedly difficult economic situations.

The carrying amounts of the Group trade and other receivables denominated in foreign currencies were immaterial at 31 December 2021 and 2020. This reflects an increasing proportion of UK activity and sales in the Group's subsidiary businesses.

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

	2021 £'000	2020 £'000
At 1 January	9	40
Provision for receivables impairment	12	34
Written off against provision	(5)	(65)
At 31 December	<u>16</u>	<u>9</u>

The creation and release of provisions for impaired receivables have been included in administrative expenses 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.

## Notes to the Financial Statements continued

**22. Cash and cash equivalents**

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cash at bank and in hand	<u>2,081</u>	<u>2,332</u>	<u>468</u>	<u>31</u>

**23. Trade and other payables**

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current:				
Trade payables	1,161	1,093	7	69
Other payables	411	175	–	–
Accruals	526	797	98	323
Deferred income	<u>1,043</u>	<u>844</u>	<u>–</u>	<u>–</u>
Total trade and other payables	<u>3,141</u>	<u>2,909</u>	<u>105</u>	<u>392</u>
Non-current:				
Other payables	<u>45</u>	<u>–</u>	<u>–</u>	<u>–</u>

**24. Current tax liabilities**

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Other tax and social security	937	939	4	3
Corporation tax	<u>44</u>	<u>70</u>	<u>–</u>	<u>–</u>
	<u>981</u>	<u>1,009</u>	<u>4</u>	<u>3</u>

## Notes to the Financial Statements continued

## 25. Borrowings and lease liabilities

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Non-current:				
Bank loans	1,268	1,309	–	–
Other loans	7,168	5,106	4,950	2,950
	<u>8,436</u>	<u>6,415</u>	<u>4,950</u>	<u>2,950</u>
IFRS 16 lease liabilities	1,096	887	–	–
	<u>9,532</u>	<u>7,302</u>	<u>4,950</u>	<u>2,950</u>
Current:				
Bank loans	640	583	–	–
Trade receivables backed working capital facilities	554	–	–	–
Other loans	565	3,278	192	2,650
	<u>1,759</u>	<u>3,861</u>	<u>192</u>	<u>2,650</u>
IFRS 16 lease liabilities	258	248	–	–
	<u>2,017</u>	<u>4,109</u>	<u>192</u>	<u>2,650</u>
Total borrowings and lease liabilities	<u>11,549</u>	<u>11,411</u>	<u>5,142</u>	<u>5,600</u>

Other loans can be analysed as follows:

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Non-current:				
From an entity under common control	2,950	2,950	2,950	2,950
From a third party	2,000	–	2,000	–
Acquisition loan notes	2,218	2,126	–	–
From a director of a subsidiary	–	30	–	–
	<u>7,168</u>	<u>5,106</u>	<u>4,950</u>	<u>2,950</u>
Current:				
From a director	192	650	192	650
From a third party	–	2,000	–	2,000
Acquisition loan notes	343	598	–	–
From a director of a subsidiary	30	30	–	–
	<u>565</u>	<u>3,278</u>	<u>192</u>	<u>2,650</u>

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 were secured by the trade receivable to which they relate. All borrowings are denominated in Sterling.

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



## Notes to the Financial Statements continued

**25. Borrowings and lease liabilities** continued

At 31 December 2021 the analysis of the security of bank borrowings and overdrafts and trade receivables backed working capital facilities was as follows:

	By fixed and floating charges £'000	By trade receivables £'000	Total £'000
Secured on the assets of			
Aford Awards Limited	85	—	85
Milano International	89	—	89
Hickton Group and its direct subsidiaries	1,734	554	2,288
	<u>1,908</u>	<u>554</u>	<u>2,462</u>

At 31 December 2020 the analysis of the security of bank borrowings and overdrafts and trade receivables backed working capital facilities was as follows:

	By fixed and floating charges £'000	By trade receivables £'000	Total £'000
Secured on the assets of			
Friedman's	—	—	—
Aford Awards Limited	100	—	100
Hickton Group and its direct subsidiaries	1,698	—	1,698
	<u>1,798</u>	<u>—</u>	<u>1,798</u>

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

	Bank £'000	2021 Other £'000	Leases £'000
Liabilities falling due:			
Within one year	640	565	258
Between one and two years	850	3,566	238
Between two and five years	418	3,555	591
In more than five years	—	47	267
	<u>1,908</u>	<u>7,733</u>	<u>1,354</u>
		2020	
	Bank £'000	Other £'000	Leases £'000
Liabilities falling due:			
Within one year	489	3,278	248
Between one and two years	497	3,458	166
Between two and five years	795	1,516	426
In more than five years	17	132	295
	<u>1,798</u>	<u>8,384</u>	<u>1,135</u>

The principal bank borrowings are subject to floating interest rates with £750,000 (2020: £1,250,000) at 3.5% over base rates and £500,000 (2020: £nil) at 3.8% over base rates and £527,000 (2020: £513,000) at 8% over base rates.

## Notes to the Financial Statements continued

### 25. Borrowings and lease liabilities continued

Other loans of £2,950,000 (2020: £2,950,000) are due to a company under common control. The total available facility is £3,000,000. This was due for repayment by 31 March 2023 and is now on an 18-month rolling notice period for repayment. Amounts due attract interest at 5% per annum. The loan is unsecured, but guaranteed by a director, see note 29.

The loan from a third party of £2,000,000 is unsecured, also guaranteed by a director and is repayable on 30 June 2025. Interest is payable at 7% per annum (2020: £2,000,000 from another third party with interest at 10% and repaid in 2021).

There is also a loan of £192,000 (2020: £650,000) from a director which is unsecured, interest-free and repayable when any excess cash is available.

In Hickton Group Limited, there are £380,000 (2020: £665,000) of Vendor Loan Notes which are unsecured, attract interest at 5% per annum and repayable by quarterly instalments over the period to June 2023. There are also £1,867,000 (2020: £1,585,000) of other loan notes which are unsecured, attract interest at 8% per annum and which are repayable in quarterly instalments over three years following the final repayment of Vendor Loan Notes.

In Milano International Holdings Limited, there are £nil (2020: £160,000) of loan notes which are unsecured, attract interest at 4% and which were repaid in 2021. There are also £100,000 (2020: £100,000) of loan notes which are unsecured, attract interest at 6% and have no fixed repayment date.

There are £90,000 (2020: £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.

Aford Awards Group Holdings Limited has £125,000 (2020: £125,000) of loan notes which are unsecured, attract interest at 7% per annum and which have no fixed repayment date.

The carrying amounts of the Group's borrowings are denominated in Sterling.

The Group has no further bank loan facilities available for drawdown.

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 lease liabilities.

## Notes to the Financial Statements continued

### 26. Financial instruments

#### a) Analysis of financial instruments by category

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

##### Group

31 December 2021

Assets as per Statement of Financial Position	Loans and receivables £'000
Trade and other receivables (excluding prepayments)	2,724
Cash and cash equivalents	2,081
<b>Total</b>	<b>4,805</b>

Liabilities at amortised cost as per Statement of Financial Position	Other financial liabilities £'000
Bank borrowings	2,462
Lease liabilities	1,354
Trade and other payables (excluding statutory liabilities and deferred income)	2,143
Other loans	7,733
<b>Total</b>	<b>13,692</b>

##### Group

31 December 2020

Assets as per Statement of Financial Position	Loans and receivables £'000
Trade and other receivables (excluding prepayments)	1,559
Cash and cash equivalents	2,332
<b>Total</b>	<b>3,891</b>

Liabilities at amortised cost as per Statement of Financial Position	Other financial liabilities £'000
Bank borrowings	1,892
Lease liabilities	1,135
Trade and other payables (excluding statutory liabilities and deferred income)	2,065
Other loans	8,384
<b>Total</b>	<b>13,476</b>

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

### 26. Financial instruments continued

#### b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables are analysed between:

Group	2021 £'000	2020 £'000
CEPS Group	4	26
Aford Awards	57	67
Friedman's	339	260
Hickton Group	2,297	1,530
	<u>2,697</u>	<u>1,883</u>

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 Group cash and cash equivalents includes £2,081,000 (2020: £2,332,000) 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

### 27. 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.

	Intangible assets £'000	Other timing differences £'000	Accelerated capital allowances £'000	Total £'000
At 1 January 2020, liability	–	–	(109)	(109)
Disposal of subsidiaries	–	–	51	51
Credit to the Consolidated Statement of Comprehensive Income	–	6	1	7
at 31 December 2020, liability	–	6	(57)	(51)
Acquisitions of subsidiaries and businesses	(130)	–	–	(130)
Credit/(debit) to the Consolidated Statement of Comprehensive Income	9	4	(87)	(74)
<b>at 31 December 2021, liability</b>	<b>(121)</b>	<b>10</b>	<b>(144)</b>	<b>(255)</b>

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. There are unrecognised deferred tax assets of £457,000 at the rate of 25% at 31 December 2021 (2020: £279,000 at a rate of 19%).

### 28. Share capital and share premium

	Number of shares	Ordinary £0.10 shares £'000	Share premium £'000	Total £'000
At 1 January 2020 and 31 December 2020	17,000,000	1,700	5,841	7,541
Shares issued in the year	4,000,000	400	1,176	1,576
<b>At 31 December 2021</b>	<b>21,000,000</b>	<b>2,100</b>	<b>7,017</b>	<b>9,117</b>

On 24 September 2021, 4,000,000 £0.10 ordinary shares were issued at 40 pence each resulting in a £400,000 increase in nominal share capital and a £1,176,000 increase in the share premium account after deducting share issue expenses of £24,000.

## Notes to the Financial Statements continued

## 29. Related party transactions

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

	Aford Awards Group Holdings Limited £'000	Davies Odell Limited £'000	Signature Fabrics Limited £'000	Hickton Group Limited subsidiaries £'000
Loan note interest receivable				
– 2021	49	–	60	185
– 2020	26	35	60	154
Management charge income receivable				
– 2021	20	–	35	13
– 2020	20	11	35	13
Amount owed to the Company				
– 31 December 2021	798	–	1,135	2,382
– 31 December 2020	735	–	1,075	2,342
Loans and investments written-off or impaired				
– 2021	–	–	–	–
– 2020	–	19	–	–

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

At the year end the parent company owed a loan of £2,950,000 (2020: £2,950,000) and accrued interest of £nil (2020: £190,000) to an entity with common shareholders and interest of £150,000 (2020: £146,000) was charged on this loan during the year. The loan is guaranteed by D A Horner.

At the year end the Company owed £2,000,000 to a third party (2020: £2,000,000 to another third party repaid in 2021). The loan is unsecured and is repayable on 30 June 2025. Interest is payable at 7% per annum. Interest of £99,000 and £73,000 was charged on the third party loans during the year (2020: £200,000). The loan is guaranteed by D A Horner.

At the year end the Company owed £192,000 (2020: £650,000) to a director, D A Horner. The loan is unsecured and interest free.

At the year end amounts owed to a director of a subsidiary company in relation to a loan amounted to £30,000 (2020: £60,000). Interest payable at 5% per annum on this loan in the year amounted to £2,000 (2020: £4,000).

At the year end amounts owed to directors of subsidiary companies and their close family members in respect of acquisition loan notes amounted to £2,100,000 (2020: £2,140,000). Interest payable on these loans in the year amounted to £154,000 (2020: £122,000). Further analysis is shown on page 70.

## Notes to the Financial Statements continued

## 29. Related party transactions continued

These amounts are analysed below:

## At 31 December 2021

Related party	Company	Position	Amount £'000	Interest £'000	Interest %
R Ferguson	Aford Awards Group Holdings Limited	Director	62	5	7
P Wood	Aford Awards Group Holdings Limited	Director	63	4	7
J Ford	Aford Awards (Holdings) Limited	Former director	90	7	8
M Brown	Hickton Group Limited	Director	437	35	8
M Brown	Hickton Group Limited	Director	190	13	5
J Cook	Hickton Group Limited	Director	560	40	8
J Cook	Hickton Group Limited	Director	190	14	5
A Mobbs	Hickton Group Limited	Director	298	24	8
J Pryke	Hickton Group Limited	Director	210	12	8
			<b>2,100</b>	<b>154</b>	

## At 31 December 2020

Related party	Company	Position	Amount £'000	Interest £'000	Interest %
R Ferguson	Aford Awards Group Holdings Limited	Director	62	1	7
P Wood	Aford Awards Group Holdings Limited	Director	63	1	7
J Ford	Aford Awards (Holdings) Limited	Former director	90	7	8
M Brown	Hickton Group Limited	Director	770	44	8
J Cook	Hickton Group Limited	Director	770	44	8
A Mobbs	Hickton Group Limited	Director	298	19	8
J Pryke	Hickton Group Limited	Director	87	6	8
			<b>2,140</b>	<b>122</b>	

## Notes to the Financial Statements continued

## 30. Changes in liabilities arising from financing activities

	At 1 January 2021 £'000	Cash flows £'000	Non-cash changes £'000	At 31 December 2021 £'000
<b>Current</b>				
Borrowings	3,861	(1,799)	(303)	1,759
Lease liabilities	248	(336)	346	258
	<u>4,109</u>	<u>(2,135)</u>	<u>43</u>	<u>2,017</u>
<b>Non-current</b>				
Borrowings	6,415	2,021	–	8,436
Lease liabilities	887	–	209	1,096
	<u>7,302</u>	<u>2,021</u>	<u>209</u>	<u>9,532</u>
	<u>11,411</u>	<u>(114)</u>	<u>252</u>	<u>11,549</u>

	At 1 January 2020 £'000	Cash flows £'000	Non-cash changes £'000	At 31 December 2020 £'000
<b>Current</b>				
Borrowings	2,077	921	863	3,861
Hire purchase obligations	97	–	(97)	–
Lease liabilities	201	(319)	366	248
	<u>2,375</u>	<u>602</u>	<u>1,132</u>	<u>4,109</u>
<b>Non-current</b>				
Borrowings	5,152	1,263	–	6,415
Lease liabilities	982	–	(95)	887
	<u>6,134</u>	<u>1,263</u>	<u>(95)</u>	<u>7,302</u>
	<u>8,509</u>	<u>1,865</u>	<u>1,037</u>	<u>11,411</u>



## Notes to the Financial Statements continued

### 31. Post balance sheet events

On 12 April 2022 Aford Awards Limited ('AAL') purchased the business and related assets of Impact Promotional Merchandise Limited. The consideration for the purchase was £1,008,000, £558,000 being paid on completion with a deferred consideration of £450,000 to be paid post completion in the following amounts and on the following dates: £210,000 on 14 March 2023; £60,000 on 30 September 2023; £60,000 on 31 March 2024 and £60,000 on 31 March 2025. The initial consideration was funded as to £8,000 from AAL's existing cash resources, a loan of £450,000 from CEPS, a loan of £50,000 from Paul Wood, the Managing Director of AAL, and £50,000 of a total loan of £90,000 from Rob Ferguson, the Sales Director of AAL. All the loans have a coupon of 5% per annum. There are no fixed repayment dates for the loans. The deferred consideration payments, to the extent that they cannot be met by AAL, have been guaranteed by D A Horner.

On 29 April 2022 the repayment date of the loan from Chelverton Asset Management Limited to the Company, which stands at £2,950,000, was changed from 31 March 2023 to being on a rolling 18-month basis. The Company's obligations in respect of this loan have been guaranteed by D A Horner.

## Notes to the Financial Statements continued

### Group Information

<b>Directors</b>	<p>D A Horner, Chairman  V E Langford, Group Finance  D E Johnson, Non-executive  G C Martin, Non-executive</p>
<b>Secretary and registered office</b>	<p>V E Langford  11 Laura Place, Bath BA2 4BL  Company number 00507461  <a href="http://www.cepsplc.com">www.cepsplc.com</a></p>
<b>Operating locations</b>	<p>Aford Awards Limited  Grange House, Bearsted Green Business Centre, Maidstone ME14 4DF  telephone 01622 738711; email <a href="mailto:orders@afordawards.co.uk">orders@afordawards.co.uk</a>; <a href="http://www.afordawards.co.uk">www.afordawards.co.uk</a></p> <p>BRCS (Building Control) Limited  Unit 5, Old Building Yard, Cortworth Lane, Wentworth S62 7SB  telephone 01226 743959; email <a href="mailto:info@brcs.co.uk">info@brcs.co.uk</a>; <a href="http://www.brcs.co.uk">www.brcs.co.uk</a></p> <p>Cook Brown Building Control Limited and Cook Brown Energy Limited  Unit 4, Middle Bridge Business Park, Bristol Road, Portishead, Bristol BS20 6PN  telephone 01275 848228; email <a href="mailto:admin@cookbrown.co.uk">admin@cookbrown.co.uk</a>; <a href="http://www.cookbrown.co.uk">www.cookbrown.co.uk</a></p> <p>Friedman's Limited  Unit E, Altrincham Business Park, 3 Tudor Road, Altrincham WA14 5RZ  telephone 0161 975 9002; email <a href="mailto:info@friedmans.co.uk">info@friedmans.co.uk</a>;  <a href="http://www.friedmans.co.uk">www.friedmans.co.uk</a>; <a href="http://www.funkifabrics.com">www.funkifabrics.com</a>; <a href="http://www.alexandermaverick.co.uk">www.alexandermaverick.co.uk</a></p> <p>Hickton Consultants Limited  Amber Court, 51 Church Street, Elsecar, Barnsley S74 8HT  telephone 01226 743959; email <a href="mailto:info@hickton.co.uk">info@hickton.co.uk</a>; <a href="http://www.hickton.co.uk">www.hickton.co.uk</a></p> <p>Milano International Limited (trading as Milano Pro-Sport)  The Arena, 65 Bow Lane, Preston PR1 8ND  telephone 01772 277777; email <a href="mailto:info@milano-pro-sport.com">info@milano-pro-sport.com</a>;  <a href="http://www.milano-pro-sport.com">www.milano-pro-sport.com</a></p> <p>Morgan Lambert Limited  3 Escrick Park, Escrick, York YO19 6FD  telephone 01757 210598; email <a href="mailto:info@morganlambert.com">info@morganlambert.com</a>; <a href="http://www.morganlambert.com">www.morganlambert.com</a></p> <p>Qualitas Compliance Limited  3 Escrick Park, Escrick, York YO19 6FD  telephone 01925 377278; email <a href="mailto:info@qualitascompliance.com">info@qualitascompliance.com</a>;  <a href="http://www.qualitascompliance.com">www.qualitascompliance.com</a></p>
<b>Registrars and share transfer office</b>	<p>Share Registrars Limited  3 Millennium Centre, Crosby Way, Farnham GU9 7XX  telephone 01252 821390, lines are open 9.00am to 5.30pm Monday to Friday</p>
<b>Share price information</b>	<p>The day-to-day movement of the share price on the London Stock Exchange can be found on the Company's website and at <a href="http://www.londonstockexchange.com">www.londonstockexchange.com</a> (code CEPS)</p>
<b>Independent auditor</b>	<p>Cooper Parry Group Limited  Sky View, Argosy Road, East Midlands Airport, Castle Donington, Derby DE74 2SA</p>
<b>Solicitors</b>	<p>Roxburgh Milkins Limited  Merchants House North, Wapping Road, Bristol BS1 4RW</p>
<b>Nominated adviser and broker</b>	<p>Cairn Financial Advisers LLP  9th Floor, 107 Cheapside, London EC2V 6DN</p>

## 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 13 June 2022 at 11.30am for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which resolutions numbered 1 to 5 will be proposed as ordinary resolutions and resolutions numbered 6 and 7 will be proposed as special resolutions.

- 1 To receive, consider and adopt the Company's annual accounts for the financial year ended 31 December 2021 together with the Directors' Report and Auditor's Report on those accounts.
- 2 To re-appoint G C Martin 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 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.
- 4 To authorise the directors to agree the auditor's remuneration.
- 5 THAT, in substitution for any existing authority subsisting at the date of this resolution to the extent unused, the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to allot Ordinary Shares in the Company or grant rights to subscribe for or to convert any security into Ordinary Shares in the Company up to an aggregate nominal amount of £2,100,000, 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.
- 6 THAT subject to and conditional on the passing of resolution number 5 and in substitution for any existing authority subsisting at the date of this resolution to the extent unused, the directors be empowered, pursuant to section 570 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 5 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

6.1 in connection with an offer of such securities by way of rights issue (as defined below);

For the purposes of resolution 6.1, 'rights issue' means an offer of equity securities to holders of Ordinary Shares in the capital of the Company on the register on a record date fixed by the directors in proportion as nearly as may be to the respective numbers of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any treasury shares, fractional entitlements or legal or practical issues arising under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in, any territory or any other matter.

6.2 otherwise than pursuant to sub-paragraph 6.1 above up to an aggregate nominal amount of £2,100,000 (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.

## Notice of Meeting continued

### Annual General Meeting continued

7 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:

7.1 the maximum number of Ordinary Shares hereby authorised to be purchased is limited to an aggregate of 2,100,000 (such shares representing 10% of the Company's issued ordinary capital as at the date of this notice);

7.2 the minimum price, exclusive of any expenses, which may be paid for an Ordinary Share is 10 pence;

7.3 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% 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

7.4 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*  
9 May 2022

## 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 3 Millennium Centre, Crosby Way, Farnham, Surrey GU9 7XX 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 9 June 2022 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.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual.

CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCO Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual.

The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent 7RA36 by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCO Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of CREST by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.