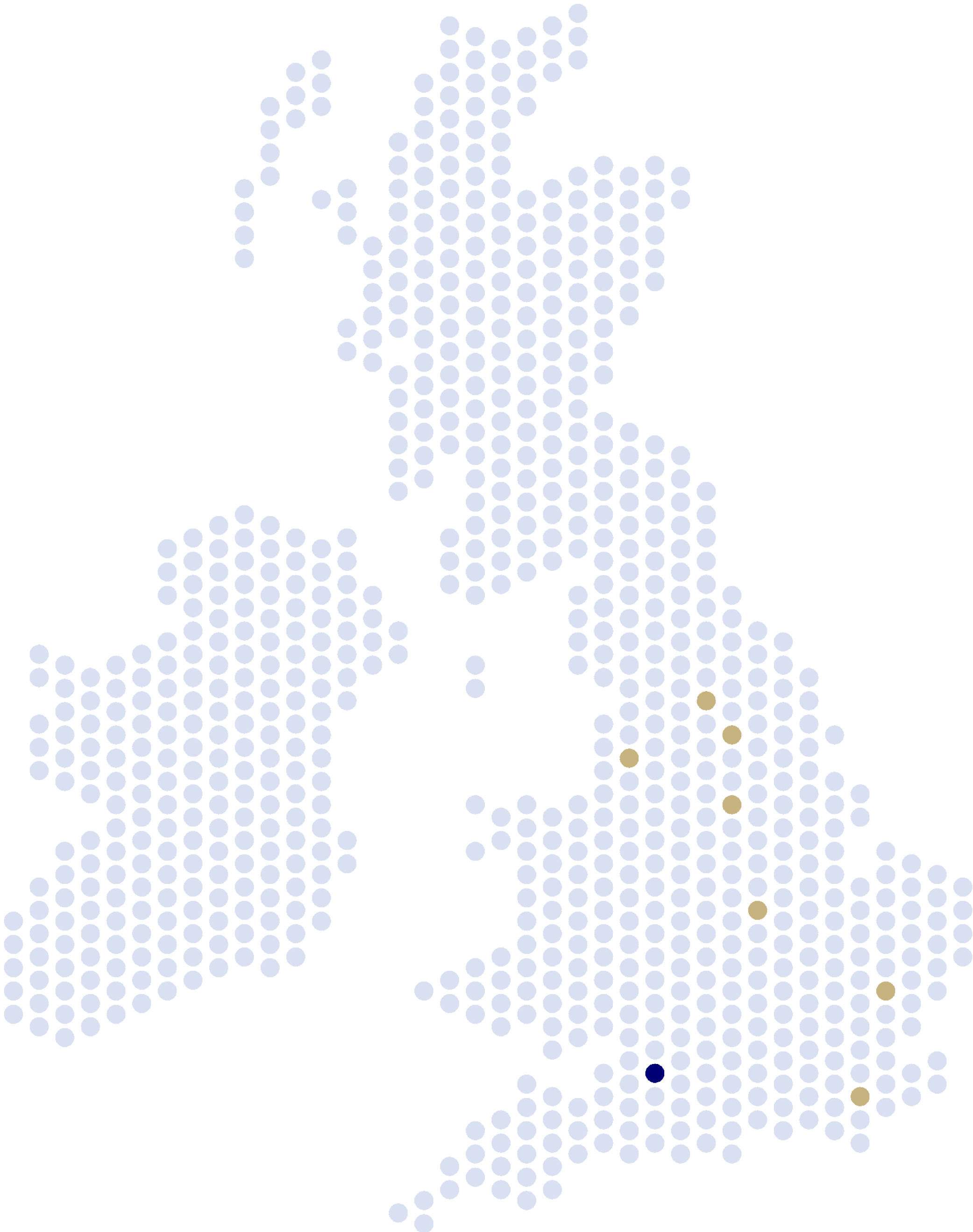
CEPS PLC
Partnering for success



Half-Yearly Report to Shareholders 2019

Contents

Chairman's Statement

Reading last year's interim statement again I was appalled to see that I had hoped that we were heading to some kind of "Brexit" resolution by March 2019. As we all know this charade just goes on and on and there is no doubt that on the macro view it has begun to affect the "real economy".

Last year I said, "Until the situation is clarified, and we return to "normal" politics and business analysis, every comment from Brussels and counter comment from the Government and the numerous interested parties will dominate the investment and business landscape". Frankly, and sadly, I can't put it any better a year on.

In the meantime, the CEPS Group of companies are getting on trying to manage in these extraordinary times.

Review of the period

The biggest corporate event of the first six months was the acquisition by CEM of a major competitor, Sampling International. Considerable effort, time and no little expense has gone into the rationalisation of the two businesses, such that each site will become more specialised and, eventually, more efficient and profitable. However, as we reported on 20 August 2019, during the six months to 30 June 2019, CEM's losses increased significantly.

Besides this, several very interesting acquisition opportunities have been, and are being, pursued and we hope to be able to bring some interesting news on this front to shareholders in the next few months.

Financial review

Revenue for the first six months of the year was £10.2m compared to revenue from continuing operations for the six months to 30 June 2018 of £9.1m. The gross profit from continuing operations of £3.6m compares to £3.4m in 2018 and results in a slightly reduced margin of 35% (2018: 38%). The reduction is pre-dominantly due to the challenges experienced by CEM/Sampling International. The exceptional cost of £115,000 also relates to CEM and the restructuring costs following the acquisition of Sampling International.

Pleasingly, all subsidiary companies, save for CEM/Sampling International, have improved their first half EBITDA performance, as shown in the segmental analysis.

The profit before tax from continuing operations of £150,000 compares to £346,000 for the same period last year. As mentioned above, the reduction can be explained by the issues faced by CEM/Sampling International and we are working closely with the management team to address these issues.

Operational review

1. Aford Awards

The company has continued its steady progress with further loan note reduction.

The company has again reviewed several acquisition opportunities and remains keen to add to its business activities, at the right time and at the right price.

2. CEM/Sampling International

The merger of these two companies took place at the end of March 2019. A significant cost saving has been implemented and the efficiency process is well underway and, whilst currently challenging, we believe it will start to bear fruit next year.

The company has continued to make good progress on sales but is currently struggling to produce all the orders it has won during the year on time.

Chairman's Statement continued

3. Davies Odell

The company has performed below our expectation in the period but is beginning to make progress. However, it is being hampered by the decline in the value of Sterling and the headwind of raw material cost increases from China.

4. Friedman's

The company continues to do well, and its new product areas will hopefully start to move forward and contribute next year.

5. Hickton

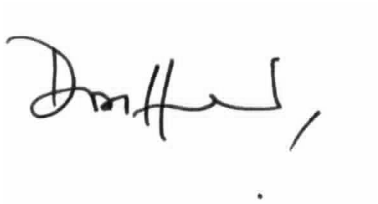
Hickton has performed well in the period. The company is operating in a very dynamic market place in which there has been considerable corporate interest. Hickton is developing plans for the next phase of its development.

Dividend

The Board is very keen to recommence the payment of dividends after a very long time. However, it is not appropriate at this time to reintroduce the payment of a dividend.

Prospects

Despite the Group enduring the losses of CEM/Sampling International, the Board is confident that the remaining Group companies will make progress over the next year.



David Horner
Chairman
30 September 2019

Consolidated Statement of Comprehensive Income

	Note	Unaudited 6 months to 30 June 2019 £'000	Continuing operations unaudited 6 months to 30 June 2018 £'000	Discontinued operations unaudited 6 months to 30 June 2018 £'000	Unaudited 6 months to 30 June 2018 £'000	Audited 12 months to 31 December 2018 £'000
Revenue	4	10,174	9,056	3,118	12,174	21,592
Cost of sales		(6,593)	(5,619)	(3,172)	(8,791)	(15,641)
Gross profit/(loss)		3,581	3,437	(54)	3,383	5,951
Net operating expenses		(3,119)	(2,952)	(296)	(3,248)	(5,322)
Operating profit/(loss)		462	485	(350)	135	629
Exceptional item		(115)	–	20	20	(53)
Customer list impairment		–	–	–	–	(588)
Adjusted operating profit/(loss)		347	485	(330)	155	(12)
Analysis of adjusted operating profit/(loss)						
Trading		636	650	(350)	300	1,015
Exceptional item	3	(115)	–	20	20	(53)
Customer list impairment		–	–	–	–	(588)
Group costs	4	(174)	(165)	–	(165)	(386)
		347	485	(330)	155	(12)
Net finance (costs)/income	4	(197)	(139)	21	(118)	(296)
Profit/(loss) before tax		150	346	(309)	37	(308)
Taxation	4	(191)	(180)	–	(180)	(568)
(Loss)/profit for the period		(41)	166	(309)	(143)	(876)
Other comprehensive loss						
Items that will not be reclassified to profit or loss						
Actuarial loss on defined benefit pension plans		–	–	–	–	(88)
Items that may be subsequently reclassified to profit or loss		–	–	–	–	–
Other comprehensive loss for the period, net of tax		–	–	–	–	(88)
Total comprehensive (loss)/income for the period		(41)	166	(309)	(143)	(964)
(Loss)/profit attributable to:						
Owners of the parent		(270)	(419)	(309)	(728)	(1,369)
Non-controlling interest		229	585	–	585	493
		(41)	166	(309)	(143)	(876)
Total comprehensive (loss)/ income attributable to:						
Owners of the parent		(270)	(419)	(309)	(728)	(1,457)
Non-controlling interest		229	585	–	585	493
		(41)	166	(309)	(143)	(964)
Earnings per share attributable to owners of the parent during the period						
basic and diluted	5	(1.59)p	(3.17)p	(2.34)p	(5.51)p	(9.06)p

The notes on pages 8 to 13 form part of the half-yearly results.

Consolidated Statement of Financial Position

		Note	Unaudited as at 30 June 2019 £'000	Unaudited as at 30 June 2018 £'000	Audited as at 31 December 2018 £'000
Assets	Non-current assets				
	Property, plant and equipment		1,293	1,121	991
	Right-of-use asset	10	1,478	–	–
	Intangible assets		5,102	5,600	4,741
	Deferred tax asset		–	5	–
			7,873	6,726	5,732
	Current assets				
	Inventories		2,728	2,287	1,815
	Trade and other receivables		4,029	3,561	3,331
	Cash and cash equivalents (excluding bank overdrafts)		2,048	1,528	1,705
			8,805	7,376	6,851
	Total assets	4	16,678	14,102	12,583
Equity	Capital and reserves attributable to owners of the parent				
	Called up share capital	5,7	1,700	1,700	1,700
	Share premium		5,841	5,789	5,841
	Retained earnings		(4,408)	(3,284)	(4,013)
			3,133	4,205	3,528
	Non-controlling interest in equity		2,082	1,932	1,932
	Total equity		5,215	6,137	5,460
Liabilities	Non-current liabilities				
	Borrowings		4,667	1,284	1,128
	Deferred tax liability		88	71	88
			4,755	1,355	1,216
	Current liabilities				
	Borrowings		1,082	2,320	2,734
	Lease liability		1,639	–	–
	Trade and other payables		3,805	4,253	2,925
	Current tax liabilities		182	37	248
			6,708	6,610	5,907
	Total liabilities		11,463	7,965	7,123
	Total equity and liabilities		16,678	14,102	12,583

The notes on pages 8 to 13 form part of the half-yearly results.

Consolidated Statement of Cash Flows

	Unaudited 6 months to 30 June 2019 £'000	Unaudited 6 months to 30 June 2018 £'000	Audited 12 months to 31 December 2018 £'000
Cash flows from operating activities			
Cash generated from operations	72	1,439	1,651
Income tax paid	–	–	(258)
Interest paid	(197)	(118)	(311)
Net cash (used in)/generated from operations	(125)	1,321	1,082
Cash flows used in investing activities			
Acquisition of subsidiary net of cash acquired	28	–	–
Purchase of property, plant and equipment	(87)	(548)	(859)
Proceeds from sale of assets	–	–	1
Purchase of intangibles	–	–	(150)
Net cash used in investing activities	(59)	(548)	(1,008)
Cash flows from financing activities			
Proceeds/(repayment) of borrowings	623	(1,157)	(267)
Proceeds from share issue (net of costs)	–	1,326	1,326
Dividend paid to non-controlling interests	–	–	(45)
Repayment of capital element of finance leases	(96)	(265)	(234)
Net cash generated from/(used in) financing activities	527	(96)	780
Net increase in cash and cash equivalents	343	677	854
Cash and cash equivalents at the beginning of the period	1,705	851	851
Cash and cash equivalents at the end of the period	2,048	1,528	1,705
Cash generated from/(used in) operations			
Profit before income tax	150	37	(308)
Adjustments for:			
Depreciation and amortisation	404	308	470
Profit on disposal of a subsidiary	–	–	(147)
Exceptional item	–	(20)	–
Customer list impairment	–	–	588
Loss on disposal of property, plant and equipment	–	–	29
Net finance costs	197	118	296
Operating profit before changes in working capital and provisions	751	443	928
Increase in inventories	(613)	(517)	(86)
Decrease/(increase) in trade and other receivables	237	349	(773)
(Decrease)/increase in trade and other payables	(303)	1,264	1,682
Decrease in provisions	–	(100)	(100)
Cash generated from operations	72	1,439	1,651
Cash and cash equivalents			
Cash at bank and in hand	2,048	1,528	1,705
Bank overdrafts repayable on demand	–	–	–
	2,048	1,528	1,705

The notes on pages 8 to 13 form part of the half-yearly results.

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2018 (audited)	1,320	4,843	(2,556)	3,607	1,347	4,954
(Loss)/profit for the period	–	–	(728)	(728)	585	(143)
Total comprehensive (loss)/ income for the period	–	–	(728)	(728)	585	(143)
Proceeds from shares issued net of expenses	380	946	–	1,326	–	1,326
Total contributions by owners of the parent recognised in equity	380	946	–	1,326	–	1,326
At 30 June 2018 (unaudited)	1,700	5,789	(3,284)	4,205	1,932	6,137
Actuarial loss	–	–	(88)	(88)	–	(88)
Loss for the period	–	–	(641)	(641)	(92)	(733)
Total comprehensive loss for the period	–	–	(729)	(729)	(92)	(821)
Changes in ownership interest in a subsidiary	–	–	–	–	137	137
Dividend paid to non-controlling interest	–	–	–	–	(45)	(45)
Total distributions recognised directly in equity	–	–	–	–	92	92
Correction to opening position	–	52	–	52	–	52
At 31 December 2018 (audited)	1,700	5,841	(4,013)	3,528	1,932	5,460
(Loss)/profit for the period	–	–	(270)	(270)	229	(41)
Total comprehensive (loss)/ income for the period	–	–	(270)	(270)	229	(41)
Acquisition of a subsidiary	–	–	–	–	(79)	(79)
Opening balance adjustment re IFRS 16	–	–	(125)	(125)	–	(125)
At 30 June 2019 (unaudited)	1,700	5,841	(4,408)	3,133	2,082	5,215

The notes on pages 8 to 13 form part of the half-yearly results.

Notes to the Financial Information

1. General information

The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is 11 Laura Place, Bath BA2 4BL and the registered number of the company is 00507461.

The Company is listed on AIM.

This condensed consolidated half-yearly financial information was approved by the Directors for issue on 30 September 2019.

This condensed consolidated half-yearly financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018 were approved by the Board of directors on 7 May 2019 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

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

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

Basis of preparation

This condensed consolidated half-yearly financial information for the six months ended 30 June 2019 has been prepared in accordance with IAS 34, *Interim Financial Reporting* as adopted by the European Union. The condensed consolidated half-yearly financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with IFRSs as adopted by the European Union.

Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements. The financial position and performance of the Group was affected by the new leasing standard IFRS 16 *Leases* (see note 10) during the six months to June 2019.

2. Acquisitions in the current period

Acquisition of Travelfast Limited trading as Sampling International

On 27 March 2019 the Group acquired 100% of the ordinary shares in Travelfast Limited for a maximum aggregate consideration of £1,200,009, payable in cash over three years based on performance. Travelfast Limited, trading as Sampling International, is one of the leading providers in designing and manufacturing sample books, shade cards and other display solutions. The acquisition of Travelfast Limited made the newly formed group one of the largest individual pattern book and shade card makers in the UK, with two production facilities.

Effect of acquisition

The acquisition had the following provisional effect on the Group's assets and liabilities.

	2019 £'000
Property, plant and equipment	380
Inventories	300
Trade and other receivables	936
Cash and cash equivalents	28
Trade and other payables	(2,038)
Net identifiable assets and liabilities	(394)
Fair value of assets acquired	(394)
Goodwill	394
Cash consideration transferred	–
Cash acquired	28
Cash outflow	–

The provisional fair values will be disclosed further in the year end accounts.

Notes to the Financial Information continued

3. Exceptional items

CEM
The exceptional item in the current year to date relates to the acquisition costs of Travelfast Limited and the subsequent restructuring costs of the CEM group.

Sunline
The exceptional item last year related to the liquidation of Sunline Direct Mail Limited on 26 June 2018.

4. Segmental analysis

All activities, apart from those relating to Sunline, are classed as continuing.

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

Operating segments and their principal activities are as follows:
- Aford Awards, a sports trophy and engraving company;
- CEM, a manufacturer of fabric and wallpaper pattern books, swatches and shade cards together with Travelfast, trading as Sampling International, a manufacturer of sample books and shade cards for the wallpaper and floorcovering industries;
- Davies Odell, a manufacturer and distributor of protection equipment, matting and footwear components;
- Friedman's, a convertor and distributor of specialist Lycra;
- Hickton Consultants, a provider of services to the construction industry together with BRCS (Building Consultants), a leading provider of building control services nationally;
- Sunline, a supplier of services to the direct mail market.

The United Kingdom is the main country of operation from which the Group derives its revenue and operating profit and is the principal location of the assets of the Group. The Group information provided below, therefore, also represents the geographical segmental analysis. Of the £10,174,000 (2018: £12,174,000) revenue, £8,910,000 (2018: £10,790,000) is derived from UK customers.

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

i) Results by segment

Unaudited 6 months to 30 June 2019

	Aford Awards £'000	CEM £'000	Davies Odell £'000	Fried-man's £'000	Hickton £'000	**Total Group £'000**
Revenue	1,094	2,264	1,692	2,750	2,374	**10,174**
Segmental result (EBITDA) before exceptional costs	285	(355)	49	613	448	**1,040**
Exceptional item	–	(115)	–	–	–	**(115)**
Segmental result (EBITDA) after exceptional costs	285	(470)	49	613	448	**925**
Right of use depreciation charge	(42)	(67)	(19)	(47)	(7)	**(182)**
Depreciation and amortisation charge	(3)	(59)	(27)	(122)	(11)	**(222)**
Group costs						**(174)**
Net finance costs						**(197)**
Profit before taxation						**150**
Taxation						**(191)**
Loss for the period						**(41)**

Notes to the Financial Information continued

4. Segmental analysis continued

i) Results by segment continued

Unaudited 6 months to 30 June 2018

	Aford Awards £'000	CEM £'000	Davies Odell £'000	Fried-man's £'000	Hickton £'000	Continuing operations £'000	Discont-inued Sunline £'000	Total Group £'000
Revenue	1,065	1,245	1,956	2,792	1,998	9,056	3,118	12,174
Segmental result (EBITDA) before exceptional costs	231	(48)	(16)	358	285	810	(202)	608
Exceptional costs	–	–	–	–	–	–	20	20
Segmental result (EBITDA) after exceptional costs	231	(48)	(16)	358	285	810	(182)	628
Depreciation and amortisation charge	(4)	(35)	(11)	(60)	(50)	(160)	(148)	(308)
Group costs						(165)	–	(165)
Net finance costs						(139)	21	(118)
Profit/(loss) before taxation						346	(309)	37
Taxation						(180)	–	(180)
Profit/(loss) for the period						166	(309)	(143)

Audited year to 31 December 2018

	Aford Awards £'000	CEM £'000	Davies Odell £'000	Fried-man's £'000	Hickton £'000	Continuing operations £'000	Discont-inued Sunline £'000	Total Group £'000
Revenue	1,902	2,824	3,919	5,345	4,484	18,474	3,118	21,592
Expenses	(1,564)	(3,251)	(4,026)	(4,173)	(3,771)	(16,785)	(3,322)	(20,107)
Segmental result (EBITDA) before exceptional costs	338	(427)	(107)	1,172	713	1,689	(204)	1,485
Exceptional costs	–	–	–	–	–	–	(53)	(53)
Segmental result (EBITDA) after exceptional costs	338	(427)	(107)	1,172	713	1,689	(257)	1,432
Depreciation and amortisation charge	(13)	(68)	(58)	(179)	(6)	(324)	(146)	(470)
Customer list impairment						(588)	–	(588)
Group costs						(386)	–	(386)
Net finance costs						(254)	(42)	(296)
Profit/(loss) before taxation						137	(445)	(308)
Taxation						(568)	–	(568)
Loss for the year						(431)	(445)	(876)

Notes to the Financial Information continued

4. Segmental analysis
continued

ii) Assets and liabilities by segment

Unaudited as at 30 June

	Segment assets		Segment liabilities		Segment net assets/(liabilities)	
	2019	2018	**2019**	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
CEPS Group	**299**	627	**(2,371)**	(755)	**(2,072)**	(128)
Aford Awards	**1,815**	1,796	**(439)**	(424)	**1,376**	1,372
CEM	**3,457**	1,928	**(4,208)**	(2,286)	**(751)**	(358)
Davies Odell	**1,567**	1,993	**(1,174)**	(1,921)	**393**	72
Friedman's	**6,030**	4,284	**(1,892)**	(999)	**4,138**	3,285
Hickton	**3,510**	3,474	**(1,379)**	(1,580)	**2,131**	1,894
Total – Group	**16,678**	14,102	**(11,463)**	(7,965)	**5,215**	6,137

Audited as at 31 December 2018

	Segment assets	Segment liabilities	Segment net assets/(liabilities)
	£'000	£'000	£'000
CEPS Group	59	(1,623)	(1,564)
Aford Awards	1,762	(494)	1,268
CEM	1,090	(1,410)	(320)
Davies Odell	1,426	(966)	460
Friedman's	4,759	(1,017)	3,742
Hickton	3,487	(1,613)	1,874
Total – Group	12,583	(7,123)	5,460

5. Earnings per share

Basic earnings per share is calculated on the loss after taxation for the period attributable to owners of the Company of £270,000 (2018: loss of £728,000) and on 17,000,000 (2018: 13,199,940) ordinary shares, being the weighted number in issue during the period.

No adjustment is required for dilution in either period as there are no items that would have a dilutive impact on earnings per share.

6. Net debt and gearing

Gearing ratios at 30 June 2019, 30 June 2018 and 31 December 2018 are as follows:

	Group unaudited 30 June 2019 £'000	Group unaudited 30 June 2018 £'000	Group audited 31 December 2018 £'000
Total borrowings	**4,906**	2,376	3,057
Less: cash and cash equivalents	**(2,048)**	(1,528)	(1,705)
Net debt	**2,858**	848	1,352
Total equity	**5,215**	6,137	5,460
Gearing ratio	**55%**	14%	25%

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

Notes to the Financial Information continued

7. Share capital and premium

	Number of shares	Share capital £'000	Share premium £'000	Total £'000
At 1 January 2019 and 30 June 2019	17,000,000	1,700	5,841	7,541

8. Related-party transactions

The Group has no material transactions with related parties which might reasonably be expected to influence decisions made by users of these financial statements.

During the period the Company entered into the following transactions with its subsidiaries:

	Aford Awards (Holdings) Limited £'000	CEM Teal Limited £'000	Davies Odell Limited £'000	Signature Fabrics Limited £'000	Hickton Holdings Limited £'000	Sunline Direct Mail (Holdings) Limited £'000
Receipt of equity share dividend						
2019	**–**	**–**	**–**	**–**	**–**	**–**
2018	–	–	–	–	–	–
For the year to 31 December 2018 (audited)	–	–	–	55	–	–
Receipt/(write-back) of preference share dividend						
2019	**–**	**–**	**–**	**–**	**–**	**–**
2018	–	–	–	–	–	(52)
For the year to 31 December 2018 (audited)	–	–	–	–	–	–
Receipt/(write-back) of loan note interest						
2019	**19**	**86**	**12**	**–**	**24**	**–**
2018	27	48	3	–	24	(125)
For the year to 31 December 2018 (audited)	51	111	12	–	49	–
Receipt/(write-back) of management charge income						
2019	**10**	**–**	**8**	**18**	**6**	**–**
2018	10	–	8	18	6	1
For the year to 31 December 2018 (audited)	20	–	15	35	13	1
Amount owed to the Company						
30 June 2019	**405**	**1,325**	**486**	**–**	**623**	**–**
30 June 2018	618	1,872	194	–	623	–
For the year to 31 December 2018 (audited)	537	–	534	–	623	–
Loans and investments written-off or impaired						
2019	**–**	**2,719**	**–**	**–**	**–**	**–**
2018	–	–	–	–	–	–
For the year to 31 December 2018 (audited)	–	2,719	–	–	–	2,702

Notes to the Financial Information continued

9. AIM compliance committee

CEPS PLC is quoted on AIM and, as such, under AIM Rule 31 the Company is required to:

1. have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules;
2. seek advice from its nominated advisor ("Nomad") regarding its compliance with the AIM Rules whenever appropriate and take that advice into account;
3. provide the Company's Nomad with any information it requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
4. ensure that each of the Company's directors accepts full responsibility, collectively and individually, for compliance with the AIM Rules; and
5. ensure that each director discloses without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the director or could with reasonable diligence be ascertained by the director.

In order to ensure that these obligations are being discharged the Board has established a committee of the Board (the "AIM Compliance Committee"), chaired by Vivien Langford, an executive director of the Company.

Having reviewed relevant Board papers and met with the Company's Executive Board and the Nomad to ensure that such is the case, the AIM Compliance Committee is satisfied that the Company's obligations under AIM Rule 31 have been satisfied during the period under review.

10. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

All of the lease agreements CEPS reported as operating leases in 2018 were converted as lease agreements and recognised on the Consolidated Statement of Financial Position on the adoption of IFRS 16.

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 8%.

Reconciliation of total operating lease commitments

	Total £'000
Total operating lease commitments disclosed at 31 December 2018	2,387
Property – changes of lease length to break date	(665)
Vehicles – change of recognition to IFRS 16 present value	(6)
Total lease liabilities recognised under IFRS 16 at 1 January 2019	1,716

The impact of adopting IFRS 16 for the six months to 30 June 2019 compared to prior years accounting standards is shown below:

	Total £'000
Increase in depreciation	182
Increase in interest expense	72
Decrease in lease expense	(219)
Decrease in underlying profit	35

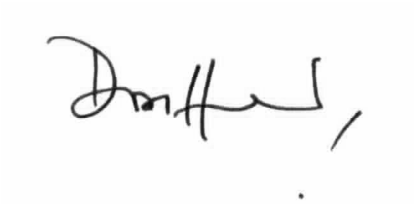
Statement of Directors' Responsibility

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

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

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

By order of the Board



David Horner
Chairman
30 September 2019