

28 May 2020

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

Unaudited Interim Results for the six months ended 29 February 2020

Capital for Colleagues, the investment vehicle focused on opportunities in the Employee Owned Business (‘EOB’) sector, is pleased to announce its unaudited interim results for the six months ended 29 February 2020.

Financial Highlights

- Revenues of £271,000 (2019: £198,000), comprising interest receivable and fees
- Profit of £1.04M for the six-month period (2019: profit of £585,000)
- Net assets of £7.75M as at 29 February 2020 (28 February 2019: £7.41M)
- NAV per share of 50.17 pence as at 29 February 2020 (28 February 2019: 48.05 pence per share)
- The post period end impact of Covid-19 is an estimated reduction in NAV to between 42.6p and 45.1p per share

Portfolio Highlights

- £405,068 invested in The Security Awareness Group Ltd (‘TSAG’) - £300,068 in preference shares and ordinary shares and a loan of £105,000.
- £149,000 of follow-on funding provided during the period
- Certain investments revalued upwards by a total of £1,333,000 during the period, to reflect underlying performance and prospects
- Investment portfolio at the period end comprised 18 unquoted EOBs (28 February 2019: 17)

Chief Executive’s Statement

There was continued progress across the Company’s portfolio during the six months ended 29 February 2020 and this has enabled the Directors to increase the value attributable to a number of the Company’s investments. We are particularly pleased with the performance of our investments in the Technology sector, which have been revalued upwards by £940,000 to reflect their ongoing progress from early stage companies to established businesses. This revaluation also serves to continue to re-balance the portfolio and reduce the previous weighting towards Industrials.

Material developments in the six months

- The Company invested a total of £405,068 in The Security Awareness Group Ltd (‘TSAG’) - £300,068 in preference shares and ordinary shares and a loan of £105,000.
- 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. 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.

- Follow-on loans totaling £149,000 were made to existing investees, Place 2 Place Logistics Limited and South Cerney Outdoor Limited, providing those companies with additional working capital.

After the end of the period, one of the Company's investees, TG Engineering Limited ('TGE'), was placed into administration. The business had been suffering from commercial issues for some time and these, combined with the financial effects of the Covid-19 pandemic, obliged the Directors to appoint administrators to TGE on 28 April 2020. The Company had previously provided in full against the whole of the carrying value of the investment in TGE, and, as such, there has been no material effect on the net assets of the Company in or after the period under review.

The Directors remain cautiously optimistic of the Company's prospects in light of the balance and perceived resilience of the companies in its portfolio. The Directors also believe that Employee Ownership can play a key role in the anticipated post Covid-19 economic recovery and that the Company is therefore particularly well-placed to participate in and benefit from that recovery.

Financial Results

In the six months ended 29 February 2020, the Company generated income of £271,000 (2019: £198,000), principally from interest and dividends receivable and fees associated with our investments. As at 29 February 2020, the Company had net assets of £7.75M (2019: £7.41M), with the increase in value reflecting the revaluation of our investments in the Technology sector. The reported profit for the period of £1,039,000 is driven by the unrealised gains arising from these revaluations.

Outlook

COVID-19 STATEMENT

The above financial figures were prepared as at 29 February 2020 in advance of the severe restrictions relating to Covid-19 and the consequential effect on the UK and the world economy. The Board of Directors of the Company has, since 29 February 2020, reviewed the position in the context of the Company's own (and its investees') ability to manage the businesses through the situation and assessed any direct effect on their enterprise value.

- The Board applauds the UK government initiatives which mitigate against the worst effects for UK businesses. Our Employee Ownership principles will stand our investee businesses in good stead during the weeks and months ahead and leave them in good shape for the anticipated return to normal business in due course.
- Capital for Colleagues has sufficient cash resources to maintain its own operations and to allow flexible treatment of investee companies and their obligations.

- Covid-19 has affected the value of all businesses and the Company will not be an exception to this. The Board has specifically reviewed the carrying values of all investments in the context of changes since 29 February 2020 and has concluded that the value of the Company's portfolio as a whole has likely reduced by an amount in the range of 10% to 15%. Therefore, the Directors believe that the declared NAV per share of 50.17p needs to be discounted (tax adjusted) to be within a range of 42.6p to 45.1p per share.
- However, this is a rapidly evolving situation, with no guarantee as to when business life may revert to normality. We will continue to monitor our investee companies in light of the changing situation, including considering any further impact upon the value of our portfolio of investments.

The Board would like to send all shareholders, investees, suppliers and staff its best wishes and offer its support over the coming months.

Whilst ongoing uncertainty around the economy continues to have some impact on the wider economy, the Directors are confident that the breadth and quality of the Company's portfolio will ensure that our investments will continue to prosper.

We continue to promote the commercial and financial benefits of EOBs at every opportunity and are pleased to see increasing recognition of EOBs as important generators of equitable and dynamic growth.

Alistair Currie
Chief Executive

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

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PROFIT AND LOSS ACCOUNT

	Unaudited 6 months to 29 February 2020	Unaudited 6 months to 28 February 2019	Audited 12 months to 31 August 2019
	£'000	£'000	£'000
Revenue	271	198	570
Realised (losses)/gains	-	-	(6)
Unrealised gains/(losses)	1,333	630	892
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	1,604	828	1456
Administrative expenses	(322)	(243)	(560)
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PROFIT FROM ONGOING OPERATIONS	1,282	585	896
Impairment of investments and loans (including associates)	-	-	(882)
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PROFIT BEFORE TAXATION	1,282	585	14
Tax	(243)	-	-
	<hr/>	<hr/>	<hr/>
PROFIT FOR THE PERIOD	1,039	585	14

BALANCE SHEET

	As at 29 February 2020 £'000	As at 28 February 2019 £'000	As at 31 August 2019 £'000
ASSETS			
Non-Current Assets			
Property, plant & equipment	2		2
Investments held at fair value through profit or loss	7,031	5,233	5,450
Investments in Associates	16	-	16
Loans and receivables	1,068	1,836	928
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	8,117	7,069	6,396
Current Assets			
Trade and other receivables	133	152	284
Cash and cash equivalents	91	278	261
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	224	430	545
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TOTAL ASSETS	8,341	7,499	6,941
EQUITY AND LIABILITIES			
Equity			
Called up share capital	6,176	6,176	6,176

Share premium	1,099	1,099	1,099
Retained (loss)	472	144	(567)
Total Equity	7,747	7,419	6,708
Current Liabilities			
Trade and other payables	205	72	87
Provision for liabilities	389	8	146
TOTAL EQUITY AND LIABILITIES	8,341	7,499	6,941

The interim results have not been reviewed by the Company's auditors.

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

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.

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.