

**BUILDING AN ISDX  
LISTED INVESTMENT  
VEHICLE FOCUSED ON  
EMPLOYEE OWNED  
BUSINESSES**

**Capital**  
**for**  
**Colleagues** 

**CAPITAL FOR COLLEAGUES PLC**

**INVESTOR PRESENTATION**

**MARCH 2014**



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- ⊙ Capital for Colleagues Plc ('CFC') is an investment vehicle focused on opportunities in the Employee Owned Business ('EOB') sector
- ⊙ EOB sector in the UK currently accounts for combined annual turnover in excess of £30 billion, more than 3% of GDP, offering a broad spectrum of investment opportunities
- ⊙ EOB sector has historically provided superior business performance
- ⊙ CFC will invest in UK and Irish EOBs - offers exposure to an alternative and robust asset class
- ⊙ Defined development plan – initial portfolio investments already secured, with pipeline of potential investments also identified
- ⊙ Management team committed to employee ownership model with strong network of contacts and established access to investment opportunities
- ⊙ Raised in excess of £2 million and listed on the ISDX Growth Market 17 March 2014

**RICHARD BAILEY**  
*NON-EXECUTIVE  
CHAIRMAN*

Richard Bailey is a partner in Rothschild, the global investment bank. He is Executive Chairman of Rothschild's Mid Cap business with offices in London, Manchester, Leeds and Birmingham. He has worked for the bank for over 30 years during which time he has been involved in a range of private and public company work with a focus on mergers, acquisitions, private equity and capital raising. Richard has been involved with the development of companies such as Peel Holdings Plc, Pets at Home Limited, Lookers Plc and Manchester United Plc. He is a Non-Executive Director of Kier Group plc and is also Chair of that Company's Audit Committee. Richard is a Governor of a music school and a trustee of the Halle Orchestra.

**JOHN ECKERSLEY**  
*CHIEF EXECUTIVE  
OFFICER*

John has 25 years' investment experience and co-founded Castlefield Investment Partners, of which he is Managing Partner, in 2002. He is a graduate in Accounting and Finance, with a financial services sector-specific MBA and is a Chartered Fellow of the Chartered Institute for Securities & Investment. In late 2012, he became one of the UK's first Chartered Wealth Managers. John is a former director of Henry Cooke Group plc and executive director of the private bank, Brown Shipley. He is also an alumnus of the London Business School Private Equity Executive Programme. John was responsible for structuring and leading Castlefield Capital's own employee-ownership process and, as such, he is acutely aware of the challenges and rewards co-ownership offers. He sits as a member of Council of the Employee Ownership Association and in this capacity has been involved in a working group advising the UK Government on possible changes to taxation affecting employee-owned businesses. He has also provided evidence to the All-Party Parliamentary Group on employee ownership and to the Nuttall Review, on barriers to increasing co-ownership.

**ALISTAIR CURRIE**  
*EXECUTIVE  
DIRECTOR*

Alistair has been a fund manager specialising in UK Smaller Companies for almost 25 years. He is a graduate in Business Studies and Accounting from the University of Edinburgh and subsequently qualified as a Chartered Accountant with KPMG in 1988. He was formerly a Director of Edinburgh Fund Managers plc and was the Head of UK Smaller Companies for that group. Under his management, the Edinburgh UK Smaller Companies Fund won several Micropal awards for performance and in 2000 he was the winner of the 'Investment Week UK Small Companies Fund Manager of the Year' award. He joined Castlefield Investment Partners in 2007, becoming a partner in September 2009 and has been the lead manager of the ConBrio UK Smaller Companies Fund since April 2007. He also manages a number of funds investing in companies quoted on the Alternative Investment Market (AIM) for the purpose of inheritance tax planning.

**ED JENKINS**  
*NON-EXECUTIVE  
DIRECTOR*

Ed is a consultant and a solicitor who has over 20 years' experience of advising on all aspects of business tax. He was a tax partner at Addleshaw Goddard LLP (and its predecessor firms) from 1996 to 2013 and during this time was Head of Tax for over 10 years. Ed specialised in advising upon mergers and acquisitions and private equity transactions. Ed has considerable experience of advising employee owned businesses and advising upon the direct and indirect acquisition of interests by employees in their employing companies. Ed retired from Addleshaw Goddard LLP with effect from 30 April 2013 and has recently taken up a part time role at a family and employee owned property company.

An EOB is generally defined as a commercial enterprise directly or indirectly owned to a significant extent by the people who work for it.

Employee ownership usually takes one of three forms:

## DIRECT OWNERSHIP

- Employees become shareholders in the company they work for, using one or more tax advantaged share plans where practicable

## INDIRECT OWNERSHIP

- Shares are held collectively on behalf of employees, normally through an employee trust – the best known example of this in the UK is the John Lewis Partnership

## COMBINED DIRECT AND INDIRECT OWNERSHIP

- A combination of individual and collective share ownership

**“Co-ownership is a proven, successful business model which improves productivity, creates wealth and provides a stable employment environment, thereby generating the possibility of attractive returns for investors”**

- ⊙ **Prospective market** – UK EOBs generate turnover in excess of £30 billion, representing more than 3% of the UK's GDP
- ⊙ **Government backed** – successive governments have promoted employee ownership and current government continues to do so
- ⊙ **Targeted growth** – Employee Ownership Association ('EOA') wants EOBs to deliver 10% of UK GDP by 2020
- ⊙ **Funding gap** – strong sector needs alternative financial support as banks often don't understand the sector; CFC plans to capitalise on this opportunity
- ⊙ **Alternative asset class** – investors looking for returns as an alternative to traditional private equity models
- ⊙ **Social value** – EOBs tend to be managed in a more open way, which can promote corporate social responsibility
- ⊙ **Limited competition** – currently few funders focused exclusively on EOBs
- ⊙ **Investment opportunities** – sector's scale means many potential investee companies

Source: The Employee Ownership Impact Report from the Employee Ownership Association

## POSITIVES

EOBs outperform more traditional structured firms in times of recession

The growth rate of EOBs in 2012 was 50% higher than the overall UK economy

Employee Ownership Index for Quoted EOBs now calculated by FTSE

EOBs outperformed FTSE All-Share companies by an average of 14% each year since the Employee Ownership Index began in 1992

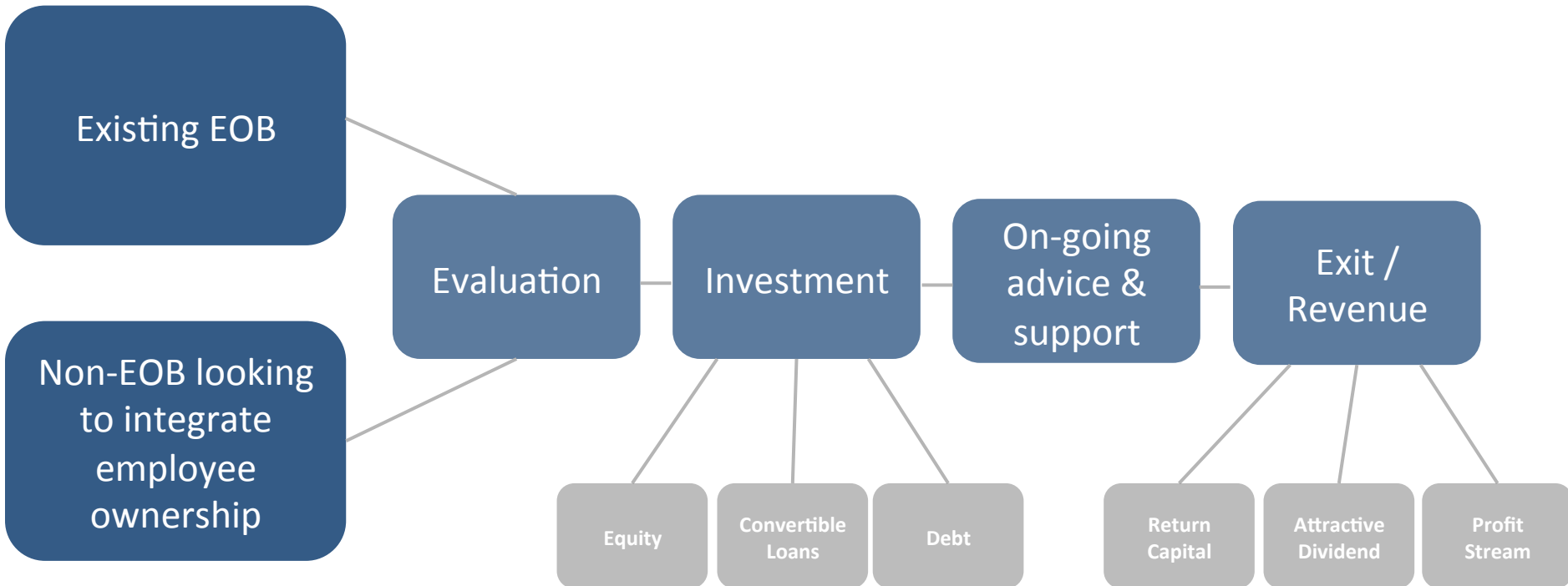
Companies in the Employee Ownership Index outperformed FTSE All-Share companies by more than 30% in 2013

**“Capital for Colleagues is focused on identifying and investing in UK businesses, which the Directors believe demonstrate a genuine commitment to employee ownership, in order to generate an attractive return for shareholders”**

- ⦿ Potential investee companies assessed using defined investment criteria
- ⦿ All companies considered – profitable, loss making, or re-financing opportunities
- ⦿ CFC can provide support to existing EOBs and also assist companies becoming EOBs
- ⦿ Companies must demonstrate three key attributes along with a clear commitment to increase and enhance them:
  - ⦿ Ability of employees to own shares in the business and actual employee ownership
  - ⦿ Capacity for employees to influence corporate strategy
  - ⦿ Fair distribution of profits amongst shareholders



- ⊙ Become an investor providing “patient capital” to current or aspiring EOBs
- ⊙ Provide finance for development through one or more of:
  - ⊙ Straight equity
  - ⊙ Equity related investment capital, such as convertible loans
  - ⊙ Debt
- ⊙ Investments will normally take the form of minority shareholdings, investing alongside employees, although CFC intends to be an active investor
- ⊙ EOBs will need to show strong potential to maximise shareholder value:
  - ⊙ Enhance the prospects and the future value of the investee company via an injection of new finance
  - ⊙ Ability to benefit from the Directors’ existing network of contacts
  - ⊙ Potential for sustainable growth
  - ⊙ Potential to deliver significant returns for CFC
- ⊙ Investments will have an exit prospect or be expected to return capital and an attractive dividend or profit stream



## **FJ Holdings**

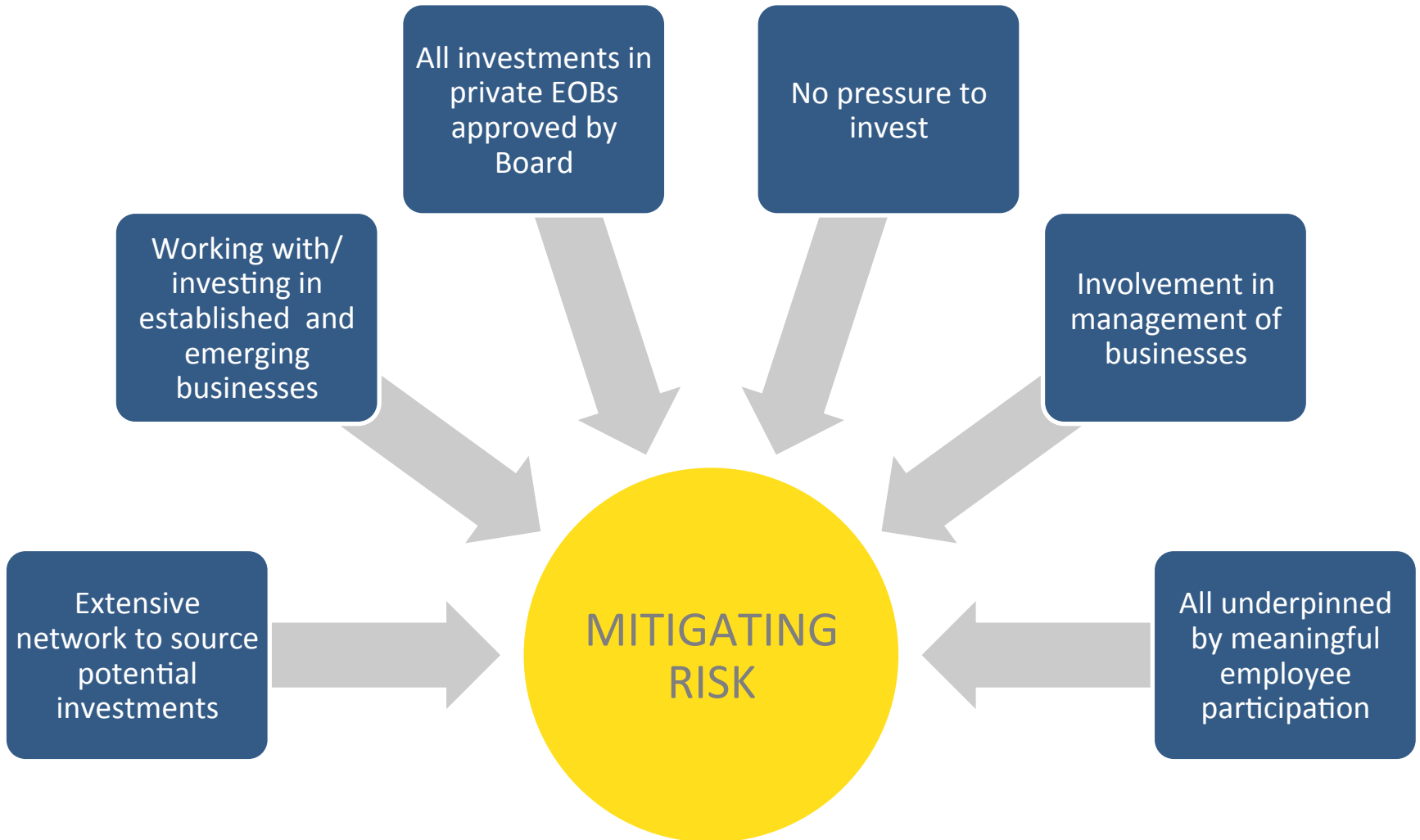
- ⊙ Independent specialist manufacturer and distributor of flow control products and sewage treatment equipment with established manufacturing facilities in Dudley, the West Midlands, Ilkeston, Rochdale and Stoke; branch office in Abu Dhabi
- ⊙ Initial loan of £250,000; £100,000 already repaid, balance of £150,000 converted to equity investment ahead of subsequent investment by Seneca Partners
- ⊙ Revenues in excess of £20.0 million expected for year ended December 2013

## **Merkko**

- ⊙ Builder's Merchant in Oxfordshire
- ⊙ Loan of £150,000 secured by mortgage debenture

## **TPS**

- ⊙ Irish based pipeline specialist focused on the water market
- ⊙ Total investment of £300,000:
  - ⊙ £200,000 in loan notes paying 15% per annum
  - ⊙ £100,000 in preference shares with a fixed dividend right and equity participation rights



- ⦿ CFC raised £2.19 million (before expenses) through a placing of 4,377,548 shares at 50p per share
- ⦿ Placing shares represent approximately 67% of the issued share capital of the Company on Admission
- ⦿ Proceeds plus current funds will be used to identify and carry out due diligence on potential acquisitions and investments and to provide working capital for the Company's initial operations in line with its investment strategy

- ⊙ **Niche business offering** capitalising on the prospective investment opportunities relating to the EOB sector
- ⊙ EOB is a **growing industry** gaining increased recognition and support - **government backed** with increasing presence in the UK market creating strong growth opportunities for CFC
- ⊙ **New opportunity with limited competition** - distinct asset class with few funders, providing an ideal opportunity for growth and portfolio diversification
- ⊙ **Defined development** plan focused on expanding the Company's investment portfolio for the benefit of shareholders – a number of companies already identified which offer prospective investment opportunities going forward
- ⊙ **Strategic investment strategy** to maximise value for the Company and mitigate risk
- ⊙ **Proven management team** with strong network of contacts and established access to investment opportunities

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