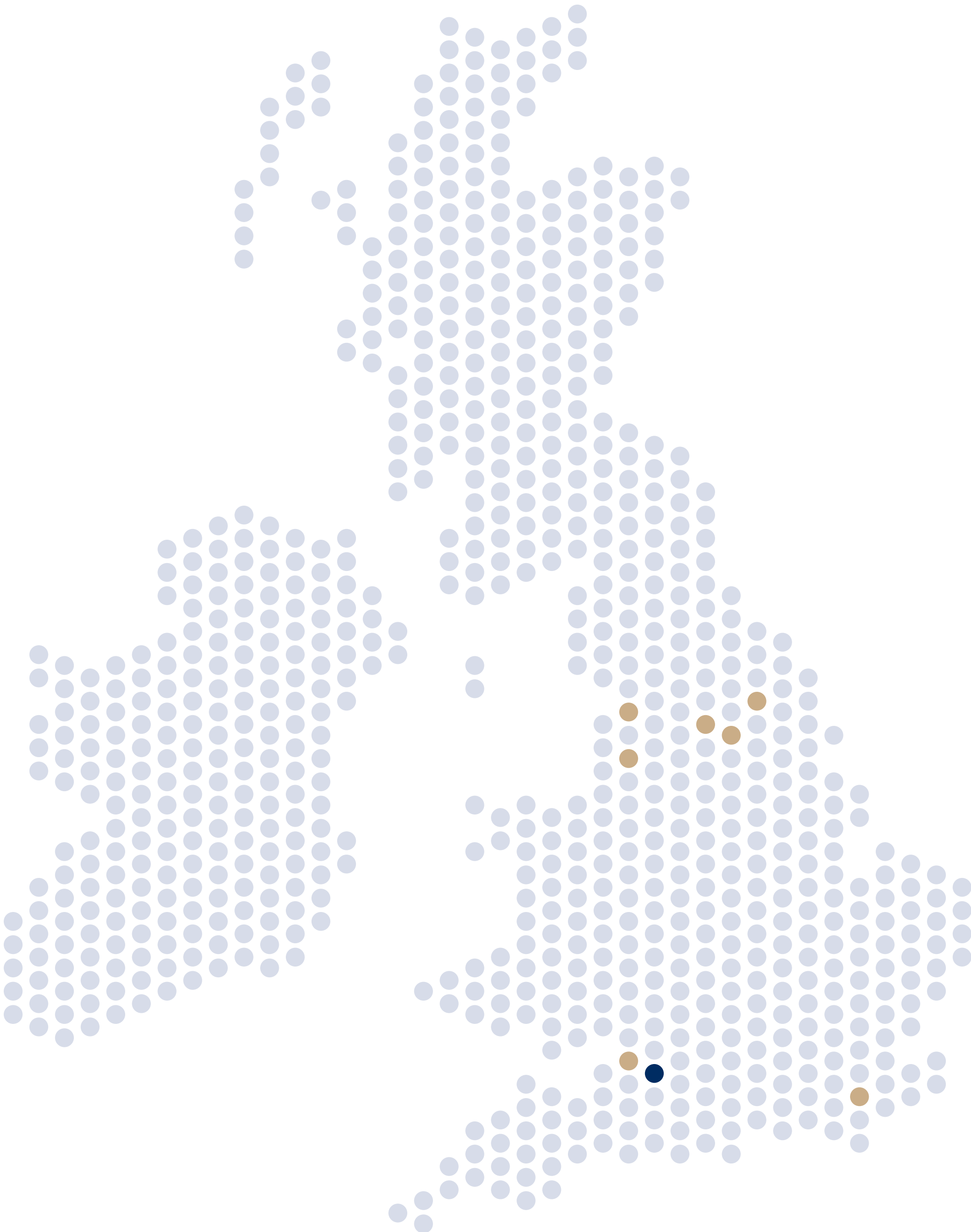
CEPS PLC

Partnering for success



Annual Report 2022

Contents

Chairman's Statement

At the beginning of this year being reported on, we had hoped, indeed expected, that for the first time in several years we would be reporting on a 'normal' year. In the event, amongst other things, our hopes were dashed by the Russian invasion of Ukraine in February 2022.

It is encouraging to report that sales for the CEPS Group have increased from £20.3m in 2021 to £26.5m in 2022. This has resulted from an increase in the underlying businesses, the full 12-month impact of acquisitions made in 2021, along with the partial year impact of an acquisition made in 2022.

In addition, there has been a change in accounting estimate in the Hickton accounts to bring its treatment of deferred income into line with others in the industry. This has had a positive impact to the profit before tax of £681,000 in these accounts and this change will be explained more below and in the notes to the accounts.

It is my view that the major market dislocation which developed following the economies of the world rapidly leaving behind lockdowns and the consequent supply issues created because of the Covid epidemic, was followed by new and deeper supply chain problems created by this unexpected and totally unwarranted invasion of Ukraine. In addition to these world issues, in the UK we managed to create further uncertainty both politically and economically, the political issues in the governing party causing there to be three Prime Ministers in the space of just under two months and creating turmoil in the markets in the Autumn around the 'Mini Budget'. Almost all the proposals in this radical budget were subsequently cancelled once a new Chancellor was in place.

In the UK, we are living with inflation of some 10% and interest rates at multi-year highs, having risen ten times since November 2021 from 0.10% to the current 4.25%. The Bank of England has been forecasting for some time that the UK economy would move into recession, which we are pleased to see has to date proven to be inaccurate. Very recently the IMF has forecast that the UK will be the worst performing economy in the G20 in 2023, with a small decline in GDP during the next twelve months. However, it should also be noted that of the last 28 predictions by the IMF, 25 were too pessimistic.

We are experiencing an economy that has been stagnating, with increased levels of industrial action and a shortage of available labour. In addition, there have been significant rises in energy prices and industry-wide increases in input prices and, as mentioned above, supply chain issues. However, there has been recent evidence that as time passes and the economies of the world transition away from the Covid period, these issues are beginning to ease.

More recently, further market volatility has been caused by the collapse of the Silicon Valley Bank and the distressed emergency takeover of Credit Suisse has caused further uncertainty. We are reassured that the UK banking system is very strong following the major rebuilding of balance sheets over the past 15 years.

Financial review

As stated in the introduction, total revenue increased to £26.5m from £20.3m, an increase of 30.1%, gross profits increased from £8.4m to £10.9m, an increase of 30.1%, and operating profits rose from £1.6m to £2.1m, an increase of 31.0%.

Looking at the financial performance of the underlying companies in more detail:

Chairman's Statement continued

Financial review continued

Aford Awards ('Aford')

The company has made strong progress over the past 12 months with the acquisitions made in 2021 having been successfully integrated into the core business based in Maidstone.

A further major strategic step was taken in April 2022 when the business and assets of Impact Promotional Merchandise Limited ('Impact') were acquired for a total consideration of £1.008m. £558,000 was paid at completion with a further £450,000 to be paid in three tranches between March 2023 and March 2025. The first milestone has passed and, in accordance with the agreed terms, £210,000 was paid in March 2023. Impact is a pure internet sales business and, therefore, significantly increases Aford's presence in this market. The company has looked at other acquisitions during the year and, now Impact has been fully integrated, the acquisition programme will be revitalised.

Sales in 2022 were £3.1m as compared to £1.4m in 2021 and £2.0m in 2019, the last year unaffected by Covid. The associated EBITDAs were £546,000, £235,000 and £411,000 respectively.

Friedman's/Milano International

As we forecast, and expected, sales have continued to recover strongly at Friedman's, the lycra printer. However, and like last year, whilst sales have recovered in Milano International, the manufacturer of leotards and gymnastic clothing, it remains loss-making.

The two companies together had sales of £6.4m in 2022 as compared to £4.8m in 2021 and £5.8m in 2019. The associated EBITDAs were £897,000, £809,000 and £1.2m respectively. However, in 2022 this was made up of a much-increased EBITDA at Friedman's with Milano having gone backwards.

In the latter part of 2022, pressures on supply and costs of raw materials started to ease and in 2023 we expect to see further progress in both companies.

Hickton Group

As was mentioned at the interim results stage, the Hickton group of companies experienced problems in retaining staff, problems in recruiting staff and strong wage inflation. It became clear in the year that following recent significant growth the business needed to 'pause' and restructure its operations. The marketplace became very competitive and recruiting staff was a real problem. More structure has been progressively put in place and it is believed that this has now rectified matters.

In addition, it became obvious as a number of its staff were recruited from market competitors, that Hickton's accounting estimate of deferred income was significantly different to its competitors. Therefore, it was decided that it was appropriate to change this deferred income calculation. 2022 has benefitted from the revision to brought forward deferred revenue of £363,000 and by £318,000 for the application of the estimate to 2022 which, before tax, will make a difference in this year of £681,000, with no impact on the prior year's results. Details of the estimate change are on page 37, note 3(h).

Sales were £16.9m in 2022 as compared to £14.2m in 2021 and £4.7m in 2019, the last year unaffected by Covid, demonstrating the recent significant growth, which has been, in part, driven by acquisitions made over this period. The associated EBITDAs were £1.8m, £1.5m, and £850,000 respectively. EBITDA for 2022 without the estimate change would have been £1.1m.

It is also pleasing to be able to report that the first three months of the current year have produced record sales and are currently well ahead of budget.

Chairman's Statement continued

Financial review continued

Vale Brothers

The company has struggled through the year as its bought-in products from China and India cost a lot more than had been expected and the associated freight charges were, as has been well reported, much higher for most of 2022. In addition, for its UK manufactured products, the company found it very difficult to recruit skilled staff and had to pay significantly more. Whilst the company raised its prices across the board by some 10%, in hindsight it needed a price rise of 20%. Whilst prices have since increased further, it will take time to recover its position.

Capital and debt structure

There was no share issuance in the current year and, therefore, the issued share capital remains at 21,000,000 shares.

The debt in CEPS PLC, the parent Company, remains unchanged with a £2.0m loan from a shareholding third party with a coupon of 7% and due to be repaid by 30 June 2025. In addition, the loan from Chelverton Asset Management Limited of £2.95m with a coupon of 5% repayable with a notice period of 18 months and a loan of £192,000 from myself remain outstanding.

Cash held by the Company at the financial year end was £256,000 (2021: £468,000) and Group cash was £1.3m (2021: £2.1m).

Pension

As we brought to shareholders' attention in June 2022, we expect the surplus from the pension scheme, which was transferred to Aviva, to be paid to the Company by the end of 2023 and these proceeds will be used to partially repay debt and to increase working capital. The amount the Trustees expect to be left over is in the order of £700,000, although it may be more or less than that. After deducting the required amount of tax, currently expected to be 35%, this would make the net amount receivable £455,000.

Outlook

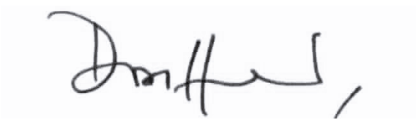
As mentioned in my introduction, things are currently very uncertain across the UK and Europe. Sadly, the war in Ukraine continues and currently there appears to be no end in sight. European countries have rebalanced their economies and have achieved major savings in energy which it is to be hoped will become embedded.

With the impact of the draconian lockdown in China and with the 'Ever Given' container vessel blocking the Suez Canal, it became clear to European buyers that they had been underpricing the risk of sourcing so many key products from China. Coupled with the population issues in China, we believe there will be a rebalancing of production, bringing it much closer to home.

It is my opinion that the UK economy is now expected to flat-line in 2023, but to 'bounce back' to near long-term trend growth in 2024. Inflation is expected to decline sharply by the end of the year, and it might well be that interest rates have already peaked. As the countries of Europe and the World return to 'normal' there is expected to be steady growth in the UK economy.

Taken overall, the Group has in the first quarter of 2023 performed ahead of expectations but, as I note above, significant uncertainties remain for 2023.

It is the Board's intention to continue to develop the underlying companies and, where appropriate, to make judicious acquisitions to accelerate this anticipated organic growth. Improvements in productivity, quality, service and margins are the universal targets.



David Horner
Chairman
4 May 2023

Strategic Report

The directors present their Strategic Report on the Group for the year ended 31 December 2022.

The business model

The principal activities of CEPS PLC are that of a holding company for service and manufacturing companies, acquiring stakes in stable and steadily growing entrepreneurial companies. Its objective is to generate capital growth by aggregating the steadily growing profits from the subsidiary companies using their cash flows to repay acquisition debt. In due course, the objective is to provide a robust and steadily growing dividend stream from an increasing number of growing, profitable and cash generative entrepreneurial companies.

The companies that have been acquired are in a range of sectors and operate in niche markets, thereby diversifying the risk. Aford Awards is a sports trophy and engraving company; Friedman's is a convertor and distributor of specialist lycra and Milano International, trading as Milano Pro-Sport, is a designer and manufacturer of leotards; Hickton Group, comprising Hickton Quality Control, BRCS, Cook Brown, Morgan Lambert and Qualitas Compliance, provides services to the construction industry. Segmental analysis is given in note 4 to the accounts.

Review of the business

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

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

	2022	2021
Revenue	£26,449,000	£20,333,000
Segmental result (EBITDA) (page 39)	£3,243,000	£2,565,000
Profit before tax	£1,346,000	£996,000
Profit after tax	£1,076,000	£792,000
Total equity	£4,515,000	£3,542,000
Net debt (total borrowings less cash) (page 35)	£6,136,000	£5,552,000
Gearing ratio (net debt/total equity)	136%	157%

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

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

The Board operates a continuous process for identifying, evaluating and managing risk. The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's strategic objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board monitors financial controls through the setting and approval of annual budgets throughout the Group and the regular review of monthly management accounts.

Each Group company has defined authorisation levels for expenditure, the placing of orders and signing authorities. The daily cash movements of the Group companies are reconciled and monitored by their finance departments. The Group's cash flow is monitored by the Board.

Strategic Report continued

Review of the business
continued

Each year on behalf of the Board, the Finance Director attends audit review meetings at each of the Group companies at which the auditors present their findings, including a comprehensive review of risks/potential risks which cover both financial and non-financial issues which could potentially affect a Group company.

If any issues are identified by the Group companies at the regular company board meetings these are raised at the next CEPS Board meeting. However, depending on the severity of the issue, information may be disseminated to the Board immediately.

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.

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.

The Board recognises its prime responsibility under UK corporate law is to promote the success of the Group for the benefit of its shareholders as a whole. The Board regularly receives reports from management on issues in respect of shareholders, employees, suppliers, customers, the community, the environment and regulators which it takes into account in its decision-making process.

Strategic Report continued

Directors' duties continued

At 31 December 2022 the Group employed 265 people and they remain the Group's most important asset. It is the policy of the Group that there should be no unfair discrimination in considering applications for employment, including those from disabled persons. All employees are given equal opportunities for career development and promotion. Health and safety committee meetings are held within the operating businesses.

The Board believes that the growth strategies of the companies will be beneficial to customers and suppliers. They build relationships with suppliers and the policy is to pay consistently and meet payment terms. High standards of service are a key measure for customers and maintain reputation and relationships.

In addition to this, the Board seeks to understand the interests and views of the organisations' stakeholders by engaging with them directly as appropriate.

Future developments

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

By order of the Board
V E Langford
Company Secretary
4 May 2023

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 2022.

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 (63) 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 (61) is Group Finance Director. She is a Chartered Accountant and is also the Company Secretary of CEPS PLC. She has management experience across a wide range of business functions, typically with finance at the core, but also including HR, compliance and IT. She has significant project management experience with expertise in financial analysis, contract negotiation and company acquisitions.

D E Johnson (63) 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 (78) is a non-executive director. He is a Chartered Accountant who was previously Finance Director and Company Secretary of the Group. He has extensive experience in takeovers and disposals and refinancing and restructuring proposals.

The director retiring by rotation in accordance with Articles 71 and 72 is D A Horner 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.

Directors' Report continued

Significant shareholdings

The following shareholders held more than 3% of the Company's ordinary shares at 4 May 2023:

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

[1] Included within this holding are shares held by Chelverton Growth Trust plc (5,460,301, 26.00%).

[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 (1,455,338 shares, 6.93%) and on behalf of Mrs M C Horner (22,500 shares, 0.11%).

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

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

[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, 11.48%. Mrs R Thistlethwayte holds 590,000 shares, 2.81%.

[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, 3.28%.

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 2022 (2021: £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.

Directors' Report continued

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 UK adopted International Financial Reporting Standards (IFRSs). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- 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 United Kingdom 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.

Employees

The Group employed 265 (2021: 219) employees at the year end.

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

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

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

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

By order of the Board
V E Langford
Company Secretary
4 May 2023

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 recognises that its decisions will impact the corporate culture of the Group and that this will affect the performance of the business. The Board is also very conscious that the tone and culture that it sets will greatly impact all aspects of the Group and the way employees behave and operate. The importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives.

The Board has regular interaction with Group company employees and monitors corporate culture in this way. Additionally, it ensures its sound ethical practices and behaviours are deployed at Group company board meetings.

The Group is also aware of its responsibilities for ensuring adherence to key internal and external policies including those relating to slavery, diversity, anti-corruption, bribery and whistleblowing.

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 summarized below.

The Board

The Group is controlled through the Board of Directors which comprises two executive directors, the Chairman and the Finance Director, and two independent non-executive directors. Further details of the Board members are given in the Directors' Report on page 8.

The Board sets the Group's strategic aims and ensures that necessary resources are in place in order for the Group to meet its objectives. All members of the Board take collective responsibility for the performance of the Group and all decisions are taken in the interests of the Group.

The Board has a formal schedule of matters reserved to it and meets at least five times a year. It is responsible for overall Group strategy, acquisition and disposal policy, approval of major capital expenditure and consideration of significant financing matters. It monitors the exposure to key business risks and reviews the strategic direction of its trading businesses, their annual budgets and their capital expenditure programmes. The Board also considers environmental and employee issues and key appointments.

In the year to 31 December 2022 there were five formal Board meetings held and all directors were in attendance for all meetings. In addition, there were two Audit Committee meetings, two Nomination Committee meetings and two Remuneration Committee meetings.

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

The Company seeks constructive dialogue with shareholders and stakeholders. The Board believes that the Annual Report and the Interim Report published at the half-year play an important part in presenting all shareholders with an assessment of the Group's position and prospects. The Annual General Meeting gives the opportunity for all shareholders to attend and ask questions.

Directors' and officers' liability insurance has been purchased by the Group during the year.

The Board has established three committees: The Audit Committee, the Nomination Committee and the Remuneration Committee.

Corporate Governance continued

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.

During the audit of the 2022 results the specific areas of audit risk considered were revenue recognition, management override of controls, going concern, valuation of goodwill and intangibles, and accounting for acquisitions. From the work performed, there were no areas of concern highlighted.

Nomination Committee

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

Remuneration Committee

This committee is comprised of D E Johnson (Chair) and G C Martin. The remuneration committee sets the remuneration and other terms of employment of executive directors. Remuneration levels are set by reference to individual performance, experience and market conditions with a view to providing a package appropriate for the responsibilities involved.

Directors' contracts are designed to provide the assurance of continuity which the Company desires. There are no provisions for pre-determined compensation on termination. Pensions for directors were based on salary alone and were provided by the Company defined contribution scheme and defined benefits scheme. Contributions were paid to these schemes in accordance with independent actuarial recommendations or funding rates determined by the remuneration committee as appropriate to the type of scheme. From 2010 no benefits have accrued to directors under these schemes. Non-executive directors have no service contracts and no pension contributions are made on their behalf.

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.

Monthly management accounts are produced by the subsidiary companies which are reviewed and then summarized by the Group Finance Director on a monthly basis for distribution to and scrutiny by the Board. The Group has a Financial Position and Prospects Procedures ('FPPP') which is reviewed and updated on a regular basis. The FPPP deals with processes such a dual authorisation, forecasting and budgeting procedures and financial accounting procedures. There is an annual budget which is approved by the directors. The results are reported monthly and compared to the budget. Any large financial transactions are approved by the whole Board and are subject to financial review regarding impact on CEPS PLC. Cash flows are updated and forecasts are reviewed on a monthly basis.

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. 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 pages 5 to 7.

Independent Auditor's Report to the members of CEPS PLC

Opinion

We have audited the financial statements of CEPS PLC (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 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 related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international financial reporting standards.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group and parent Company financial statements have been properly prepared in accordance with UK adopted international reporting standards; 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit

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 net assets, revenues and profit before taxes which each component represented.

From this, we determined the significance of the component to the Group as a whole, and devised our planned audit response. In order to address the audit risks described in the Key audit matters section which were identified during our planning process, we performed a full-scope audit of the financial statements of the parent Company, CEPS PLC, and all of the Group's material trading subsidiaries, providing 96% coverage of revenues and £1,499,000 of consolidated profit before tax and 91% of net assets. Entities subject to review-scope audit procedures made up 4% of the consolidated revenue and losses of £153,000 of the total consolidated profit before tax. We applied analytical procedures to the statement of financial position and income statement of each of the entities subject to review scope, focussing on risk areas identified, and their significance to the Group's balances.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key audit matters continued

Revenue recognition

The Group generates revenue from a number of streams as detailed in notes 1 and 4. Given the material nature of revenue and the variety of methods and segments it is generated through, the appropriateness of revenue recognition and management's application of the Group's revenue recognition accounting policies and key estimates made represent an area of significant judgement in the financial statements.

Our response to the risk

We have assessed accounting policies for consistency and appropriateness with the financial reporting framework and in particular that revenue was recognised when performance obligations were fulfilled. In addition, we reviewed for the consistency of application as well as the basis of any recognition estimates.

We have obtained an understanding of processes through which the businesses initiate, record, process and report revenue transactions.

We performed walkthroughs of the processes as set out by management, to ensure controls appropriate to the size and nature of operations are designed and implemented correctly throughout the transaction cycle.

We tested product revenue recognised at a point in time to gain assurance over the completeness, existence and accuracy of reported revenue.

We tested service revenue recognised over time to gain assurance over the completeness, existence and accuracy of reported revenue. There has been a change of estimate surrounding service revenue in the year which has been discussed with management and the nature and quantum of the change documented. The updated system surrounding revenue estimation and key controls throughout the revenue cycle has been documented to assist with our assessment of the application of revenue recognition policies and the revised recognition estimate.

We performed cut-off procedures on both product and service revenue to test transactions around the year end and verified a sample of revenue to originating documentation to provide evidence that transactions were recorded in the correct year, paying particular attention to services which span the financial year end.

Our procedures did not identify any material misstatements in the revenue recognised during the year.

Carrying value and impairment of goodwill

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

Our response to the risk

We challenged the assumptions used in the impairment model for goodwill, which are described in note 18.

We considered historical trading performance by comparing recent growth rates of both revenue and operating profit. We assessed the appropriateness of the assumptions concerning growth rates and inputs to the discount rates against latest market expectations.

We performed sensitivity analysis to determine whether an impairment would be required if actual growth is not in line with the forecast assumptions.

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

Our application of materiality

The materiality for the Group financial statements as a whole was set at £397,000. 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 Statement of Comprehensive Income . In determining the level of testing to be performed during our audit work, we applied performance materiality of £357,000.

The materiality for the parent Company financial statements as a whole was set at £357,000, capped at 90% of Group materiality. This has been determined with reference to the parent Company's gross assets, which we consider to be an appropriate measure for a holding company with investments in trading subsidiaries. Materiality represents 7% of gross assets as presented on the face of the parent Company's Statement of Financial Position. In determining the level of testing to be performed during our audit work, we applied performance materiality of £321,000.

Conclusions relating to going concern

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

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

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

From our work we noted that the Group has positive cash balances, and its forecasts support the directors' assessment that the Group will continue to be able to meet its liabilities as they fall due.

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves 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.

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

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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent 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.

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 extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- our assessment focused on key laws and regulations the Company has to comply with and areas of the financial statements we assessed as being more susceptible to missstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, UK adopted international accounting standards, AIM Rules and relevant tax legislation.

We are not responsible for preventing irregularities. Our approach to detect irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the Group and parent Company and how the Group and parent Company comply with that framework through discussions with directors and other management;

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

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

- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements of the operations of the Group and parent Company, including Companies Act 2006, UK adopted international accounting standards and relevant tax legislation;
- assessing the extent of compliance with the laws and regulations identified above through making enquiries of management of the policies and procedures in place, and inspecting legal correspondence where applicable;
- we assessed the susceptibility of the Group and parent Company'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; and
  - considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations;
- designed our audit procedures to respond to our risk assessment; and
- to address the risk of fraud through management bias and override of controls, we:
  - tested journal entries to identify unusual transactions;
  - investigated the rationale behind significant or unusual transactions outside the normal course of business;
  - reviewed revenue and bank nominal codes for indication of management override; and
  - assessed whether judgements and assumptions made in determining the accounting estimates set out in note 3 were indicative of potential bias, specifically surrounding the impairment of intangible assets and defined benefit liabilities.

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 and reviewing legal and professional expenses; and
  - enquiring of management as to actual and potential litigation and claims.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

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

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 formed.

Melanie Hopwell (Senior Statutory Auditor)

for and on behalf of Cooper Parry Group Limited
Statutory Auditor
Sky View, Argosy Road, East Midlands Airport, Castle Donington, Derby DE74 2SA
4 May 2023

Consolidated Statement of Comprehensive Income

	Notes	2022 £'000	2021 £'000
Revenue	4	26,449	20,333
Cost of sales		(15,538)	(11,946)
Gross profit		10,911	8,387
Other operating income	5	47	276
Administration expenses		(8,835)	(7,043)
Operating profit	5	2,123	1,620
Analysis of operating profit			
Trading		2,523	2,002
Group costs		(400)	(382)
		2,123	1,620
Share of associate (loss)/profit	19	(66)	66
Finance income	10	27	24
Finance costs	10	(738)	(714)
Profit before tax		1,346	996
Taxation	11	(270)	(204)
Profit for the financial year		1,076	792
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial gain on defined benefit pension plans	9	54	73
Other comprehensive income for the year, net of tax		54	73
Total comprehensive income for the financial year		1,130	865
Income attributable to:			
Owners of the parent		460	296
Non-controlling interests		616	496
		1,076	792
Total comprehensive income attributable to:			
Owners of the parent		514	369
Non-controlling interests		616	496
		1,130	865
Earnings per share			
basic and diluted (pence)	13	2.19p	1.64p

All activity relates to continuing operations.

The notes on pages 25 to 70 form part of the financial statements.

Consolidated and Company Statements of Financial Position

Company number 00507461

		Notes	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Assets	Non-current assets					
	Property, plant and equipment	15	671	764	–	–
	Right-of-use assets	16	1,694	1,225	–	–
	Intangible assets	18	11,728	10,729	–	–
	Investments	19	–	66	3,274	3,274
			14,093	12,784	3,274	3,274
	Current assets					
	Inventories	20	2,138	1,612	–	–
	Trade and other receivables	21	4,006	3,036	1,604	1,257
	Cash and cash equivalents (excluding bank overdrafts)	22	1,284	2,081	256	468
			7,428	6,729	1,860	1,725
	Total assets		21,521	19,513	5,134	4,999
Equity	Capital and reserves attributable to owners of the parent					
	Called up share capital	28	2,100	2,100	2,100	2,100
	Share premium	28	7,017	7,017	7,017	7,017
	Retained earnings		(7,526)	(8,040)	(9,393)	(9,369)
			1,591	1,077	(276)	(252)
	Non-controlling interests in equity		2,924	2,465	–	–
	Total equity		4,515	3,542	(276)	(252)
Liabilities	Non-current liabilities					
	Borrowings	25	8,367	8,436	4,950	4,950
	Lease liabilities	25	1,522	1,096	–	–
	Trade and other payables	23	208	45	–	–
	Deferred tax liability	27	338	255	–	–
			10,435	9,832	4,950	4,950
	Current liabilities					
	Borrowings	25	1,487	1,759	192	192
	Lease liabilities	25	313	258	–	–
	Trade and other payables	23	3,325	3,141	263	105
	Current tax liabilities	24	1,446	981	5	4
			6,571	6,139	460	301
	Total liabilities		17,006	15,971	5,410	5,251
	Total equity and liabilities		21,521	19,513	5,134	4,999

The comprehensive expense within the parent Company financial statements for the year was a loss of £24,000 (2021: loss of £245,000).

The notes on pages 25 to 70 form part of the financial statements.

The financial statements on pages 19 to 70 were approved by the Board of Directors on 4 May 2023 and signed on its behalf by

D A Horner
Director

Consolidated and Company Statements of Cash Flows

Group

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Profit for the financial year		1,076	792
Adjustments for:			
Depreciation and amortisation		719	564
Loss on disposal of fixed assets		6	6
Pension contributions less than administrative charge		69	84
Share of associate loss/(profit)		66	(66)
Net finance costs		711	690
Taxation charge		270	204
Changes in working capital:			
Movement in inventories	20	(518)	(171)
Movement in trade and other receivables	21	(970)	(261)
Movement in trade and other payables	23	301	(469)
Cash generated from operations		1,730	1,373
Corporation tax paid		(61)	(187)
Net cash generated from operations		1,669	1,186
Cash flows from investing activities			
Interest received		12	13
Acquisition of businesses and subsidiaries, net of cash acquired	17	(611)	(1,220)
Purchase of property, plant and equipment	15	(120)	(309)
Proceeds from sale of assets		3	35
Purchase of intangible assets	18	(75)	(73)
Net cash used in investing activities		(791)	(1,554)
Cash flows from financing activities			
Issue of share capital		–	1,018
Proceeds from borrowings		396	3,330
Repayment of borrowings		(773)	(3,108)
Dividends paid to non-controlling interests		(157)	–
Proceeds from subsidiary share issue		–	4
Interest paid		(815)	(791)
Lease liability payments		(326)	(336)
Net cash (used in)/generated from financing activities		(1,675)	117
Net decrease in cash and cash equivalents		(797)	(251)
Cash and cash equivalents at the beginning of the year		2,081	2,332
Cash and cash equivalents at the end of the year	22	1,284	2,081

Major non-cash movements: there were £807,000 of non-cash additions to right-of-use assets and lease liabilities in the year (2021: £558,000 of new share capital was settled against a loan liability and there were £555,000 of non-cash additions to right-of-use assets and lease liabilities).

The notes on pages 25 to 70 form part of the financial statements.

Consolidated and Company Statements of Cash Flows

continued

Company

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Loss for the financial year		(78)	(318)
Adjustments for:			
Pension contributions less than administrative charge		69	84
Dividends		(193)	–
Net finance (income)/costs		(59)	4
Changes in working capital:			
Movement in trade and other receivables	21	(21)	17
Movement in trade and other payables	23	35	(86)
Cash used in operations		(247)	(299)
Cash flows from investing activities			
Interest received		456	333
Dividends received		193	–
Investment in subsidiary share capital		–	(4)
Loan repayment from subsidiary company		–	50
Loans to subsidiary companies		(450)	(239)
Net cash generated from investing activities		199	140
Cash flows from financing activities			
Issue of share capital		–	1,018
Proceeds from borrowings		–	2,250
Repayment of borrowings		–	(2,150)
Interest paid		(164)	(522)
Net cash (used in)/generated from financing activities		(164)	596
Net (decrease)/increase in cash and cash equivalents		(212)	437
Cash and cash equivalents at the beginning of the year		468	31
Cash and cash equivalents at the end of the year	22	256	468

The notes on pages 25 to 70 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 2021	1,700	5,841	(8,402)	(861)	1,954	1,093
Actuarial gain	–	–	73	73	–	73
Profit for the year	–	–	296	296	496	792
Total comprehensive income for the financial year	–	–	369	369	496	865
Shares issued in the year (note 28)	400	1,176	–	1,576	–	1,576
Changes in ownership interest in subsidiaries	–	–	(7)	(7)	15	8
Total amounts recognised directly in equity	–	–	(7)	1,569	15	1,584
At 31 December 2021	2,100	7,017	(8,040)	1,077	2,465	3,542
Actuarial gain	–	–	54	54	–	54
Profit for the year	–	–	460	460	616	1,076
Total comprehensive income for the financial year	–	–	514	514	616	1,130
Dividends paid in respect of a non-controlling interest	–	–	–	–	(157)	(157)
At 31 December 2022	2,100	7,017	(7,526)	1,591	2,924	4,515

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 the current year and prior periods attributable to the parent, less dividends paid.

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

The notes on pages 25 to 70 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 2021	1,700	5,841	(9,124)	(1,583)
Loss for the financial year	–	–	(318)	(318)
Actuarial gain	–	–	73	73
Total comprehensive loss for the financial year	–	–	(245)	(245)
Shares issued in the year (note 28)	400	1,176	–	1,576
At 31 December 2021	2,100	7,017	(9,369)	(252)
Loss for the financial year	–	–	(78)	(78)
Actuarial gain	–	–	54	54
Total comprehensive loss for the financial year	–	–	(24)	(24)
At 31 December 2022	2,100	7,017	(9,393)	(276)

The notes on pages 25 to 70 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 admitted to trading on the AIM market of the London Stock Exchange. The address of the registered office is 11 Laura Place, Bath BA2 4BL.

The principal activities of the Company are that of a holding company for service and manufacturing companies, acquiring stakes in stable 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 2022.

The registered number of the Company is 00507461.

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

Basis of preparation

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

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

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

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

Notes to the Financial Statements continued

1. Accounting policies
continued

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

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

Going concern
The directors have considered the trading performance and financial position of the Company and of the Group together with detailed forecasts for the period to the end of 2024. The Aford Awards Group Holdings, Signature Fabrics and Hickton Group sub-groups service their bank and shareholder held debt from cash generated in the trading subsidiaries which are trading profitably and which have recovered from the impacts of the pandemic. The Group is generating cash from operations with significant headroom in the banking covenants and mitigating actions could be taken to compensate for the current inflationary pressures and a degree of fluctuation in the economy. The Company had cash balances at 31 December 2022 and is receiving interest and fees from the trading subsidiary groups.

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

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

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

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

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

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.

Notes to the Financial Statements continued

1. Accounting policies
continued

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

Investments in subsidiaries are accounted for at cost less impairment. Acquisition related costs are expensed as incurred. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments within the relevant adjustment period.

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

Changes in ownership interests in subsidiaries without change of control

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

Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, the Board, and used to assess performance. Information is given for all operating segments where discrete financial information is available.

Revenue recognition

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific performance obligations have been met. The Group bases its estimate of return on historical results, taking into account the customer type, transaction type and the specifics of each arrangement.

The revenues of Aford Awards, Friedman's and Milano International arise from the fair values received or receivable for goods sold which are recognised on delivery and exclude VAT.

The revenues of the Hickton Group subsidiary companies are recognised in the accounting period in which the services are provided by reference to the performance obligations satisfied by the year end date, measured by applying the percentage of costs incurred to the total revenue. 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):

Notes to the Financial Statements continued

1. Accounting policies
continued

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

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

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

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

Intangible assets
a) Goodwill
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree over the fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets acquired, the difference is recognised directly in equity.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to appropriate cash generating units (those expected to benefit from the business combination) and is not amortised, but is tested for impairment at the operating segment level.

b) Customer lists
Customer lists acquired in a business combination are recognised at fair value at the acquisition date. Customer lists are assessed to have an estimated life of six to eight years. Impairment reviews are undertaken annually or if changes in circumstances indicate a potential impairment.

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

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.

Notes to the Financial Statements continued

1. Accounting policies continued

Impairment of intangible assets and property, plant and equipment

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

Investments

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

Inventories

Inventories are valued at the lower of cost and net realisable value. Raw materials are valued on a first in first out basis at net invoice values charged by suppliers. The value of work in progress and finished goods includes the direct cost of materials and labour together with an appropriate proportion of factory overheads, where applicable. This is derived, where considered to be materially accurate, from selling prices less gross margins achieved. 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.

Notes to the Financial Statements continued

1. Accounting policies continued

Pensions

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

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

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

Defined benefit pension costs are recognised in the Consolidated Statement of Comprehensive Income.

The subsidiaries make contributions to defined contribution pension schemes which are charged to the Consolidated Statement of Comprehensive Income as incurred. The Group has no further payment obligations once contributions have been paid.

Discontinued operations

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

Exceptional items

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

Leases

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

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

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.

Notes to the Financial Statements continued

1. Accounting policies
continued

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 redeemable preference shares are classified as liabilities (see note 28).

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

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

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

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

Notes to the Financial Statements continued

1. Accounting policies
continued

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

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

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

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

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

Notes to the Financial Statements continued

2. Financial risk management

2.1 Financial risk factors

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

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

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

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

The Group's interest rate risk arises from long-term borrowings. All lease liabilities reflect fixed interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Group policy is to maintain an appropriate balance between borrowings expressed in fixed rates and those at variable rates. All of the Group's borrowings are denominated in Sterling. The strategy of CEPS PLC is as far as possible to use the assets of businesses in which it makes investments to secure the necessary borrowings for those investments.

	2022	2021
	£'000	£'000
Fixed rate instruments		
Liabilities	7,717	7,734

	2022	2021
	£'000	£'000
Floating rate instruments		
Liabilities	2,138	2,461

Notes to the Financial Statements continued

2. Financial risk management continued

2.1 Financial risk factors continued

b) Credit risk

The Group is exposed to the credit risk inherent in non-payment by either its customers or the counterparties of its financial instruments. The Group utilises credit insurance policies to mitigate its risk from some of its trading exposure, especially in overseas markets, and in all cases seeks satisfactory references and the best possible terms of payment. It mitigates its exposure on financial instruments by only using instruments from banks and financial institutions with a minimum rating of 'A-1+'.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and having available an adequate amount of committed credit facilities.

Management monitors rolling forecasts of the Group's available liquidity on the basis of expected future cash flows. Forecasts are generated in the first instance at local level in the operating subsidiaries of the Group.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 31 December 2022				
Trade and other payables	2,645	208	–	–
Other loans	941	3,741	4,160	–
Bank loans	1,141	815	221	319
IFRS 16 lease liability	402	361	877	498
Overdrafts and trade receivables backed working capital facilities	578	–	–	–
	5,707	5,125	5,258	817
At 31 December 2021				
Trade and other payables	2,098	–	–	–
Other loans	879	3,882	3,912	47
Bank loans	732	901	456	–
IFRS 16 lease liability	332	302	697	280
Overdrafts and trade receivables backed working capital facilities	554	–	–	–
	4,595	5,085	5,065	327

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 2022 and 2021 were as follows:

	2022 £'000	2021 £'000
Total borrowings	7,420	7,633
Less: cash	(1,284)	(2,081)
Net debt	6,136	5,552
Total equity	4,515	3,542
Gearing ratio	136%	157%

In order to provide a more meaningful gearing ratio, total borrowings have been revised to be the sum of bank borrowings and third party debt, excluding loan notes used to finance the Group's acquisitions. The prior year comparatives are also calculated on this basis.

2.3 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of the financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current interest rate.

The fair values of all financial assets and liabilities approximate to their carrying values.

Notes to the Financial Statements continued

3. Critical accounting assumptions, judgements and estimates

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

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

a) Impairment of intangible assets (including goodwill)
The Group tests annually whether intangible assets (including goodwill) have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of the cash-generating units have been determined based on value-in-use calculations. The calculations require the use of estimates (note 18).

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

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of the use of the acquired assets or the strategy for the overall business; and
- significant negative industry or economic trends.

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

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

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

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

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

Notes to the Financial Statements continued

3. Critical accounting assumptions, judgements and estimates continued

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

g) Retirement benefit liabilities
The Group operates a defined benefits pension scheme. The scheme is subject to triennial actuarial valuation and the Group commissions an independent qualified actuary to update to each financial year end the previous triennial result. The results of this update are included in the financial statements. In reaching the annually updated results management makes assumptions and estimates. These assumptions and estimates are made advisedly, but are not any guarantee of the performance of the scheme or of the outcome of each triennial review. See note 9 for further details.

h) Recognition of revenue in respect of services and change in accounting estimate
Revenue is recognised in the period in which the services are provided in accordance with the stage of completion of the contract. This requires a degree of estimation in respect of the stage of completion and time required to complete the services, but is based on experience and data from completed services.

In the year, the directors recognised that the prior estimates in a subsidiary were too prudent by reference to actual outcomes and the specific tasks to be completed and have applied a revised method with increased reference to experience and the expected costs as services progress. This has been treated as a change in accounting estimate and application of the new method has resulted in a reduction in deferred income and increase in revenue of £681,000 for the year ended 31 December 2022, of which £363,000 relates to income which would not have been deferred at 31 December 2021 under the new method and a further £318,000 recognised for services that commenced in 2022. This change brings the company in line with industry norms.

i) Acquisitions
Fair values have been applied on the acquisition of businesses which involve a degree of judgement and estimation, in particular in the identification and evaluation of intangible assets including customer relationships. The values recognised are derived from discounted cash flow forecasts and assumptions based on experience and estimated factors relevant to the nature of the business activity.

Where contingent consideration arises in respect of acquisitions, the best estimate of further payments to be made is accrued. The actual trading results may result in different amounts being payable and subsequent adjustments to the deferred consideration.

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 Quality Control, BRCS, Cook Brown, Morgan Lambert and Qualitas Compliance, providers of services to the construction industry.

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.

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, amortisation and, when applicable, exceptional costs (EBITDA). Other information provided to the Board is measured in a manner consistent with that in the financial statements.

i) Results by segment

	Aford Awards 2022 £'000	Friedman's 2022 £'000	Hickton Group 2022 £'000	Total 2022 £'000
Revenue	3,086	6,423	16,940	26,449
Expenses	(2,540)	(5,526)	(15,140)	(23,206)
Segmental result (EBITDA)	546	897	1,800	3,243
Depreciation and amortisation charge	(115)	(183)	(117)	(415)
IFRS 16 depreciation	(75)	(129)	(100)	(304)
Group costs				(400)
Share of associate loss				(66)
Net finance costs (including IFRS 16)				(712)
Profit before taxation				1,346
Taxation				(270)
Profit for the year				1,076

	Aford Awards 2021 £'000	Friedman's 2021 £'000	Hickton Group 2021 £'000	Total 2021 £'000
Revenue	1,385	4,762	14,186	20,333
Expenses	(1,150)	(3,953)	(12,665)	(17,768)
Segmental result (EBITDA)	235	809	1,521	2,565
Depreciation and amortisation charge	(22)	(135)	(100)	(257)
IFRS 16 depreciation	(45)	(168)	(93)	(306)
Group costs				(382)
Share of associate profit				66
Net finance costs (including IFRS 16)				(690)
Profit before taxation				996
Taxation				(204)
Profit for the year				792

Notes to the Financial Statements continued

4. Segmental analysis
continued

ii) Assets and liabilities by segment as at 31 December

	Segment assets		Segment liabilities		Segment net assets/(liabilities)	
	2022	2021	**2022**	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
CEPS Group	**286**	543	**(5,410)**	(5,251)	**(5,124)**	(4,708)
Aford Awards	**4,014**	1,974	**(2,170)**	(789)	**1,844**	1,185
Friedman's	**7,575**	7,620	**(2,244)**	(2,146)	**5,331**	5,474
Hickton Group	**9,646**	9,376	**(7,182)**	(7,785)	**2,464**	1,591
Total – Group	**21,521**	19,513	**(17,006)**	(15,971)	**4,515**	3,542

iii) Revenue by geographical destination

	2022	2021
	£'000	£'000
UK	**24,782**	19,048
Europe	**1,113**	762
Rest of world	**554**	523
	26,449	20,333

iv) Revenue by nature

	2022	2021
	£'000	£'000
Products – recognised at a point in time	**9,509**	6,147
Services – recognised over time delivered	**16,940**	14,186
	26,449	20,333

Notes to the Financial Statements continued

5. Operating profit

	2022 £'000	2021 £'000
Operating profit is stated after charging/(crediting):		
In other operating income:		
Government job retention scheme income	–	(236)
Other government pandemic support grant income	–	(26)
Rent receivable	(35)	–
In administration expenses:		
Loss on disposal of property, plant and equipment	6	6
Exchange losses	32	6
Short term operating lease rentals	167	211
Acquisition expenses	16	52

	2022 £'000	2021 £'000
Expenses by nature		
Raw materials and consumables	3,984	2,717
Employee benefit expenses	10,026	8,045
Depreciation on owned assets	204	180
Depreciation on right-of-use assets	338	306
Amortisation of intangible assets	177	77
Operating lease payments	167	211
Other expenses	9,477	7,453
	24,373	18,989

6. Auditor's remuneration

	2022 £'000	2021 £'000
Fees payable to the Company's auditor		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	45	35
Fees payable to the Company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	120	91
	165	126
Taxation compliance services to subsidiaries	28	24
Total fees	193	150

Notes to the Financial Statements continued

7. Employees

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

	2022 Number	2021 Number
Management and administration	104	97
Production and sales	161	122
	265	219

The aggregate costs of these persons were:

	2022 £'000	2021 £'000
Wages and salaries	8,796	6,990
Social security costs	832	723
Other pension costs (note 9)	398	331
	10,026	8,044

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

	2022 £'000	2021 £'000
Aggregate remuneration	1,346	1,252
Aggregate pension contributions	125	193
	1,471	1,445

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

	2022 Number	2021 Number
Management and administration	4	4

The aggregate costs of these persons were:

	2022 £'000	2021 £'000
Wages and salaries	132	124
Social security costs	9	8
	141	132

Notes to the Financial Statements continued

8. Directors' emoluments and interests

The aggregate remuneration of the directors was:

	2022 £'000	2021 £'000
Short-term employee benefits	132	124

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

	Salaries and fees	
	2022 £'000	2021 £'000
D A Horner	–	–
V E Langford	96	88
G C Martin	18	18
D E Johnson	18	18
	132	124

G C Martin has a pension secured in the Group defined benefit 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 2022 shares	at 31 December 2021 shares
D A Horner (and close family)	6,299,000	6,299,000
V E Langford	150,000	150,000
G C Martin	10,000	10,000
D E Johnson	250,000	250,000

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

	at 31 December 2022 shares		at 31 December 2021 shares	
D A Horner	3,621,162		3,621,162	
Held by Charles Stanley & Co Ltd Rock (Nominees) Ltd on behalf of D A Horner's SIPP	1,320,838		970,838	
Held by Charles Stanley & Co Ltd Rock (Nominees) Ltd on behalf of D A Horner	84,500		84,500	
Held by Charles Stanley & Co Ltd Rock (Nominees) Ltd on behalf of D A Horner's ISA	50,000		50,000	
Mrs M C Horner (wife)	1,000,000		1,000,000	
Held by Charles Stanley & Co Ltd Rock (Nominees) Ltd on behalf of Mrs M C Horner (wife)	22,500		22,500	
H R Horner (son)	100,000		100,000	
T A Horner (son)	100,000		100,000	
Held by Charles Stanley & Co Ltd Rock (Nominees) Ltd on behalf of Mrs E Horner (mother)	–		350,000	
	6,299,000	29.99%	6,299,000	29.99%

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 £398,000 (2021: £331,000). At 31 December 2022 £52,000 (2021: £42,000) 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%. Based on these results, no recovery plan was necessary.

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

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

The Group commissioned an independent qualified actuary to update to 31 December 2022 the results of the actuarial valuation at 1 July 2019. The results of the update are as follows:

	2022	2021
Assumptions at 31 December		
Interest rate for discounting liabilities	4.80%	1.80%
Expected return on plan assets	4.80%	1.80%
RPI price inflation	3.20%	3.70%
CPI price inflation	2.50%	3.00%
Pensions increase	3.10%	3.50%
Mortality pre and post retirement	S3PxA	S3PxA
Improvements based on	CMI 2021	CMI 2020
	1.25%	1.25%
Life expectancies (years)		
For a 65 year old male	22.0	21.9
For a 65 year old female	24.3	24.3
For a 65 year old male, currently aged 45	23.3	23.2
For a 65 year old female, currently aged 45	25.8	25.7

The independent actuary estimates that a 0.1% decrease in the discount rate before and after retirement would change the value of scheme liabilities by approximately £23,000.

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:

	2022 £'000	2021 £'000
Amounts recognised in the Statement of Financial Position are as follows:		
Fair value of plan assets	3,389	4,436
Present value of defined benefit obligation	(2,600)	(3,546)
Actuarial surplus not recognised	(789)	(890)
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.

	2022 £'000	2021 £'000
Included in the Consolidated Statement of Comprehensive Income for the year		
Pension administrative expenses	(69)	(84)
Pension scheme finance income		
Interest on obligation	(62)	(43)
Interest income on plan assets	77	54
	15	11
	(54)	(73)
Included in the Consolidated Statement of Other Comprehensive Income		
Financial assumption actuarial gain	849	276
Experience loss on assets	(816)	(358)
Buy-out related expenses	(80)	–
Movement in actuarial surplus not recognised	101	155
Total gain	54	73
Movement in Statement of Financial Position for the year		
Net pension liability at the start of the year	–	–
Employer's pension cost	(54)	(73)
Other comprehensive income	54	73
Employer contributions	–	–
Net pension liability at the end of the year	–	–
Reconciliation of the defined benefit obligation		
Defined benefit obligation at the start of the year	3,546	4,070
Interest cost	62	43
Actuarial gain from changes in financial assumptions	(849)	(276)
Benefits paid	(159)	(291)
Defined benefit obligation at the end of the year	2,600	3,546

Notes to the Financial Statements continued

9. Pension costs continued

	2022 £'000	2021 £'000
Reconciliation of plan assets		
Fair value of plan assets at the start of the year	4,436	5,106
Expected return on plan assets	77	54
Experience gains on assets	(816)	(358)
Employer contributions	–	9
Non investment expenses	(149)	(84)
Benefits and expenses paid	(159)	(291)
Fair value of plan assets at the end of the year	3,389	4,436

	2022	2021
Asset categories at the end of the year		
Cash	23.3%	21.3%
Annuities	76.7%	78.7%

Notes to the Financial Statements continued

10. Net finance costs

	2022 £'000	2021 £'000
Other interest receivable	12	13
Pension scheme net finance income (note 9)	15	11
Total finance income	27	24
Interest payable on bank loans and overdrafts	114	83
Interest payable on other loans	480	516
Other interest payable	7	4
Amortisation of finance cost	22	22
Lease liability financing charges	115	89
Total finance costs	738	714
Net finance costs	711	690

Notes to the Financial Statements continued

11. Taxation

	2022 £'000	2021 £'000
Analysis of taxation in the year:		
Current tax		
Tax on profits of the year	295	153
Tax in respect of prior years	(7)	(9)
Total current tax	288	144
Deferred tax		
Current year deferred tax movement	(34)	8
Tax in respect of prior years	16	20
Change in tax rate	–	32
Total deferred tax	(18)	60
Total tax charge	270	204

The tax assessed for the year is higher (2021: higher) than the standard rate of corporation tax in the UK (19%) (2021: 19%).

	2022 £'000	2021 £'000
Factors affecting current tax:		
Profit before taxation	1,346	996
Profit multiplied by the standard rate of UK tax of 19% (2021: 19%)	256	189
Effects of:		
Expenses not deductible	39	27
Additional capital allowances	(9)	(15)
Additional research and development allowances	–	(20)
Adjustments to tax in prior periods	9	11
Adjustments to deferred tax rate	(2)	32
Deferred tax not recognised	(23)	(20)
Total tax charge	270	204

In May 2021 a change in rate to 25% from April 2023 was substantively enacted. The rate of 25% is accordingly applied to UK deferred taxation balances at 31 December 2022 (2021: 25%).

There are tax losses carried forward in the Company of approximately £1.55m (2021: £1.8m).

Notes to the Financial Statements continued

12. Dividends

No dividends were paid during the year (2021: £nil).

13. Earnings per share

Basic earnings per share is calculated on the profit for the year after taxation attributable to the owners of the parent of £460,000 (2021: £296,000) and on 21,000,000 (2021: 18,084,932) ordinary shares, being the weighted number in issue during the year.

There are no potentially dilutive shares in the Group.

14. Profit of the holding company

Of the Group result for the year a loss of £24,000 (2021: loss of £245,000) 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 and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
at 1 January 2021	480	606	9	1,095
Assets acquired on purchase of a subsidiary or business	–	43	–	43
Additions at cost	7	289	13	309
Disposals	–	(172)	(1)	(173)
at 31 December 2021	487	766	21	1,274
Additions at cost	–	120	–	120
Disposals	–	(13)	–	(13)
at 31 December 2022	487	873	21	1,381
Accumulated depreciation				
at 1 January 2021	189	264	9	462
Charge for the year	45	135	–	180
Disposals	–	(131)	(1)	(132)
at 31 December 2021	234	268	8	510
Charge for the year	42	159	3	204
Disposals	–	(4)	–	(4)
at 31 December 2022	276	423	11	710
Net book amount				
at 31 December 2022	211	450	10	671
at 31 December 2021	253	498	13	764

Company

Throughout 2021 and 2022 the Company held no property, plant and equipment.

Notes to the Financial Statements continued

16. Right-of-use assets

Group

	Leasehold property £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2021	1,402	16	12	1,430
Assets acquired on purchase of a subsidiary	20	–	–	20
Additions at cost	354	181	–	535
Disposals at the end of the lease term	(162)	–	(12)	(174)
At 31 December 2021	1,614	197	–	1,811
Additions at cost	753	54	–	807
At 31 December 2022	2,367	251	–	2,618
Accumulated depreciation				
At 1 January 2021	442	5	7	454
Charge for the year	252	49	5	306
Disposals at the end of the lease term	(162)	–	(12)	(174)
At 31 December 2021	532	54	–	586
Charge for the year	282	56	–	338
At 31 December 2022	814	110	–	924
Net book amount				
At 31 December 2022	1,553	141	–	1,694
At 31 December 2021	1,082	143	–	1,225

At the year end, assets held under hire purchase contracts and capitalised as plant and machinery right-of-use assets have a net book value of £97,000 (2021: £76,000).

The depreciation of £33,000 (2021: £29,000) in respect of these has been charged to cost of sales in the Consolidated Statement of Comprehensive Income.

Company

Throughout 2021 and 2022 the Company held no right-of-use assets.

Notes to the Financial Statements continued

17. Business combinations

i) Acquisition in 2022 of Impact Promotional Merchandise Limited

On 12 April 2022, a subsidiary, Aford Awards Limited, acquired the trade and certain assets of Impact Promotional Merchandise Limited. This supplies trophies, awards and medals together with customised promotional merchandise including mugs and clothing.

The acquisition has been accounted for using the acquisition method of accounting. Fair value adjustments were made in respect of a website and customer relationships amounting to £420,000 together with a related deferred tax liability of £101,000.

Goodwill of £681,000 arose from the acquisition primarily in respect of the ability to win further business including the business synergies and opportunities from being integrated into the company.

Acquisition fees of £16,000 were incurred which have been expensed as an administrative cost in the year.

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

	Fair value £'000
Identifiable assets and liabilities	
Intangible assets	420
Inventories	8
Deferred taxation	(101)
	327
Goodwill	681
	1,008
Consideration	
Cash consideration paid at completion	558
Deferred consideration	450
	1,008

The cash outflow at the date of acquisition was £558,000 with deferred consideration of £210,000 payable on 14 March 2023; £60,000 on 30 September 2023; £60,000 on 31 March 2024; £60,000 on 30 September 2024 and £60,000 on 31 March 2025.

The business contributed £864,000 of revenue for the eight months in the year after the acquisition date. It is integrated into the overall Aford Awards business and generates similar margins.

£53,000 of deferred consideration was also paid in the year in respect of businesses acquired in 2021.

Notes to the Financial Statements continued

17. Business combinations continued

ii) Acquisition in 2021 of Millington Lord Limited

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

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

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

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

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

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

iii) Acquisition in 2021 by Aford Awards Limited of trophy business trade and assets

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

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

Notes to the Financial Statements continued

18. Intangible assets

Group

	Goodwill £'000	Customer relationship assets £'000	Other £'000	Total £'000
Cost				
at 1 January 2021	9,677	772	285	10,734
Additions at cost	969	557	72	1,598
at 31 December 2021	10,646	1,329	357	12,332
Additions at cost	681	230	265	1,176
Disposals	(385)	(578)	–	(963)
at 31 December 2022	10,942	981	622	12,545
Accumulated amortisation and impairment				
at 1 January 2021	557	772	197	1,526
Amortisation charge	–	50	27	77
at 31 December 2021	557	822	224	1,603
Amortisation charge	–	112	65	177
Disposals	(385)	(578)	–	(963)
at 31 December 2022	172	356	289	817
Net book amount				
at 31 December 2022	10,770	625	333	11,728
at 31 December 2021	10,089	507	133	10,729

The net nil book value disposals relate to prior year business disposals not removed from cost and accumulated amortisation at that time.

Company

	Goodwill £'000	Customer relationship assets £'000	Other £'000	Total £'000
Cost				
at 1 January 2021, 31 December 2021 and 31 December 2022	80	–	17	97
Accumulated amortisation				
at 1 January 2021, 31 December 2021 and 31 December 2022	80	–	17	97
Net book amount				
at 31 December 2021 and 2022	–	–	–	–

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

Customer relationship related assets and other intangibles in respect of computer software, website costs and licences are amortised over their estimated economic lives. The annual amortisation charge is 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 relationships) annually for impairment or more frequently if there are indications that goodwill or customer relationship assets may be impaired.

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

	Aford Awards £'000	Friedman's £'000	Hickton Group £'000	Total £'000
Goodwill				
at 1 January 2021	1,157	3,167	4,913	9,237
Additions at cost	–	–	852	852
at 31 December 2021	1,157	3,167	5,765	10,089
Additions at cost	681	–	–	681
at 31 December 2022	1,838	3,167	5,765	10,770

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 1.9%. A discount rate of 12.8% (2021: 11.0%), representing the estimated pre-tax cost of capital, has been applied to these projections.

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 Quality Control, Cook Brown and Morgan Lambert within the Hickton Group, the value-in-use calculation gives rise to sufficient headroom such that reasonable changes in the key assumptions do not eliminate the headroom. The Milano International business, within the Friedman's segment, has been the business most impacted by the pandemic and is the most susceptible to impairment if future projected growth is not achieved.

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 and net book value			
at 1 January 2021	203	2,978	3,181
Additions	4	139	143
Repayment	–	(50)	(50)
at 31 December 2021 and 31 December 2022	207	3,067	3,274

The loans to Group subsidiaries' balance is represented by £2,592,000 of 8% loan stock, £100,000 of 6% loan stock and £375,000 of 7% loan stock which have no set repayment dates (2021: £2,592,000 of 8% loan stock, £100,000 of 6% loan stock and £375,000 of 7% loan stock). Repayments will only be requested when surplus cash is available.

Investment in associate

The Company and the Group also hold 33% of the ordinary shares in Vale Brothers Group Limited, a company registered in England and Wales. This associate holding was acquired in exchange for the shares in Davies Odell Limited together with loan notes receivable of £405,000 in Vale Brothers Group Limited on 18 December 2020. Both the investment in shares and loan stock are considered to have a fair value of £nil with no value recorded in the consolidation at 31 December 2021 or 2022. Vale Brothers Group Limited also owns Vale Brothers Limited, a complementary business, and the transaction was entered into in order to look for a longer term recovery of both businesses. A £66,000 equity accounted share of the reported pre and post-tax loss has been consolidated (2021: profit of £66,000).

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	52%	Non-wholly
Cook Brown Building Control Limited *Provider of building control services*	England	52%	Non-wholly
Cook Brown Energy Limited *Provider of building control services*	England	52%	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	52%	Non-wholly
Hickton Holdings Limited *Holding company for Hickton Quality Control Limited*	England	52%	Non-wholly
Hickton Quality Control Limited *Clerk of Works specialists*	England	52%	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
Millington Lord Limited *Intermediate holding company*	England	52%	Non-wholly
Morgan Lambert Limited *Gas and electrical safety services*	England	52%	Non-wholly
Qualitas Compliance Limited *Gas safety consultancy services*	England	52%	Non-wholly
Signature Fabrics Limited *Holding company for Friedman's Limited*	England	55%	Non-wholly

Notes to the Financial Statements continued

19. Investments continued

Name of subsidiary and principal activity	Place of operation	Proportion of ownership interests	Wholly or non-wholly owned subsidiary
Davies & Co (Kettering) Limited* *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.

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

Details of non-wholly owned subsidiaries that have a material non-controlling interest are as follows:

Consolidated Statement of Financial Position	Signature Fabrics Group		Hickton Holdings Group	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
As at 31 December				
Current				
Assets	3,215	3,105	3,051	2,615
Liabilities	(1,235)	(1,165)	(4,051)	(4,151)
Total current net assets/(liabilities)	1,980	1,940	(1,000)	(1,536)
Non-current				
Assets	4,360	4,515	6,594	6,762
Liabilities	(1,009)	(981)	(3,131)	(3,634)
Total non-current net assets	3,351	3,534	3,463	3,128
Net assets	5,331	5,474	2,463	1,592

Consolidated Statement of Comprehensive Income	Signature Fabrics Group		Hickton Holdings Group	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
For year ended 31 December				
Revenue	6,423	4,762	16,940	14,186
Profit before income tax	438	357	1,056	826
Income tax expense	(82)	(57)	(203)	(128)
Post-tax profit from continuing operations	356	300	853	698
Total comprehensive income	356	300	853	698
Total comprehensive income allocated to non-controlling interests	147	130	407	337

Notes to the Financial Statements continued

20. Inventories

Group		2022 £'000	2021 £'000
	Raw materials and consumables	530	752
	Work in progress	7	27
	Finished goods and goods for resale	1,601	833
		2,138	1,612

The cost of inventories recognised as an expense and included in cost of sales amounted to £3,984,000 (2021: £2,717,000).

Company

The Company has no inventories (2021: none).

Notes to the Financial Statements continued

21. Trade and other receivables

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade receivables	3,139	2,713	11	4
less: provision for impairment of trade receivables	(10)	(16)	–	–
Trade receivables – net	3,129	2,697	11	4
Amount due from subsidiary companies	–	–	1,574	1,248
Other receivables	443	27	4	1
Prepayments and accrued income	434	312	15	4
	4,006	3,036	1,604	1,257

As at 31 December 2022, Group trade receivables of £1,575,000 (2021: £1,310,000) were fully performing.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2022, trade receivables of £1,318,000 (2021: £1,279,000) 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 2022 trade receivables of £246,000 (2021: £124,000) were potentially impaired. A significant portion of the receivables is expected to be recovered and a provision of £10,000 (2021: £16,000) has been made for non-recovery. The individually impaired receivables mainly relate to customers who are in difficult economic situations.

The carrying amounts of the Group trade and other receivables denominated in foreign currencies were immaterial at 31 December 2022 and 2021. This reflects an increasing proportion of UK activity and sales in the Group's subsidiary businesses.

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

	2022 £'000	2021 £'000
At 1 January	16	9
Provision for receivables impairment	–	12
Written off against provision	(6)	(5)
At 31 December	10	16

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

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

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

Amounts due from subsidiary companies are repayable on demand and attract interest at rates of 5% to 6%.

Notes to the Financial Statements continued

22. Cash and cash equivalents

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Cash at bank and in hand	1,284	2,081	256	468

23. Trade and other payables

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current:				
Trade payables	1,314	1,161	22	7
Other payables	495	411	–	–
Accruals	826	526	241	98
Deferred income	690	1,043	–	–
Total trade and other payables	3,325	3,141	263	105
Non-current:				
Other payables	208	45	–	–

Included in other payables is deferred consideration in respect of current and prior year business acquisitions.

24. Current tax liabilities

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Other tax and social security	1,175	937	5	4
Corporation tax	271	44	–	–
	1,446	981	5	4

Notes to the Financial Statements continued

25. Borrowings and lease liabilities

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Non-current:				
Bank loans	1,122	1,268	–	–
Other loans	7,245	7,168	4,950	4,950
	8,367	8,436	4,950	4,950
IFRS 16 lease liabilities	1,522	1,096	–	–
	9,889	9,532	4,950	4,950
Current:				
Bank loans	437	640	–	–
Overdraft and trade receivables backed working capital facilities	578	554	–	–
Other loans	472	565	192	192
	1,487	1,759	192	192
IFRS 16 lease liabilities	313	258	–	–
	1,800	2,017	192	192
Total borrowings and lease liabilities	11,689	11,549	5,142	5,142

Other loans can be analysed as follows:	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Non-current:				
From an entity under common control	2,950	2,950	2,950	2,950
From a third party	2,000	2,000	2,000	2,000
Acquisition loan notes	2,155	2,218	–	–
From directors of a subsidiary	140	–	–	–
	7,245	7,168	4,950	4,950
Current:				
From a director	192	192	192	192
Acquisition loan notes	280	343	–	–
From a director of a subsidiary	–	30	–	–
	472	565	192	192

Bank borrowings and overdrafts are secured by fixed and floating charges over the assets of the subsidiaries to which they relate. Trade receivable backed working capital facilities were secured by the trade receivable to which they relate. All borrowings are denominated in Sterling.

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

Notes to the Financial Statements continued

25. Borrowings and lease liabilities continued

At 31 December 2022 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
Aford Awards Limited	67	–	67
Signature Fabrics Limited	232	–	232
Milano International	73	–	73
Hickton Group and its direct subsidiaries	1,209	578	1,787
	1,581	578	2,159

At 31 December 2021 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
Aford Awards Limited	85	–	85
Milano International	89	–	89
Hickton Group and its direct subsidiaries	1,734	554	2,288
	1,908	554	2,462

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

		2022	
	Bank £'000	Other £'000	Leases £'000
Liabilities falling due:			
Within one year	1,015	472	313
Between one and two years	752	3,378	296
Between two and five years	171	3,867	763
In more than five years	199	–	463
	2,137	7,717	1,835

		2021	
	Bank £'000	Other £'000	Leases £'000
Liabilities falling due:			
Within one year	1,194	565	258
Between one and two years	850	3,566	238
Between two and five years	418	3,555	591
In more than five years	–	47	267
	2,462	7,733	1,354

The principal bank borrowings are subject to floating interest rates with £232,000 at 3.1% over base rates (2021: £nil), £250,000 (2021: £750,000) at 3.5% over base rates, £417,000 (2021: £500,000) at 3.8% over base rates and £542,000 (2021: £527,000) at 8% over base rates.

Notes to the Financial Statements continued

25. Borrowings and lease liabilities continued

Other loans of £2,950,000 (2021: £2,950,000) are due to a company under common control. The total available facility is £3,000,000. This is subject to a rolling 6 months notice and at 31 December 2022 was due for repayment by 30 June 2024. Amounts due attract interest at 5% per annum. The loan is unsecured, but guaranteed by a director, see note 29.

The loan from a shareholding third party of £2,000,000 (2021: £2,000,000) is unsecured, also guaranteed by a director and is repayable by 30 June 2025. Interest is payable at 7% per annum.

There is also a loan of £192,000 (2021: £192,000) from a director which is unsecured, interest-free and repayable when any excess cash is available.

In Hickton Group Limited, there are £253,000 (2021: £380,000) of Vendor Loan Notes which are unsecured, attract interest at 5% per annum and repayable by quarterly instalments over the period to June 2024. There are also £1,867,000 (2021: £1,867,000) of other loan notes which are unsecured, attract interest at 8% per annum and which are repayable in quarterly instalments over three years following the final repayment of Vendor Loan Notes.

In Milano International Holdings Limited, there are £100,000 (2021: £100,000) of loan notes which are unsecured, attract interest at 6% and have no fixed repayment date.

There are £90,000 (2021: £90,000) of Shareholder Loan Notes in Aford Awards Holdings which are unsecured, attract interest at 8% per annum and are repayable on demand as there is no set repayment date.

Aford Awards Group Holdings Limited has £125,000 (2021: £125,000) of loan notes which are unsecured, attract interest at 7% per annum and which have no fixed repayment date.

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

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

The fair value of non-current borrowings equals their carrying amount, as the impact of discounting is not significant.

There is no material difference between the carrying book value and the fair value of the lease liabilities.

Notes to the Financial Statements continued

26. Financial instruments

a) Analysis of financial instruments by category

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

Group
31 December 2022

Assets as per Consolidated Statement of Financial Position	Loans and receivables £'000
Trade and other receivables (excluding prepayments)	3,572
Cash and cash equivalents	1,284
Total	4,856

Liabilities at amortised cost as per Consolidated Statement of Financial Position	Other financial liabilities £'000
Bank borrowings	2,137
Lease liabilities	1,846
Trade and other payables (excluding statutory liabilities and deferred income)	2,645
Other loans	7,717
Total	14,345

Group
31 December 2021

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

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

The Group's assets in both the current and prior year are categorised as cash and cash equivalents and receivables. The Group's liabilities are categorised as other financial liabilities at amortised cost.

Notes to the Financial Statements continued

26. Financial instruments continued

b) Credit quality of financial assets

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

Trade receivables are analysed between:

Group	2022 £'000	2021 £'000
CEPS Group	11	4
Aford Awards	89	57
Friedman's	368	339
Hickton Group	2,661	2,297
	3,129	2,697

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 £1,284,000 (2021: £2,081,000) 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 deferred tax assets and liabilities recognised by the Group, and the movement thereon, during the current and prior years.

	Intangible assets £'000	Other timing differences £'000	Accelerated capital allowances £'000	Total £'000
At 1 January 2021, liability	–	6	(57)	(51)
Acquisitions of subsidiaries and businesses	(130)	–	–	(130)
Credit/(debit) to the Consolidated Statement of Comprehensive Income	9	4	(87)	(74)
at 31 December 2021, liability	(121)	10	(144)	(255)
Acquisition of a business	(101)	–	–	(101)
Credit/(debit) to the Consolidated Statement of Comprehensive Income	26	–	(8)	18
at 31 December 2022, liability	(196)	10	(152)	(338)

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 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 £394,000 at the rate of 25% at 31 December 2022 (2021: £457,000).

28. Share capital and share premium

	Number of shares	Ordinary £0.10 shares £'000	Share premium £'000	Total £'000
At 31 December 2021 and 2022	21,000,000	2,100	7,017	9,117

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

Notes to the Financial Statements continued

29. Related party transactions

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

	Aford Awards Group Holdings Limited £'000	Signature Fabrics Limited £'000	Hickton Group Limited subsidiaries £'000
Loan interest receivable			
– 2022	70	60	191
– 2021	49	60	185
Management charge income receivable			
– 2022	20	35	16
– 2021	20	35	13
Dividends received			
– 2022	–	193	–
– 2021	–	–	–
Amount owed to the Company			
– 31 December 2022	1,235	1,000	2,406
– 31 December 2021	798	1,135	2,382

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 (2021: £2,950,000) and accrued interest of £124,000 (2021: £nil) to an entity with common shareholders and interest of £148,000 (2021: £150,000) was charged on this loan during the year. The loan is guaranteed by D A Horner. This entity also recharged the parent Company £23,000 (2021: £25,000) in respect of office space and staff time utilised.

At the year end the Company owed £2,000,000 to a shareholding third party (2021: £2,000,000). Interest of £140,000 (2021: £73,000 on this loan and £99,000 on another loan from a third party repaid in the year) was charged on the shareholder loan during the year. The loan is guaranteed by D A Horner.

At the year end the Company owed £192,000 (2021: £192,000) to a director, D A Horner. The loan is unsecured and interest free.

At the year end amounts owed to directors of subsidiary companies and their close families in respect of acquisition loan notes amounted to £1,974,000 (2021: £2,100,000). Interest payable on these loans in the year amounted to £150,000 (2021: £154,000).

At the year end amounts owed to directors of subsidiary companies in relation to loans amounted to £140,000 (2021: £30,000). Interest paid on these loans in the year amounted to £5,000 (2021: £2,000).

Notes to the Financial Statements continued

29. Related party transactions continued

These amounts are analysed below:

At 31 December 2022

Related party	Company	Position	Amount £'000	Interest £'000	Interest %
R Ferguson	Aford Awards Group Holdings Limited	Director	62	4	7
R Ferguson	Aford Awards Limited	Director	90	3	5
P Wood	Aford Awards Group Holdings Limited	Director	63	4	7
P Wood	Aford Awards Limited	Director	50	2	5
J Ford	Aford Awards (Holdings) Limited	Former director	90	7	8
M Brown	Hickton Group Limited	Director	437	35	8
M Brown	Hickton Group Limited	Director	127	12	5
J Cook	Hickton Group Limited	Director	560	40	8
J Cook	Hickton Group Limited	Director	127	12	5
A Mobbs	Hickton Group Limited	Former director	298	24	8
J Pryke	Hickton Group Limited	Director	210	12	8
			2,114	155	

At 31 December 2021

Related party	Company	Position	Amount £'000	Interest £'000	Interest %
R Ferguson	Aford Awards Group Holdings Limited	Director	62	5	7
P Wood	Aford Awards Group Holdings Limited	Director	63	4	7
J Ford	Aford Awards (Holdings) Limited	Former director	90	7	8
D Kaitiff	Friedman's Limited	Director	30	2	5
M Brown	Hickton Group Limited	Director	437	35	8
M Brown	Hickton Group Limited	Director	190	13	5
J Cook	Hickton Group Limited	Director	560	40	8
J Cook	Hickton Group Limited	Director	190	14	5
A Mobbs	Hickton Group Limited	Director	298	24	8
J Pryke	Hickton Group Limited	Director	210	12	8
			2,130	156	

Notes to the Financial Statements continued

30. Change in liabilities arising from financing activities

	At 1 January 2022 £'000	Cash flows £'000	Non-cash changes £'000	At 31 December 2022 £'000
Current				
Borrowings	1,759	(308)	36	1,487
Lease liabilities	258	(326)	381	313
	2,017	(634)	417	1,800
Non-current				
Borrowings	8,436	(69)	–	8,367
Lease liabilities	1,096	–	426	1,522
	9,532	(69)	426	9,889
	11,549	(703)	843	11,689

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

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 ME14 4DF telephone 01622 738711; email orders@afordawards.co.uk; www.afordawards.co.uk
	BRCS (Building Control) Limited The Old Building Yard, Cortworth Lane, Wentworth S62 7TE 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, Altrincham WA14 5RZ telephone 0161 975 9002; email info@friedmans.co.uk; www.friedmans.co.uk; www.funkifabrics.com; www.alexandermaverick.co.uk
	Hickton Quality Control Limited Amber Court, 51 Church Street, Elsecar, Barnsley 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 PR1 8ND telephone 01772 277777; email info@milano-pro-sport.com; www.milano-pro-sport.com
	Morgan Lambert Limited 3 Escrick Business Park, Escrick, York YO19 6FD 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 3 The Millennium Centre, Crosby Way, Farnham GU9 7XX 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 80 Cheapside, London EC2V 6EE

Notice of Meeting

Annual General Meeting

Notice is hereby given that the Annual General Meeting of CEPS PLC (the 'Company') will be held at 11 Laura Place, Bath BA2 4BL on Monday 12 June 2023 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 2022 together with the Directors' Report and Auditor's Report on those accounts.

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

3 To re-appoint Cooper Parry Group Limited, Chartered Accountants and Statutory Auditor, as auditor of the Company to hold office from conclusion of the meeting to the conclusion of the next meeting at which the accounts are to be laid.

4 To authorise the directors to agree the auditor's remuneration.

5 THAT, in substitution for any existing authority subsisting at the date of this resolution to the extent unused, the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to allot Ordinary Shares in the Company or grant rights to subscribe for or to convert any security into Ordinary Shares in the Company up to an aggregate nominal amount of £2,100,000, such authority to expire at the commencement of the next Annual General Meeting held after the date of the passing of this resolution, but so that the Company may, before the expiry of such period, make an offer or agreement which would or might require equity securities to be allotted after the expiry of such period and the directors may allot equity securities pursuant to such an offer or agreement as if the authority had not expired.

6 THAT subject to and conditional on the passing of resolution number 5 and in substitution for any existing authority subsisting at the date of this resolution to the extent unused, the directors be empowered, pursuant to section 570 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution number 5 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

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

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

6.2 otherwise than pursuant to sub-paragraph 6.1 above up to an aggregate nominal amount of £2,100,000 (such shares representing 100% of the Company's issued ordinary capital as at the date of this notice), and shall expire at the commencement of the next Annual General Meeting held after the date of the passing of this resolution, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power had not expired.

Notice of Meeting continued

Annual General Meeting
continued

7 THAT the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares of 10 pence each in the capital of the Company on such terms as the directors think fit, provided that:

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

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

7.3 the maximum price, exclusive of any expenses, which may be paid for each Ordinary Share is an amount equal to the higher of: (a) 105% of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day on which the Ordinary Share is purchased; and (b) the amount stipulated by Article 5(6) of the Market Abuse Regulation, (EU) No 596/2014 (as amended); and

7.4 the authority hereby conferred shall, unless previously revoked and varied, expire at the commencement of the next Annual General Meeting held after the date of the passing of the resolution (except in relation to the purchase of Ordinary Shares the contract for which was concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry).

On behalf of the Board
V E Langford
Company Secretary
4 May 2023

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 them. 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. A member can register their vote(s) for the Annual General Meeting in advance, by either:

   a) logging on to www.shareregistrars.uk.com, clicking on the 'Proxy Vote' button and then following the on-screen instructions, using the user name and access code on the proxy form accompanying this notice;

   b) completing and sending the proxy form accompanying this notice and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority) by post or by hand to Share Registrars Limited, 3 The Millennium Centre, Crosby Way, Farnham, Surrey GU9 7XX; or

   c) in the case of CREST members, utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
3. In order for a proxy appointment to be valid, the proxy must be received by Share Registrars Limited (either by delivery to Share Registrars at 3 The Millenium Centre, Crosby Way, Farnham, Surrey GU9 7XX, or by a member logging on to www.shareregistrars.uk.com, clicking on the 'Proxy Vote' button and then following the on-screen instructions) no later than 11.30am on Thursday 8 June 2023.
4. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the meeting in person.
5. Under Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders whose names are on the register of members of the Company as at 11.30am on Thursday 8 June 2023 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.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual.

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

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

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

Notice of Meeting continued

Annual General Meeting
continued

Note 6 continued

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

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