

17 December 2020

CAPITAL FOR COLLEAGUES PLC

(‘Capital for Colleagues’, ‘C4C’ or the ‘Company’)

AUDITED RESULTS FOR THE YEAR ENDED 31 AUGUST 2020

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 2020.

CHIEF EXECUTIVE’S STATEMENT

The Covid-19 pandemic has presented an unprecedented challenge to C4C and the companies in our portfolio. By definition, most of the companies in which we are invested are relatively young companies, with no previous experience of dealing with events that could threaten their long term viability. In addition, the majority of them are financed to varying degrees by debt and do not yet have historic reserves to fall back on. It is therefore extremely pleasing to report that all of C4C’s investments have coped robustly with the challenges posed by Covid-19 and several have adapted so well that their valuations have increased during the year under review. While many larger competitors initially struggled to cope with the new trading environment, several of our investments were nimble and flexible enough to continue to provide a high level of service to their customers. We believe that the culture engendered by employee ownership and high levels of employee engagement has been a major contributor to this outperformance.

During the year to 31 August 2020 the net asset value per share (NAV) rose by 21.3% to 52.69p. (2019: 43.44p). The encouraging performance of several companies in the portfolio resulted in net revaluation gains of £1.346m (2019: £0.80m). Loan impairments of £0.10m were required in the portfolio during the year under review. (2019: £0.91m).

Board Changes

Subsequent to the year end C4C announced the appointment of Richard Sloss as a non-executive Director of the Company. Richard, aged 57, has more than 30 years’ experience in the financial services sector, having worked as a fund manager at Scottish Amicable, as well as within UK and pan-European equity sales at firms including Deutsche Bank and Cantor Fitzgerald. Richard is currently a Director at Edison Group.

The Company also announced that John Eckersley will be stepping down as a non-executive Director of C4C in December 2020, to allow him to concentrate on his other business interests. The Board of C4C would like to thank John, on behalf of all the Company’s stakeholders, for his outstanding contribution to the development of our business. As the founder of C4C, he has played a key role in developing our portfolio of Employee Owned Businesses (EOB), whilst also highlighting the attractions and benefits of EOB ownership to a wider audience.

Activity

During the year under review, we completed one new investment. C4C provided equity and loan finance to The Security Awareness Group Ltd (TSAG). TSAG is a recently formed company, established to acquire the whole of the share capital 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 both at work and at home and inspire changes in behaviour that protect organisations from inadvertent human error. TSC has clients in numerous sectors, including pharmaceuticals, atomic energy, precious metals, banking,

government, information technology, insurance and law; its clients at the time of investment included household names, such as Specsavers, KraftHeinz, the British Red Cross and the Prince's Trust. TSC has continued to attract new clients in recent months, including British Sugar, Interserve and Save the Children.

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.

C4C looks forward to working with TSC to help implement the exciting ideas that the new employee owners have for expanding the activities of the business.

Realisations

In July 2020 we announced terms for the partial realisation of the Company's investment in its portfolio company, Merkko Group Limited. The investment had been prudently valued at £93,000 in the Company's last audited accounts.

Merkko is a builder's merchant, located in Berkshire and Oxfordshire that supplies a broad range of materials and equipment, primarily to customers in the construction industry. In October 2015, C4C subscribed £0.20m for 200,000 redeemable, non-voting 'A' Ordinary shares in Merkko. These shares were redeemed by Merkko at a valuation of £0.40m. C4C has used £0.15m of the proceeds from the sale to subscribe for new ordinary shares in Merkko representing approximately 10% of that company's equity capital.

In August 2020, we completed a partial realisation of the Company's investment in its portfolio company, 2C Services Limited (2CS). Our investment comprised both 'A' ordinary shares and ordinary shares and had been valued at £50,020 in the Company's last audited accounts. The 'A' shares were redeemed by 2CS for cash at a valuation of £50,000. C4C retains a holding of ordinary shares representing 20% of that company's equity capital. 2CS is performing well and, under the terms of the new investment agreement established at the time of the redemption of the A ordinary shares, we are confident that we will see an attractive future dividend stream from this investment alongside capital growth.

Highlights

Many of the companies in the portfolio made good progress during the year at the operating level and some highlights are provided below. Further details on all of the company's investments can be found on C4C's website.

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 operation of satellites.

BAL was founded in 2011 with the aim of offering a fresh and innovative approach to space software. Initially BAL provided consultancy services for the European Space Agency and large aerospace companies. Then in 2012, the BAL team was given the opportunity to lead software development for UKube-1, one of the first two spacecraft to be funded by the newly-formed UK Space Agency, culminating in a successful launch in July 2014.

The success of this work on UKube-1 provided the foundation for the development of the company's space software product line and established early credibility for the company. Since then the company has worked with more than 35 customers across the globe and has supplied software products and services for a wide range of satellites and space missions.

There are currently 16 spacecraft in orbit using BAL software, with many more due for launch within the next year. The company is engaged with customers of all sizes, from small institutes to large commercial companies planning constellations of multiple satellites.

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 led to a meaningful increase in our valuation of the company last year. An independent and highly detailed valuation of BAL was received during the year under review necessitating a further significant increase in that valuation.

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 a wide range of local customers by offering exceptional customer service. Having successfully established the business, the CSL team has begun a controlled expansion and in October 2019 increased the number of branches from four to five with the opening of Civils Store Severnside. CSL adapted particularly well to the Covid-19 challenges it faced and has grown turnover and profitability significantly over the last year and we have been able to increase the valuation of our investment to reflect this.

Merkko Group Limited (Merkko)

Merkko also coped well with the Covid-19 challenges it faced and adapted its processes to continue to provide a quality service to its customers. Strong sales growth and a significant increase in profitability and cash generation facilitated the partial realisation of C4C's investment detailed earlier.

Merkko has continued to perform well and has now committed to the payment of regular dividends to all shareholders. The first such dividend was received by C4C in November 2020.

Downward revaluations

Inevitably in a portfolio of sixteen companies there will be some investments that are facing challenging conditions and that have not progressed as envisaged at the time of investment. Some of our investee companies have endured additional pressures specifically related to Covid-19 and this has led to a number of cautious reductions in carrying values. C4C continues to provide support and practical assistance for the investments that are in this position. It is important to stress that none of our investments are facing challenges to their long term viability and barring a significant and unexpected deterioration in their trading environment as a result of the pandemic, there is a clear path to long term profitable growth for these companies.

Dividend

C4C differentiates itself in many ways from the traditional Private Equity approach. In particular we provide genuine patient capital to the companies in which we invest and do not put undue pressure on their management teams to provide us with an exit. Nevertheless, as the portfolio matures, opportunities arise for realisation of investments, either partially or complete. The Board of C4C believes that where profitable realisations occur, it would be appropriate to distribute some of these gains to shareholders. At present, the Company is constrained in its ability to pay dividends due to insufficient distributable reserves. However the Board considers that anticipated realisations and other corporate transactions in the remainder of this financial year should permit the declaration of a dividend in the results for the year to 31 August 2021.

At this time the Board has an ambition to pay a final dividend of at least 1p per ordinary share.

Outlook

The ongoing Covid-19 pandemic provides an uncertain environment for our investments, notwithstanding the recent encouraging news on vaccines. However all of the companies in which we are invested have adapted well to the crisis and almost all of them are now able to continue operating successfully under even the most severe restrictions imposed by Government. We have been tremendously impressed with the ingenuity and hard work exhibited across our portfolio of businesses and we are convinced that the culture engendered by employee ownership and the associated high levels of employee engagement has been a major factor behind this. This gives us confidence for the post-pandemic future. There continue to be encouraging developments under discussion at a number of portfolio companies and we look forward to updating shareholders as appropriate in coming months. Furthermore we have an interesting pipeline of new opportunities for potential investment from C4C. While there can be no guarantee that any companies in the pipeline will proceed to the investment stage, we are confident that we will be in a position to update shareholders on exciting new investments in the near future.

Alistair Currie
Chief Executive Officer

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2020**

	2020	2019
	£'000	£'000
Revenue	569	570
Realised gain / (loss) on investments/loans	307	(6)
Net gain in the fair value of investments	1,346	892
	<hr/>	<hr/>
Total income from investing activities	2,222	1,456
Administrative expenses	(549)	(560)
Impairment of loan receivables	(100)	(874)
Impairment of investments in associate	(2)	(8)
	<hr/>	<hr/>

OPERATING PROFIT	1,571	14
Finance costs	(4)	0
	<u>1,567</u>	<u>14</u>
Profit for the year before tax	1,567	14
Tax charge	(138)	(-)
	<u>1,429</u>	<u>14</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	<u>1,429</u>	<u>14</u>
ATTRIBUTABLE TO:		
The ordinary equity holders of the parent	1,429	14
	<u>1,429</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	<u>1,429</u>	<u>14</u>
Earnings per share attributable to the ordinary equity holders of the parent		
Basic and diluted	9.25p	0.09p
	<u>9.25p</u>	<u>0.09p</u>

All the activities of the group are from continuing operations

**CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION
AT 31 AUGUST 2020**

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	2	2	2	2
Investments held at fair value through profit or loss	6,950	5,450	6,950	5,450
Investments in associates	-	16	-	16

Loan receivables	452	434	452	434
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL NON-CURRENT ASSETS	7,404	5,902	7,404	5,902
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CURRENT ASSETS				
Loan receivables	622	494	622	494
Trade and other receivables	79	284	79	284
Cash and cash equivalents	388	261	388	261
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL CURRENT ASSETS	1,089	1,039	1,089	1,039
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	8,493	6,941	8,493	6,941
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	(70)	(87)	(70)	(87)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NON-CURRENT LIABILITIES				
Provisions for liabilities	(286)	(146)	(286)	(146)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	(356)	(233)	(356)	(233)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET ASSETS	8,137	6,708	8,137	6,708
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
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)	862	(567)	862	(567)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EQUITY	8,137	6,708	8,137	6,708
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

****ENDS****

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

CAPITAL FOR COLLEAGUES PLC

01985 201 980

Richard Bailey, Chairman

Alistair Currie, Chief Executive

PETERHOUSE CAPITAL LIMITED

020 7469 0930

Mark Anwyl

Allie Feuerlein

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.