CEPS PLC
Partnering for success

Annual Report 2020

Contents

Chairman's Statement

We, the nation, CEPS PLC ('CEPS'), our colleagues, shareholders, customers and suppliers have all come through, and are moving through, a very difficult period.

I strongly believe that we should reflect on what has happened in this past year and take strength from the resilience that has been shown across all areas of British society and the economy. In respect of CEPS, the 15 months since the first lockdown has given us the time to evaluate our businesses and how we want them to develop going forward.

Over the past year I have heard, on numerous occasions, the management teams of various public companies saying that they had chosen to use the period of the lockdown as an opportunity to implement changes to their businesses. These developments had been planned and were scheduled to take two to five years to carry out but, given the extraordinary circumstances in 2020, they decided to complete the changes in three to six months. Generally, these changes are to make processes and systems more efficient and automated and so require less labour, and to ultimately be more cost effective and efficient.

Readers of my statements over recent years will be aware that, contrarily, I have been very concerned about the availability of skilled employees, now and in the future and, therefore, anything that can be done to remove labour from our businesses is to be encouraged.

Over the past 18 months the Board has made a number of announcements setting out developments in each of the companies as appropriate. None of these announcements were of themselves 'earth shattering', but collectively we feel that they will prove to be transformational for the parent company. For the benefit of shareholders, I set them out collectively again in abbreviated form. We will not make a habit of this as I doubt if any single year in the future, we will make so many changes requiring announcements.

October 2019
Acquisition of Milano International by Signature Fabrics, the parent company of Friedman's.

January 2020
Removal of the lossmaking CEM group of companies by way of administration.

March 2020
Acquisition of Cook Brown Building Control and Cook Brown Energy by Hickton Group and reorganisation of the capital structure and modest increase in CEPS' shareholding.

September 2020
Change of management, increase in CEPS' shareholding and capital reconstruction of Aford Awards.

December 2020
Merger of Davies Odell and Vale Partners and revised capital structure of the new holding company for these.

Since the year end:

March 2021
Acquisition of the Millington Lord group of companies by Hickton Group.

It is the Board's firm belief that all of these corporate changes listed above will, in time, prove to be highly beneficial to the parent, CEPS.

Chairman's Statement continued

Financial review

The financial year being reported on is something of a curate's egg!

The accounts, as in the last few years, are completely distorted by a few one-off factors and I am fully aware and acknowledge that this has, unfortunately, been the mantra of the Board over the past few years. It is to be hoped going forward that our accounts will become less complex.

As already mentioned, in January 2020 CEM and Sampling International went into administration, and in December 2020 CEPS' ownership of Davies Odell moved from being a subsidiary to an associate on its merger with Vale Brothers. Consequently, these companies are classified as discontinued operations in 2020 and the 2019 comparatives. Those companies that are categorised as continuing operations are Aford Awards, Friedman's and Milano International, and Hickton Consultants, BRCS and the two Cook Brown companies.

Total revenue for 2020 was £14.0m (2019: £21.8m) of which £11.9m (2019: £12.5m) was generated from continuing operations and £2.1m (2019: £9.3m) from discontinued operations.

Unsurprisingly, given that Aford Awards, Friedman's and Milano International operate in the leisure sector, their results were decimated by the effects of the pandemic. The segmental result presented as EBITDA before exceptional items of £1.0m (2019: £971,000) shows EBITDA of £1.2m (2019: £2.5m) from continuing operations and a loss of £120,000 (2019: loss of £1.5m) from discontinued operations.

Looking at the individual companies in more detail shows that Aford Awards' EBITDA in the current year was £111,000 (2019: £411,000) and the combined EBITDA of Friedman's and Milano International in 2020 was £124,000 (2019: £1.2m). Despite the fact that these results are so much lower than in the previous year, the companies did extremely well to achieve a positive EBITDA in such difficult circumstances.

Hickton Group, with the addition of the Cook Brown companies in March 2020, fared much better due to its trading activities in the construction sector. The Hickton Group's EBITDA in 2020 was £929,000 compared to £850,000 in 2019. Although the 2020 results are better than those in 2019, the former include the results for the Cook Brown companies for the nine months following their acquisition. The performance of the expanded group would have been higher had not Covid-19 had an impact.

The adjusted Group operating profit, before exceptional items and the impairment of intangible assets, for the year was £12,000 (2019: adjusted operating loss of £38,000), split between an operating profit from continuing operations of £229,000 (2019: £1.7m) and an operating loss from discontinued operations of £217,000 (2019: operating loss £1.8m).

Other operating income in the year of £861,000 (2019: £nil) has derived from the Coronavirus Job Retention Scheme and other similar grants and without this government support CEPS would have made an operating loss, before exceptional items and the impairment of intangible assets, of £849,000, split between continuing operations (loss of £461,000) and discontinued operations (loss of £388,000).

After due consideration and to err on the side of caution, the remaining goodwill and customer list intangibles associated with BRCS were impaired in the year resulting in a write-off of £354,000.

Although CEM and Sampling International did not trade during the year, there was an exceptional profit on their disposal of £825,000, amended from the figure reported in the 2020 interims of £2.6m as announced to the market on 20 April 2021. This profit is analysed under discontinued operations and is reduced by the loss on disposal of Davies Odell of £199,000, producing a net profit on disposal of discontinued operations of £626,000.

Chairman's Statement *continued*

Financial review
continued

Finance costs for the year of £762,000 are considerably higher than last year (2019: £441,000) and are split between continuing operations (£732,000) (2019: £340,000) and discontinued operations (£30,000) (2019: £101,000). This can be explained by the increased level of gearing which has increased from 156% in 2019 to 478% in 2020 with additional interest charges from the loan note funding of both the acquisition and restructuring.

The loss before taxation for the year was £645,000 (2019: £2.3m), £960,000 of which was the loss generated from continuing operations (2019: profit of £1.4m) and £315,000 was the profit from discontinued operations (2019: loss of £3.7m).

Taxation for the year at £20,000 is much reduced from the previous year's charge of £342,000 due to the impact that Covid-19 had on the results of the companies that usually pay corporation tax and including the carry back of losses to reclaim 2019 tax paid.

The loss for the year after taxation was £665,000 (2019: £2.6m), split between a loss from continuing operations of £980,000 (2019: profit of £1.1m) and a profit from discontinued operations of £315,000 (2019: loss of £3.7m).

Loss per share on a basic and diluted basis was 3.67p (2019: loss per share 15.86p) which can be analysed between a loss per share from continuing operations of 5.52p (2019: earnings per share of 2.20p) and an earnings per share from discontinued operations of 1.85p (2019: loss per share of 18.06p).

The cash generated from operations in 2020 was £1.5m which compares to £365,000 in 2019. Net debt, excluding acquisition loan notes, increased over the year from £4.3m to £5.2m. The additional cash was primarily used to finance the new acquisitions and the restructuring in the year.

During the 2020 financial year I have loaned the Company £650,000 interest free and with no fixed repayment date. Since the year end, I have loaned a further £100,000 on the same terms.

Finally, in the Consolidated Statement of Changes in Equity there is a charge of £957,000 which has resulted from the changes in ownership interest in the subsidiaries, Aford Awards, Davies Odell and Hickton Group, as listed in the corporate changes on page 2. This reflects current values and the accounting treatment of the amounts consequently paid on the restructuring of continuing subsidiaries, in particular for the changes within the minority shareholdings in Hickton Consultants.

The directors consider that it is appropriate for the financial statements to be prepared on a going concern basis due to the additional funding of £2,000,000 from a new debt provider (replacing an existing loan which is due to be repaid on 30 June 2021) in place post year end which provides confidence to the directors that the Group will be able to operate within its current funding facilities to 30 June 2022.

However, the lack of certainty over trading and the ability of the subsidiaries to generate cash over the next 12 months created by the continuing Coronavirus restrictions represent a material uncertainty over going concern. No adjustments have been made to the financial statements in respect of amounts should the going concern basis not be appropriate. It should be noted that the auditor's opinion is not modified in respect of this matter.

Although it has been an extremely difficult year for all the Group companies, the management teams of each of the subsidiaries have taken a long hard look at their operations and made changes, sadly generally involving a reduction in the work force, leading to improved efficiency and the creation of more dynamic operational platforms.

It is the Board's belief that the underlying subsidiaries will, to a greater or lesser extent,

Chairman's Statement continued

Financial review
continued

improve their performances over the course of the second half of 2021 as the impact of lockdowns is progressively reduced. However, given the continued impact in the first half of 2021, it will not be until the 2022 financial year that the real progress and new strength of the CEPS group will become clear publicly.

Operational review

I will now report on the performance of the individual companies.

Aford Awards

Trading was in line with expectations, which was an increase on the previous year, until the first lockdown at the end of March 2020.

Since that date, the business has been working on a care and maintenance basis. Staff have been furloughed and gradually brought back into the business as required. The giving of trophies, medals and awards is generally part of a public event which has, of course, been banned for much of the past 15 months. However, fortunately, organisations have tried to continue as normally as possible, and the business has been gradually increasing its sales for the past six months.

A new management team took over in September from Jon Ford who is the son of the original founder, Andy Ford. This reorganisation was effected by setting up a new holding company with CEPS increasing its shareholding from 70% to 75% and receiving additional loan notes.

The new team are committed, as is the Board of CEPS, that a significant part of the future growth of Aford Awards will be through the acquisition of very small, uneconomic lifestyle businesses which can be absorbed and integrated into the existing Aford Awards' structure. Discussions are under way with several such opportunities, and we expect to report that some of these will be acquired this year. These are generally very small and the acquisition price will, in the main, be funded by Aford Awards from its own resources, with no recourse to CEPS.

There is no doubt that the turmoil caused by the Covid-19 lockdowns has accelerated the potential for consolidation in the sector. In addition, as these small companies have been surviving on a remote basis for much of the past 15 months, they have therefore 'proved' that their businesses can be relocated with little or no loss of sales.

Davies Odell

The most important event in the company's year was the merger with Vale Brothers at the end of the financial year in December 2020.

Whilst more people were made redundant during the year, as the management team continued to 'right-size' the business, the losses continued, albeit on a reduced basis.

The merger was achieved by a new holding company being established to acquire Davies Odell and Vale Brothers, Vale Brothers Group. CEPS has 33% of the equity of the new holding company and £405,000 of loan stock.

Vale Brothers manufactures equestrian equipment including saddles, bridles, horse whips, rugs and brushes. These products are complementary to Davies Odell's range of personal protection products sold under the Forcefield brand and matting for stables sold as Equimat.

As a result of the merger there have been further reductions in people employed and it is expected that these cost savings will give the combined businesses an opportunity to generate profits.

In addition, in time, further acquisitions and consolidation will be carried out in these very traditional and fragmented sectors.

Chairman's Statement continued

Operational review
continued

Friedman's

The deep regret of 2020 was that the management team of the company had spent the six months from the acquisition of Milano International in October 2019 revamping, reorganising, and redesigning the Milano product range and were poised to relaunch the business in early April 2020. Clearly all of that has been put on hold until such a time as gyms and dance studios can reopen.

In the meantime, whilst Friedman's core sales have declined significantly, the Funki Fabrics business, after an initial decline, has over time recovered to its pre-Covid-19 levels and continued to be profitable.

The management team are poised to take advantage of all opportunities once the restrictions are eased.

Hickton Group

The financial year of 2020 was another year of strong development for the group.

In March 2020, a new holding company, Hickton Group, was set up to buy Cook Brown Building Control and Cook Brown Energy and to merge with the existing CEPS subsidiary Hickton Consultants. Amongst the benefits of this amalgamation was a broadening of the group's activities into other building services. As part of this exercise, James Cook and Matthew Brown, the founders of Cook Brown, received shares in Hickton Group and will work alongside Tony Mobbs, Chairman of Hickton Group, and Janet Pryke, Finance Director.

CEPS 'rolled over' its entire investment into 54.7% of the equity of the Hickton Group with a total of £2.24m of loan stock.

Trading in the enlarged group has continued to be very positive in 2020.

After the year end, on 15 March 2021, the Hickton Group acquired the Millington Lord group of companies for a maximum consideration of £1.1m. Millington Lord was owned by GT Realisations.

The Millington Lord group of companies is made up of Morgan Lambert Limited, Qualitas Compliance Limited and Morgan Lambert Electrical Limited. These companies make up a gas and electrical safety consultancy involved in providing auditing, consultancy and training services.

The Board remains very excited about the future development of this specialist building services group.

Outlook

It is of course still difficult at this stage to write anything about the outlook for the rest of this year. However, because of the mass vaccination programme, the much greater understanding of Covid-19 and the acknowledgement that Covid-19 is endemic, it is possible to think of a gradual but definite return to a version of 'normal' over the balance of 2021.

It is the Board's very clear view that the survivors from the last 15 months will prosper as they will have proved themselves to be nimble, resourceful and resilient. We are certain that, because of the extensive corporate activity of the past year involving our companies and the extensive re-engineering of the businesses from the 'bottom up', they are all in a much better place.

David Horner
Chairman
24 May 2021

Strategic Report

The directors present their Strategic Report on the Group for the year ended 31 December 2020.

Review of the business

The principal activities of CEPS PLC are that of an industrial holding company, acquiring majority stakes in stable, profitable and steadily growing entrepreneurial companies. The activities of the Company's trading subsidiaries are described in note 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 6.

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:

	2020	2019
Revenue	**£13,952,000**	£21,753,000
Segmental result (EBITDA) (pages 39 and 40)	**£1,044,000**	£971,000
Loss before tax	**(£645,000)**	(£2,287,000)
Loss after tax	**(£665,000)**	(£2,629,000)
Total equity	**£1,093,000**	£2,751,000
Net debt (total borrowings less cash) (page 35)	**£5,220,000**	£4,289,000
Gearing ratio (net debt/total equity)	**478%**	156%

The Chairman has commented on the main key performance indicators in his Statement on pages 2 to 6.

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 12 and 13.

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

At the date of signing these accounts, the uncertainties arising from Covid-19 and current government restrictions remain. However, the majority of the Group's subsidiaries are now trading at improved levels compared to earlier in 2021.

As a result of the restructuring that has taken place during the last 18 months, it is the Board's belief that the subsidiaries will, to a greater or lesser extent, improve their performances over the course of the second half of 2021 as the impact of lockdowns is progressively reduced.

However, given the continued impact in the first half of 2021, it will not be until the 2022 financial year that the results of the restructuring are clear to see.

The directors have prepared Group cash flow projections for the period to 30 June 2022 based on latest subsidiary forecasts that show that the Group will be able to operate within the Group's current funding resources. The financial uncertainty created within the economy as a result of Covid-19 is clearly difficult to forecast and predict, but the directors have produced sensitised forecasts based on their best estimates of likely outcomes and they believe that, for the 12 month period from the date of signing these financial statements, the Group will be able to operate within the financial facilities available to it. Post year end, the Group has secured additional funding of £2,000,000 from a new debt provider (replacing an existing loan which is due to be repaid on 30 June 2021) to 30 June 2022 to enable the business to operate within the financial facilities available to it.

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 26.

Future developments

A review of the business and its prospects are set out in the Chairman's Statement on pages 2 to 6.

By order of the Board
V E Langford
Company Secretary
24 May 2021

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 2020.

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 (61) 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 (59) is Group Finance Director. She is a Chartered Accountant and is also the Company Secretary of CEPS PLC.

D E Johnson (61) 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 (76) 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 D E Johnson 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 18 May 2021:

	Shares	%
Jim Nominees Ltd [1]	5,150,500	30.3
Charles Stanley & Co Ltd Rock (Nominees) Ltd [2,4]	4,764,572	28.0
D A Horner	2,225,972	13.1
Mrs M C Horner [3]	1,000,000	5.9
Lawshare Nominees [5]	748,646	4.4

[1] Included within this holding are shares held by Chelverton Growth Trust plc (5,060,000, 29.8%).

[2] 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, 6.5%), on behalf of Mrs M C Horner (22,500 shares, 0.1%) and on behalf of his mother, Mrs E Horner (350,000 shares, 2.1%).

[3] The overall holding for Mrs M C Horner is 1,022,500 shares, 6.0%, 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 4,903,810 Ordinary Shares, representing 28.9% of the Company's issued share capital.

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

[5] Included within this holding are 522,709 shares of which M D Pollard is the beneficial owner and a further 166,667 shares owned by his mother, Mrs C Pollard, over which he has investment authority, 4.1%.

Directors' Report continued

Financial and treasury policy

The Group finances its operations by a combination of retained profits, management of working capital, debtor backed working capital facilities and medium-term loans. The disclosures for financial instruments are made in note 26a.

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

No dividend was paid in 2020 (2019: £nil).

Disclosure of information to auditor

So far as each director is aware, there is no relevant information of which the Company's auditor is unaware. Relevant information is defined as 'information needed by the Company's auditor in connection with preparing their report'. Each director has taken all the steps (such as making enquiries of other directors and the auditor and any other steps required by the director's duty to exercise due care, skill and diligence) that he/she ought to have taken in his/her duty as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

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.

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company and the Group will continue in business.

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

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

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

Directors' Report continued

Employees

The Group employed 182 (2019: 321) 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.

Vivien Langford

By order of the Board
V E Langford
Company Secretary
24 May 2021

Corporate Governance

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

The Board is committed to high standards of corporate governance and recognises that it is accountable to shareholders for good governance. The Company's corporate governance procedures define the duties and constitution of the Board and the various Board committees and, as appropriate, specify responsibilities and level of responsibility. For details around how the Group applies specific principles of the Code please refer to the Company's website www.cepsplc.com. The principal procedures are summarised below:

The Board

The Board comprises the Chairman, the Finance Director and two Non-Executive Directors. Further details of the Board members are given in the Directors' Report on pages 9 to 11.

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.

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 8.

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 2020 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group and parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that due to ongoing uncertainties regarding future restrictions caused by Covid-19 that these may cast doubt on the entity's ability to continue as a going concern. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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:

- evaluating how the Group's risk assessment process identified business risks relating to events and conditions that may cast significant doubt on the ability of the Group to continue as a going concern;
- evaluating the forecasts models the Group used in its assessment and assessing the reasonableness of these and whether key assumptions are within a reasonable range;
- evaluating whether sufficient and appropriate audit evidence has been obtained to conclude whether material uncertainty exists and the appropriateness of use of the going concern basis of accounting; and
- assessing the forecast cash position and the available committed facilities to understand the financial resources available to the Group during the forecast period.

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

Key audit matters

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

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

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

Our response to the risk

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

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.

Materiality

The materiality for the Group financial statements as a whole was set at £209,000. 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 £207,000, capped at 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.

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

An overview of the scope of our audit

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

The audit team evaluated each component of the Group by assessing its materiality to the Group as a whole. This was done by considering the percentage of total Group assets, liabilities, revenues and profit before taxes which each component represented.

From this, we determined the significance of the component to the Group as a whole, and devised our planned audit response. In order to address the audit risks described in the *Key audit matters* section which were identified during our planning process, we performed a full-scope audit of the financial statements of the parent company, CEPS PLC, and all of the Group's trading subsidiaries, providing 100% coverage of revenues and profit before tax for these components. The operations that were subject to full-scope audit procedures made up 100% of consolidated revenues and profit before tax.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 parent company and its 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.

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.

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:

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, IFRS 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;

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

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

- 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.

- 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;
  - 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: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx. 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 Ltd.

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
24 May 2021

Consolidated Statement of Comprehensive Income

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

The notes on pages 25 to 72 form part of the financial statements.

Consolidated Statement of Comprehensive Income (prior year)

	Notes	Continuing operations 2019 £'000	Discontinued operations 2019 £'000	2019 £'000
Revenue	4	12,501	9,252	21,753
Cost of sales		(7,207)	(8,381)	(15,588)
Gross profit		5,294	871	6,165
Administration expenses before exceptional items		(3,558)	(2,645)	(6,203)
Adjusted operating profit/(loss)		1,736	(1,774)	(38)
Exceptional items	6	–	(1,836)	(1,836)
Operating profit/(loss)	5	1,736	(3,610)	(1,874)
Analysis of operating profit/(loss)				
Trading		2,112	(1,774)	338
Exceptional items		–	(1,836)	(1,836)
Group costs		(376)	–	(376)
		1,736	(3,610)	(1,874)
Finance income	10	28	–	28
Finance costs	10	(340)	(101)	(441)
Profit/(loss) before tax		1,424	(3,711)	(2,287)
Taxation	11	(342)	–	(342)
Profit/(loss) for the financial year		1,082	(3,711)	(2,629)
Other comprehensive loss:				
Items that will not be reclassified to profit or loss				
Actuarial loss on defined benefit pension plans	9	(99)	–	(99)
Other comprehensive loss for the year, net of tax		(99)	–	(99)
Total comprehensive profit/(loss) for the financial year		983	(3,711)	(2,728)
Income/(loss) attributable to:				
Owners of the parent		375	(3,071)	(2,696)
Non-controlling interests		707	(640)	67
		1,082	(3,711)	(2,629)
Total comprehensive income/(loss) attributable to:				
Owners of the parent		276	(3,071)	(2,795)
Non-controlling interests		707	(640)	67
		983	(3,711)	(2,728)
Earnings per share				
basic and diluted (pence)	13	2.20p	(18.06p)	(15.86p)

The notes on pages 25 to 72 form part of the financial statements.

Consolidated and Company Statements of Financial Position

Company number 00507461

		Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Assets	**Non-current assets**					
	Property, plant and equipment	15	**633**	1,099	**–**	–
	Right-of-use assets	16	**976**	1,072	**–**	–
	Intangible assets	18	**9,208**	6,360	**–**	–
	Investments in subsidiaries	19	**–**	–	**3,181**	1,023
			10,817	8,531	**3,181**	1,023
	Current assets					
	Inventories	20	**1,441**	2,254	**–**	–
	Trade and other receivables	21	**1,883**	3,366	**1,200**	1,070
	Cash and cash equivalents (excluding bank overdrafts)	22	**2,332**	1,958	**31**	21
			5,656	7,578	**1,231**	1,091
	Total assets		**16,473**	16,109	**4,412**	2,114
Equity	**Capital and reserves attributable to owners of the parent**					
	Called up share capital	28	**1,700**	1,700	**1,700**	1,700
	Share premium	28	**5,841**	5,841	**5,841**	5,841
	Retained earnings		**(8,402)**	(6,808)	**(9,124)**	(10,467)
			(861)	733	**(1,583)**	(2,926)
	Non-controlling interests in equity		**1,954**	2,018	**–**	–
	Total equity		**1,093**	2,751	**(1,583)**	(2,926)
Liabilities	**Non-current liabilities**					
	Borrowings	25	**6,415**	5,152	**2,950**	4,730
	Lease liabilities	25	**887**	982	**–**	–
	Deferred tax liability	27	**51**	109	**–**	–
			7,353	6,243	**2,950**	4,730
	Current liabilities					
	Borrowings	25	**3,861**	2,174	**2,650**	–
	Lease liabilities	25	**248**	201	**–**	–
	Trade and other payables	23	**2,909**	3,544	**392**	306
	Current tax liabilities	24	**1,009**	1,196	**3**	4
			8,027	7,115	**3,045**	310
	Total liabilities		**15,380**	13,358	**5,995**	5,040
	Total equity and liabilities		**16,473**	16,109	**4,412**	2,114

The comprehensive income within the parent company financial statements for the year was £1,343,000 (2019: loss of £3,254,000).

The notes on pages 25 to 72 form part of the financial statements.

The financial statements on pages 19 to 72 were approved by the Board of Directors on 24 May 2021 and signed on its behalf by

D A Horner
Director

Consolidated and Company Statements of Cash Flows

		Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Cash flows from operating activities	(Loss)/profit for the financial year	**(665)**	(2,629)	**1,356**	(3,155)
	Adjustments for:				
	Depreciation and amortisation	**601**	633	**–**	–
	Profit on disposal of subsidiaries	**(626)**	–	**(1,876)**	–
	Customer list impairment	**182**	–	**–**	–
	Impairment of goodwill	**172**	395	**–**	–
	Write-down of fixed assets	**–**	229	**–**	–
	Exceptional items (non-cash)	**–**	–	**119**	2,749
	Pension contributions less than administrative charge	**9**	–	**9**	–
	Net finance costs	**738**	413	**49**	20
	Taxation charge	**20**	342	**–**	–
	Changes in working capital:				
	Movement in inventories	**375**	172	**–**	–
	Movement in trade and other receivables	**325**	928	**5**	(19)
	Movement in trade and other payables	**377**	(118)	**(60)**	(2)
	Movement in amounts owed by Group undertakings	**–**	–	**(73)**	(2,921)
	Movement in provisions	**–**	–	**–**	(99)
	Cash generated from/(used in) operations	**1,508**	365	**(471)**	(3,427)
	Corporation tax paid	**(241)**	(341)	**–**	–
	Net cash generated from/(used in) operations	**1,267**	24	**(471)**	(3,427)
Cash flows from investing activities	Interest received	**2**	28	**124**	151
	Acquisition of subsidiaries, net of cash acquired	**(866)**	(1,790)	**–**	–
	Acquisition of minority shareholdings in subsidiaries	**(1,366)**	–	**(30)**	–
	Disposal of subsidiaries, net of cash	**(4)**	–	**–**	–
	Purchase of property, plant and equipment	**(95)**	(241)	**–**	–
	Proceeds from sale of assets	**1**	–	**–**	–
	Purchase of intangible assets	**(24)**	–	**–**	–
	Loans to subsidiary companies	**–**	–	**(282)**	–
	Net cash (used in)/generated from investing activities	**(2,352)**	(2,003)	**(188)**	151
Cash flows from financing activities	Proceeds from borrowings	**3,174**	2,885	**870**	3,420
	Repayment of borrowings	**(904)**	–	**–**	–
	Loan issue costs paid	**(86)**	–	**–**	–
	Proceeds from subsidiary share issue	**26**	–	**–**	–
	Interest paid	**(432)**	(310)	**(201)**	(171)
	Lease liability payments	**(319)**	(343)	**–**	–
	Net cash generated from financing activities	**1,459**	2,232	**669**	3,249
	Net increase in cash and cash equivalents	**374**	253	**10**	(27)
	Cash and cash equivalents at the beginning of the year	**1,958**	1,705	**21**	48
	Cash and cash equivalents at the end of the year (note 22)	**2,332**	1,958	**31**	21

The notes on pages 25 to 72 form part of the financial statements.

Consolidated and Company Statements of Changes in Equity

Group

	Share capital £'000	Share premium £'000	Retained earnings £'000	Attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2019	1,700	5,841	(4,013)	3,528	1,932	5,460
Actuarial loss	–	–	(99)	(99)	–	(99)
(Loss)/profit for the year	–	–	(2,696)	(2,696)	67	(2,629)
Total comprehensive (loss)/ income for the financial year	–	–	(2,795)	(2,795)	67	(2,728)
Minority ownership interest in a subsidiary	–	–	–	–	19	19
Acquisition of a subsidiary	–	–	–	–	19	19
At 31 December 2019	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**

Share capital comprises the nominal value of shares subscribed for.

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

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

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

The notes on pages 25 to 72 form part of the financial statements.

Consolidated and Company Statements of Changes in Equity

continued

Company

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 January 2019	1,700	5,841	(7,213)	328
Actuarial loss	–	–	(99)	(99)
Loss for the financial year	–	–	(3,155)	(3,155)
Total comprehensive loss for the year	–	–	(3,254)	(3,254)
At 31 December 2019	1,700	5,841	(10,467)	(2,926)
Actuarial loss	–	–	(13)	(13)
Profit for the year	–	–	1,356	1,356
Total comprehensive income for the financial year	–	–	1,343	1,343
At 31 December 2020	**1,700**	**5,841**	**(9,124)**	**(1,583)**

The notes on pages 25 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 an industrial holding company, acquiring stakes in stable, profitable and steadily growing entrepreneurial companies. The activities of the Company's trading subsidiaries are described in note 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 2020 (2019: year ended 31 December 2019).

The registered number of the Company is 00507461.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied throughout the year, unless otherwise stated.

Basis of preparation
These financial statements have been prepared on a going concern basis under the historical cost convention in accordance with the International Financial Reporting Standards as adopted by the European Union ('IFRS'), IFRIC interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention. The Group's business activities and financial position likely to affect its future development, performance and position are set out in the front end of the report.

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

The Company has taken advantage of the exemption under the Companies Act 2006 not to present its own Statement of Comprehensive Income. Information about the Company result for the year is given on page 21.

Notes to the Financial Statements continued

1. Accounting policies continued

Going concern

The lack of certainty over trading and the ability of the subsidiaries to generate cash over the next 12 months created by the continuing Coronavirus restrictions represents a material uncertainty over going concern. No adjustments have been made to the financial statements in respect of amounts should the going concern basis not be appropriate.

The directors consider that it is appropriate for the financial statements to be prepared on a going concern basis due to the additional funding of £2,000,000 from a new debt provider (replacing an existing loan which is due to be repaid on 30 June 2021) in place post year end which provides confidence to the directors that the Group will be able to operate within its current funding facilities to 30 June 2022.

As set out in the Strategic Report on pages 7 and 8, 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. The directors, therefore, continue to adopt the going concern basis in the preparation of these accounts.

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. Following Brexit, the UK will continue to apply International Accounting Standards in conformity with the Companies Act 2006.

Notes to the Financial Statements continued

1. Accounting policies
continued

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (the 'Group').

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company using consistent accounting policies. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee entity and has the ability to affect these returns through its power over the investee. Control is lost when the Group no longer has rights to variable returns from its involvement with an investee entity and no longer has the ability to affect those returns as it no longer has power over the investee. When control is lost the subsidiaries are de-recognised and no longer consolidated.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. For subsidiaries entering administration the disposal date is taken to be the date the administrator is appointed.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

Entities in which the Group holds a participating interest and over whose operating and financial policies the Group exercises a 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. .

Notes to the Financial Statements continued

1. Accounting policies continued

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, Davies Odell, 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 CEM Press and Hickton Group 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.

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

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

Plant and machinery, tools and moulds:	Between five and 10 years, over the period of the contract, or between 15% to 33% on a reducing balance basis
Motor vehicles:	Between three and five years straight line, or 25% reducing balance
Leasehold property improvements:	Over the term of the lease on a straight line basis

The residual values and useful lives are reviewed and adjusted if appropriate at each date of the Statement of Financial Position.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administration expenses in the Consolidated Statement of Comprehensive Income.

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

Depreciation on right-of-use assets is charged over the life of the lease.

Notes to the Financial Statements continued

1. Accounting policies
continued

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 indefinite life. When a decision is taken to terminate a product or a service, the related customer lists are amortised over the remaining life of the product or service. Impairment reviews are undertaken annually or if changes in circumstances indicate a potential impairment.

c) Computer software and websites

Computer software and costs incurred in the development of websites are stated at cost less accumulated amortisation. Non-integral computer software purchases are capitalised at cost. These costs are amortised over their estimated useful lives (between three and 10 years). Costs associated with implementing or maintaining computer software programmes are recognised as an expense as incurred.

Costs incurred in the development of new websites are capitalised only where the cost can be directly attributed to developing the website to operate in the manner intended by management and only to the extent of the future economic benefits expected from its use. These costs are amortised over their useful lives (between three and five years). Costs associated with maintaining websites are recognised as an expense as incurred.

d) Licences for the distribution of certain products

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

Impairment of intangible assets and property, plant and equipment

Intangible assets that have an indefinite useful life are not subject to amortisation, but are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Any impairment losses relating to goodwill are not reversed.

Investments

Investments in subsidiaries and associates are stated at cost, which reflects the fair value of the consideration paid. The investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Inventories

Inventories are valued at the lower of cost and net realisable value. Raw materials are valued on a first in first out basis at net invoice values charged by suppliers. The value of work in progress and finished goods includes the direct cost of materials and labour

Notes to the Financial Statements continued

1. Accounting policies
continued

together with an appropriate proportion of factory overheads, where applicable. Provision is made against the value of inventory, where relevant, to reduce the carrying value of slow moving, obsolete and defective inventory to its net realisable value.

Current and deferred taxation
The tax charge for the year comprises current and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the Statement of Financial Position in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the Statement of Financial Position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be generated enabling the utilisation of the temporary timing differences.

Foreign currencies
The results are recorded in British Pounds Sterling which is deemed to be the functional currency of the Group, the Company and all its subsidiaries.

Foreign currency transactions are expressed in Sterling at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the rates of exchange ruling at the date of the Statement of Financial Position. Differences arising from changes in exchange rates during the year are taken to the Consolidated Statement of Comprehensive Income.

Pensions
The Group operates a defined benefit pension scheme for the benefit of some of its former employees, the assets of which are held separately from those of the Group in independently administered funds.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Consolidated Statement of Comprehensive Income.

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

Defined benefit pension costs are recognised in the Consolidated Statement of Comprehensive Income. Contributions to the defined contribution schemes are charged to the Consolidated Statement of Comprehensive Income as incurred. The Group has no further payment obligations once contributions have been paid.

Notes to the Financial Statements continued

1. Accounting policies
continued

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.

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, libilities and consideration received is included in the notes.

Leases
Under IFRS 16, which the Group adopted effective for the period starting 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is 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.

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.

Share capital
Ordinary shares are classified as equity while any preference shares are classified as liabilities.

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.

Notes to the Financial Statements continued

1. Accounting policies
continued

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 administration expenses. 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 administrative expenses in the Consolidated Statement of Comprehensive Income.

b) Cash and cash equivalents
Cash and cash equivalents include cash in hand, short-term bank deposits held at call and bank overdrafts. Bank overdrafts are shown in current liabilities as borrowings. All are carried at cost in the Statement of Financial Position.

c) Trade payables
Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables includes trade payables, other payables and accruals.

d) Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently stated at amortised cost using the effective interest method. Borrowings include bank overdrafts, bank loans, other loans, trade receivables backed working capital facilities and hire purchase obligations.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

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

Notes to the Financial Statements continued

2. Financial risk management

2.1 Financial risk factors

The Group and Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group and Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by local management under policies approved by the Board of Directors.

a) Market risk
i) Foreign exchange risk
The Group undertakes transactions internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and US Dollar and Sterling. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Management has a policy to require Group companies to manage their foreign exchange risk against their functional currency. The policy is to match as far as possible through the normal course of trade the level of sales and purchases in foreign currencies and, where applicable, to enter forward foreign exchange contracts as hedges of foreign exchange risk on specific assets, liabilities or future transactions.

ii) Cash flow and fair value interest rate risk
As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. 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.

	2020	2019
	£'000	£'000
Fixed rate instruments		
Liabilities	**8,478**	6,202
	8,478	6,202

	2020	2019
	£'000	£'000
Floating rate instruments		
Liabilities	**1,798**	1,124
	1,798	1,124

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 in greater than 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 31 December 2020				
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
	6,174	**4,121**	**2,737**	**444**
At 31 December 2019				
Trade and other payables	2,423	–	–	–
Other loans	766	4,999	153	–
Bank overdraft	75	–	–	–
Bank loans	206	–	–	–
Trade receivables backed working capital facilities	1,030	–	–	–
Hire purchase obligations	97	–	–	–
IFRS 16 lease liability	200	207	414	362
	4,797	5,206	567	362

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 2020 and 2019 were as follows:

	2020 £'000	2019 £'000
Total borrowings	**7,552**	6,247
Less: cash	**(2,332)**	(1,958)
Net debt	**5,220**	4,289
Total equity	**1,093**	2,751
Gearing ratio	**478%**	156%

In order to provide a more meaningful gearing ratio, total borrowings have been revised to be the sum of bank borrowings, hire purchase obligations, excluding IFRS 16 lease liability, 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

Where the Group has an option to extend or terminate a lease, management uses its judgement to determine whether such an option would be reasonably certain to be exercised. Management considers all facts and circumstances, including past practice and costs that would be incurred if an option were to be exercised, to help it determine the lease term. Management has also applied judgements in assessing the discount rate, which is based on the incremental borrowing rate. Such judgements could impact lease terms and associated lease liabilities. The Group has availed itself of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Consequently, the definition of a lease, in accordance with IAS 17 and the guidance in IFRIC 4, will continue to be applied to those leases entered into or modified before 1 January 2019.

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 and Cook Brown, 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 and of the CEM Press companies including Travelfast (trading as Sampling International), a manufacturer of fabric, carpet and wallpaper pattern books, swatches and shade cards, until these went into administration in January 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 £2,674,000 in respect of Cook Brown Building Control (2019: £nil) 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 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 items	–	–	(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

i) Results by segment continued

	Aford Awards 2019 £'000	Friedman's 2019 £'000	Hickton Group 2019 £'000	Continuing operations 2019 £'000	Discontinued operations 2019 £'000	Total 2019 £'000
Revenue	1,969	5,791	4,741	12,501	9,252	21,753
Expenses	(1,558)	(4,547)	(3,891)	(9,996)	(10,786)	(20,782)
Segmental result (EBITDA) before exceptional items	411	1,244	850	2,505	(1,534)	971
Depreciation and amortisation charge	(9)	(208)	(12)	(229)	(203)	(432)
IFRS 16 depreciation	(43)	(102)	(19)	(164)	(37)	(201)
Exceptional items	–	–	–	–	(1,836)	(1,836)
Group costs				(376)	–	(376)
Net finance costs (including IFRS 16)				(312)	(101)	(413)
Profit/(loss) before taxation				1,424	(3,711)	(2,287)
Taxation				(342)	–	(342)
Profit/(loss) for the year				1,082	(3,711)	(2,629)

ii) Assets and liabilities by segment as at 31 December

	Segment assets		Segment liabilities		Segment net assets	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Continuing operations						
CEPS Group	**57**	52	**(5,995)**	(5,041)	**(5,938)**	(4,989)
Aford Awards	**1,661**	1,576	**(601)**	(407)	**1,060**	1,169
Friedman's	**7,363**	7,923	**(2,227)**	(2,490)	**5,136**	5,433
Hickton Group	**7,393**	3,663	**(6,558)**	(1,279)	**835**	2,384
Discontinued operations						
CEM Press	–	1,386	–	(3,177)	–	(1,791)
Davies Odell	–	1,509	–	(964)	–	545
Total – Group	**16,474**	16,109	**(15,381)**	(13,358)	**1,093**	2,751

iii) Revenue by geographical destination

	2020 £'000	2019 £'000
UK	**11,939**	18,874
Europe	**1,091**	1,693
Rest of world	**922**	1,186
	13,952	21,753

Notes to the Financial Statements continued

5. Operating loss

	2020 £'000	2019 £'000
Operating loss is stated after (crediting)/charging:		
In other operating income:		
Government job retention scheme income	(765)	–
Other government pandemic support grant income	(96)	–
In administrative expenses:		
Loss on disposal of property, plant and equipment	1	–
Exchange losses	57	38
Short term operating lease rentals	134	187

	2020 £'000	2019 £'000
Fees payable to the Company's auditor		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	28	31
Fees payable to the Company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	74	54
Other accountancy services	15	16
	117	101
Taxation compliance services subsidiaries	21	18
Total fees	138	119

	2020 £'000	2019 £'000
Expenses by nature		
Raw materials and consumables	3,506	6,364
Employee benefit expenses	5,800	7,177
Depreciation on owned assets	253	367
Depreciation on right-of-use assets	283	201
Amortisation of intangible assets	66	65
Operating lease payments	134	187
Other expenses	4,759	7,430
	14,801	21,791

6. Exceptional items

	2020 £'000	2019 £'000
Exceptional items in the Consolidated Statement of Comprehensive Income		
Impairment of consolidated goodwill and customer lists	354	395
Acquisition expenses	101	–
Write-down of subsidiary assets	–	1,455
Costs associated with the administration of a subsidiary	–	78
Onerous lease over provision	–	(92)
Other restructuring-related costs including severance payments	90	–
	545	1,836
Profit on disposal of subsidiaries (note 17)	(626)	–
	(81)	1,836

Notes to the Financial Statements continued

6. Exceptional items
continued

Elements of the Hickton Group goodwill and customer lists intangible relating to BRCS have been impaired in the year. The expenses related to the acquisition of Cook Brown have been expensed in accordance with IFRS 3.

In January 2020, CEM Press Limited and Travelfast Limited (trading as Sampling International) went into administration. The 2019 goodwill write-off relates to Travelfast Limited. The 2019 write-down of subsidiary assets relates to CEM Press Limited (£469,000) and Travelfast Limited (£986,000).

	2020 **£'000**	2019 £'000
Exceptional items charged directly to equity		
Consideration paid in respect of minority shareholdings in subsidiaries	(1,942)	–
Net change in non-controlling interests	1,049	–
Transaction costs	(64)	–
	(957)	–

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:

	2020 Number	2019 Number
Management and administration	71	108
Production and sales	111	213
	182	321

The aggregate costs of these persons were:

	2020 £'000	2019 £'000
Wages and salaries	5,110	6,539
Social security costs	503	476
Other pension costs (note 9)	187	162
	5,800	7,177

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

	2020 £'000	2019 £'000
Aggregate remuneration	999	1,195
Aggregate pension contributions	82	42
	1,081	1,237

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

	2020 Number	2019 Number
Management and administration	4	4

The aggregate costs of these persons were:

	2020 £'000	2019 £'000
Wages and salaries	116	140
Social security costs	13	11
	129	151

Notes to the Financial Statements continued

8. Directors' emoluments and interests

The aggregate remuneration of the directors was:

	2020 £'000	2019 £'000
Short-term employee benefits	**116**	140

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

	Salaries and fees	
	2020 £'000	2019 £'000
D A Horner	**6**	24
V E Langford	**83**	80
G C Martin	**14**	18
M D Pollard	**–**	5
D E Johnson	**13**	13
	116	140

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 2020 shares	at 31 December 2019 shares
D A Horner (and close family)	**4,881,310**	4,831,310
V E Langford	**41,667**	41,667
G C Martin	**10,000**	10,000
D E Johnson	**95,000**	95,000

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

	at 31 December 2020 shares		at 31 December 2019 shares	
D A Horner	**2,225,972**		2,225,972	
Held by Charles Stanley & Co Rock (Nominees) Ltd on behalf of D A Horner's SIPP	**970,838**		970,838	
Held by Charles Stanley & Co Rock (Nominees) Ltd on behalf of D A Horner	**84,500**		84,500	
Held by Charles Stanley & Co Rock (Nominees) Ltd on behalf of D A Horner's ISA	**50,000**		–	
Mrs M C Horner (wife)	**1,000,000**		1,000,000	
H R Horner (son)	**100,000**		100,000	
T A Horner (son)	**100,000**		100,000	
Held by Charles Stanley & Co Rock (Nominees) Ltd on behalf of Mrs E Horner (mother)	**350,000**		350,000	
	4,881,310	**28.7%**	4,831,310	28.4%

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 £187,000 (2019: £162,000). At 31 December 2020 £24,412 (2019: £14,702) 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 Group commissioned an independent qualified actuary to update to 31 December 2020 the results of the actuarial valuation at 1 July 2019. The results of the update are as follows:

	2020	2019
Assumptions at 31 December		
Interest rate for discounting liabilities	**1.10%**	1.80%
Expected return on plan assets	**1.10%**	1.80%
RPI price inflation.	**3.20%**	3.20%
CPI price inflation	**2.50%**	2.50%
Pensions increase	**3.10%**	3.10%
Mortality pre and post retirement	**S3PxA**	S3PxA
Improvements based on	**CMI 2019**	CMI 2018
	1.25%	1.25%
Life expectancies (years)		
For a 65 year old male	**21.9**	21.8
For a 65 year old female	**24.2**	24.1
For a 65 year old male, currently aged 45	**23.2**	23.1
For a 65 year old female, currently aged 45	**25.7**	25.5

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 £54,000.

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:

	2020 £'000	2019 £'000
Amounts recognised in the Statement of Financial Position are as follows:		
Fair value of plan assets	5,106	4,991
Present value of defined benefit obligation	(4,070)	(3,754)
Actuarial surplus not recognised	(1,036)	(1,237)
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.

	2020 £'000	2019 £'000
Included in the Consolidated Statement of Comprehensive Income for the year		
Pension administration expenses	(36)	(10)
Pension scheme finance income		
Interest on obligation	(67)	(94)
Interest income on plan assets	89	122
	22	28
	(14)	18
Included in the Consolidated Statement of Comprehensive Income		
Financial assumption actuarial loss	(359)	(155)
Experience gains on assets	145	256
Movement in actuarial surplus not recognised	201	(200)
Total loss	(13)	(99)
Movement in Statement of Financial Position for the year		
Net pension liability at the start of the year	–	–
Employer's pension (cost)/income	(14)	18
Other comprehensive income	(13)	(99)
Employer contributions	27	81
Net pension liability at the end of the year	–	–
Reconciliation of the defined benefit obligation		
Defined benefit obligation at the start of the year	3,754	3,725
Interest cost	67	94
Actuarial loss from changes in financial assumptions	359	155
Benefits paid	(110)	(220)
Defined benefit obligation at the end of the year	4,070	3,754

Notes to the Financial Statements continued

9. Pension costs continued

	2020	2019
	£'000	£'000
Reconciliation of plan assets		
Fair value of plan assets at the start of the year	**4,991**	4,762
Expected return on plan assets	**89**	122
Experience gains on assets	**145**	256
Employer contributions	**30**	81
Non investment expenses	**(39)**	(9)
Benefits and expenses paid	**(110)**	(221)
Fair value of plan assets at the end of the year	**5,106**	4,991

	2020	2019
Asset categories at the end of the year		
Equities	**41.6%**	41.6%
Bonds	**48.9%**	47.8%
Property	**8.4%**	9.2%
Cash	**1.1%**	1.4%

Notes to the Financial Statements continued

10. Net finance costs

	2020	2019
	£'000	£'000
Bank interest receivable	**2**	–
Pension scheme finance income (note 9)	**22**	28
Total finance income	**24**	28
Interest payable on bank loans and overdrafts	**101**	40
Interest payable on other loans	**512**	250
Other interest payable	**–**	21
Amortisation of finance cost	**44**	15
Lease liability financing charges	**105**	103
Finance lease costs	**–**	12
Total finance costs	**762**	441
Net finance costs	**738**	413

Notes to the Financial Statements continued

11. Taxation

	2020 £'000	2019 £'000
Analysis of taxation in the year:		
Current tax		
Tax on profits of the year	**41**	340
Tax in respect of prior years	**(14)**	(7)
Total current tax	**27**	333
Deferred tax		
Current year deferred tax movement	**(13)**	2
Tax in respect of prior years	**6**	7
Total deferred tax	**(7)**	9
Total tax charge	**20**	342

The tax assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK (19%) (2019: 19%).

	2020 £'000	2019 £'000
Factors affecting current tax:		
Loss before taxation	**(645)**	(2,287)
Loss multiplied by the standard rate of UK tax of 19% (2019: 19%)	**(123)**	(435)
Effects of:		
Expenses not deductible	**46**	613
Expenses not deductible goodwill impairment	**67**	75
Adjustments to brought-forward values	**–**	21
Amounts credited directly to Other Comprehensive Income	**–**	19
Capital allowances in excess of depreciation	**–**	3
Adjustments to tax in prior periods	**(14)**	–
Transfer pricing adjustment	**–**	(15)
Other timing differences	**(2)**	–
Gain on disposal not taxed	**(119)**	–
Adjustments to deferred tax rate	**6**	3
Deferred tax not recognised	**159**	58
Total tax charge	**20**	342

The standard rate of corporation tax in the UK changed to 19% with effect from 1 April 2017. Accordingly, the Group's profits have been taxed at the actual rate of 19%.

The Finance Act 2016 included legislation to reduce the main rate of corporation tax from 19% to 17% from 1 April 2020. A change to the main rate of corporation tax announced in the 2020 Budget was substantively enacted on 17 March 2020. The rate from 1 April 2020 remains at 19% rather than the previously enacted reduction to 17%. The rate of 19% is accordingly applied to UK deferred taxation balances at 30 September 2020 (2019: 17%). In March 2021 it was announced that the rate of corporation tax is expected to increase to 25% from April 2023.

There are tax losses carried forward in the Company of approximately £1.3m and in the subsidiary companies of £195,000.

Notes to the Financial Statements continued

12. Dividends

No dividends were paid during the year (2019: £nil).

13. Earnings per share

Basic earnings per share is calculated on the loss for the year after taxation attributable to the owners of the parent of £624,000 (2019: loss £2,696,000) and on 17,000,000 (2019: 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 loss for the year after taxation attributable to owners of the parent of £939,000 (2019: profit £375,000) and on 17,000,000 (2019: 17,000,000) ordinary shares, being the weighted number in issue during the year. Basic earnings per share for discontinued operations is calculated on the profit for the year after taxation attributable to owners of the parent of £315,000 (2019: loss £3,071,000) and on 17,000,000 (2019: 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 profit of £1,343,000 (2019: loss of £3,254,000) is dealt with in the financial statement of CEPS PLC. The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented the results for the Company alone.

Notes to the Financial Statements continued

15. Property, plant and equipment

Group

	Leasehold property improvements £'000	Plant, machinery, tools and moulds £'000	Motor vehicles £'000	Total £'000
Cost				
at 1 January 2019	384	2,760	38	3,182
Assets acquired on purchase of a subsidiary	255	1,313	8	1,576
Additions at cost	38	203	–	241
Transfers	–	(3)	–	(3)
Disposals	–	(224)	–	(224)
at 31 December 2019	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**
Accumulated depreciation				
at 1 January 2019	79	2,087	25	2,191
Accumulated depreciation acquired on purchase of a subsidiary	199	904	–	1,103
Charge for the year	62	295	10	367
Impairment	–	229	–	229
Transfers	–	(3)	–	(3)
Disposals	–	(214)	–	(214)
at 31 December 2019	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**
Net book amount				
at 31 December 2020	**291**	**342**	**–**	**633**
at 31 December 2019	337	751	11	1,099

At the year end, assets held under hire purchase contracts or finance leases and capitalised as plant, machinery, tools and moulds have a net book value of £46,000 (2019: £290,000).

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

Company

Throughout 2019 and 2020 the Company held no property, plant and equipment.

Notes to the Financial Statements continued

16. Right-of-use assets

Group

	Leasehold property	Plant, machinery, tools and moulds £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2019	1,238	–	99	1,337
Additions at cost	83	–	50	133
At 31 December 2019	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**
Accumulated depreciation				
At 1 January 2019	160	–	37	197
Charge for the year	160	–	41	201
At 31 December 2019	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**
Net book amount				
At 31 December 2020	**960**	**11**	**5**	**976**
At 31 December 2019	1,001	–	71	1,072

Company

Throughout 2019 and 2020 the Company held no right-of-use assets.

Notes to the Financial Statements continued

17. Business combinations and disposals

i) 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 and Cook Brown Energy Limited.

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
Identifiable assets and liabilities	
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)
	296
Consideration	
Cash consideration	1,600
Existing loans offset against consideration	270
Shares issued	25
Loan notes issued	1,635
Goodwill	3,234
Analysis of cash flows on acquisition	
Cash paid	1,600
Less: net cash acquired with the subsidiary	(734)
Net cash outflow on acquisition	866

From the date of acquisition Cook Brown Building Control Limited and Cook Brown Energy Limited contributed £2,834,000 of revenue and £437,000 profit before tax. If the combination had taken place at the beginning of the year, 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

ii) Disposal in 2020 of CEM Press Limited, Travelfast Limited (trading as Sampling International) and Davies Odell Limited

An administration process commenced in January 2020 in respect of CEM Press Limited and Travelfast Limited (trading as Sampling International) and they have been treated as disposals from 1 January 2020.

On 20 December 2020, CEPS PLC 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 Press and Travelfast £'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)	–
	(1,852)	199
Fair value consideration	–	–
Non-controlling interest released	1,027	–
(Profit)/loss on disposal	(825)	199

The cash flows from the discontinued operations were as follows:

	2020 £'000	2019 £'000
Operating cash flows	58	(958)
Investing cash flows	(5)	9
Financing cash flows	(164)	931

Notes to the Financial Statements continued

18. Intangible assets

Group

	Goodwill £'000	Customer lists £'000	Other £'000	Total £'000
Cost				
at 1 January 2019	5,606	772	250	6,628
Additions at cost	2,078	–	1	2,079
at 31 December 2019	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**
Accumulated amortisation and impairment				
at 1 January 2019	1,221	597	69	1,887
Amortisation charge	–	–	62	62
Adjustments	10	(7)	–	3
Impairment	395	–	–	395
at 31 December 2019	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**
Net book amount				
at 31 December 2020	**9,120**	**–**	**88**	**9,208**
at 31 December 2019	6,058	182	120	6,360

Company

	Goodwill £'000	Customer lists £'000	Other £'000	Total £'000
Cost				
at 1 January 2019, 31 December 2019 and 31 December 2020	**80**	**–**	**17**	**97**
Accumulated amortisation				
at 1 January 2019, 31 December 2019 and 31 December 2020	**80**	**–**	**17**	**97**
Net book amount				
at 31 December 2020	**–**	**–**	**–**	**–**
at 31 December 2019	–	–	–	–

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

Customer lists are subject to annual impairment reviews.

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

Notes to the Financial Statements continued

18. Intangible assets continued

Impairment tests for goodwill and intangible assets

The Group tests goodwill and intangible assets arising on the acquisition of a subsidiary (customer lists) annually for impairment or more frequently if there are indications that goodwill or customer lists may be impaired.

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

	Aford Awards £'000	CEM Press £'000	Friedman's £'000	Hickton Group £'000	Total £'000
Goodwill and customer lists					
at 1 January 2019	1,043	–	1,484	2,033	4,560
Additions at cost	–	395	1,683	–	2,078
Amortisation charge	(3)	–	–	–	(3)
Impairment	–	(395)	–	–	(395)
at 31 December 2019	1,040	–	3,167	2,033	6,240
Additions at cost	–	–	–	3,234	3,234
Impairment	–	–	–	(354)	(354)
at 31 December 2020	**1,040**	**–**	**3,167**	**4,913**	**9,120**

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 10.0% (2019: 10.6%), representing the estimated pre-tax cost of capital, has been applied to these projections.

The key assumptions used in the value-in-use calculations are that trading will return to pre-pandemic revenue levels in the Friedman's and Aford Awards businesses over the course of two years and that gross margins will recover in 2021. The Hickton Group businesses have not been affected to any major degree and forecasts reflect a continuation of 2020 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 and Cook Brown 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 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 have been 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 with a break-even perfomance projected, but there is at present insufficient certainty over future trading profits to support these intangible assets.

In 2019 an impairment charge of £395,000 was taken against the goodwill arising on the acquisition of Travelfast Limited (trading as Sampling International) as it went into administration on 15 January 2020..

Notes to the Financial Statements continued

19. Investments

Company

	Shares in Group subsidiaries £'000	Loans to Group subsidiaries £'000	Total investments in subsidiaries £'000
Cost			
at 1 January 2019	278	1,744	2,022
Repayment	–	(327)	(327)
at 31 December 2019	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**
Accumulated amortisation and impairment			
at 1 January 2019 and 31 December 2019	80	592	672
Impairment charge	100	–	100
Disposals	(180)	(592)	(772)
at 31 December 2020	**–**	**–**	**–**
Net book amount			
at 31 December 2020	**203**	**2,978**	**3,181**
at 31 December 2019	198	825	1,023

The loans to Group subsidiaries' balance is represented by £2,453,000 of 8% loan stock, £150,000 of 6% loan stock and £375,000 of 7% loan stock which have no set repayment dates (2019: £1,417,000 of 8% loan stock). Repayments will only be requested when surplus cash is available.

The Company and the Group also hold 33% of the ordinary shares in Vale Brothers Group Limited, a company registered in England. 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. 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.

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 *Holding company for Aford Awards (Holdings) Limited*	England	75%	Non-wholly
Aford Awards (Holdings) Limited *Holding company for Aford Awards Limited*	England	75%	Non-wholly
Aford Awards Limited *Suppliers of trophies and awards and engraving specialists*	England	75%	Non-wholly
BRCS (Building Control) Limited *Provider of building control services*	England	55%	Non-wholly
Cook Brown Building Control Limited *Provider of building control services*	England	55%	Non-wholly
Cook Brown Energy Limited *Provider of building control services*	England	55%	Non-wholly
Friedman's Limited *Conversion and distribution of specialist Lycra*	England	55%	Non-wholly
Hickton Group Limited *Holding company for Hickton Holdings Limited and the Cook Brown subsidiaries*	England	55%	Non-wholly
Hickton Holdings Limited *Holding company for Hickton Consultants Limited*	England	55%	Non-wholly
Hickton Consultants Limited *Clerk of Works specialists*	England	55%	Non-wholly
Milano International Holdings Limited *Holding company for Milano International Limited*	England	50%	Non-wholly
Milano International Limited (trading as Milano Pro-Sport) *Design and manufacture of leotards*	England	50%	Non-wholly
Signature Fabrics Limited *Holding company for Friedman's Limited*	England	55%	Non-wholly
Davies & Co (Kettering) Limited* *Dormant company*	England	100%	Wholly
Phillips Rubber Limited* *Dormant company*	England	100%	Wholly
Farmat Limited* *Dormant company*	England	100%	Wholly
Davies and Company Limited* *Dormant company*	England	100%	Wholly

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

Notes to the Financial Statements continued

19. Investments continued

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

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

Consolidated Statement of Financial Position	Signature Fabrics Group		Hickton Holdings Group	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
As at 31 December				
Current				
Assets	**2,807**	3,215	**5,147**	1,466
Liabilities	**(1,241)**	(2,330)	**(3,379)**	(1,028)
Total current net assets	**1,566**	885	**1,768**	438
Non-current				
Assets	**4,556**	4,708	**2,246**	2,197
Liabilities	**(986)**	(160)	**(3,178)**	(251)
Total non-current net assets	**3,570**	4,548	**(932)**	1,946
Net assets	**5,136**	5,433	**836**	2,384

Consolidated Statement of Comprehensive Income	Signature Fabrics Group		Hickton Holdings Group	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
For year ended 31 December				
Revenue	**3,878**	5,791	**7,139**	4,741
(Loss)/profit before income tax	**(391)**	855	**360**	748
Income tax credit/(expense)	**48**	(151)	**(68)**	(134)
Post-tax (loss)/profit from continuing operations	**(343)**	704	**292**	614
Total comprehensive (loss)/income	**(343)**	704	**292**	614
Total comprehensive (loss)/income allocated to non-controlling interests	**(167)**	331	**135**	292

Notes to the Financial Statements continued

20. Inventories

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Raw materials and consumables	**485**	578	**–**	–
Work in progress	**10**	14	**–**	–
Finished goods and goods for resale	**946**	1,662	**–**	–
	1,441	2,254	**–**	–

The cost of inventories recognised as an expense and included in cost of sales amounted to £3,506,000 (2019: £6,364,000).

Notes to the Financial Statements continued

21. Trade and other receivables

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade receivables	**1,430**	2,987	**4**	–
less: provision for impairment of trade receivables	**(9)**	(40)	**–**	–
Trade receivables – net	**1,421**	2,947	**4**	–
Amount due from subsidiary companies	**–**	–	**1,174**	1,039
Other receivables	**76**	187	**20**	11
Prepayments and accrued income	**386**	232	**2**	20
	1,883	3,366	**1,200**	1,070

As at 31 December 2020, trade receivables of £712,000 (2019: £1,259,000) were fully performing.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2020, trade receivables of £597,000 (2019: £1,416,000) 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 2020, trade receivables of £121,000 (2019: £311,000) are potentially impaired. A significant portion of the receivables is expected to be recovered and a provision of £9,000 (2019: £40,000) has been made for non-recovery. The individually impaired receivables mainly relate to customers who are in unexpectedly difficult economic situations. The ageing of these receivables is as follows:

	2020 £'000	2019 £'000
3 to 6 months	**121**	188
Over 6 months	**–**	123
	121	311

The carrying amounts of the Group trade and other receivables denominated in foreign currencies were immaterial at 31 December 2020 and 2019. This reflects an increasing proportion of UK activity and sales in the Group's subsidiary businesses.

Notes to the Financial Statements continued

21. Trade and other receivables continued

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

	2020 £'000	2019 £'000
At 1 January	40	13
Provision for receivables impairment	34	27
Written off in the year	(65)	–
At 31 December	9	40

The creation and release of provisions for impaired receivables have been included in cost of sales in the Consolidated Statement of Comprehensive Income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of trade and other receivables.

22. Cash and cash equivalents

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash at bank and in hand	2,332	1,958	31	21

23. Trade and other payables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Current:				
Trade payables	1,093	2,423	69	19
Deferred consideration	–	–	–	–
Other payables	175	418	–	108
Accruals and deferred income	1,641	703	323	179
Total trade and other payables	2,909	3,544	392	306

24. Current tax liabilities

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Other tax and social security	939	912	3	4
Corporation tax	70	284	–	–
	1,009	1,196	3	4

Notes to the Financial Statements continued

25. Borrowings

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Non-current:				
Bank loans	**1,309**	–	–	–
Other loans	**5,106**	5,152	**2,950**	4,730
	6,415	5,152	**2,950**	4,730
IFRS 16 lease liability	**887**	982	–	–
	7,302	6,134	**2,950**	4,730
Current:				
Bank overdraft	–	75	–	–
Bank loans	**583**	206	–	–
Trade receivables backed working capital facilities	–	1,030	–	–
Other loans	**3,278**	766	**2,650**	–
Hire purchase obligations	–	97	–	–
	3,861	2,174	**2,650**	–
IFRS 16 lease liabilities	**248**	201	–	–
	4,109	2,375	**2,650**	–
Total borrowings	**11,411**	8,509	**5,600**	4,730

Other loans can be analysed as follows:

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Non-current:				
From an entity under common control	**2,950**	2,730	**2,950**	2,730
From a third party	–	2,000	–	2,000
Acquisition loan notes	**2,126**	351	–	–
From a director of a subsidiary	**30**	60	–	–
Other	–	11	–	–
	5,106	5,152	**2,950**	4,730
Current:				
From a director	**650**	–	**650**	–
From a third party	**2,000**	–	**2,000**	–
Acquisition loan notes	**598**	728	–	–
From a director of a subsidiary	**30**	30	–	–
Other	–	8	–	–
	3,278	766	**2,650**	–

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.

Notes to the Financial Statements continued

25. Borrowings continued

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

At 31 December 2019 the analysis of the security of bank borrowings and overdrafts and trade receivables backed working capital facilities was as follows:

Secured on the assets of	By fixed and floating charges £'000	By trade receivables £'000	Total £'000
CEM Press	–	816	816
Davies Odell	169	214	383
Hickton Group	112	–	112
	281	1,030	1,311

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

Secured on the assets of	**By fixed and floating charges £'000**	**By trade receivables £'000**	**Total £'000**
Friedman's	**–**	**–**	**–**
Aford Awards	**100**	**–**	**100**
Hickton Group	**1,698**	**–**	**1,698**
	1,798	**–**	**1,798**

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

	2020		2019	
	Bank £'000	**Hire purchase £'000**	Bank £'000	Hire purchase £'000
Within one year	**489**	**–**	1,311	97
Between one and two years	**497**	**–**	–	–
Between two and five years	**795**	**–**	–	–
In more than five years	**17**	**–**	–	–
	1,798	**–**	1,311	97

The principal bank borrowings are subject to floating interest rates with £1,250,000 at 3.5% over base rates and £500,000 at 8% over base rates.

Other loans of £2,950,000 (2019: £2,730,000) are due to a company under common control. The total available facility is £3,000,000. Amounts were initially repayable by 31 March 2020. However, the repayment date has been extended to 31 March 2022. 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 (2019: £2,000,000) is unsecured, also guaranteed by a director and is repayable on 30 June 2021. Interest is payable at 10% per annum.

There is also a loan of £650,000 (2019: £nil) from a director which is unsecured, interest-free and repayable when any excess cash is available.

Notes to the Financial Statements continued

25. Borrowings continued

In Hickton Group Limited, there are £665,000 of Vendor Loan Notes which are unsecured, attract interest at 5% per annum and repayable by quarterly instalments over three years. There are also £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.

Other loans at 31 December 2019 of £384,000 of Shareholder Loan Notes in Hickton Holdings Limited attracted interest at 8% per annum and were settled in the year.

In Milano International Holdings Limited, there are £160,000 (2019: £160,000) of Vendor Loan Notes which are unsecured, attract interest at 4% and were repayable in October 2020, but remain outstanding. The directors have renegotiated the terms of the Vendor Loan Notes such that loan notes of £80,000 due for repayment on 4 October 2020 were due for repayment in January 2021 and loan notes of £80,000 due for repayment on 4 October 2020 will now be due for repayment in October 2021. The interest rate on these £80,000 loan notes has increased from 4% to 6%. There are also £100,000 (2019: £100,000) of Shareholder Loan Notes which are unsecured, attract interest at 6% and have no fixed repayment date.

There are £90,000 (2019: £90,000) of Shareholder Loan Notes in Aford Awards Holdings Limited 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 issued £125,000 of Shareholder 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 draw down.

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 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**
Total	**3,891**

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**
Total	**13,476**

Group
31 December 2019

Assets as per Statement of Financial Position	Loans and receivables £'000
Trade and other receivables (excluding prepayments)	3,134
Cash and cash equivalents	1,958
Total	5,092

Liabilities at amortised cost as per Statement of Financial Position	Other financial liabilities £'000
Bank borrowings	1,311
Hire purchase obligations	97
Lease liabilities	1,183
Trade and other payables (excluding statutory liabilities and deferred income)	2,423
Other loans	5,918
Total	10,932

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 and other receivables are analysed between:

Group	2020 £'000	2019 £'000
CEPS Group	**26**	31
Aford Awards	**67**	106
CEM Press	**–**	1,134
Davies Odell	**–**	496
Friedman's	**260**	552
Hickton Group	**1,530**	1,047
	1,883	3,366

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 £2,332,000 (2019: £1,958,000) 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.

	Losses £'000	Other timing differences £'000	Accelerated capital allowances £'000	Total £'000
At 1 January 2019, liability	–	(3)	(85)	(88)
Credit/(debit) to the Consolidated Statement of Comprehensive Income	–	3	(24)	(21)
at 31 December 2019, 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)**

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 £279,000 at 31 December 2020.

28. Share capital and share premium

	Number of shares	Ordinary shares £'000	Share premium £'000	Total £'000
At 31 December 2019 and **31 December 2020**	**17,000,000**	**1,700**	**5,841**	**7,541**

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	CemTeal Limited £'000	Davies Odell Limited £'000	Signature Fabrics Limited £'000	Hickton Group Limited subsidiaries £'000
Loan note interest receivable					
– 2020	**26**	**–**	**35**	**60**	**154**
– 2019	32	–	27	15	49
Management charge income receivable					
– 2020	**20**	**–**	**11**	**35**	**13**
– 2019	20	–	15	35	13
Amount owed to the Company					
– 31 December 2020	**735**	**–**	**–**	**1,075**	**2,342**
– 31 December 2019	216	–	808	1,026	623
Loans and investments written-off or impaired					
– 2020	**–**	**–**	**19**	**–**	**–**
– 2019	–	1,955	808	–	–

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 (2019: £2,730,000) and accrued interest of £190,000 (2019: £44,000) to an entity with common shareholders and interest of £146,000 (2019: £115,000) 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. Interest of £200,000 (2019: £56,000) was charged on the loan during the year. The loan is due for repayment on 30 June 2021. The loan is guaranteed by D A Horner.

Post year end the Company entered into a new loan agreement with a third party for £2,000,000. This loan will replace an existing loan which is due for repayment on 30 June 2021. The loan is guaranteed by D A Horner.

At the year end the Company owed £650,000 (2019: £nil) to a director, D A Horner. The loan is unsecured and interest free.

At the year end amounts owed to directors of subsidiary companies in respect of loan notes amounted to £2,140,000 (2019: £563,000). Interest payable on these loans in the year amounted to £122,000 (2019: £42,000).

Notes to the Financial Statements continued

29. Related party transactions continued

These amounts are analysed below:

At 31 December 2020

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

At 31 December 2019

Related party	Company	Position	Amount £'000	Interest £'000
J Ford	Aford Awards (Holdings) Limited	Former director	90	7
R Briggs	CEM Teal Limited	Former director	20	1
T Soar	CEM Teal Limited	Former director	186	13
I Stevenson	CEM Teal Limited	Former director	20	1
S Stephenson	CEM Teal Limited	Former director	105	7
A Mobbs	Hickton Holdings Limited	Director	80	6
S Polley	Hickton Holdings Limited	Former director	62	5
			563	42

At the year end amounts owed to David Kaitiff, a director of a subsidiary company, in relation to a loan amounted to £60,000 (2019: £90,000). Interest paid on this loan in the year amounted to £4,000 (2019: £5,000).

At the year end the total amount owed by Andrew Gregory, a former director and shareholder of a subsidiary company, was £nil (2019: £70,000) in respect of unpaid share capital and associated expenses.

During the year a subsidiary company paid rent on a property amounting to £nil (2019: £9,000) to a pension scheme in which Simon and Susan Polley, former subsidiary directors, were trustees.

Notes to the Financial Statements continued

30. Changes in liabilities arising from financing activities

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

	At 1 January 2019 £'000	Cash flows £'000	Non-cash changes £'000	At 31 December 2019 £'000
Current				
Borrowings	2,649	(572)	–	2,077
Hire purchase obligations	85	(85)	97	97
Lease liabilities	–	(258)	459	201
	2,734	(915)	556	2,375
Non-current				
Borrowings	1,007	3,457	688	5,152
Hire purchase obligations	121	–	(121)	–
Lease liabilities	–	–	982	982
	1,128	3,457	1,549	6,134
	3,862	2,542	2,105	8,509

Notes to the Financial Statements continued

31. Post balance sheet events

On 21 January 2021 D A Horner agreed to provide to the Company an additional £100,000 for general working capital purposes. This is in addition to the £650,000 loan in place at the year end.

On 15 March 2021, Hickton Group Limited ('HGL'), the Company's 54.7% subsidiary, completed the acquisition of the entire issued share capital of Millington Lord Limited and its subsidiaries Morgan Lambert Limited ('MLL'), Qualitas Compliance Limited ('QCL) and Morgan Lambert Electrical Limited ('MLEL'), which is not actively trading. MLL and QCL provide building inspection related services which are complementary to those already provided by HGL in this sector. The consideration was a maximum of £1.1 million, which comprised a cash payment on completion of £700,000 plus a further £299,999 deferred, to be paid in two instalments: £150,000 on or before 30 June 2021 and £149,999 on or before 31 August 2021. An additional up to £100,000 may be payable, dependent on the acquired business group achieving certain turnover targets over the same period. The acquisition was funded from existing cash resources within HGL.

On 15 April 2021, HGL also drew down on a four-year £500,000, secured Coronavirus Business Interruption Loan ('CBIL') with Santander UK plc available for general corporate purposes. The CBIL is repayable in equal quarterly payments commencing approximately 12 months after drawdown and attracts an annual interest rate of 3.8% over Bank of England base rate.

On 20 May 2021, CEPS PLC entered into a loan agreement ('Loan') with a third party for £2,000,000. On drawdown, which is anticipated to be before 28 June 2021, the loan will be used to repay an existing £2,000,000 loan from another third party which falls due for payment on 30 June 2021. The loan carries interest at an annual rate of 7% and is repayable on or before 30 June 2022. The loan is guaranteed by D A Horner.

Notes to the Financial Statements continued
Group Information

Directors	D A Horner, Chairman V E Langford, Group Finance D E Johnson, Non-executive G C Martin, Non-executive
Secretary and registered office	V E Langford 11 Laura Place, Bath BA2 4BL Company number 00507461 www.cepsplc.com
Operating locations	Aford Awards Limited Grange House, Bearsted Green Business Centre, Maidstone, Kent ME14 4DF telephone 01622 738711; email orders@afordawards.co.uk; www.afordawards.co.uk
	BRCS (Building Control) Limited Amber Court, 51 Church Street, Elsecar, Barnsley, South Yorkshire S74 8HT telephone 01226 743959; email info@brcs.co.uk; www.brcs.co.uk
	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 admin@cookbrown.co.uk; www.cookbrown.co.uk
	Friedman's Limited Unit E, Altrincham Business Park, 3 Tudor Road, Cheshire WA14 5RZ telephone 0161 975 9002; email info@friedmans.co.uk; www.friedmans.co.uk; www.funkifabrics.com; www.alexandermaverick.co.uk
	Hickton Consultants Limited Amber Court, 51 Church Street, Elsecar, Barnsley, South Yorkshire S74 8HT telephone 01226 743959; email info@hickton.co.uk; www.hickton.co.uk
	Milano International Limited (trading as Milano Pro-Sport) The Arena, 65 Bow Lane, Preston, Lancashire PR1 8ND telephone 01772 277777; email info@milano-pro-sport.com; www.milano-pro-sport.com
	Morgan Lambert Limited 2 Abbey Court, Benedict Drive, Selby Business Park, Selby, North Yorkshire YO8 8RY telephone 01757 210598; email info@morganlambert.com; www.morganlambert.com
	Qualitas Compliance Limited 123 Science Park South, The Genesis Centre, Garrett Field, Birchwood, Warrington WA3 7BH telephone 01925 377278; email info@qualitascompliance.com; www.qualitascompliance.com
Registrars and share transfer office	Share Registrars Limited The Courtyard, 17 West Street, Farnham GU9 7DR telephone 01252 821390, lines are open 9.00am to 5.30pm Monday to Friday
Share price information	The day-to-day movement of the share price on the London Stock Exchange can be found on the Company's website and at www.londonstockexchange.com (code CEPS)
Independent auditor	Cooper Parry Group Limited Sky View, Argosy Road, East Midlands Airport, Castle Donington, Derby DE74 2SA
Solicitors	Roxburgh Milkins Limited Merchants House North, Wapping Road, Bristol BS1 4RW
Nominated adviser and broker	Cairn Financial Advisers LLP Cheyne House, Crown Court, 62-63 Cheapside, London EC2V 6AX

Notice of Meeting

Annual General Meeting

Notice is hereby given that the Annual General Meeting of CEPS PLC (the 'Company') will be held at 11 Laura Place, Bath BA2 4BL on Tuesday 22 June 2021 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 2020 together with the Directors' Report and Auditor's Report on those accounts.

2 To re-appoint D E Johnson 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 £1,700,000, such authority to expire at the commencement of the next Annual General Meeting held after the date of the passing of this resolution, but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require equity securities to be allotted after the expiry of such period and the directors may allot equity securities pursuant to such an offer or agreement as if the authority had not expired.

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

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 1,700,000 (such shares representing approximately 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 per cent of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day on which the Ordinary Share is purchased; and (b) the amount stipulated by Article 5(6) of the Market Abuse Regulation, (EU) No 596/2014 (as amended); and

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
24 May 2021

Notice of Meeting continued

Annual General Meeting
continued

Notes

1. A member entitled to attend and vote is entitled to appoint proxy(ies) to attend, speak and vote instead of him. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. A proxy need not be a member of the Company.

2. In order to be valid an appointment of proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority) must be deposited at the office of the Registrars of the Company, Share Registrars at The Courtyard, 17 West Street, Farnham GU9 7DR not less than 48 hours, excluding any part of a day that is not a working day, before the time for holding the meeting.

   A proxy form is enclosed. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the meeting in person.

3. Under Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders whose names are on the register of members of the Company as at 11.30am on Friday 18 June 2021 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.