

Capital for Colleagues plc / EPIC: CFCP / Market: ISDX / Sector: Investment
30 December 2015

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

QUARTERLY INVESTMENT UPDATE

Capital for Colleagues, the investment vehicle focused on opportunities in the Employee Owned Business (‘EOB’) sector, is pleased to announce an investment update in respect of the quarter ended 30 November 2015.

Key Statistics as at 30 November 2015:

- GBP 4,046,193 (31 August 2015: GBP 3,361,848) lent or invested in a portfolio of 13 unquoted EOBs and 12 publicly traded companies displaying demonstrable employee engagement
- Net Asset Value (‘NAV’) of GBP 4,100,919 (31 August 2015: GBP 4,081,816)
- NAV per share of 53.43 pence (audited accounts as at 31 August 2015: 53.13 pence per share)

John Eckersley, Chief Executive of Capital for Colleagues, said: “We have extended our portfolio of unquoted EOBs during the quarter, investing in Cotswold Valves and Place 2 Place Logistics, whilst providing further support to existing investee companies when appropriate. The re-balancing of our portfolio towards equity investments also continued, typified by the re-structuring of our investment in Merkko, aligning our interests more directly with the employee owners of the business.”

Further information on the Company’s investment portfolio is set out below.

UNQUOTED INVESTMENTS

The Directors believe that the 13 unquoted EOBs in the Company’s portfolio currently generate total turnover of around GBP 58.0 million per annum and support approximately 320 jobs.

The loans and investments made by the Company to unquoted EOBs are aimed at delivering equity-like returns and bear interest at rates of between 12% and 24%. Each loan or investment is tailored to the individual investee companies’ operating performance and specific working capital needs.

Civils Store Limited (‘CSL’)

CSL is a UK specialist supplier of civil engineering and construction materials, currently operating from depots at Penrith, Redruth, Sittingbourne and Evercreech.

<i>Investment</i>	<i>Valuation as at 30 November 2015</i>
GBP 300,000 ‘A’ Loan Notes repayable on 31 December 2015;	GBP 300,000

convertible, at the Company's option, into participating preference equity	
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<i>Investment</i>	<i>Valuation as at 30 November 2015</i>
GBP 100,000 'B' Loan Notes repayable by 29 June 2016; convertible, at the Company's option, into participating preference equity	GBP 100,000

Cotswold Valves Limited ('CVL')

CVL, based at Stonehouse near Stroud, is a long-established supplier of specialist valves for a range of process industries, predominantly in the UK, including food and paper production, mining, petrochemical, water and waste treatment.

<i>Investment</i>	<i>Valuation as at 30 November 2015</i>
GBP 200,000 for ordinary shares representing 49 per cent. of CVL's issued ordinary share capital	GBP 200,000

CSM Site Supplies Limited ('CSM')

CSM, a subsidiary of CSL, supplies and distributes products to UK mainland construction sites.

<i>Investment</i>	<i>Valuation as at 30 November 2015</i>
GBP 100,000 loan for a fixed term of 12 months; convertible, at the Company's option, into participating preference equity	GBP 100,000

<i>Investment</i>	<i>Valuation as at 30 November 2015</i>
GBP 50,000 short term working capital loan	GBP 50,000

<i>Investment</i>	<i>Cost</i>	<i>Valuation as at 30 November 2015</i>
50,000 participating preference shares	GBP 50,000	GBP 50,000

Ecomerchant Natural Building Materials Ltd ('Ecomerchant')

Ecomerchant is a specialist supplier of natural and environmentally sustainable building materials to the UK housing market.

<i>Investment</i>	<i>Cost</i>	<i>Valuation as at 30 November 2015</i>
100,000 redeemable, non-voting A ordinary shares, with preferential rights as to dividends and capital	GBP 100,000	GBP 100,000

Figure Consulting Limited ('Figure Consulting')

Figure Consulting provides a comprehensive range of outsourced IT services to small businesses, including a number of Capital for Colleagues' investee companies.

<i>Investment</i>	<i>Valuation as at 30 November 2015</i>
GBP 100,000 loan; secured on the assets of Figure Consulting and convertible, at the Company's option, into participating preference equity	GBP 100,000

FJ Holdings Limited ('FJ Holdings')

FJ Holdings is an independent specialist manufacturer and distributor of flow control products and sewage treatment equipment. FJ Holdings has manufacturing facilities at Dudley, West Midlands, where it also has its headquarters, and at Ilkeston, Rochdale and Stoke. FJ Holdings also has a branch office in Abu Dhabi.

<i>Investment</i>	<i>Cost</i>	<i>Valuation as at 30 November 2015</i>
1,034 D Shares of GBP 0.01 each	GBP 399,313	GBP 790,000

<i>Investment</i>	<i>Valuation as at 30 November 2015</i>
Amortising loan, repayable on demand; GBP 182,667 outstanding as at 30 November 2015	GBP 182,667

Ham Baker Adams Limited ("Ham Baker")

Ham Baker, a subsidiary of FJ Holdings, is involved in the design and manufacture of innovative products for the water and waste water markets.

<i>Investment</i>	<i>Valuation as at 30 November 2015</i>
GBP 250,000 loan linked to contract finance from a high street bank and extended by agreement; secured by a cross guarantee from FJ Holdings	GBP 250,000

<i>Investment</i>	<i>Valuation as at 30 November 2015</i>
GBP 250,000 short term loan, repayable by 31 January 2016; secured by a cross guarantee from FJ Holdings	GBP 250,000

Hire and Supplies Limited ('H&S')

H&S is engaged in tool and plant sale and rental from branches in the west of Scotland, at Dumfries and Oban.

<i>Investment</i>	<i>Valuation as at 30 November 2015</i>
GBP 200,000 loan for a fixed term of 5 years	GBP 200,000

<i>Investment</i>	<i>Valuation as at 30 November 2015</i>
100,000 convertible preference shares of GBP 1 each	GBP 100,000

The Homebuilding Centre (Holdings) Ltd ('HBC')

HBC owns the trade and certain assets of the National Self Build and Renovation Centre ('NSBRC'), which comprises a substantial permanent exhibition and trading venue, based at Swindon. The NSBRC 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.

<i>Investment</i>	<i>Cost</i>	<i>Valuation as at 30 November 2015</i>
25 ordinary shares of GBP 1 each	GBP Nil	GBP Nil

<i>Investment</i>	<i>Valuation as at 30 November 2015</i>
GBP 250,000 loan for a fixed term of 12; repayable, renewable or convertible, at the Company's option, into participating preference equity	GBP 250,000

Merkko Group Limited ('Merkko')

Merkko is the holding company for a group of companies engaged in the supply of materials and equipment, primarily to members of the construction industry.

<i>Investment</i>	<i>Valuation as at 30 November 2015</i>
200,000 redeemable, non-voting A ordinary shares, with preferential rights as to dividends and capital	GBP200,000

MI Accountancy Solutions Limited ('MIA')

MIA provides a cost effective accountancy service to small owner and employee managed businesses, including a number of Capital for Colleagues' investee companies.

<i>Investment</i>	<i>Valuation as at 30 November 2015</i>
GBP 50,000 secured loan for a fixed term of 12 months expiring on 17 July 2016; convertible, at the Company's option, into participating preference shares	GBP 50,000

Place 2 Place Logistics Limited ('P2P')

P2P is an established logistics company, operating in the Midlands. P2P's core business is as a member of the Pallex pallet distribution network and the company also operates a specialist medical logistics business alongside general haulage activities.

<i>Investment</i>	<i>Valuation as at 30 November 2015</i>
GBP 150,000 secured loan for a fixed term of 6 months expiring on 10 March 2016	GBP 150,000

TPS Investment Holdings Limited ('TPS')

TPS (standing for "Total Pipeline Specialists") 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 the Republic of Ireland and Northern Ireland, with particular focus on the water market.

<i>Investment</i>	<i>Cost</i>	<i>Valuation as at 30 November 2015</i>
200,000 preference shares of GBP 1 each	GBP 200,000	GBP 200,000

Total Unquoted Investments

Cost: GBP 3,306,980*

Valuation as at 30 November 2015: GBP 3,697,667

*including short term loans

PUBLICLY TRADED INVESTMENTS

Whilst the Company's core investment focus is on private EOBs, Capital for Colleagues currently has interests in 12 investments listed on the London Stock Exchange's main market or on AIM. The Directors believe that investing in such publicly traded entities, each of which displays demonstrable employee engagement, offers 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.

During the quarter, the Company reduced the amount invested in publicly traded entities in order to release funds for investment in its portfolio of unquoted EOBs.

Total Publicly Traded Investments

Cost: GBP 258,574

Valuation as at 30 November 2015: GBP 348,526*

*Including cash of GBP 764

BASIS OF VALUATION

Each of the unquoted investments is included at the Directors' assessment of fair value, in accordance with International Private Equity and Venture Capital Guidelines. Nevertheless, as a matter of prudence, the Directors have provided for an amount equivalent to 2 per cent. of the value of the unquoted

investments for possible impairment. The Directors do not, however, believe that any impairment is necessary in respect of any of the Company's current unquoted investments.

Each of the quoted investments is included at their closing mid-market valuation on 30 November 2015.

No account has been taken of any potential taxation liability in respect of the increase in value of investments.

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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Notes

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

Capital for Colleagues 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 identify and capitalise on EOB-focused investment opportunities.