



# Capital for Colleagues



Advice Investment Growth

## Capital for Colleagues PLC Report and Financial Statements

For the year ended 31 August 2015



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## 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 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 £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*

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 Benefit 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, in the event of 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 with a 15% coupon. 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.

## Strategic Report continued

**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.

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**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; £100,000 has been converted into redeemable preference shares in H&S, with a term of five years; and £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.

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**The Homebuilding Centre 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.

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**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 Merkko’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 Merkko 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 Merkko Group Limited.

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**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 with an interest rate of 15% per annum; convertible at the Company’s option into participating preference shares. Valuation as at 31 August 2015 was £50,000.

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**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.

## Approval

This report was approved by the Board of Directors and authorised for issue on 17 December 2015, and signed on its behalf by:

*John Eckersley*

J S Eckersley  
Director

## Directors' Report

The directors submit their report and the financial statements of Capital for Colleagues plc for the year ended 31 August 2015. Capital for Colleagues plc is a public company incorporated in England and Wales on 3 October 2013, and admitted to trading on the ISDX Growth Market on 17 March 2014.

### Overview

This report covers the Group's trading results for the year ended 31 August 2015.

### Directors

The following directors have held office during the year.

Richard Charles Bailey  
Alistair Malcolm Thomson Currie  
John Stephen Eckersley  
Edmund George Jenkins

### Directors' Interests In Shares

Directors' interests in the shares of the Company, including family interests, were as follows:

Directors	At 31 August 2015	
	Number of shares	Percentage (%)
Richard Charles Bailey	37,500	0.49
Alistair Malcolm Thomson Currie	57,460	0.75
John Stephen Eckersley	280,776	3.66
Edmund George Jenkins	–	–

### Creditor Payment Policy

The Company's policy is to agree terms of transactions, including payment terms and to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with its standard payment practice whereby all outstanding trade accounts are settled within the term agreed with the supplier at the time of the supply or otherwise 30 days from receipt of the relevant invoice. The number of days outstanding between receipt of invoices and date of payment calculated by reference to the amount owed to trade creditors at the year end as a proportion of the amounts invoiced by suppliers during the year, was 13 days.

### Employees

The Company continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who may become disabled during their employment and the provision of training and career development and promotion, where appropriate. The Company has continued its policy of employee involvement by making information available to employees on matters of concern to them.

## Substantial Shareholdings

As at 17 December 2015, the Company has been notified of the following interests of 3% or more in the issued ordinary share capital of the Company:

	Number of shares	Percentage of issued share capital (%)
Pershing Nominees Limited	5,150,876	67.11
Rowanmoor Trustees Limited	264,522	3.45
Nortrust Nominees Limited	250,000	3.26
Transact Nominees Limited	250,000	3.26

## Statement as to Disclosure of Information to Auditors

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

## Post Balance Sheet Events

In the opinion of the Directors, the Company had no adjusting or non-adjusting post balance sheet events requiring disclosure in these financial statements.

By order of the Board

*John Eckersley*

J S Eckersley  
Director

## Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

UK Company law requires the directors to prepare company financial statements for each financial year. Under that law the directors are required to prepare financial statements in accordance with applicable accounting standards. The Directors have chosen to prepare the company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position, financial performance and cash flows of the Company for that year.

In preparing the company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the company has complied with IFRS, 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 will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the Capital for Colleagues plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent Auditor's Report to the Members of Capital for Colleagues PLC

We have audited the financial statements of Capital for Colleagues plc for the year ended 31 August 2015 which comprise the Consolidated Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group and Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the 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 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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of Group's and of the parent Company's affairs as at 31 August 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Chief Executive's Statement, the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Ian Cliffe (Senior Statutory Auditor)

for and on behalf of haysmacintyre  
Statutory Auditors

26 Red Lion Square, London WC1R 4AG

# Consolidated Statement of Comprehensive Income

For the year ended 31 August 2015

	Note	2015 £000's	2014 £000's
Revenue	1	523	212
Unrealised revaluation gains on investments	4	459	34
		982	246
Ongoing administrative expenses	2	(557)	(129)
Exceptional administrative expenses: Costs of Initial Public Offering		–	(186)
Total administrative expenses		(557)	(315)
<b>OPERATING PROFIT/(LOSS)</b>		425	(69)
Finance income		1	–
<b>PROFIT/(LOSS) BEFORE TAX</b>		426	(69)
Tax	5	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	7	5.79p	(2.16)p

# Group and Company Statement of Financial Position

At 31 August 2015

	Note	Group 2015 £000's	Company 2015 £000's	Company 2014 £000's
<b>ASSETS</b>				
<b>NON CURRENT ASSETS</b>				
Investments held at fair value through profit or loss	8	1,855	1,855	1,033
Loans and receivables	9	1,507	1,507	1,295
		<b>3,362</b>	<b>3,362</b>	<b>2,328</b>
<b>CURRENT ASSETS</b>				
Trade and other receivables	10	417	414	255
Cash and cash equivalents		355	355	868
		<b>772</b>	<b>769</b>	<b>1,123</b>
<b>TOTAL ASSETS</b>		<b>4,134</b>	<b>4,131</b>	<b>3,451</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Called up share capital	12	3,070	3,070	2,866
Share premium		672	672	614
Retained loss		336	343	(92)
<b>TOTAL EQUITY</b>		<b>4,078</b>	<b>4,085</b>	<b>3,388</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	11	56	46	63
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,134</b>	<b>4,131</b>	<b>3,451</b>

The financial statements were approved and authorised for issue by the Board of Directors on 2015, and were signed below on its behalf by:

*John Eckersley*

J S Eckersley  
Director

## Group and Company Statement of Changes in Equity

For the year ended 31 August 2015

GROUP	Share Capital £000's	Share Premium Account £000's	Retained Earnings £000's	Total £000's
Balance at 1 September 2014	2,866	614	(92)	3,388
Profit for the year	–	–	428	428
<b>Total comprehensive income for 2015</b>	<b>2,866</b>	<b>614</b>	<b>336</b>	<b>3,816</b>
Share capital issued	204	97	–	301
Costs of issue	–	(39)	–	(39)
<b>Balance at 31 August 2015</b>	<b>3,070</b>	<b>672</b>	<b>336</b>	<b>4,078</b>

For the year ended 31 August 2015

COMPANY	Share Capital £000's	Share Premium Account £000's	Retained Earnings £000's	Total £000's
Balance at 1 September 2014	2,866	614	(92)	3,388
Profit for the year	–	–	435	435
<b>Total comprehensive income for 2015</b>	<b>2,866</b>	<b>614</b>	<b>343</b>	<b>3,823</b>
Share capital issued	204	97	–	301
Costs of issue	–	(39)	–	(39)
<b>Balance at 31 August 2015</b>	<b>3,070</b>	<b>672</b>	<b>343</b>	<b>4,085</b>

# Consolidated Cash Flow Statement

For the year ended 31 August 2015

	2015 £000's	2014 £000's
<b>Cash flows from operating activities</b>		
Operating profit/(loss) for the year	425	(69)
Increase in other receivables	(161)	(255)
Increase in trade and other payables	16	40
Taxation paid	(23)	–
Finance income	1	–
<b>Cash generated by operations</b>	<b>258</b>	<b>(284)</b>
<b>Cash flow from investing activities</b>		
Purchase of investments	(406)	(999)
Unrealised gains on investments	(459)	(34)
Disposal of investments	43	–
Non current loans made	(807)	(1,725)
Non current loans recovered	595	430
<b>Net cash flow used in investing activities</b>	<b>(1,034)</b>	<b>(2,328)</b>
<b>Cash flow from financing activities</b>		
Net proceeds from issue of share capital	263	3,480
<b>Net cash inflow from financing activities</b>	<b>263</b>	<b>3,480</b>
<b>Net cash (outflow)/inflow for the year</b>	<b>(513)</b>	<b>868</b>
Cash and cash equivalents at start of year	868	–
<b>Cash and cash equivalents at the end of the year</b>	<b>355</b>	<b>868</b>

# Company Cash Flow Statement

For the year ended 31 August 2015

	2015 £000's	2014 £000's
<b>Cash flows from operating activities</b>		
Operating profit/(loss) for the year	432	(69)
Increase in other receivables	(158)	(255)
Increase in trade and other payables	6	40
Taxation paid	(23)	–
Finance income	1	–
<b>Cash generated by operations</b>	<b>258</b>	<b>(284)</b>
<b>Cash flow from investing activities</b>		
Purchase of investments	(406)	(999)
Unrealised gains on investments	(459)	(34)
Disposal of investments	43	–
Non current loans made	(807)	(1,725)
Non current loans recovered	595	430
<b>Net cash flow used in investing activities</b>	<b>(1,034)</b>	<b>(2,328)</b>
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Net proceeds from issue of share capital	263	3,480
<b>Net cash inflow from financing activities</b>	<b>263</b>	<b>3,480</b>
<b>Net cash (outflow)/inflow for the year</b>	<b>(513)</b>	<b>868</b>
Cash and cash equivalents at start of year	868	–
<b>Cash and cash equivalents at the end of the year</b>	<b>355</b>	<b>868</b>

For the year ended 31 August 2015

## Summary of Significant Accounting Policies

### General information and authorisation of financial statements

Capital for Colleagues plc is a public limited company incorporated and domiciled in England and Wales under the Companies Act 2006. The address of its registered office is 111 Piccadilly, Manchester, M1 2HY. The Company's ordinary shares are traded on the ISDX Growth Market, a London based stock exchange providing UK and international companies with access to capital. The financial statements of Capital for Colleagues plc for the year ended 31 August 2015 were authorised for issue by the Board on 17 December 2015 and the balance sheets signed on the Board's behalf by J S Eckersley.

The nature of the Company's operations and its principal activities are set out in the Chairman's Statement on page 1.

### Going concern

The directors have prepared cash flow projections for the 12 months to 31 December 2016. Having taken into account all known reasonable costs, they are of the opinion that there is sufficient headroom to continue as a going concern for the foreseeable future.

The financial statements do not contain the adjustments that would be required if the company were unable to continue as a going concern.

### Statement of compliance with IFRS

The financial statements have been prepared in accordance with International Accounting Standards and interpretations issued by the International Accounting Standards Board as adopted by the European Union. The principal accounting policies adopted by the Company are set out below.

### Basis of preparation

The financial information for the year ended 31 August 2015 has been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ("IFRS").

IFRS comprises standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") as adopted in the European Union as at 31 August 2015. These financial statements have been prepared on a going concern basis and on the historical cost basis of accounting, modified for the revaluation of certain assets. The directors have at the time of approving the financial statements a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Further detail is contained in the Report of the Directors.

### Basis of consolidation

This financial information consolidates the information of the Company and its subsidiary undertaking C4C Ownership Partners Limited, which was incorporated on 5 June 2014. All intercompany balances and transactions have been eliminated in full. A separate income statement for the parent company has not been prepared.

### Revenue recognition

When it is probable that economic benefits will flow to the Company and the amount can be measured reliably, interest is recognised using the effective interest method. Dividends are recognised at the dividend date. Interest receivable is recognised on an accruals basis in line with rates applied per contractual terms. Arrangement fees are brought into account at the point at which funds are advanced to individual investees, by agreement with each. Similarly, monitoring fees are typically charged for and paid monthly in arrears or as per the formal agreement in place with each recipient of funds.

### New standards, amendments and interpretations

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for later accounting years and which have not been adopted early. There were no new standards, amendments or interpretations that are expected to have a material impact on the Company.

# Notes to the Financial Statements continued

For the year ended 31 August 2015

## Summary of Significant Accounting Policies continued

### Segmental reporting

In accordance with the provisions of IFRS the Company is required to report financial and descriptive information about its reportable operating segments which meet the quantitative thresholds delineated. The Company has one reporting segment that does not meet any of the quantitative thresholds to require separate reporting. Operating segments presented in these financial statements are consistent with the internal reporting provided to the Company's Chief Operating Decision Maker, which has been identified as the Executive Committee.

### Taxation

The tax expense represents the sum of the current tax and deferred tax.

The current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction, which affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except

when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

### Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Company has become a party to the contractual provisions of the instrument.

#### Investments

Equity investments are initially recognised at cost, being the consideration paid. All investments are classified at fair value through profit or loss and measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income in the year in which they arise. In respect of unquoted investments fair value is determined by reference to a variety of valuation techniques. In respect of quoted or listed investments the value is based on the closing mid-market price recorded by the relevant market.

#### Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments, and are not quoted in an active market. They are initially recognised at cost, being the consideration loaned. All amounts are classified at fair value through profit or loss and measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income in the year in which they arise.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank and short term deposits with banks and similar financial institutions.

#### Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

#### Trade and other payables

Trade and other payables are non-interest bearing and are stated at their nominal value.

#### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

For the year ended 31 August 2015

## 1. REVENUE

An analysis of the revenue is as follows:

	2015 £000's	2014 £000's
Arrangement fees	43	78
Monitoring fees	49	22
Advisory fees	35	–
Interest income	264	102
Dividend income	128	10
Other income	4	–
	<b>523</b>	<b>212</b>

All revenue arose within the United Kingdom.

## 2. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations has been arrived at after charging:

	2015 £000's	2014 £000's
Directors' emoluments (see note 3)	77	36
Auditors' remuneration		
– fee payable to auditors for audit of the Company financial statements	12	11
– fee payable to auditors for audit of the subsidiary financial statements	4	–
Amounts payable to Group auditors and their associates in respect of both audit and non-audit services:		
Comprising		
– Audit services	16	11
– Non-audit services	5	2
– ISDX listing services	–	20

## 3. STAFF COSTS

The average monthly number of employees (including executive directors) for the year was as follows:

	2015 Number	2014 Number
Management	5	4

The aggregate remuneration comprised:

	2015 £000's	2014 £000's
Directors' emoluments	77	23
Wages and salaries	119	–
Social security and taxes	17	13
Pension contributions	5	–
	<b>218</b>	<b>36</b>

The above costs are included in general and administrative expenses.

The highest paid director received £60,000 (2014: £13,750) and no directors received any pension contributions during the year (2014: £nil).

## Notes to the Financial Statements continued

For the year ended 31 August 2015

	2015 £000's	2014 £000's
<b>4. UNREALISED REVALUATION GAINS ON INVESTMENTS</b>		
Unrealised revaluation gains on investments (note 8)	459	34
<b>5. INCOME TAX EXPENSE</b>		
Current tax	(2)	23
Deferred tax	–	–
	(2)	23

The charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

Profit/(loss) before taxation	426	(69)
Expected tax charge/(credit) on profit/(loss) before tax at 20%	85	(14)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	14	46
Income not taxable	(91)	(9)
Exempt dividend income	(10)	–
Chargeable gains	3	–
Adjustments in respect of previous periods	(3)	–
	(2)	23

### 6. DIVIDENDS

The directors elected not to declare a dividend for the year (2014: £nil).

### 7. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

	2015	2014
<i>Earnings</i>		
Earnings for the purposes of basic earnings per share: net profit/(loss) for the year attributable to equity holders of the Company (£000's)	459	(92)
<i>Number of shares</i>		
Weighted average number of ordinary shares in issue	7,399,500	4,269,488
Number of dilutive shares under options (millions)	–	–
Weighted average number of shares including dilutive warrants (millions)	7,399,500	4,269,488

The denominator for the purpose of calculating the basic earnings per share has been adjusted to reflect all capital raisings.

No dilutive shares are in issue.

For the year ended 31 August 2015

	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	2015 Total £'000s	2014 Total £'000s
<b>8. INVESTMENTS</b>					
<b>GROUP AND COMPANY</b>					
Investments held at fair value through profit or loss					
At 3 October 2013	534	–	499	1,033	–
Additions at cost during the year	–	56	350	406	999
Additions at cost during the year	(17)	(26)	–	(43)	–
Unrealised gain at end of year	68	–	391	459	34
At 31 August 2014	585	30	1,240	1,855	1,033

Investments are measured at fair value. The directors consider that the carrying amount of investments approximates to their fair value.

Level 1 reflects financial instruments quoted in an active market.

Level 2 fair value remeasurements are those derived from inputs other than quoted pieces included within Level 1 that are observable for the asset or liability, wither directly (i.e. as process) or indirectly (i.e. derived from prices).

All unquoted investments are level 3 in the fair value hierarchy, being financial instruments whose fair value is determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data.

At 31 August 2015 the Company held 20% or more of a class of the allocated share capital of the following:

Name	Country of incorporation	Class of share capital	Proportion held by parent company	Nature of business
C4C Ownership Partners Limited	England and Wales	Ordinary	100%	Advisory

## 9. LOANS AND RECEIVABLES

GROUP AND COMPANY	2015	2014
Loans receivable	1,507	1,295

During the year under review the company had little exposure to credit, cash flow, market price and interest rate risks. Loans receivable from unquoted companies in the Company's portfolio are subject to liquidity risk. This risk is taken into account by the Directors when arriving at their valuation of these items.

None of the loans receivable are past due. The directors consider that the carrying amount of loans and receivables approximates to their fair value.

## Notes to the Financial Statements continued

For the year ended 31 August 2015

	Group 2015 £000's	Company 2015 £000's	Company 2014 £000's
<b>10. TRADE AND OTHER RECEIVABLES</b>			
Trade receivables	22	11	–
Amounts due from subsidiaries	–	10	–
Other receivables	395	393	255
	<b>417</b>	<b>414</b>	<b>255</b>

There are no significant credit risks arising from financial assets that are neither past due nor impaired. All receivables as at 31 August 2015 were denominated in Pounds Sterling. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

	Group 2015 £000's	Company 2015 £000's	Company 2014 £000's
<b>11. TRADE AND OTHER PAYABLES</b>			
Trade payables	13	8	24
Corporation tax payable	–	–	23
VAT and social security payable	24	18	3
Other payables	19	20	13
	<b>56</b>	<b>46</b>	<b>63</b>
Due within one year	<b>56</b>	<b>46</b>	<b>63</b>

Trade creditors principally comprise amounts outstanding for trade purchases and on-going costs. The Directors consider that the carrying amount of trade and other payables approximates their fair value.

	Group and Company	
	2015 £000's	2014 £000's
<b>12. SHARE CAPITAL</b>		
Issued and fully paid:		
2015: 7,675,432 (2014: 7,164,188) ordinary shares of £0.40 each	3,070	2,866

On 16 March 2015, the Company issued 511,244 ordinary £0.40 shares for a total consideration of £301,634 giving rise to share premium of £58,167 (net of costs).

Ordinary shares of £0.40 carry the right to one vote per share at general meetings of the Company and the rights to share in any distribution of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up. The shares are denominated in Pounds Sterling.

### 13. SHARE CAPITAL

The profit after taxation for the financial year dealt with in the financial statements of the parent Company, Capital for Colleagues Plc, was £435,454 (2014: loss of £92,216). As permitted by section 408 of the Companies Act 2006, no separate income statement has been presented in respect of the parent company.

For the year ended 31 August 2015

## 14. RELATED PARTY TRANSACTIONS

### Trading transactions

During the year, the Group entered into no transactions with related parties.

### Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Company, is set out below:

	2015 £000's	2014 £000's
Short term employee benefits (including social security)	77	36

## 15. CONTINGENT LIABILITIES

As at 31 August 2015, the Group did not have any contingent liabilities or litigation outstanding not provided for.

## 16. POST BALANCE SHEET EVENTS

In the opinion of the Directors, the Group had no adjusting or non-adjusting post balance sheet events requiring disclosure in these financial statements.

# Directors, Advisers and Officers

For the year ended 31 August 2015

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Registered number	08717989
Directors	Richard Charles Bailey Alistair Malcolm Thomson Currie John Stephen Eckersley Edmund George Jenkins
Company Secretary	John Arthur Lewis
Registered Office	9th Floor 111 Piccadilly Manchester M1 2HY <a href="http://www.capitalforcolleagues.com">www.capitalforcolleagues.com</a>
Corporate Adviser	Peterhouse Corporate Finance Limited New Liverpool House 15 Eldon Street London EC2M 7LD
Auditor	haysmacintyre 26 Red Lion Square London WC1R 4AG
Share Registrar	Share Registrars Ltd Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL
Bankers	Adam & Company 22 King Street London SW1Y 6QY
Solicitors	DAC Beachcroft LLP 100 Fetter Lane London ECA 1BN  Turner Parkinson LLP Hollins Chambers 64a Bridge Street Manchester M3 3BA





# Capital for Colleagues



Advice Investment Growth

Company number: 08717989