

**Capital for Colleagues plc / EPIC: CFCP / Market: NEX / Sector: Investment**

28 February 2020

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

**AUDITED RESULTS FOR THE YEAR ENDED 31 AUGUST 2019**

Capital for Colleagues, the investment vehicle focused on opportunities in the Employee Owned Business ('EOB') sector, is pleased to announce its audited results for the year ended 31 August 2019.

**CHIEF EXECUTIVE’S STATEMENT**

I am pleased to provide this report to shareholders, the first since my appointment as CEO of Capital for Colleagues plc (C4C) in May 2019. I would like to start by thanking my predecessor, John Eckersley, who identified the opportunity and had the foresight to establish C4C as the first quoted investment company focussing on the Employee Ownership sector. I am delighted, along with my colleagues on the Board, that John has agreed to remain as a Director of the company in a non-executive capacity.

At the same time as my appointment as CEO, the shareholders of Castlefield Corporate Advisory Partners Ltd (CCAP) agreed to re-integrate the activities of CCAP under the C4C umbrella. This has enabled us to identify some meaningful savings in the cost base of C4C and to instigate a number of initiatives that will lead to additional revenue streams for your company. We now have a dedicated and motivated executive management team with significant experience and knowledge of the EO sector and a diverse but complementary skill set.

During the year to 31 August 2019 the Net Asset Value per share (NAV) rose marginally to 43.44p (2018: 43.35p). The encouraging performance of several companies in the portfolio resulted in net revaluation gains of £800,000 (2018: £463,000). In addition, the previous policy of providing a general provision equivalent to 2% of the value of the unquoted investments and loans has now been discontinued in favour of a more specific review of individual investments which resulted in a write back of £126,000 in the year, being £92,000 in unlisted investments (note 8) and £34,000 in loan receivables (note 16). However, there were also some loan impairments in the portfolio that required a downward revaluation of £908,000 (2018: Nil).

**Activity**

During the year under review, we invested in one new holding. C4C provided loan finance to South Cerney Outdoor Limited (SCO). SCO is a recently formed company, established to acquire the business and assets of South Cerney Outdoor from the Shaw Trust, a charity helping to transform the lives of young people and adults in the UK and internationally.

Based near Cirencester in Gloucestershire, SCO is focused on creating outdoor experiences that inspire personal challenge, fun, growth and adventure for the whole community, regardless of age or ability. Activities are available on an individual or group basis and include water sports and land-based activities at SCO’s 53-acre leasehold site, which is dominated by the water sports lake. To enable SCO to acquire the South Cerney Outdoor business, C4C provided SCO with an initial loan facility of GBP 250,000, of which GBP 150,000 was drawn down on completion. An Employee Ownership Trust (EOT) became the major shareholder in SCO on completion. C4C looks forward to

working with SCO to help implement the exciting ideas that the new employee owners have for expanding the activities of the business.

We also announced terms for the realisation of the Company's investment in its portfolio company, Cotswold Valves Limited ('CVL'). C4C first invested in CVL in 2015 and subsequently supported CVL as it expanded its business through the acquisition of Flow Control Company Limited ('FCCL') in 2018. C4C and the management of CVL have now agreed that CVL and FCCL will be better able to develop their business under a revised ownership structure which, at this point, is not focused as rigorously on the promotion of Employee Ownership as C4C would prefer. Accordingly C4C agreed to sell its equity interest in CVL for its acquisition cost of £220,000 in cash and to re-schedule all existing loans from C4C to CVL and FCCL, totalling £450,000. We anticipate that the full consideration for the disposal and the amounts outstanding on the loans will be received by C4C in the course of the next three years.

### **Post Balance Sheet Events**

After the year end one of the companies within the Company's portfolio was independently valued at a level which is materially above the value attributed to that company as at 31 August 2019. As a result, the Directors expect to report an increase of approximately £1.0 million in Capital for Colleagues' net asset value in the Company's interim results for the six months ended 29 February 2020. This increase is equivalent to approximately 6.5p per share. This has been reported as a Post Balance Sheet Event (see note 26 to the accounts).

In December 2019 C4C announced a new investment in The Security Awareness Group Ltd (TSAG).

TSAG is a recently formed company, established to acquire the business and assets of The Security Company (International) Limited ('TSC'), which has been delivering behavioural change and security awareness programmes since 1997.

TSC's bespoke solutions boost employees' security awareness at work and home and inspire changes in behaviour that protect organisations from inadvertent human error. Huntingdon-based TSC has clients in numerous sectors, including pharmaceuticals, atomic energy, precious metals, banking, government, IT, insurance and law; its clients include household names, such as Specsavers, KraftHeinz, the British Red Cross and the Prince's Trust.

C4C's investment in this exciting business provides further diversification within our portfolio. Cyber security is one of the major challenges faced by businesses today and we believe that the team at TSC will continue to play a major part in helping combat this threat.

### **Highlights**

Many of the companies in the portfolio made good progress during the year at the operating level and further details are provided below on a number of the company's investments.

#### *Bright Ascension Limited (BAL)*

BAL is a space software company with employees in Edinburgh, Dundee and Bristol. The company provides software products, software development services and R&D consultancy. BAL specialises in flight software, mission control software and tooling to support the assembly, integration, verification and testing of satellites.

BAL was founded in 2011 with the aim of offering a fresh and innovative approach to space software. Initially consulting for the European Space Agency and large aerospace companies, in 2012

the BAL team was given the opportunity to become flight software developers for UKube-1, one of the first two spacecraft to be funded by the newly-formed UK Space Agency. This role later expanded to include development of the Mission Control software and a spacecraft simulator. The project culminated in a successful launch in July 2014 and BAL staff were heavily involved in supporting the operations of the satellite throughout its primary mission.

The success of this work on UKube-1 provided the foundation for the development of the company's space software product line. It also helped to raise the profile and credibility of the company, leading to further commercial opportunities. Since then the company has worked with more than 25 customers across six continents. The growth in BAL's customer base and significant investment in the company's Intellectual Property portfolio along with independent evidence that BAL's target market is significantly larger than first thought have necessitated a significant increase in our valuation of the company.

#### *Computer Application Services Limited (CAS)*

CAS is a software company based in Edinburgh, Scotland. Currently 25 strong, with plans to increase to 30 in the next two to three years. The team develops, sells and supports Workpro case management software. CAS also supports two niche services to the Ministry of Defence; noise monitoring on a number of Army training ranges and managing training activities at RAF Spadeadam.

Prior to the move to employee ownership in 2014, case management clients were exclusively members of the UK Ombudsman community managing housing, local government and legal complaints.

Investment to develop Workpro as a product has resulted in applications for employee relations casework and regulated financial complaints, both new markets for CAS.

New government and corporate clients are added to the UK client base almost monthly with recent wins extending overseas to Brussels, Cayman Islands, Toronto and Arizona where a new nuclear regulations application will be piloted. Building CAS via a new recurring revenue model promotes sustainability of the business which in turn enhances value as well as job security. A particular attraction of CAS is the very low rate of client 'churn' – once gained clients are rarely lost. The successful growth of CAS's recurring revenues has seen a healthy increase in our valuation of the business over the last 12 months.

#### *Civils Store Limited (CSL)*

CSL is a UK specialist distributor of civil engineering and construction materials. CSL began trading in 2013 with C4C providing funding in 2014 to help to facilitate the growth of the business. At this stage the company comprised three depots and its initial focus was on creating long term relationships with customers and suppliers. Having successfully established the business, the CSL team has begun a controlled expansion and is currently trading from 5 branches. CSL is now a soundly based company with growing turnover and profitability and we have been able to increase the valuation of our investment to reflect this.

#### *Total Pipe Solutions Limited (TPS)*

TPS is an independent distributor of engineering materials and solutions to the multi-utility, infrastructure and construction sectors. TPS was established in 2013 as a result of a Management and Employee Buy Out (MEBO) from its previous owner with C4C providing funding to help to facilitate the transaction. The company trades from two locations – one near Dublin and one near

Belfast. TPS has performed well since the MEBO growing turnover and profitability. It has also recently been appointed as an approved supplier for a major infrastructure project in Ireland. This progress justifies a meaningful upward revaluation of our investment.

*Office of Public Management Limited (Trading as Traverse)*

Traverse provides consultation, engagement and evaluation services for organisations that are dealing with complex and controversial issues and need to understand what the affected communities think about the projects and proposals. Customers include Eirgrid, Department for Transport, Cadent Gas and Horizon Nuclear Power and major projects undertaken by Traverse include the BBC licence fee for over 75s consultation, the Heathrow third runway consultation and consultation on the Lower Thames Crossing Project. The 47 permanent employees are supported by a variable number of casual staff brought in to deal with major projects work load. Full time employee numbers will grow steadily, particularly when the new government settles in post the December election.

Traverse delivered excellent financial results for the 2018/19 financial year and this trend has continued with above budget performance for the first six months of 2019/20. This has enabled us to significantly increase our valuation of the business.

**Downward revaluations**

Inevitably in a portfolio of seventeen companies there will be some investments that are facing challenging conditions and that have not progressed as envisaged at the time of investment. C4C continues to provide support and practical assistance for the investments that are in this position.

**Outlook**

Notwithstanding that some downward revisions in valuations have been applied, on the positive side it is pleasing to see several of the companies in the portfolio delivering on the potential envisaged at the time of investment and some of these have been highlighted above. Considering the company's portfolio as a whole, we remain confident of a successful outcome for the current year. There are encouraging developments under discussion at a number of portfolio companies and we look forward to updating shareholders as appropriate in coming months.

A M T Currie

Chief Executive Officer

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2019**

	2019	2018
	£'000	£'000
Revenue	570	384
Realised loss on investments	(6)	(96)

Net gain the fair value of investments	892	468
	-----	-----
Total income from investing activities	1,456	812
	-----	-----
Administrative expenses	(560)	(482)
Impairment of loan receivables	(874)	(34)
Impairment of investments in associate	(8)	-
	-----	-----
<b>OPERATING PROFIT</b>	<b>14</b>	<b>240</b>
	-----	-----
Tax charge	-	(138)
	-----	-----
<b>RETAINED PROFIT AFTER TAX FOR THE YEAR</b>	<b>14</b>	<b>102</b>
	=====	=====

**RETAINED PROFIT ATTRIBUTABLE TO:**

The ordinary equity holders of the parent	14	102
	=====	=====

**TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:**

Earnings per share attributable to the ordinary equity holders of the parent	14	102
	=====	=====
Earnings per share		
Basic and diluted	0.09p	0.66p
	=====	=====

**CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION AT 31 AUGUST 2019**

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	2	–	2	–
Investments held at fair value through profit or loss	5,450	5,034	5,450	5,034
Investments in associates	16	24	16	24
Loans receivables	434	1,321	434	1,321
	-----	-----	-----	-----
<b>TOTAL NON-CURRENT ASSETS</b>	<b>5,902</b>	<b>6,379</b>	<b>5,902</b>	<b>6,379</b>
	-----	-----	-----	-----
<b>CURRENT ASSETS</b>				
Loan receivables	494	318	494	318
Trade and other receivables	284	98	284	103
Cash and cash equivalents	261	175	261	175
	-----	-----	-----	-----
<b>TOTAL CURRENT ASSETS</b>	<b>1,039</b>	<b>591</b>	<b>1,039</b>	<b>596</b>
	-----	-----	-----	-----
<b>TOTAL ASSETS</b>	<b>6,941</b>	<b>6,970</b>	<b>6,941</b>	<b>6,975</b>
	=====	=====	=====	=====
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	(87)	(130)	(87)	(130)

**NON-CURRENT LIABILITIES**

Provisions for liabilities	(146)	(146)	(146)	(146)
	-----	-----	-----	-----
<b>TOTAL LIABILITIES</b>	<b>(233)</b>	<b>(276)</b>	<b>(233)</b>	<b>(276)</b>
	-----	-----	-----	-----
<b>NET ASSETS</b>	<b>6,708</b>	<b>6,694</b>	<b>6,708</b>	<b>6,699</b>
	=====	=====	=====	=====

**CAPITAL AND RESERVES**

Called up share capital	6,176	6,176	6,176	6,176
Share premium	1,099	1,099	1,099	1,099
Retained earnings/(loss)	(567)	(581)	(567)	(576)
	-----	-----	-----	-----
<b>TOTAL EQUITY</b>	<b>6,708</b>	<b>6,694</b>	<b>6,708</b>	<b>6,699</b>
	=====	=====	=====	=====

The Directors of the Company do not recommend the payment of a dividend.

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

**\*\*ENDS\*\***

For further information, please visit [www.capitalforcolleagues.com](http://www.capitalforcolleagues.com) or contact:

Richard Bailey, Chairman

Alistair Currie, Chief Executive

**PETERHOUSE CAPITAL LIMITED**

Mark Anwyl

020 7469 0930

Duncan Vasey

**Capital for Colleagues**

Capital for Colleagues is an investment company focused on the UK EOB sector. The Company has a proven management team, with a wide network of contacts and affiliates, as well as established access to investment opportunities, enabling the Company to execute its strategy and capitalise on EOB-focused investment opportunities. In addition, the Company educates and assists companies that are looking to launch employee ownership schemes, advising them, amongst other things, on how to secure investment and achieve their objectives.

**Market Abuse Regulation (MAR) Disclosure**

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