

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

**Subsidiary Name Change,
Acquisition by ICA,
Restructuring of Share Capital of ICA
and
Related Party Transactions**

Subsidiary Name Change

On 24 January 2025, a subsidiary trading company of CEPS, Hickton Group Limited, changed its name to ICA Group Limited.

It is felt that with the expansion in the activities of the Hickton Group Limited over the past few years, from the original Clerk of Works business, the new name, "Inspection, Compliance and Audit", abbreviated to ICA, better reflects the breadth of the current activities.

There is no effect to shareholders as a result of this name change.

Acquisition of Align Building Control Limited and Align Group (UK) Limited (together "Align") by ICA Group Limited ("ICA") ("Acquisition")

On 1 April 2025, ICA, a 53.8% owned subsidiary of CEPS, acquired the entire issued share capital of Align (the "Acquisition") for a total cash consideration of up to £1,186,350 split as to an upfront cash consideration of £898,921 payable on completion, and an additional deferred cash consideration of up to £287,429 paid in equal quarterly instalments for the 36 months following completion.

Align is a reputable corporate-approved building inspector operating across a wide variety of construction industries and sectors. Align provides guidance at all stages of projects, including pre-application, plan checking, site inspection, and final approval. Operating nationally, the business currently offers its services to new and repeat clients. The continued strength of Align's service offering has ensured the longevity of its relationships with clients, some of which now span over ten years.

Align Building Control Limited's operations cover building control regulations whilst Align Group (UK) Limited covers consultancy projects.

For the financial year ended 31 December 2024, Align Building Control Limited delivered unaudited revenue of £1.25 million and generated an unaudited profit before tax of £263,163. As at 31 December 2024, the unaudited net assets of Align Building Control Limited were £257,163. For the financial year ended 31 December 2024, Align Group (UK) Limited delivered unaudited revenue of £94,854 and generated an unaudited profit before tax of £93,078. As at 31 December 2024, the unaudited net assets of Align Group (UK) Limited were £72,163.

The Acquisition is expected to be immediately earnings enhancing. This self-funded "bolt-on" acquisition aligns with CEPS' value creation strategy for shareholders.

The Acquisition is being funded by a new £2.5 million Term A loan to ICA from Santander UK plc ("Santander"). The existing £0.5 million overdraft facility has been renewed alongside the Term A Loan with Santander (together the "Debt Facility"). Certain creditors of ICA have entered into an intercreditor agreement ("Intercreditor Deed") which sets out the rights of the existing creditors ("Subordinated Lenders") and Santander ("Senior Lender"). As a result of the Debt Facility the Subordinated Lenders' liabilities will rank below the Senior Lender's liabilities.

The key terms of the Debt Facility are:

	Term A Loan	Overdraft
Amount	£2.5 million	£0.5 million
Term	48 months	On demand
Repayment	£156,250 quarterly from 30 June 2025	n/a
Fees	2.5% of the Term A Loan amount	1.0% of the overdraft amount
Interest	BoE Base Rate + 4.75%	BoE Base Rate + 3.25%
Security	All assets of ICA and its subsidiaries (including Align)	All assets of ICA and its subsidiaries (including Align)

ICA Capital Restructure

Alongside the Acquisition, ICA has undertaken a share restructuring by buying back 2,000 of the existing Class A Shares of £1 each in ICA ("Class A Shares") from James Cook and 1,500 Class A Shares from Matthew Brown, both directors of ICA. ICA has also issued 25,900 new Class B Shares at nominal value of £0.01 ("Class B Shares") to existing shareholders in ICA (including CEPS which was issued with 7,830 Class B Shares), directors of ICA and its subsidiaries and certain Align employees, in order to better incentivise the management and employees of ICA (the "ICA Capital Restructure"). Save as set out below, the Class B Shares rank *pari passu* with the Class A Shares.

The Class B Shares only have value above an equity valuation of £12 million for the existing Class A Shares. Therefore, upon a sale of ICA, Class A Shares will have equal distribution of proceeds up to £12 million. Class A Shares and Class B Shares will have equal distribution of proceeds in excess of £12 million.

CEPS has always been pleased to promote employee ownership of shares in the company they work in to engage and incentivise employees.

The ICA Capital Restructure comprises the Director Share Repurchase (as defined below), the issue of the Class B Shares and the subscription of the 2025 Investor Loan Notes (as defined below), all such parts being inter-related:

a) Director Share Repurchase

James Cook and Matthew Brown, both directors of ICA, have sold 2,000 and 1,500 Class A shares in ICA, respectively, for a total of £374,500 (£1.07 per Class A Share), valuing ICA at an equity value of £12.0 million (the "Equity Value"). These shares have been bought back and cancelled by ICA (the "Director Share Repurchase"), funded by existing cash in ICA.

b) Issue of Class B Shares

In addition to the 7,830 Class B Shares issued to CEPS, 1,200 Class B Shares are being issued to Michael Clemence (the vendor of Align) and a further 100 Class B Shares to an Align employee.

Certain directors of ICA and its subsidiaries (the "ICA and ICA Subsidiary Directors") are being issued Class B Shares as set out in the table below:

Name	Position	Number of Class B Shares held following the ICA Restructure	Percentage of Class B Shares held following the ICA Restructure (%)
James Cook	Director of ICA	4,000	15.4
Matthew Brown	Director of ICA	4,000	15.4
Janet Pryke	Director of ICA	4,800	18.5
Rebecca Hanson	Director of ICA	300	1.2
Lee Bradshaw	Director of Morgan Lambert Limited, a wholly owned subsidiary of ICA	300	1.2
Tom Connolly	Director of Morgan Lambert Limited, a wholly owned subsidiary of ICA	300	1.2
Dave Hartill	Director of Cook Brown Building Control Ltd, a wholly owned subsidiary of ICA	300	1.2
Paul Armstrong	Director of Cook Brown Building Control Ltd, a wholly owned subsidiary of ICA	300	1.2
Laura Bradshaw	Director of Cook Brown Building Control Ltd, a wholly owned subsidiary of ICA	300	1.2

The remaining 2,170 Class B Shares have been distributed to the remaining ICA shareholders in accordance with their existing ICA shareholding proportion.

Whilst CEPS' combined shareholding in ICA has been diluted from 53.8% to 50.7% of the total issued share capital, on a future sale value of ICA of £12 million CEPS would receive 55.6% of the consideration and on increasing sale values of ICA above £12 million the percentage of consideration would be 50.7%. Therefore, the percentage of any future sale value of ICA will be between 55.6% and trend towards 50.7%.

For the Year ended 31 December 2023 ICA reported an audited revenue of £19.4 million and an audited profit before tax of £0.5m. For the six-month period ended 30 June 2024, ICA reported an unaudited revenue of £10.4 million and an unaudited profit before tax of £0.6m. As at 30 June 2024, unaudited net assets were £4.0 million.

c) The Loan Note Issue

ICA is issuing 203,300 8% fixed rate unsecured B loan notes in integral multiples of £1 ("2025 Investor Loan Notes"). Janet Pryke is subscribing for 85,600 2025 Investor Loan Notes and Michael Clemence is subscribing for the remaining 117,700 2025 Investor Loan Notes.

Interest is due on the 2025 Investor Loan Notes quarterly from 30 June 2025. The 2025 Investor Loan Notes have no fixed repayment date, but must be repaid by the interest payment date following the date all pre-existing ICA loan notes have been paid in full. ICA intends to use the proceeds to provide additional balance sheet support for general working capital purposes.

Related Party Transactions

1. ICA Capital Restructure

The ICA Capital Restructure is deemed to be a related party transaction pursuant to AIM Rule 13 given the participation by the ICA and ICA Subsidiary Directors. The directors of CEPS, all of whom are considered independent for the purposes of the ICA Capital Restructure, having consulted with the Company's nominated adviser, Cairn Financial Advisers LLP, consider the terms of the ICA Capital Restructure to be fair and reasonable insofar as the Company's shareholders are concerned.

2. Intercreditor Deed

Certain directors of ICA being James Cook, Matthew Brown and Janet Pryke, as well as Prydis SSAS Trustees Ltd as trustees of the JNP Consultancy Pension Scheme, a trust connected to Janet Pryke, and Macaulay Management Limited, a company connected to David Horner, executive director of CEPS, are all party to an the Intercreditor Deed, upon which the Debt Facility (details of which are set out above) is dependent.

The Intercreditor Deed is deemed to be a related party transaction pursuant to AIM Rule 13 given that James Cook, Matthew Brown and Janet Pryke (including the participation in the agreement by Prydis SSAS Trustees Ltd as trustees of the JNP Consultancy Pension Scheme, a trust connected to Janet Pryke) are directors of ICA and Macaulay Management Limited is connected to David Horner, a director of CEPS. The directors of CEPS, excluding David Horner, all of whom are considered independent for the purposes of the Intercreditor Deed, having consulted with the Company's nominated adviser, Cairn Financial Advisers LLP, consider the terms of the Intercreditor Deed 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.

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