





Report and Financial Statements

Capital for Colleagues PLC

Company Number: 08717989

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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 £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 31st August 2016, the Company invested a further £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 £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 £500,000 in the company and, post the year end, we subscribed another £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 £2.44 million across a portfolio of sixteen unquoted EOBs and twelve publicly traded EOBs. The Company generated revenue of £560,000 in the year and as at 31st August 2016 the Group had net assets of £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

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 sixteen unquoted EOBs at a cost of £3.03 million. Each of the unquoted investments is included at the Directors' assessment of fair value, which is calculated in accordance with International Private Equity and Venture Capital Guidelines. At the year end, our unquoted portfolio was valued at £4.182 million, including short term loans.

The Group has also made investments in twelve 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, while allowing the Company to realise cash relatively quickly if it is required for investment elsewhere. Each of these companies has demonstrable employee engagement practices. The market value of these publicly traded investments as at 31 August 2016 was £323,875.

The loans and investments made by C4C 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 company's operating performance and specific working capital and longer term needs. As referred to in the Chief Executive's Statement, we have now begun to transition the portfolio from one largely generating high income (but offering little by way of future capital growth potential), to one which will produce less by way of regular cash flow but which has a much enhanced link to future capital upside. This is consistent with the objective we have previously set out and is, we believe, understood by shareholders.

Unquoted Investments

As at 31 August 2016, the Company's portfolio of unquoted investments (excluding short term loans) comprised 16 companies operating across a range of sectors.

Industrials		Value of Investment (GBP)	% of Portfolio
Construction and Materials			
	Civils Store Limited	400,000	9.23%
	Ecomerchant Natural Building Materials Limited	293,000	6.76%
	TPS Investment Holdings Limited	252,650	5.83%
Industrial Engineering			
	FJ Holdings Limited	911,667	21.04%
Industrial Transportation			
	Place 2 Place Logistics Limited	150,000	3.46%
Support Services			
	Anthesis	535,000	12.35%
	Cotswold Valves Limited	220,000	5.08%
	CSM Site Supplies Limited	190,000	4.39%
	Hire and Supplies Limited	367,000	8.47%
	Merkko Group Limited	206,153	4.76%
	MI Accountancy Solutions Limited	50,000	1.15%
Total Industrials		3,575,470	82.52%
Retail			
General Retailers			
	The Homebuilding Centre (Holdings) Limited	347,836	8.03%
Total Retail		347,836	8.03%
Technology			
Software & Computer Services			
	Computer Application Services Limited	259,500	5.99%
	2C Services Limited	50,020	1.15%
	Figure Consulting Limited	100,000	2.31%
Total Technology		409,520	9.45%
Total Unquoted Portfolio		4,332,826	100.00%

Strategic Report continued

The loans and investments made by the Company to unquoted EOBs are aimed at delivering equity-like returns and the loans bear interest at rates of between 9% and 24%. Each loan or investment is tailored to the individual investee company's operating performance and specific working capital needs.

The Directors believe that the unquoted EOBs in the Company's portfolio currently generate total turnover of around GBP 67.0 million per annum and support approximately 550 jobs.

Total Unquoted Investments as at 31 August 2016

Cost (excluding short term loans): GBP 3,744,139

Valuation (including capitalised costs): GBP 4,332,826

Publicly Traded Investments

Whilst the Company's core investment focus is on private EOBs, C4C 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. For the same reasons, as at 31 August 2016, the Company also held a short-term investment in a multi asset managed fund.

Total Publicly Traded Investments as at 31 August 2016

Valuation – publicly traded companies: GBP 64,029

Valuation – managed fund: GBP 259,846

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 publicly traded investments is included at its closing mid-market valuation on 31 August 2016.

Approval

This report was approved by the Board of Directors and authorised for issue on 23 December 2016, and signed on its behalf by:



John Eckersley

Director

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 8 of the Large and Medium sized Companies (Accounts and Reports) (Amendment) Regulations 2013 in respect of the year ended 31 August 2016. The reporting requirements entail two sections to be included, a Policy Report and an Annual Remuneration Report which are presented below.

The Company's auditor, haysmacintyre, is required to give its opinion on certain information included in this report. This comprises the Directors Remuneration and the information on Directors' Shareholdings which is contained in the Directors' report on pages 11 and 12 and also forms part of this Directors' Remuneration report. Their report on these and other matters is set out on page 14.

Consideration by the Directors of Matters Relating to Directors' Remuneration

The Company's Directors as a whole considers Directors' remuneration and has not sought advice or services from any person in respect of its consideration of Directors' remuneration during the period although the Directors expect from time to time to review the fees against those paid to boards of Directors of comparable organisations and appointments.

Directors' Remuneration Policy Report

The Company's policy is for the Directors to be remunerated in the form of fees, payable monthly in arrears. None of the Directors receive a pension from the Company, nor do they participate in any bonus schemes.

The fees are not specifically related to the Directors' performance, either individually or collectively. The Board is also entitled to be repaid all reasonable travelling subsistence and other expenses incurred by them respectively whilst conducting their duties as Directors, however no other remuneration or compensation was paid or payable by the company during the period to any of the current Directors. There will be no payment for loss of office unless approved by a separate shareholder resolution.

Major Decisions on Remuneration

The Company's policy is that the fees payable to each Director should reflect the time spent by the Directors on the Company's affairs and the responsibilities borne by each of the Directors. They should be sufficient to attract candidates of high calibre to be recruited. The Remuneration policy is to review the Director's fee rates from time to time, benchmarking the fees against comparable organisations and appointments, although such review will not necessarily result in any change.

A Director may resign by notice in writing to the Board at any time giving one month's notice. None of the Directors are entitled to compensation payable upon early termination of their arrangements other than in respect of any unexpired notice period.

In accordance with the reporting requirements of Large and Medium sized Companies (Accounts and Reports) (Amendment) Regulations 2013, an Ordinary resolution for the approval of the remuneration policy of the Company to remain in force for a three year period will be put to the members at the next Annual General Meeting.

The amounts below all relate to Directors fees and represent the total remuneration of the company's Directors.

Directors' Remuneration Report continued

Directors' Remuneration	AT 31 AUGUST 2016	
	2016 Total £'000	2015 Total £'000
John Stephen Eckersley	34	30
Alistair Malcolm Thomson Currie	23	20
Edmund George Jenkins	13	12
Richard Charles Bailey	17	15
	87	77

This section of the report is subject to approval by a simple majority of shareholders at the AGM.

A statement of Directors' shareholdings and interest is reported in the Directors' report on page 11.

Company Performance

The Board is responsible for the Company's business strategy and performance.

The Statement of Directors' responsibilities on page 13 forms part of the Directors' report to the company financial statements

On behalf of the Board



John Eckersley
Director

Date: 23 December 2016

Directors' Report

The Directors submit their report and the financial statements of Capital for Colleagues plc for the year ended 31 August 2016. 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 2016

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 2016	
	Number of Shares	Percentage (%)
Richard Charles Bailey	122,246	1.3
Alistair Malcolm Thomson Currie	230,342	2.4
John Stephen Eckersley	314,674	3.3
Edmund George Jenkins	50,847	0.5

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 4 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.

Directors' Report continued

Substantial Shareholdings

As at 31 August 2016, 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 (%)
Alliance Trust Sustainable Future UK Ethical	610,169	6.30
Heygate Group Pension	538,422	5.59
Alliance Trust Sustainable Future UK Growth	406,780	4.20
Crescent Trustees Limited	396,823	4.12
WTB Holdings Ltd Corporate SIPP	339,886	3.53

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
Director

Date: 23 December 2016

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 2016 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 11 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.

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 2016 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

Date: 23 December 2016

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 AUGUST 2016

	Notes	2016 £000's	2015 £000's
Revenue	1	560	523
Realised gains on investments		157	-
Unrealised revaluation gains on investments	4	71	459
		788	982
Administrative expenses		(630)	(557)
Operating Profit		158	425
Finance income		-	1
Profit Before Tax		158	426
Tax (charge) / credit	5	(130)	2
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	7	28	428
Profit/(loss) per share			
Basic and diluted		0.32p	5.79p

Group and Company Statement of Financial Position

FOR THE YEAR ENDED 31 AUGUST 2016

	Notes	GROUP		COMPANY	
		2016 £000's	2015 £000's	2016 £000's	2015 £000's
Assets					
Non Current Assets					
Investments held at fair value through profit or loss	8	3,427	1,855	3,427	1,855
Loans and receivables	9	1,081	1,507	1,081	1,507
		4,508	3,362	4,508	3,362
Current Assets					
Trade and other receivables	10	654	417	658	414
Cash and cash equivalents		279	355	279	355
		933	772	937	769
Total Assets		5,441	4,134	5,445	4,131
Equity and Liabilities					
Equity					
Called up share capital	13	3,850	3,070	3,850	3,070
Share premium		1,036	672	1,036	672
Retained profit		364	336	369	343
Total Equity		5,250	4,078	5,255	4,085
Current Liabilities					
Trade and other payables	11	89	56	88	46
		89	56	88	46
Creditors: Amounts falling due in more than one year					
Provisions for liabilities	12	102	-	102	-
Total Equity and Liabilities		5,441	4,134	5,445	4,131

The financial statements were approved and authorised for issue by the Board of Directors on 23 December 2016, and were signed below on its behalf by:



John Eckersley,
Director

Group and Company Statement of Changes in Equity

GROUP	Share Capital £000's	Share Premium Account £000's	Retained Earnings £000's	Total £000's
Balance at 1 September 2015	3,070	672	336	4,078
Profit for the year	-	-	28	28
Total Comprehensive Income for 2016	3,070	672	364	4,106
Share capital issued	780	370	-	1,150
Costs of issue	-	(6)	-	(6)
Balance at 31 August 2016	3,850	1,036	364	5,250

COMPANY	Share Capital £000's	Share Premium Account £000's	Retained Earnings £000's	Total £000's
Balance at 1 September 2015	3,070	672	343	4,085
Profit for the year	-	-	26	26
Total Comprehensive Income for 2016	3,070	672	369	4,111
Share capital issued	780	370	-	1,150
Costs of issue	-	(6)	-	(6)
Balance at 31 August 2016	3,850	1,036	369	5,255

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 AUGUST 2016	2016 £000's	2015 £000's
Cash flows from operating activities		
Operating profit for the year	158	425
Increase in other receivables	(237)	(161)
Increase in trade and other payables	5	16
Taxation paid	-	(23)
Finance income	-	1
Unrealised (gains)/loss on investments	(71)	(459)
Cash (used)/generated by operations	(145)	(201)
Cash flow from investing activities		
Purchase of investments	(2,806)	(406)
Disposal of investments	1,305	43
Non-current loans made	(377)	(807)
Non-current loans recovered	803	595
Net cash flow used in investing activities	(1,075)	(575)
Cash flow from financing activities		
Net proceeds from issue of share capital	1,144	263
Net cash inflow from financing Activities	1,144	263
Net cash outflow for the year	(76)	(513)
Cash and cash equivalents at start of year	355	868
Cash and cash equivalents at the end of the year	279	355

Company Cash Flow Statement

FOR THE YEAR ENDED 31 AUGUST 2016	2016 £000's	2015 £000's
Cash flows from operating activities		
Operating profit for the year	156	432
Increase in other receivables	(244)	(158)
Increase in trade and other payables	14	6
Taxation paid	-	(23)
Finance income	-	1
Unrealised gains on investments	(71)	(459)
Cash (used)/generated by operations	(145)	(201)
Cash flow from investing activities		
Purchase of investments	(2,806)	(406)
Disposal of investments	1,305	43
Non-current loans made	(377)	(807)
Non-current loans recovered	803	595
Net cash flow used in investing activities	(1,075)	(575)
Cash flow from financing activities		
Net proceeds from issue of share capital	1,144	263
Net cash inflow from financing activities	1,144	263
Net cash outflow for the year	(76)	(513)
Cash and cash equivalents at start of year	355	868
Cash and cash equivalents at the end of the year	279	355

Notes to the Financial Statements

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 2016 were authorised for issue by the Board on 23 December 2016 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 Chief Executive's Statement on page 4-5.

Going concern

The Directors have prepared cash flow projections for the 12 months to 31 December 2017. 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 2016 has been prepared in accordance with the Companies Act 2006 and 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 2016. 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 payment 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.

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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 AUGUST 2016

1. REVENUE	2016 £000's	2015 £000's
An analysis of the revenue is as follows:		
Arrangement fees	48	43
Monitoring fees	95	49
Advisory fees	44	35
Interest income	301	264
Dividend income	50	128
Other income	22	4
	560	523
All revenue arose within the United Kingdom.		
2. PROFIT FROM OPERATIONS	2016 £000's	2015 £000's
Profit from operations has been arrived at after charging:		
Directors' emoluments (see note 3)	87	77
Auditors' remuneration		
- fee payable to auditors for audit of the Company financial statements	12	12
- fee payable to auditors for audit of the subsidiary financial statements	4	4
	16	16
Amounts payable to Group auditors and their associates in respect of both audit and non-audit services:		
Comprising		
Audit services	16	16
Non-audit services	4	5
	20	21
3. STAFF COSTS	2016 £000's	2015 £000's
The average monthly number of employees (including executive Directors) for the year was as follows:		
Management	8	5
The aggregate remuneration comprised:		
Directors' emoluments	87	77
Wages and salaries	169	119
Social security and taxes	23	17
Pension contributions	-	5
Benefit in kind	12	-
	291	218

The above costs are included in general and administrative expenses.

The highest paid Director received £34,166 (2015: £30,000) and no Directors received any pension contributions during the year (2015: £nil).

FOR THE YEAR ENDED 31 AUGUST 2016

4. UNREALISED REVALUATION GAINS ON INVESTMENTS	2016 £000's	2015 £000's
Unrealised revaluation gains on investments (note 8)	71	459

5. INCOME TAX EXPENSE	2016 £000's	2015 £000's
Current tax	28	(2)
Deferred tax	102	-
	<u>130</u>	<u>(2)</u>

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

Profit before taxation	158	426
Expected tax charge/(credit) on profit/(loss) before tax at 20%	32	85
Effects of:		
Expenses not deductible for tax purposes	19	14
Income not taxable	(54)	(91)
Exempt dividend income	(4)	(10)
Chargeable gains	149	3
Adjustments in respect of previous periods	-	(3)
Adjustment in respect of tax rates	(12)	-
Current and deferred tax charge/ (credit)	<u>130</u>	<u>(2)</u>

6. DIVIDENDS

The Directors elected not to declare a dividend for the year (2015: £nil).

7. EARNINGS PER SHARE	2016	2015
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The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

Earnings

Earnings for the purposes of basic earnings per share: net profit for the year attributable to equity holders of the Company (£000's)

28

428

Number of shares

Weighted average number of ordinary shares in issue

8,540,509

7,399,500

Number of dilutive shares under options

-

-

Weighted average number of shares including dilutive warrants

8,540,509

7,399,500

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.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 AUGUST 2016

8. INVESTMENTS	Level 1 £000's	Level 2 £000's	Level 3 £000's	2016 Total £000's	2015 Total £000's
GROUP AND COMPANY					
Investments held at fair value through profit or loss					
At 1 September 2015	585	30	1,240	1,855	1,033
Additions	-	1,016	1,790	2,806	406
Disposals	(261)	(1,044)	-	(1,305)	(43)
Unrealised gain at end of year	-	-	71	71	459
At 31 August 2016	<u>324</u>	<u>2</u>	<u>3,101</u>	<u>3,427</u>	<u>1,855</u>

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, whether directly (i.e. as process) or indirectly (i.e. derived from prices). Level 2 investment relates to an investment portfolio used to maximise the return during the year.

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 2016 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	2016 £000's	2015 £000's
GROUP AND COMPANY		
Loans receivable	<u>1,081</u>	<u>1,507</u>

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.

FOR THE YEAR ENDED 31 AUGUST 2016

10. TRADE AND OTHER RECEIVABLES	GROUP		COMPANY	
	2016 £000's	2015 £000's	2016 £000's	2015 £000's
Trade receivables	32	22	32	11
Amounts due from subsidiaries	-	-	5	10
Other receivables	622	395	621	393
	<u>654</u>	<u>417</u>	<u>658</u>	<u>414</u>

There are no significant credit risks arising from financial assets that are neither past due nor impaired.

All receivables as at 31 August 2016 were denominated in Pounds Sterling.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

11. TRADE AND OTHER PAYABLES	GROUP		COMPANY	
	2016 £000's	2015 £000's	2016 £000's	2015 £000's
Trade payables	3	13	3	8
Corporation tax payable	28	-	28	-
VAT and social security payable	27	24	27	18
Other payables	31	19	30	20
	<u>89</u>	<u>56</u>	<u>88</u>	<u>46</u>
Due within one year	<u>89</u>	<u>56</u>	<u>88</u>	<u>46</u>

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.

12. PROVISION FOR LIABILITIES AND CHARGES	GROUP	
	2016 £000's	2015 £000's
Deferred tax provision	<u>102</u>	<u>-</u>
The movements during the year were as follows:		
Deferred tax		
At 1 September 2015	-	
Charged for the year	102	
At 31 August 2016	<u>102</u>	

Notes to the Financial Statements continued

FOR THE YEAR ENDED 31 AUGUST 2016

13. SHARE CAPITAL	GROUP & COMPANY	
	2016 £000's	2015 £000's
Issued and fully paid:		
2016: 9,624,526 (2015: 7,675,432) ordinary shares of £0.40 each	3,850	3,070

On 22 March 2016, the Company issued 1,949,094 ordinary £0.40 shares for a total consideration of £1,149,965 giving rise to share premium of £364,429 (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.

14. PROFIT/(LOSS) ATTRIBUTABLE TO CAPITAL FOR COLLEAGUES PLC

The profit after taxation for the financial year dealt with in the financial statements of the parent Company, Capital for Colleagues Plc, was a profit of £26,000 (2015: profit: £435,454). As permitted by section 408 of the Companies Act 2006, no separate income statement has been presented in respect of the parent company.

15. 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:

	2016 £000's	2015 £000's
Short term employee benefits (including social security)	87	77

16. CONTINGENT LIABILITIES

As at 31 August 2016, the Group have guaranteed the deferred consideration of £153,455 owed by Cotswold Valves Employee Ownership Trust.

17. 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 2016

Registered number	08717989
Directors	Richard Charles Bailey Alistair Malcolm Thomson Currie John Stephen Eckersley Edmund George Jenkins
Company Secretary	John Arthur Lewis
Registered Office	8th Floor 111 Piccadilly Manchester M1 2HY W: www.capitalforcolleagues.com
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 PLC 22 King Street London SW1Y 6QY
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Solicitors	DAC Beachcroft LLP 100 Fetter Lane London ECA 1BN Turner Parkinson LLP Hollins Chambers 64a Bridge Street Manchester M3 3BA
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