

28 January 2019

CAPITAL FOR COLLEAGUES PLC

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

AUDITED RESULTS FOR THE YEAR ENDED 31 AUGUST 2018

Capital for Colleagues, the 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 2018.

CHIEF EXECUTIVE’S STATEMENT

Capital for Colleagues PLC (www.capitalforcolleagues.com or “C4C”) is an investment vehicle focused on opportunities in the Employee Owned Business sector. Our company has been quoted on the NEX Exchange Growth Market (www.nexexchange.com) since March 2014 (ticker CFCP). Since the company was formed, it has made loans and equity investments in unquoted businesses, generating income from dividends, interest and fees. C4C is focused on achieving attractive investment returns from investments increasingly focused on equity but including debt in the mix where appropriate.

We provide investment to existing and aspiring employee-owned businesses (“EOBs”) and help them to become effective and profitable organisations driven by the ethos of employee ownership.

We do this because we believe that employee ownership has the potential to improve corporate productivity, create wealth and generate attractive commercial returns for shareholders. It represents an alternative to the external shareholder-owned firm and can contribute to a more diverse and robust economy. It offers a corporate model which is less susceptible to stock market fluctuations and is less likely to fuel the bad corporate behaviours, such as poor governance, which are so damaging to public confidence in business. Real employee ownership (or “EO”) signifies a meaningful stake in a business for all its employees and, if this is achieved, then a company is said to have employee owners. What is “meaningful” goes beyond financial participation; the employees’ stake must underpin organisational practices that promote employee engagement in the company. EOBs are generally commercial organisations which focus on long-term sustainable profits rather than maximising short-term returns.

According to the Employee Ownership Association, of which we are members, the employee-owned sector contributes more than GBP30bn to the domestic economy and is growing at more than 10% a year, 70% of this growth recurring since 2010 – this looks set to accelerate with all the UK political parties looking at ways for more employees to share in the wealth they help to create.

A report published in July 2018 (“The Ownership Dividend,” www.theownershipeffect.co.uk) considered the potential of more employee ownership on social and economic issues. This concluded businesses which choose to become employee-owned and fully adopt the structures and culture of employee ownership, see benefits for the individual who becomes more empowered and has a stake in the outcome of the business, and for the company through improved performance and productivity.

Our commitment to the employee-owned sector mainly manifests itself in our ongoing support for and strong relationship with the Employee Ownership Association and especially for its two-day Annual Conference. We have been the main sponsor of this flagship industry event for the last four

years. Employee ownership is gaining traction and it is into this vibrant and growing sector that C4C invests.

The financial year ended 31st August 2018 was one of stability and steady progress for the company. At the end of the year, the Company's portfolio of unquoted investments was valued at GBP6.32m and comprised seventeen companies operating across a range of sectors which generated total turnover of around GBP75m per annum and supported approximately 615 jobs.

Shareholders will be aware that we measure our success by an increasing net asset value ("NAV"). As at 31st August 2018, the total NAV was GBP6.694 million (2017: GBP6.568 million) and NAV per share was 43.35p (2017: 42.69p).

We believe that "profit with purpose" appropriately sums up C4C's approach to investment in EOBs. We are seeking to deliver a good return for our shareholders as well as profitable growth – both financially and culturally - for those companies that make up our investment portfolio.

In accordance with our business plan, we continue to align our interests with those of employee stakeholders at our investee companies as they become more established, co-owned EOBs. In this context, a number of our longstanding portfolio companies have accepted our offer to convert our existing debt instruments into equity, a welcome development.

To fulfil our commitment to positive impact, we continually strive to improve disclosure and information flow, although this is not always an easy task as many of our investees are small businesses. Without wishing to overburden our investee companies, we encourage them to report regularly on all areas of their business, including on the benefits of employee ownership. During the year, we introduced an improved reporting system, our "Traffic Light Reports", under which investee companies report back to us on both financial and non-financial metrics. This process is managed on our behalf by Castlefield Corporate Advisory Partners Limited; itself part of a successful and growing EOB.

Castlefield Corporate Advisory Partners Limited ("CCAP")

Since the formation of C4C, we have been committed advocates of employee ownership and we are proud of our achievements in this area, but this work had the potential to distract the Company from its core business of investing in EOBs. Therefore, in November 2017, we decided to establish CCAP to manage the non-investment EOB activities previously undertaken by C4C. CCAP is tasked with educating businesses about the benefits of EO, including succession planning, together with identifying potential investee companies for C4C and advising those companies on the structure and presentation of their investment case to C4C. CCAP also monitors and advises our existing investee companies and sources potential new investors for C4C.

C4C owns 34 per cent of CCAP, with Castlefield Partners Limited ("Castlefield") owning 51 per cent; the balance of 15 per cent is to be held by CCAP's current and future executives, including certain C4C employees, who transferred their employment from C4C to CCAP during the year. Castlefield is the employee-owned holding company of a range of FCA authorised and regulated financial services businesses, focused on responsible, sustainable investing. John Eckersley and Alistair Currie, executive directors of C4C, are also co-owners of and partners at Castlefield.

Day-to-day financial monitoring of investee businesses is undertaken by a CCAP representative with direct access to the board within each investee company. The establishment of CCAP frees C4C to focus on its core activity of providing capital to EOBs. We will use this capital to drive future growth in the EOB sector and to benefit from that growth. Streamlining our operations in this way is also in line with C4C's previously stated intention of reducing its central, largely fixed overheads.

Portfolio developments during the year

An exciting new addition to the portfolio this year is TG Engineering (“TGE”) (<http://tgengineering.com>). TGE is a world class supplier of precision-machined and fabricated components for leading companies and institutions, primarily in the aerospace and scientific sectors. The company has a modern 20,000 sq. ft. manufacturing facility in Ferndown, near Poole in Dorset, incorporating an extensive range of machines, full coordinate measuring machine inspection as well as clean room assembly. TGE can manufacture using a wide range of ferrous, non-ferrous and exotic metals, as well as many plastics, to provide build-to-print solutions to meet customers’ requirements.

NTE Vacuum Technology is a division of TGE which specialises in the manufacture of High and Ultra High Vacuum Chambers, Cryostats and Vacuum Beamlines. NTE manufactures and fabricates chambers from aluminium alloy, stainless steel and copper for leading research institutions, universities and businesses across Europe.

On the company website, the directors of TGE highlight the importance of C4C’s investment and the benefits of EO;

“Employee-owned businesses comprise a small but growing minority of businesses in the UK and have been shown to bring not only financial benefits to both employees and business but also an improved working environment and employee satisfaction.”

TGE are already members of the EOA and we are working closely with the management and employees to build their EO culture and to develop an open and transparent flow of regular information about how the company is doing with the aim of helping the employees to think, feel and behave like co-owners.

Portfolio management activities during the year

CCAP was established in the year and C4C invested GBP23,800 at the outset.

We restructured the Company's investment in CSM Site Supplies Limited (“CSM”) into new “A” Ordinary shares, in line with our policy of switching our investment exposure from debt to equity. At the same time another of our investee companies, Ecomerchant Natural Building Materials Limited, acquired all of the ordinary shares of CSM and took on day-to-day management of the business. Unfortunately, the task in hand proved too great for the new team and the decision was taken, with regret, to place CSM into voluntary liquidation, with the loss of two full time jobs.

We successfully exited our investment in MI Accountancy Solutions Limited (“MIA”), following the repayment of loans, although MIA remains a provider of management information to several of our investee companies.

One of our existing investee companies, Cotswold Valves Limited (“CVL”), acquired the entire issued share capital of Flow Control Company Limited (“FCCL”), giving CVL the critical mass required to expand further and diversify its business; as part of the transaction, we made a working capital loan of GBP300,000 to FCCL. The existing CVL EOT, now managed for the benefit of all employees of the enlarged business, holds 51% of the issued ordinary share capital of CVL. CCAP was responsible for identifying the acquisition of FCCL, working with C4C on the terms of the additional finance it provided and managing the transaction to completion.

We provided a short-term loan of GBP100,000 to Flow Control Company Limited.

We invested GBP600,000 in our new portfolio company, (“TGE”) by way of loan.

We provided a short-term loan of GBP100,000 to an existing investee, Computer Application Services Limited.

Hire and Supplies Limited repaid a short-term loan of GBP110,000.

The Company's holding of 'A' Ordinary Shares in Computer Application Services Limited was revalued upwards to GBP750,000 as at 31st August 2018, in light of strong operating performance and markedly improved prospects at the company.

Engagement with investee companies

As mentioned above, we are in regular contact with all our investee companies for the purposes of financial reporting, business risk management and strategic guidance. Apart from these areas, a great deal of our engagement is around corporate structure and culture and ensuring that EO is properly embedded, so that co-owners can benefit fully.

A challenge we sometimes face is that management teams accept our investment but do not want to listen to the employee voice as much as we would like them to. Much of our work focuses on education and advocacy to ensure that entrepreneurial and sometimes “self-made” managing directors fully embrace EO so that the full benefits of co-ownership can be enjoyed.

Recent examples of engagement

TPS Investment Holdings Limited – C4C and CCAP executives visited TPS in Dublin to discuss options for the treatment of C4C's A shares, the mechanics of their Employee Trust and to support their desire to relocate to larger premises.

Place 2 Place Logistics Limited – Advising the MD on how to engage a disparate body of employees, many of whom infrequently visit the offices and depots.

The Homebuilding Centre (Holdings) Limited – Advising on the buy-back of a founder member's shareholding by the company's Employee Ownership Trust.

Cotswold Valves Limited and its subsidiary Flow Control Company Limited – working with employees from both companies on integrating systems, services and operational practices following acquisition of the latter by Cotswold Valves Limited.

Employee Ownership Group Limited trading as Carpenter Oak – helping the exiting owners and new leadership team to design and work through the transition of shares from founders to the employee ownership trust, such that employees now have a much greater stake in the company.

Ecomerchant Natural Building Materials Limited – advising the directors on consolidation of some operations and how to position an exciting new product for growth as part of an extended group.

Social impact

We remain convinced of the positive social impact of employee ownership. We report specifically on this every year and we published our fourth annual Impact Report in the summer of 2018. In last year's Annual Report and Accounts, we highlighted the Sustainable Development Goals (“SDGs”) of the United Nations' 2030 Agenda for Sustainable Development (see www.un.org). Through our commitment to employee ownership and some of the companies in which we invest, C4C directly addresses three SDGs.

Goal 3 – Good Health and Wellbeing.

Ensuring healthy lives and promoting the well-being for all at all ages which is essential to sustainable development. There is evidence to suggest that employee-owned businesses generate higher levels of well-being among their staff compared with conventionally-owned businesses.

Goal 8 – Decent Work and Economic Growth.

A continued lack of decent work opportunities contributes to an erosion of the basic social contract underlying democratic societies which everyone must share to progress. The creation of quality jobs remains a major challenge for all economies and employee-owned businesses offer meaningful and sustainable work to their employees.

Goal 12 – Responsible Consumption and Production.

Sustainable consumption and production is about promoting resource and energy efficiency. C4C supports businesses which are committed to sustainability and social responsibility. For example, two of our investees, Ecomerchant and Carpenter Oak are both specialist suppliers of environmentally-friendly building materials.

Financial Results

I am pleased to report that revenue from operations was marginally up year-on-year to GBP384,000, compared with GBP372,000 in 2017, primarily due to an encouraging improvement in arrangement fees, up from GBP14,000 in 2017 to GBP54,000 this year. We also saw increases in interest income and dividend income. These advances were slightly offset by a reduction in monitoring fees and the reduction of advisory fees in the year under review. Nevertheless, it is a satisfactory outcome.

At GBP437,000, net unrealised valuation gains were well ahead of last year's figure of GBP317,000 due to some encouraging business revaluations completed during the year. In last year's report, the board committed to bringing down administration costs in the business and I am pleased to note that we achieved this, as administration expenses fell by approximately 24% from GBP530,000 in 2017 to GBP443,000 this year.

Longer-term investors will be aware that our financial results for the year ended 31st August 2017 were adversely affected by a large impairment of investments and loans of over GBP1.3m which compares with GBP134,000 this year. I am happy to report that we generated a retained profit of GBP102,000 in the period, which fed through into a basic earnings figure of 0.66 pence per share.

On the balance sheet, we were encouraged to see the total asset base of the company grow from GBP6.686m to GBP6.970m as a result of the positive revaluations of certain investee businesses. Our cashflow statement reflects a busy and positive year characterised by over GBP1.1m of loans made to our investees to help them grow.

To retain cash in the business and keep us in the best position to make further investments in EOBs, we do not propose to pay a dividend this year (2017: nil).

Outlook

Our ability to advise existing and potential EOBs as well as to provide them with funding, means that the company is exceptionally well-placed to create growth in the EOB sector and to benefit from that growth. Notwithstanding the short-term turbulence, we remain optimistic that the domestic political and economic environment will continue to foster a recognition of EOBs as important generators of equitable and dynamic growth. Subject to maintaining sufficient cash, we expect to keep making investments into EOBs. We still have a growing list of prospects at various stages of development. A

broad strategic objective is to make larger investments into bigger businesses so that more workers can enjoy the benefits of employee ownership, as evidenced by our investment in TG Engineering.

We will continue to promote employee ownership as a better way of doing business not just on behalf of C4C, but also through the Employee Ownership Association and we have been headline sponsors of the EOA's Annual Conference for the last four years. We will also work hard at delivering the findings of the EOA's "Ownership Dividend" report and we shall continue to educate and demonstrate the value of equity investment alongside debt for growing EO businesses.

The future for employee ownership and for C4C is exciting and shareholders can expect to see us continuing to generate profit with purpose.

John Eckersley
Chief Executive

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2018

	2018 GBP 000's	2017 GBP 000's
Revenue	384	372
Realised loss on investments	(4)	(5)
Unrealised revaluation gains on investments	437	317
	<u>817</u>	<u>684</u>
Administrative expenses	(443)	(530)
OPERATING PROFIT	<u>374</u>	<u>154</u>
Impairment of investments and loans	(134)	(1,321)
PROFIT / (LOSS) BEFORE TAX	<u>240</u>	<u>(1,167)</u>
Tax (charge) / credit	(138)	120
RETAINED PROFIT / (LOSS) AFTER TAX FOR THE YEAR	<u>102</u>	<u>(1,047)</u>
RETAINED PROFIT / (LOSS) ATTRIBUTABLE TO		
Owners of the company for the year	<u>102</u>	<u>(1,047)</u>
TOTAL COMPREHENSIVE INCOME		
ATTRIBUTABLE TO:		
Owners of the company for the year	<u>102</u>	<u>(1,047)</u>
Earnings / (loss) per share		
Basic and diluted	<u>0.66p</u>	<u>(9.02)p</u>

GROUP AND COMPANY STATEMENT OF FINANCIAL POSITION AT 31 AUGUST 2018

	Group		Company	
	2018	2017	2018	2017
	GBP 000's	GBP 000's	GBP 000's	GBP 000's
ASSETS				
NON CURRENT ASSETS				
Investments held at fair value through profit or loss	5,034	4,592	5,034	4,592
Investments in associates	24	-	24	-
Loans and receivables	1,321	535	1,321	535
	<u>6,379</u>	<u>5,127</u>	<u>6,379</u>	<u>5,127</u>
CURRENT ASSETS				
Trade and other receivables	416	276	421	280
Cash and cash equivalents	175	1,283	175	1,283
	<u>591</u>	<u>1,559</u>	<u>596</u>	<u>1,563</u>
TOTAL ASSETS	<u>6,970</u>	<u>6,686</u>	<u>6,975</u>	<u>6,690</u>
EQUITY AND LIABILITIES				
EQUITY				
Called up share capital	6,176	6,154	6,176	6,154
Share premium	1,099	1,097	1,099	1,097
Retained (loss)	(581)	(683)	(576)	(678)
TOTAL EQUITY	<u>6,694</u>	<u>6,568</u>	<u>6,699</u>	<u>6,573</u>
CURRENT LIABILITIES				
Trade and other payables	130	110	130	109
	<u>130</u>	<u>110</u>	<u>130</u>	<u>109</u>
CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR				
Provisions for liabilities	146	8	146	8
TOTAL EQUITY AND LIABILITIES	<u>6,970</u>	<u>6,686</u>	<u>6,975</u>	<u>6,690</u>

The financial statements were approved and authorised for issue by the Board of Directors on 25 January 2019.

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

****ENDS****

For further information, please visit www.capitalforcolleagues.com or contact:

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Capital for Colleagues

Capital for Colleagues is an investment company focused on the UK EOB sector. The Company has a proven management team, with a wide network of contacts and affiliates, as well as established access to investment opportunities, enabling the Company to execute its strategy and capitalise on EOB-focused investment opportunities.

The Company's joint venture, Castlefield Corporate Advisory Partners, educates and assists companies which are looking to launch employee ownership schemes, advising them, amongst other things, on how to secure investment and achieve their objectives.

Market Abuse Regulation (MAR) Disclosure

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.