RNS Number : 4980Y
CEPS PLC
05 May 2023

5 May 2023

CEPS PLC
('CEPS' OR THE 'COMPANY' OR THE 'GROUP')

FINAL RESULTS

The Board of CEPS is pleased to announce its final results for the year ended 31 December 2022.

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 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:

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 shown in note 3(viii).

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.

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

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 (which forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018).

The directors of the Company accept responsibility for the content of this announcement.

Enquiries

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Caution regarding forward looking statements

Certain statements in this announcement, are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as "believe", "could", "should" "envisage", "estimate", "intend", "may", "plan", "potentially", "expect", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward-looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors.

CEPS PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2022

	Audited 2022 £'000	Audited 2021 £'000
Revenue (note 4)	26,449	20,333
Cost of sales	(15,538)	(11,946)
Gross profit	10,911	8,387
Other operating income	47	276
Administration expenses	(8,835)	(7,043)
Operating profit	**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	(66)	66
Finance income	27	24
Finance costs	(738)	(714)
Profit before tax	**1,346**	**996**
Taxation (note 5)	(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	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) (note 6)	**2.19p**	**1.64p**

All activity relates to continuing operations.

CEPS PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	2022 £'000	2021 £'000

Assets		
Non-current assets		
Property, plant and equipment (note 7)	671	764
Right-of-use assets (note 8)	1,694	1,225
Intangible assets (note 10)	11,728	10,729
Investments	-	66
	14,093	12,784
Current assets		
Inventories	2,138	1,612
Trade and other receivables	4,006	3,036
Cash and cash equivalents (excluding bank overdrafts)	1,284	2,081
	7,428	6,729
Total assets	**21,521**	**19,513**
Equity		
Capital and reserves attributable to owners of the parent		
Called up share capital (note 11)	2,100	2,100
Share premium (note 11)	7,017	7,017
Retained earnings	(7,526)	(8,040)
	1,591	1,077
Non-controlling interests in equity	2,924	2,465
Total equity	4,515	3,542
Liabilities		
Non-current liabilities		
Borrowings	8,367	8,436
Lease liabilities	1,522	1,096
Trade and other payables	208	45
Deferred tax liability	338	255
	10,435	9,832
Current liabilities		
Borrowings	1,487	1,759
Lease liabilities	313	258
Trade and other payables	3,325	3,141
Current tax liabilities	1,446	981
	6,571	6,139
Total liabilities	17,006	15,971
Total equity and liabilities	**21,521**	**19,513**

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

CEPS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2022

	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	(518)	(171)
Movement in trade and other receivables	(970)	(261)
Movement in trade and other payables	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	(611)	(1,220)
Purchase of property, plant and equipment	(120)	(309)
Proceeds from sale of assets	3	35
Purchase of intangibles assets	(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	**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).

CEPS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2022

	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 11)	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.

Notes to the financial information

1. General information

CEPS PLC (the 'Company') is a company incorporated and domiciled in England and Wales. The Company is a public company limited by shares, which is admitted to trading on the AIM market of the London Stock Exchange. The address of the registered office is11 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. 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 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.

2. Basis of preparation and going concern

This announcement is an extract from the consolidated financial statements of the Company for the year ended 31 December 2022 and comprises the Company and its subsidiaries. The consolidated financial statements were authorised for issuance on 4 May 2023. The financial information set out below does not constitute the Company's statutory accounts for the years ended 31 December 2021 or 2022 within the meaning of Section 434 of the Companies Act 2006, but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered following the Company's Annual General Meeting. The auditor's reports on the statutory accounts for the years ended 31 December 2021 and 31 December 2022 were unqualified and do not contain statements under s498(2) or (3) Companies Act 2006.

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.

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.

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:

i) 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. 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 10).

ii) 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.

iii) 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.

iv) 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.

v) 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.

vi) 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.

vii) 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.

viii) 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.

ix) 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.

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.

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	Friedman's	Hickton Group	Total Group

	Awards	Friedman's	Group	Group
	2022	2022	2022	2022
	£'000	£'000	£'000	£'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	Friedman's	Hickton Group	Total Group
	2021	2021	2021	2021
	£'000	£'000	£'000	£'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

ii) Assets and liabilities by segment as at 31 December

	Segment assets		Segment liabilities		Segment net assets/(liabilities)	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Continuing operations						
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) Nature of revenue

	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

5. 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%)

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).

6. 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.

7. 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 a 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				

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

8. 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.

9. 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.

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 consideration	(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.

10. 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.

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.

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.

11. 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.

12. Distribution of the Annual Report and Notice of AGM

A copy of the 2022 Annual Report, together with a notice of the Company's Annual General Meeting ('AGM') to be held at 11:30am on Monday 12 June 2023 at 11 Laura Place, Bath BA2 4BL, will be sent to all shareholders on Friday 12 May 2023. Further copies will be available to the public from the Company Secretary at the Company's registered address at 11 Laura Place, Bath BA2 4BL and from the Group website, www.cepsplc.com.