

23 December 2015

**CAPITAL FOR COLLEAGUES PLC**

(‘Capital for Colleagues’ or the ‘Company’)

**Audited Results for the year ended 31 August 2015**

Capital for Colleagues plc, an investment vehicle focused on opportunities in the Employee Owned Business (‘EOB’) sector, is pleased to announce its audited results for the year ended 31 August 2015.

**Chief Executive’s Statement**

At the end of our first full year as an ISDX Growth Market-listed company, I am pleased to report on a period of growth and progress for Capital for Colleagues PLC (“C4C”).

Employee ownership is a proven, successful business model which is acknowledged to improve productivity and create wealth whilst providing an environment of stable employment and the possibility of attractive commercial returns for investors. Our strategy is to provide capital and practical assistance to existing and aspiring employee-owned businesses (EOBs) and to help them to become effective and profitable organisations driven by the ethos of employee ownership. With very few exceptions, we are sector agnostic in terms of business activity and we structure our investments to reflect the individual requirements and prospects of each investee company. As a result, the funding we provide is very flexible, taking the form of debt, equity or convertible hybrid structures. Whichever structure we agree, the premise underlying all of our investments is that they should facilitate the full engagement of employees in a business.

During the year under review, we further developed and expanded our portfolio of private EOBs to eleven. We believe that the unquoted EOBs in our portfolio currently generate total annual turnover of around £58 million and support about 320 jobs. At the year-end we were also invested in twelve publicly-traded companies which have demonstrable employee engagement practices and we made good returns on this part of our portfolio.

In the year ended 31 August 2015, the Company invested a further £0.4 million in new and existing investee companies and we now have investments across a range of business areas, from civil engineering to accountancy, reflecting the diversity of EOBs and the breadth of investment opportunities available to the Company.

C4C Ownership Partners Limited, our wholly-owned business which provides specialist advice and support to EOBs or companies looking to become employee-owned, had an encouraging year. Our company now provides a comprehensive service; advising clients on what needs to be done to become employee-owned, managing the transition to employee owned status and providing the financial capital to achieve it. We were pleased to become an Approved Adviser of the Employee Ownership Association

(EOA). The EOA represents UK organisations which are already employee-owned or are transitioning to employee ownership. Under the terms of the agreement, the EOA will refer to C4C clients who are considering an employee buyout, who have begun the transition to employee ownership or who are seeking funding for the growth of an existing EOB. C4C will advise these clients on the structural and funding options available to them.

We have always been convinced of the positive social impact of employee ownership so we were delighted to be admitted as members of the Social Stock Exchange (SSX) during the year. The SSX provides access to the world's first regulated investment exchange dedicated to businesses and investors seeking to achieve a positive social and environmental impact through their activities. As part of the admissions process, we prepared a Social Impact Report for C4C which covered five key themes;

1. The social or environmental purpose of the company and the impact it will deliver
2. Who benefits as a result of the company's social impact
3. How a company's products, services and operations deliver that social impact
4. How a company involves and consults with all its stakeholders
5. What evidence a company has of its social impact and how that is collected, measured and reported

As a condition of our membership of the SSX, we are committed to producing a new Social Impact Report every year and plans for the next report are already in hand.

Building on our reputation for innovation, we undertook a crowdfunding exercise during the year. The crowdfunding was undertaken by CrowdBnk Limited and Peterhouse Corporate Finance Limited and it raised approximately £302,000 before expenses. Participants in the crowdfunding received new Ordinary Shares in C4C and the funds raised were used to make further investments and for general working capital purposes. The support of probably the best known employee-owned business in the UK – the John Lewis Partnership – was gratefully received and instrumental in making this a success, as they facilitated the distribution of John Lewis Vouchers to qualifying investors taking part in the fund raising.

We were thrilled to be nominated for two awards at the Small Cap UK Awards 2015. The nominations were for IPO of the Year, following the Company's listing on the ISDX Growth Market in March 2014 and Alternative Financing Deal of the Year, after our successful crowdfunding exercise.

The progress of C4C over the last year is reflected in the development of our investment portfolio. As I have mentioned, we were invested in 23 companies by the end of the financial year. A recent addition to our group of colleague companies is The Homebuilding Centre (Holdings) Limited ("HBC"). The Centre owns the trade and certain assets of the National Self Build and Renovation Centre ("NSBRC") which comprises a large, permanent exhibition and trading centre in Swindon. The Centre promotes the opportunities available to consumers who want to build their own home or renovate an existing property. NSBRC also generates trade with builders' merchants, including some of the construction-

related businesses in which C4C is already a stakeholder. Providers of affordable housing, i.e. local authorities and housing associations, represent attractive new markets for The Centre.

After making our initial investments, we are moving successfully into the next phase of our investment strategy in which we begin to convert existing loans into equity and formally recognise the growth in value of our unquoted portfolio.

I am particularly pleased to report that a number of loans were repaid or restructured during the period, which not only highlights the progress made by the underlying companies but also the strength of our investment strategy and portfolio. For example, the increase in the carrying value of our shares in FJ Holdings reflects the strong performance of that business since we first acquired a stake in 2014 as well as its prospects for growth.

Statistics demonstrate that the EOB sector is becoming increasingly important to our economy, with 10% of UK GDP expected to be generated by EOBs by 2020. We are proud to be in the vanguard of this exciting sector and I look forward with confidence to another year of progress.

## Financial Results

In the twelve months ended 31 August 2015, the Group invested a further £0.4 million across a portfolio of 11 unquoted EOBs and 12 publicly traded EOBs. The Company generated revenue of £523,000 in the period and as at 31 August 2015 the Group had net assets of £4,078,012, equating to a NAV per share of 53.13p.

The Directors do not recommend the payment of a dividend.

## Outlook

As we build a leading position in the EOB sector, we remain committed to the continued expansion of our investment and advisory portfolio and to generating attractive returns for our shareholders. We have increasing access to numerous potential investee companies, in varying sectors and of various sizes, which we believe can deliver the returns we require. The Directors are confident that the EOB sector will keep expanding and that EOBs will continue to deliver strong performance.

Reflective of this, after the period end we made four more investments, three to existing investees and one to a new colleague company, increasing our portfolio to 12 unquoted EOBs, underpinning the Company's active growth strategy.

We remain very positive about the opportunities to develop our company and we believe that we are well placed to capitalise on the significant growth potential of the EOB sector. As a result, we are confident in our ability to create value for our shareholders and we would like to thank them for their continued support.

John Eckersley  
Chief Executive

## **STRATEGIC REPORT**

### **Principal Activities**

Capital for Colleagues is an investment company focused on the EOB sector. The Company has a clear strategy aimed at investing in established, mainly UK-based, EOBs as well as assisting companies which are looking to launch employee ownership schemes, providing the capital to help them achieve their objectives.

### **Risks and Uncertainties**

The Company's activities inevitably expose it to a range of risks, predominantly financial in nature. These risks are identified, monitored and mitigated wherever possible. However, given that the Company seeks to generate returns consistent with those typical of equity-type investments, it is not possible or desirable to seek to remove risk completely. The key risks are:

#### Liquidity risk

The Company seeks to ensure that it has sufficient liquidity, not only to pay its expenses as and when they fall due, but also to ensure that it is able to commit funds to attractive investments within required timescales. Funds which are not immediately required for investment in unquoted EOBs may be retained on deposit or invested in quoted EOBs or in other investments offering a better return than would be available from remaining in cash. Due regard is given to the need to realise cash at relatively short notice. The Company believes that it has sufficient expertise to select appropriate investments.

#### Market risk

In the case of investments made in quoted EOBs, the Company is subject to the risk associated with being exposed to the stock market in general. The Company regularly assesses its appetite for market risk and investment in quoted EOBs, which it intends to be a secondary activity to its main aim of investing in unquoted EOBs.

#### Credit risk

This arises predominantly from the Company's exposure to companies to which it has extended a loan or where it has invested in debt-like instruments and thereby receives the majority or entire return from regular interest or interest-like payments. Due diligence work is undertaken ahead of making such commitments and it is the Company's aim to monitor progress on an ongoing basis.

### **Key Performance Indicators**

The Chief Executive's statement above and Business Review below together provide detail in terms of the Company's most recent period of activity. Ultimately, the Board and investors will predominantly judge success based on progress in the net asset value per share of the Company's shares.

## **Business Review**

The Group's core investment focus is on private EOBs and to this end the Group ended the period with a portfolio of eleven unquoted EOBs at a cost of £2,646,202. Each of the unquoted investments is included at the Directors' assessment of fair value, in accordance with International Private Equity and Venture Capital Guidelines. As at the year end, our unquoted portfolio was valued at £3,036,889 including short term loans.

The Group has also made investments in 12 quoted companies listed on the London Stock Exchange's main market or on the Alternative Investment Market (AIM). The Directors believe that investing in such publicly traded companies has the potential to deliver a better return for shareholders than leaving the cash on deposit, whilst allowing the Company to realise cash relatively quickly if it is required for investment elsewhere. The market value of its publicly traded investments as at 31 August 2015 was £614,959.

The loans and investments made by Capital for Colleagues plc ("C4C" or "the Company") to unquoted EOBs are aimed at delivering equity-like returns to our own shareholders. Each loan or investment is tailored within the context of the individual investee companies' operating performance and specific working capital and longer term needs.

## ***Unquoted Investments***

**Civils Store Limited** – CSL, a UK specialist supplier of civil engineering and construction materials, currently operating from depots at Penrith, Redruth, Sittingbourne and more recently, Evercreech. The Company initially provided £300,000 of "A" Loan Notes for a fixed term of 12 months which was to be potentially convertible, at the Company's option, into participating preference equity. As a result of a satisfactory operating performance and plans to roll out all-employee ownership and enhanced employee engagement, the Company extended to 31 December 2015 the date on which our Loan to CSL became convertible into participating preference shares. We also funded, by way of a Loan, £100,000 "B" Loan Notes repayable by 29 June 2016 which are again potentially convertible, at the Company's option, into participating preference equity. This loan was instrumental in helping CSL to open its latest branch in Evercreech. Valuations as at 31 August 2015 were: "A" Loan £300,000, "B" Loan £100,000. Total: £400,000.

**CSM Site Supplies Limited** - CSM, based in Stoke on Trent, supplies and distributes products to UK mainland construction sites. We made a loan of £100,000 to this subsidiary of CSL, which is 51 per cent. owned by CSL, with the remaining 49 per cent. held by an Employee Ownership Trust. The CSM Loan bears interest at an appropriate commercial rate and is potentially redeemable in 12 months or, at the

Company's option, convertible into participating preference shares in CSM. C4C has also subscribed for £50,000 of CSM Preference Shares and provides CSM with a working capital facility of up to £50,000. Valuations as at 31 August 2015 were: £100,000 for the fixed term loan, £50,000 for the short term working capital loan and £50,000 for the participating preference shares. Total £200,000.

**Ecomerchant Natural Building Materials Limited** – ENBM is a specialist supplier of natural and environmentally sustainable building materials to the UK housing market. The Company provided an initial £75,000 loan for a fixed term of 12 months convertible, at the Company's option, into participating preference equity. We were happy to extend the date on which our initial loan became repayable or convertible into participating preference shares, whilst we discussed with the management their longer term ambitions for the business. Post the year end, the Company made a fresh investment of £100,000 in redeemable, non-voting A ordinary shares, which have preferential rights with respect to ongoing dividends and with respect to capital value, on the occurrence of certain exit events. Our decision reflected satisfactory operating performance at the company linked to the provision of meaningful employee ownership and engagement. Valuation as at 31 August 2015 was £75,000.

**Figure Consulting Limited** – Figure Consulting provides a comprehensive range of outsourced IT services to small businesses, including a number of C4C investee companies. Figure Consulting is owned and managed by individuals with considerable experience in IT outsourcing who the Directors of Capital for Colleagues believe are capable of rapidly generating new business for that company. The company invested £100,000 in Figure Consulting by way of a convertible secured loan. Valuation as at 31 August 2015 was £100,000.

**FJ Holdings Limited** – FJ is an independent specialist manufacturer and distributor of flow control products and sewage treatment equipment, with manufacturing facilities in Dudley, where it also has its headquarters, and at Ilkeston, Rochdale and Stoke. The company also has an office in Abu Dhabi. We acquired 1,034 D Shares of £0.01 each in this company at a cost of £399,313. As at the financial year end, this shareholding was valued at £790,000.

C4C has had an equity interest in FJ Holdings since February 2014 and in February 2015 also loaned that company £250,000 (the "FJ Loan"). The proceeds of the loan were used by FJ in connection with the acquisition of A&J Water Treatment Limited, which previously competed with FJ Holding's subsidiary, Ham Baker Adams Limited, in the sewage treatment market. The Loan, which is fully amortising, was initially for a fixed term of 36 months. The FJ Loan is unsecured but has been guaranteed by Ham Baker Limited. The terms of the Loan have now been amended so that it is repayable on demand, rather than being for a fixed 36 month period. Valuations as at 31 August 2015 were: "D" shares £790,000, Amortising Loan £206,889.

**Ham Baker Adams Limited** – Ham Baker, a subsidiary of FJ Holdings, is involved in the design and manufacture of innovative products for the water and waste water market. The Company made a Loan of £250,000 to Ham Baker during the period and the proceeds of the Loan form an essential part of a funding package which will enable the company to participate in the Strategic Tunnel Enhancement

Programme (“STEP”) in Abu Dhabi. The STEP project is a \$1.9 billion hydraulic wastewater network tunnel currently being constructed by the Abu Dhabi Sewerage Services Company. The Loan bears interest at an appropriate commercial rate and is secured by a cross guarantee from FJ Holdings. Valuation as at 31 August 2015 was £250,000.

**Hire and Supplies Limited** – H&S is engaged in tool and plant sale and rental from branches in the west of Scotland, at Dumfries and Oban. The Company initially provided a £600,000 Loan for a fixed term of 12 months repayable in four tranches by March 2015. The loan was subsequently restructured, following a period of satisfactory trading and a return of £440,000 of capital and interest payments and fees. Accordingly, the remaining sums due under the Loan were restructured as follows;

1. £100,000 has been converted into redeemable preference shares in H&S, with a term of five years; and
2. £200,000 has been converted into a secured five year loan.

Valuations as at 31 August 2015 were: Loan £200,000, Convertible Preference Shares £100,000.

**The Homebuilding Centre (Holdings) Limited** – HBC owns the trade and certain assets of the National Self Build and Renovation Centre (NSBRC) which comprises a large, permanent exhibition and trading venue in Swindon. The Centre promotes the opportunities available to consumers who want to build their own home or renovate an existing property. NSBRC also generates trade with builders’ merchants and providers of affordable housing. During the year, the Company made a loan of £250,000 to HBC. The proceeds of the Loan were used by HBC for general working capital purposes. The Loan is secured on the assets of HBC and is for a fixed term of 12 months. At the end of the 12-month term, the Loan is repayable, renewable or convertible into participating preference equity in HBC, at the Company’s option. In conjunction with the Loan, C4C was allotted shares representing 25% of HBC’s issued equity capital. A new Employee Ownership Trust holds the remaining 75% interest. Valuations as at 31 August 2015 were: 25 Ordinary Shares £NIL, fixed term loan £250,000.

**Merkko Builders Merchants Limited** - a builders’ merchant located in Kingston Bagpuize, Oxfordshire which supplies a broad range of materials and equipment, primarily to members of the construction industry. The Company provided a £150,000 Loan for a fixed term of 12 months repayable on demand. It also made a Loan to assist with Merkkö’s short-term working capital needs. Valuations as at 31 August 2015 were: Fixed Term Loan £150,000, Working Capital Loan £40,000. Since the year-end, the Merkkö Group has been reorganised, the loans to the trading companies have been re-paid and C4C has invested £200,000 in equity in the new top company Merkkö Group Limited.

**MI Accountancy Solutions Limited** – MIA provides a cost effective accountancy service to small owner and employee managed businesses. The company provided a £50,000 secured loan for a fixed term of 12 months; convertible at the Company’s option into participating preference shares. Valuation as at 31 August 2015 was £50,000.

**TPS Investment Holdings Limited** – TPS is involved in the sourcing, marketing and distribution of a specialist range of pipes, valves, fittings and other associated products for the public utility markets throughout Republic of Ireland and Northern Ireland, with particular focus on the water market. The Company provided £200,000 of loan notes redeemable at par on or before 19 December 2014; £100,000 of notes not redeemed on this date were converted into preference shares of £1 each in the capital of TPS on 19 December 2014; The Company also acquired a separate holding of 100,000 preference shares of £1 each, costing £100,000. Valuation as at 31 August 2015 was £200,000.

### ***Publicly Traded Investments***

Although our main investment focus is on private EOBs, C4C had interests in twelve investments listed on the main market of the London Stock Exchange or on AIM. The directors believe that investing in publicly-traded entities, each of which displays demonstrable employee engagement, offers the potential to deliver a better return for our shareholders than just leaving funds on deposit whilst allowing the Company to realise cash relatively quickly as and when opportunities to invest in unquoted EOBs arise.

**AB Dynamics** - involved in the design, manufacture and supply to the global automotive industry of advanced testing and measuring products for vehicle suspension, brakes and steering, both in the laboratory and on the test track.

**Avon Rubber** - designs and manufactures chemical, biological, radiological and nuclear respiratory protection systems for defence, fire and industrial markets. It also designs and manufactures polymer based products for the defence and dairy industries

**BT Group** - provides communication services to customers in the UK and more than 170 countries worldwide.

**Cello Group** - provides market research, consulting and direct marketing services to the pharmaceutical and health sectors as well as other high margin client industries.

**City of London Investment Group** - a fund manager whose main focus is investing in emerging markets via closed end funds.

**First Property** - involved in property fund management and direct property investment in its own name in the UK and Eastern Europe.

**Greggs** - the UK's leading bakery retailer trading from more than 1,650 shops throughout the UK specialising in making and selling sandwiches, savouries and other baker-fresh food on the go.

**Interquest** - a group of specialist recruitment businesses providing contract and permanent recruitment services within niche disciplines in the analytics, financial and technology market sectors in the UK and Europe.

**Lancashire Group** - a global provider of speciality insurance products operating in Bermuda and London.

**Mattioli Woods** - a provider of pension consultancy and administration, employee benefits and wealth management services.

**Mitie Group** - a provider of a wide range of facilities management services across the UK, Ireland and Europe.

**Personal Group** - a leading provider of employee benefits, employee related insurance products and financial services.

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2015

	<b>2015</b>	<b>2014</b>
	<b>£000's</b>	<b>£000's</b>
Revenue	523	212
Unrealised revaluation gains on investments	459	34
	—————	—————
	982	246
Ongoing administrative expenses	(557)	(129)
Exceptional administrative expenses:		
Costs of Initial Public Offering	-	(186)
	—————	—————
Total administrative expenses	(557)	(315)
	—————	—————
<b>OPERATING PROFIT/(LOSS)</b>	<b>425</b>	<b>(69)</b>
Finance income	1	-

	—	—
<b>PROFIT/(LOSS) BEFORE TAX</b>	426	(69)
Tax	2	(23)
	—	—
<b>RETAINED PROFIT/(LOSS) AFTER TAX FOR THE YEAR</b>	428	(92)
	=	=
<b>RETAINED PROFIT/(LOSS) ATTRIBUTABLE TO</b>		
Owners of the company for the year	428	(92)
	=	=
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Owners of the company for the year	428	(92)
	=	=
Profit/(loss) per share		
Basic and diluted	5.79p	(2.16)p
	=	=

**GROUP AND COMPANY STATEMENT OF FINANCIAL POSITION AT 31 AUGUST 2015**

	<b>Group</b> <b>2015</b> <b>£000's</b>	<b>Company</b> <b>2015</b> <b>£000's</b>	<b>2014</b> <b>£000's</b>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Investments held at fair value through profit or loss	1,855	1,855	1,033
Loans and receivables	1,507	1,507	1,295
	<u>3,362</u>	<u>3,362</u>	<u>2,328</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	417	414	255
Cash and cash equivalents	355	355	868
	<u>772</u>	<u>769</u>	<u>1,123</u>
<b>TOTAL ASSETS</b>	<u><u>4,134</u></u>	<u><u>4,131</u></u>	<u><u>3,451</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Called up share capital	3,070	3,070	2,866
Share premium	672	672	614
Retained profit/(loss)	336	343	(92)
<b>TOTAL EQUITY</b>	<u>4,078</u>	<u>4,085</u>	<u>3,388</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	56	46	63
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>4,134</u></u>	<u><u>4,131</u></u>	<u><u>3,451</u></u>

The Directors of the Company are responsible for the contents of this announcement.

For further information please visit [www.capitalforcolleagues.com](http://www.capitalforcolleagues.com) or contact:

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