

CEPS PLC
("CEPS" or the "Company")

**Acquisition of Signature Fabrics Limited by Signature Fabrics Holdings Limited
and
Related Party Transaction**

CEPS announces that Signature Fabrics Limited ("Signature Fabrics"), a 55% indirectly held subsidiary of CEPS, has on 29 October 2024 been acquired by Signature Fabrics Holdings Limited ("Signature Holdings"), a company incorporated in June 2024 being used to acquire 100 per cent. of the issued share capital of Signature Fabrics, for a total consideration of £4.0 million (the "Acquisition").

Signature Fabrics is the holding company for two trading companies, Friedman's Ltd ("Friedman's") and Milano International Limited ("Milano"). Signature Fabrics owns 100% of the equity in Friedman's and 90% of the equity in Milano International Holdings Limited ("Milano Holdings"), the 100% owner of Milano. Friedman's is a premier wholesaler of stretch fabrics and Milano is one of the leading providers in the design and manufacture of athletic and gymnastic leotards and costumes.

Prior to the Acquisition, Signature Fabrics was held as to 55% by CEPS, 30% by David Kaitiff and 15% by Helen Kaitiff. Immediately following the Acquisition, the vendors and shareholders of Signature Fabrics, being CEPS, David Kaitiff and Helen Kaitiff, will hold 67.5 per cent., 0 per cent. and 22.5 per cent. of the issued share capital in Signature Holdings respectively. The remaining 10 per cent. of the issued share capital in Signature Holdings will be held by a newly formed Employee Share Ownership Trust ("ESOT").

The total consideration for the Acquisition is £4.0 million. CEPS will receive £2,132,500 in vendor loan notes and 67,499 ordinary shares issued at a price of £1 per share in Signature Holdings (CEPS already holds 1 ordinary share in Signature Holdings). David Kaitiff will receive £810,000 in cash (the "Cash Consideration") and £390,000 in vendor loan notes. Helen Kaitiff will receive £577,500 in vendor loan notes and 22,500 ordinary shares issued at a price of £1 per share in Signature Holdings. The vendor loan notes, which are unsecured, have an 8% coupon attached payable quarterly in arrears and no fixed capital repayment date ("Vendor Loan Notes").

Concurrently with the Acquisition, and as a term of the Milano Holdings' Loan Notes (defined below), CEPS has repaid the outstanding £100,000 shareholder loan notes issued to the vendors of Milano Holdings as part of the acquisition of Milano by Signature Fabrics in October 2019 ("Milano Holdings Loan Notes").

The Cash Consideration, fees of approximately £90,000 associated with the Acquisition (which includes a maximum of £10,000 of the fees incurred by David and Helen Kaitiff) and the £100,000 funds to repay the Milano Holdings Loan Notes will be funded from a combination of £500,000 cash in Signature Fabrics which will be lent to Signature Holdings with zero interest rate (unsecured with no fixed repayment date) and £500,000 to be satisfied by an unsecured loan from CEPS to Signature Holdings at an interest rate of 10% per annum payable quarterly in arrears ("CEPS Loan") with no fixed repayment date, with such CEPS Loan ranking for payment before the Vendor Loan Notes (both in terms of interest repayments and the repayment of any principal).

As part of the transaction, David Kaitiff has stepped down as a director of Signature Fabrics and each of Milano Holdings, Milano and Friedman's, but will remain an employee of Signature Holdings until 31 March 2025, at which time he will become a consultant to Signature Holdings. Helen Kaitiff will remain a director of Milano Holdings, Milano and Friedman's, and will be appointed to the Board of Signature Holdings alongside David Horner and Vivien Langford.

Signature Fabrics' trading subsidiaries (Friedman's and Milano) are profitable and cash generative. For the year ended 31 December 2023, audited results showed revenue of £6.8m, EBITDA of £1.1m and profit before tax of £0.5m. As at 30 June 2024, unaudited net assets were £5.3m.

The acquisition of Signature Fabrics by Signature Holdings fits with CEPS' strategy of increasing its shareholdings in subsidiary companies over time. The Directors of CEPS believe that increasing CEPS' equity ownership of Signature Holdings with limited cash outflow will help maximise the return on equity employed in the future.

Related party Transaction

The Acquisition is deemed to be a related party transaction pursuant to AIM Rule 13 as both David Kaitiff and Helen Kaitiff are directors of Signature Fabrics, a subsidiary of CEPS and together (as a married couple) owned 45% of Signature Fabrics prior to the Acquisition and 22.5% of Signature Holdings on completion of the Acquisition. The directors of CEPS, all of whom are considered independent for the purposes of the Acquisition, having consulted with the Company's nominated adviser, Cairn Financial Advisers LLP, consider the terms of the Acquisition to be fair and reasonable insofar as the Company's shareholders are concerned.

The Directors of the Company take responsibility for the content of this announcement.

Enquiries

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