



Capital for Colleagues

3 January 2017

CAPITAL FOR COLLEAGUES PLC
('Capital for Colleagues' or the 'Company')

Audited Results for the year ended 31 August 2016

Capital for Colleagues plc, 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 2016.

CHIEF EXECUTIVE'S STATEMENT

At the end of our second full year as an ISDX Growth Market-quoted company, I am pleased to report on another busy and productive period for Capital for Colleagues PLC (C4C) where we have succeeded in moving the company from "proof of concept" to "business as usual".

Employee ownership is a successful business model which is acknowledged to improve productivity and create wealth while providing an environment of stable employment as well as the potential for attractive commercial returns for investors. We provide capital and practical assistance 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 tend to be 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 and takes the form of debt, equity or convertible hybrid financing structures. The premise underlying all of our investments is that they should facilitate the full engagement of employees in a business.

All investments also need to offer an eventual opportunity to exit or be expected to return capital as well as providing an attractive dividend or profit stream. Often, a prerequisite for C4C investing is the establishment of an Employee Benefit Trust (EBT) or an Employee Ownership Trust (EOT) as a significant and active shareholder in the business.

During the year under review, we further developed and expanded our portfolio of private EOBs to sixteen. We believe that the unquoted EOBs in our portfolio now generate total annual turnover of around GBP 67 million and support around 550 jobs. At the year end we were also invested in twelve publicly-traded companies which have demonstrable employee engagement practices. They too yielded good returns on what is a small part of our portfolio.

In the year to 31 August 2016, the Company invested a further GBP 2.44million 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 us.

Our advisory practice, which provides specialist advice and support to EOBs or companies looking to become employee-owned, had another encouraging year. We provide a comprehensive service: advising clients on what needs to be done to become employee-owned, helping to manage the transition to employee owned status and providing the financial capital to achieve it.

C4C is an active member of the Employee Ownership Association or EOA. The EOA represents organisations which are employee-owned or transitioning to employee ownership across the UK. We are an Approved Adviser for them as well as their only current equity funding partner. Under the terms of our agreement, the EOA will refer to us any members or other suitable prospects who are considering an employee buyout, who have begun the transition to employee ownership or who are seeking funding to develop an existing EOB.

EOA membership has grown from significantly less than 100 three years ago to around 320 members today. As a sign of our commitment to leadership in the sector, C4C has sponsored the EOA's two-day annual conference in 2015 and 2016.

We have always been convinced of the positive social impact of employee ownership and we remain active members of the Social Stock Exchange (SSX). The SSX, which is itself growing rapidly, 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. We value our membership of the SSX because it is a tangible demonstration or "kitemark" of our commitment to that objective. It also allows us, through the discipline of producing our annual Impact Report, to evidence our progress in social impact. As a requirement of our membership, we published our second Social Impact Report for C4C with the tagline "making work work better" and the report is available on our website.

C4C was nominated in two categories at the Small Cap Awards 2016 and we were delighted to win the "Alternative Financing Deal of the Year" award which recognised the Company's innovative GBP 300,000 institutional and crowd placing completed in 2015.

We undertook a short survey among employees of investee companies to gain an insight into attitudes towards employee ownership. Our sample size was far too small for scientific analysis, but the respondents were very positive about EO. For example, 82% say that working for an EOB "makes me feel happier in my work" and 81% agree with the statement that "If I want to, I can participate in important decisions about my company." 89% agree that "when properly implemented, EO is a force for social good".

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 28 companies by the end of the financial year.

An example of a new addition to the portfolio during the financial year is Anthesis Consulting Group Ltd. Anthesis is a consultancy business specialising in sustainability. Since its foundation in 2013, the

company has developed rapidly through organic growth and acquisition, building an international business with operations in Britain, North America, Continental Europe and Asia and attracting a broad range of clients. The company advises on areas such as, strategy and communications, operations, product and supply chain plus software and systems. Initially, we invested GBP 500,000 in the company and, post the year end, we subscribed another GBP 100,000 for additional ordinary shares as part of a larger fundraising in which new professional investors participated alongside employees of Anthesis and other existing investors. The funds raised by Anthesis will be used to support its ambitious growth plans.

After making our initial investments, we are now moving successfully into the next phase of our investment strategy in which we convert some existing loans into equity and financially recognise the growth in value and acknowledge the success of our unquoted portfolio.

With regard to education and advocacy, we will continue to promote employee ownership as a better way of doing business not just on behalf of C4C, but also through the EOA. We have also organised and attended events to raise awareness of employee ownership amongst companies and professionals in London, Liverpool, Sheffield and Manchester and we plan more events this year. In education, we presented on C4C and employee ownership at Alliance Manchester Business School.

During the year, we became involved in assisting the Social Mobility Foundation (Registered Charity No. 1115888) by offering mentoring and work experience to sixth formers from disadvantaged backgrounds. A student joined us for a week's work experience in August and we continue to support other Foundation initiatives.

Financial Results

In the twelve months ended 31 August 2016, the Group invested GBP 2.44 million across a portfolio of sixteen unquoted EOBs and twelve publicly traded EOBs. The Company generated revenue of GBP 560,000 in the year and as at 31 August 2016 the Group had net assets of GBP 5.25 million equating to a Net Asset Value per share of 54.54p. As illustrated by the Consolidated Statement of Comprehensive Income, the effect of our planned move away from high yielding loans and towards equity-linked instruments was yet to be felt during the year. However, generally, we have now begun to give up the income we receive on investments of a fixed capital nature and are replacing it with a reduced income but an added entitlement to future hoped-for capital growth. Our focus has always been on enhancing long term net asset value and this transition is the best way of achieving this, in our view. It is entirely in accordance with our stated strategy and hopefully well understood by our fellow shareholders.

The Directors do not recommend the payment of a dividend.

Outlook

As we build on our 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 two new investments, increasing our portfolio to eighteen unquoted EOBs.

Subject to having adequate funds, we expect to keep making investments into EOBs. A broad strategic objective is to make larger investments into bigger businesses so that more workers can enjoy the benefits of employee ownership. 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. 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. 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. We are proud to be in the vanguard of this exciting sector and I look forward with confidence to another year of progress.

John Eckersley
Chief Executive

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2016

	2016 GBP 000's	2015 GBP 000's
Revenue	560	523
Realised gains on investments	157	-
Unrealised revaluation gains on investments	71	459
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	788	982
Administrative expenses	(630)	(557)
	-----	-----
OPERATING PROFIT	158	425
Finance income	-	1
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PROFIT BEFORE TAX	158	426
Tax (charge)/credit	(130)	2
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RETAINED PROFIT AFTER TAX FOR THE YEAR	28	428
	=====	=====
RETAINED PROFIT ATTRIBUTABLE TO:		
Owners of the company for the year	28	428
	=====	=====
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the company for the year	28	428
	=====	=====
Profit per share		
Basic and diluted	0.32p	5.79p
	=====	=====

GROUP AND COMPANY STATEMENT OF FINANCIAL POSITION AT 31 AUGUST 2016

	Group		Company	
	2016	2015	2016	2015
	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	3,427	1,855	3,427	1,855
Loans and receivables	1,081	1,507	1,081	1,507
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	4,508	3,362	4,508	3,362
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CURRENT ASSETS				
Trade and other receivables	654	417	658	414
Cash and cash equivalents	279	355	279	355
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	933	772	937	769
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TOTAL ASSETS	5,441	4,134	5,445	4,131
	=====	=====	=====	=====
EQUITY AND LIABILITIES				
EQUITY				
Called up share capital	3,850	3,070	3,850	3,070
Share premium	1,036	672	1,036	672
Retained profit	364	336	369	343
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TOTAL EQUITY	5,250	4,078	5,255	4,085
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CURRENT LIABILITIES				
Trade and other payables	89	56	88	46
	-----	-----	-----	-----
	89	56	88	46
	=====	=====	=====	=====
CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR				
Provisions for liabilities	102	-	102	-
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TOTAL EQUITY AND LIABILITIES	5,441	4,134	5,445	4,131
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The Directors of the Company are responsible for the contents of this announcement.

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

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