



Capital for Colleagues

12 April 2017

Capital for Colleagues plc
("Capital for Colleagues" or the "Company")

**Open Offer of up to 4,812,247 Open Offer Shares at 42p per share
to raise up to £2.02 million**

Introduction

On 31 March 2017, Capital for Colleagues announced that the Company intended to raise additional equity capital so that the Company could continue to capitalise on the many attractive investment opportunities that the Directors believe still exist in the EOB sector.

The Company today announces that it is raising up to £2.02 million through the issue of up to 4,812,247 New Ordinary Shares at a price of 42p per share in the Open Offer.

A circular containing detailed information about the Open Offer is being posted to shareholders in the Company today and will be available from the Company's website – www.capitalforcolleagues.com – in due course.

CAPITAL FOR COLLEAGUES PLC

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Richard Bailey, Chairman

John Eckersley, Chief Executive

PETERHOUSE CORPORATE FINANCE LIMITED

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Background to and reasons for the Open Offer

The Directors believe that Capital for Colleagues has made strong progress in the three years since its admission to trading on the NEX Exchange Growth Market, investing in a diverse portfolio of companies focused on employee ownership and actively promoting the benefits of EO to a wider audience. Recent events have, however, made it appropriate for the Directors to re-examine (and to re-confirm) their belief in the fundamental merits of investing in EOBs.

The news that two of the Company's investee companies, FJH and FJH's wholly-owned subsidiary, HBA, had been placed into administration in February 2017 was particularly disappointing. At the time of the administration, the Company's loans to and investments in FJH and HBA were valued at approximately £1.3 million in aggregate and, as announced in the Company's quarterly portfolio update on 31 March 2017, these loans and investments have now been written down to zero. This write down was the principal reason for the decline in the Company's net asset value from 54.09p per share as at 30 November 2016 to 43.54p per share as at 28 February 2017.

The Board has reflected on the circumstances in which FJH became part of the Company's portfolio and examined whether or not this led to a greater chance of failure than might otherwise have been the case. FJH was one of three investments acquired, immediately prior to the Company's admission to trading on the NEX Exchange Growth Market, from the members of a pre-existing limited liability partnership. Subsequent to that acquisition, it became apparent to the Directors that FJH's commitment to employee ownership was not as deeply embedded as the Company would typically

expect from its investee companies. Moreover, the Directors believed that FJH's management were not always receptive to suggestions for improving that company's financial management and performance, despite considerable input being provided to FJH's management by members of the Capital for Colleagues team. Accordingly, a decision to exit the holding was taken by the Company some months prior to the administration referred to above. Regrettably, before an exit could be achieved, apparently in the light of the impact of increasingly tough trading conditions, FJH's management and its secured finance providers engineered a sale of its key businesses and assets to a third party private equity firm, leaving existing equity investors and unsecured finance providers with nothing of value.

Over the last three years, Capital for Colleagues has sourced and executed its investments through a process which delivers a detailed understanding of prospective investee companies (and the people who run them) prior to any investment being made. The Directors are also pleased to report that the remaining two investments acquired by the Company at the same time as FJH are positively embracing EO and the Company continues to provide active help with their respective EO 'journeys'. Without wishing to deny the significant impact of the failure of FJH and HBA, it has not dimmed the Directors' enthusiasm for seeing through the Company's strategy.

Accordingly, so that Capital for Colleagues can continue to capitalise on the many attractive investment opportunities that the Directors believe still exist in the EOB sector, the Company is raising up to £2.02 million (before expenses) through the Open Offer. The Directors believe that the Open Offer gives Qualifying Shareholders the opportunity to maintain their interest in the Company, by subscribing for their Basic Entitlements, and may also represent a chance to re-base their investment in the Company following the decline in net asset value per share referred to above.

The Directors are pleased to report that the Company has received commitments from Directors and other Qualifying Shareholders to take up 2,739,298 Open Offer Shares, representing 57 per cent of the New Ordinary Shares available in the Open Offer.

The Company has also identified new investors who have expressed an interest in investing approximately £819,000, in aggregate, in the Company, by subscribing for any Open Offer Shares which are not taken up under the Open Offer or, to the extent that there are insufficient such Open Offer Shares, by subscribing for new Ordinary Shares on a non pre-emptive basis. Any such new Ordinary Shares would be subscribed for in cash at the Issue Price.

The proceeds of the Open Offer will be used to make further investments in line with the Company's investment strategy and to provide working capital for the Company's ongoing operations.

The events surrounding FJH were extremely disappointing, but the Directors still believe in the fundamental strength of the EOB sector and the returns that it can deliver. The Directors are satisfied with the performance of the Company's other investee companies and are pleased by the resilience these are demonstrating. Investment in smaller, unquoted companies always carries with it a risk that some investments will fail. The Directors are committed to minimising this risk and they will continue to invest in a diversified range of EOBs, with the intention that these companies will become successful and sustainable, delivering attractive returns to the Company and its Shareholders.

The Directors are therefore optimistic about Capital for Colleagues' prospects and look forward to updating Shareholders on the Company's progress in due course.

Share Incentive Plan

In the context of the developments referred to above, the Directors have also looked carefully at the level of the Company's fixed operating costs and the way in which such costs are met, to ensure that costs overall remain appropriately in line with the Company's present and likely short term asset base. To achieve this, the Executive Directors and certain key employees of the Company have indicated a willingness that, for a period of at least 12 months from May 2017, a proportion of their monthly earnings will not be satisfied in cash but will instead be satisfied by the issue of new Ordinary Shares in the Company, utilising as far as possible a share incentive plan.

Whilst the Company's overheads are far from excessive, the Directors believe that the introduction of this share incentive plan will have a positive impact on the Company's cash resources, whilst underlining the belief of key stakeholders in the Company's investment strategy and its future prospects.

Details of the Open Offer

The Company is raising up to £2.02 million (before expenses) through the issue of up to 4,812,247 Open Offer Shares in the Open Offer at the Issue Price of 42p per share. The Issue Price represents a discount of 3.5 per cent to the Company's net asset value of 43.54p per share as at 28 February 2017.

Qualifying Shareholders may subscribe for Open Offer Shares in proportion to their holdings of Existing Ordinary Shares held on the Record Date. Qualifying Shareholders subscribing for their full entitlement under the Open Offer may also request additional Open Offer Shares through the Excess Application Facility, up to the total number of Open Offer Shares available to Qualifying Shareholders under the Open Offer.

The Open Offer is conditional only on admission of the Open Offer Shares to trading on the Social Stock Exchange segment of the NEX Exchange Growth Market becoming effective on or before 8.00 a.m. on 2 May 2017 (or such later date and/or time as the Company and Peterhouse may agree, being no later than 31 May 2017).

It is estimated that the total expenses payable by the Company in connection with the Open Offer (assuming all Open Offer Shares are subscribed for in full and no new Ordinary Shares are issued to the Subscribers) will amount to approximately £35,000 (excluding VAT). On that basis, the net proceeds of the Open Offer, assuming all Open Offer Shares are subscribed for in full and no new Ordinary Shares are issued to the Subscribers, will be £1.98 million.

Basic Entitlement

Qualifying Shareholders are being given the opportunity to subscribe for Open Offer Shares under the Open Offer at the Issue Price, payable in full on application and free of all expenses, pro rata to their existing shareholdings on the following basis:

1 Open Offer Share for every 2 Existing Ordinary Shares

held by Qualifying Shareholders and registered in their name at the Record Date. The Open Offer is not being made to Overseas Shareholders.

The Open Offer Shares must be paid for in full on application. The latest time and date for application and payment in respect of the Open Offer is 11.00 a.m. on 27 April 2017.

Open Offer Entitlements will be rounded down to the nearest whole number of Open Offer Shares and any fractional entitlements to Open Offer Shares will not be allocated and will be disregarded. Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating their Basic Entitlement.

The Open Offer is not a rights issue. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim. Qualifying Non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should be aware that under the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer.

Excess Application Facility

The Excess Application Facility will enable Qualifying Shareholders, provided that they take up their Basic Entitlements in full, to apply for additional Open Offer Shares to the extent that Open Offer Shares are not taken up by other Qualifying Shareholders.

Qualifying Shareholders should refer to paragraph 4 of Part III of the Circular for information on how to apply pursuant to the Excess Application Facility. Applications under the Excess Application Facility will be satisfied only and to the extent that corresponding applications by other Qualifying Shareholders are not made or are made for less than their Basic Entitlements and may be scaled back on a pro rata basis. Accordingly, no assurance can be given that applications by Qualifying Shareholders under the Excess Application Facility will be met in full, in part or at all.

Proposed Subscription

As referred to in “Background to and reasons for the Open Offer” above, the Subscribers have expressed an interest in investing approximately £819,000, in aggregate, for any Open Offer Shares not taken up by Qualifying Shareholders in the Open Offer and, to the extent that the value at the Issue Price of Open Offer Shares not subscribed in the Open Offer is less than such amount, to subscribe for such number of new Ordinary Shares as would take the total amount subscribed by the Subscribers to an amount of approximately £819,000. Any such new Ordinary Shares would be subscribed for in cash at the Issue Price.

Action to be taken in respect of the Open Offer

Further details of the Open Offer and the terms and conditions on which it is being made, including the procedure for application and payment, are contained in Part III of the Circular and, for Qualifying Non-CREST Shareholders, on the Application Form. To be valid, Application Forms (duly completed) and payment in full for the Open Offer Shares applied for must be received by the Receiving Agent, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, GU9 7DR, by no later than 11.00 a.m. on 27 April 2017.

Directors’ Participation in the Open Offer

The Directors have indicated that they will take up 359,054 Open Offer Shares in aggregate, equivalent to approximately 7.5 per cent of the Open Offer Shares and amounting to a total consideration of approximately £150,000, as set out below:

<i>Director</i>	<i>Number of Existing Ordinary Shares</i>	<i>Number of Open Offer Shares to be applied for</i>	<i>Number of Ordinary Shares held on Admission</i>	<i>% of the Enlarged Issued Share Capital*</i>
Richard Bailey	122,246	61,123	183,369	1.3
John Eckersley	314,674	157,337	472,011	3.3
Alistair Currie	230,342	115,171	345,513	2.4
Edmund Jenkins	50,847	25,423	76,270	0.5

* Assuming the Open Offer is taken up in full and no additional new Ordinary Shares are issued to the Subscribers.

Application to the NEX Exchange Growth Market

Application will be made for the Open Offer Shares to be admitted to trading on the Social Stock Exchange segment of the NEX Exchange Growth Market. It is expected that Admission will become effective and that dealings in the Open Offer Shares will commence on 2 May 2017.

The Open Offer Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions hereafter declared, paid or made on the ordinary share capital of the Company.

The Directors have sufficient authority to allot and issue the Open Offer Shares, and any other new Ordinary Shares which may be issued to the Subscribers, following the passing of the Shareholder resolutions at the Company's annual general meeting on 28 February 2017.

Expected Timetable of Principal Events

	2017
Record Date and time for entitlements under the Open Offer	Close of business on 11 April
Announcement of the Open Offer	12 April
Publication of the Circular and Application Forms	12 April
Existing Ordinary Shares marked 'ex' entitlement by NEX Exchange	12 April
Basic Entitlements and Excess Entitlements credited to CREST accounts of Qualifying CREST Shareholders	13 April
Recommended latest time and date for requesting withdrawal of Basic Entitlements and Excess Entitlements from CREST	4.30 p.m. on 21 April
Latest time and date for depositing Basic Entitlements and Excess Entitlements into CREST	3.00 p.m. on 24 April
Latest time and date for splitting Application Forms (to satisfy bona fide market claims only)	3.00 p.m. on 25 April
Latest time and date for receipt of completed Application Forms from Qualifying Shareholders and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)	11.00 a.m. on 27 April

Expected date of Admission and commencement of dealings in Open Offer Shares	8.00 a.m. on 2 May
Expected date for CREST accounts to be credited with Open Offer Shares	2 May
Share certificates in relation to Open Offer Shares (where applicable) despatched by	12 May

Save for the date of publication of the Circular, each of the times and dates above is subject to change. Any such change, including any consequential change in the Open Offer Statistics above, will be notified to Shareholders by an announcement on a Regulatory Information Service. All times are London times and each of the times is subject to change.

Open Offer Statistics

Issue Price	42p per Open Offer Share
Open Offer: Basic Entitlement	1 Open Offer Share for every 2 Existing Ordinary Shares
Number of Ordinary Shares in issue as at the date of the Circular	9,624,526
Maximum number of Open Offer Shares to be issued pursuant to the Open Offer	4,812,247
Enlarged Share Capital on Admission*	14,436,773
Gross proceeds of the Open Offer*	£2.02 million
Estimated net proceeds of the Open Offer receivable by the Company*	£1.98 million
Maximum percentage of the Enlarged Issued Share Capital that the Open Offer Shares will represent	33.33 per cent
ISIN – Open Offer: Basic Entitlements	GB00BYQDFR29
ISIN – Open Offer: Excess Entitlements	GB00BYQDFT43

*Assuming the Open Offer is subscribed in full and no additional new Ordinary Shares are issued to the Subscribers

Definitions

The following definitions apply throughout this announcement, unless the context requires otherwise:

“Act” the Companies Act 2006

“Admission”	admission of the Open Offer Shares to trading on the Social Stock Exchange segment of the NEX Exchange Growth Market becoming effective in accordance with the NEX Exchange Rules
“Applicant”	a Qualifying Shareholder, or a person entitled by virtue of a bona fide market claim, who lodges an Application Form under the Open Offer
“Application Form”	the application form to be used by Qualifying Non-CREST Shareholders in connection with the Open Offer
“Basic Entitlement(s)”	the entitlement to subscribe for Open Offer Shares at the Issue Price, allocated to a Qualifying Shareholder pursuant to the Open Offer
“Capital for Colleagues” or the “Company”	Capital for Colleagues plc, a company incorporated in England and Wales with company registration number 8717989 and whose registered office is at 8th Floor, 111 Piccadilly, Manchester M1 2HY
“certificated” or “in certificated form”	not in uncertificated form (that is, not in CREST)
“Circular”	the circular to shareholders in the Company to be dated 12 April 2017
“CREST”	the Relevant System (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear UK & Ireland Limited
“Directors”	the directors of the Company
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company as enlarged by the issue of the New Ordinary Shares
“EO”	Employee Ownership
“EOB”	an Employee Owned Business, i.e. a commercial enterprise directly or indirectly owned to a significant extent by the people who work for it
“Excess Application Facility” or “Excess Entitlement(s)”	the arrangement pursuant to which Qualifying Shareholders may apply for any number of Open Offer Shares in excess of their Basic Entitlement provided that they have agreed to take up their Basic Entitlement in full
“Existing Ordinary Shares”	the 9,624,526 Ordinary Shares in issue at the date of this

	Circular
“Existing Shareholders”	holders of Existing Ordinary Shares
“FCA”	the Financial Conduct Authority
“FJH”	F.J. Holdings Limited, a company incorporated in England and Wales with company registration number 04878424
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“HBA”	Ham Baker Adams Limited, a company incorporated in England and Wales with company registration number 04307534
“Issue Price”	42p
“New Ordinary Shares”	new Ordinary Shares to be issued by the Company under the Open Offer
“NEX Exchange”	NEX Exchange Limited, a recognised investment exchange under section 290 of FSMA
“NEX Exchange Growth Market”	the primary market for unlisted securities operated by NEX Exchange (previously called the ISDX Growth Market)
“Open Offer”	the offer to Qualifying Shareholders to subscribe for Open Offer Shares at the Issue Price, as described in this Circular
“Open Offer Entitlements”	the entitlement of Qualifying Shareholders to subscribe for Open Offer Shares at the Issue Price, allocated to Qualifying Shareholders pursuant to the Open Offer
“Open Offer Shares”	up to 4,812,247 New Ordinary Shares which are being offered to Qualifying Shareholders pursuant to the Open Offer
“Ordinary Shares”	ordinary shares of 40p each in the Company
“Overseas Shareholders”	Shareholders resident in, or citizens of, jurisdictions outside the United Kingdom
“Peterhouse”	Peterhouse Corporate Finance Limited, a company incorporated in England and Wales with company registration number 2075091, which is NEX Exchange Corporate Adviser and Broker to the Company and which is authorised and regulated by the FCA
“Qualifying CREST Shareholders”	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company on the Record Date

	are held in uncertificated form
“Qualifying Non-CREST Shareholders”	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company on the Record Date are held in certificated form
“Qualifying Shareholders”	holders of Existing Ordinary Shares on the Record Date (other than Shareholders resident in or citizens of any Restricted Jurisdiction)
“Record Date”	close of business on 11 April 2017
“Restricted Jurisdiction”	the US, Canada, Australia, the Republic of South Africa, the Republic of Ireland, Japan or any other country outside of the United Kingdom where distribution of this Circular and the Application Form may lead to a breach of any applicable legal or regulatory requirements
“Shareholders”	persons registered as the holders of any part of the share capital of the Company
“Social Stock Exchange”	Social Stock Exchange Limited, a company registered in England and Wales with company number 06312190 and whose registered office is at One Royal Exchange, London EC3V 3DG
“Subscribers”	investors who have expressed an interest to subscribe for Open Offer Shares not subscribed in the Open Offer and otherwise for new Ordinary Shares up to, in aggregate, a maximum amount of approximately £819,000 pursuant to the Subscription
“Subscription”	a possible subscription for new Ordinary Shares at the Issue Price, conditional on admission of the new Ordinary Shares to trading on the Social Stock Exchange segment of the NEX Exchange Growth Market
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“uncertificated” or “in uncertificated form”	a share or other security recorded on the relevant register of the company concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST.

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