

9 December 2021

## **CAPITAL FOR COLLEAGUES PLC**

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

### **AUDITED RESULTS FOR THE YEAR ENDED 31 AUGUST 2021**

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 2021.

#### **CHIEF EXECUTIVE’S REPORT FOR THE YEAR ENDED 31 AUGUST 2021**

In last year’s report we stated that all of C4C’s investments had coped robustly with the challenges posed by the Covid-19 pandemic. It is pleasing to report, a year later, that this remains the case today and most of our investee companies have adapted to these challenges with innovative ideas that have positively enhanced the scale and quality of their earnings. As a result, the valuations of many of our investments have increased meaningfully during the year under review. We are convinced that the culture engendered by employee ownership and high levels of employee engagement has been a major factor behind the strong performance of our investment portfolio during these difficult times.

During the year to 31 August 2021 the Net Asset Value per share (NAV) rose by 32.3% to 69.71p. (2020: 52.69p). The strong trading performance of several companies in the portfolio resulted in net revaluation gains of £1.293m (2020: £1.346m) in addition to realised gains on disposals of £1.130m (2020: £0.307m). No loan impairments were required in the portfolio during the year under review (2020: £0.1m).

Following a number of realisations during the year the Company’s cash resources increased considerably. As at 31 August 2021 C4C had cash balances of £1.907m (2020: £0.388m) and no debt (2020: £nil).

#### **Board Changes**

John Eckersley stepped 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 played a key role in developing our portfolio of EOBs, whilst also highlighting the attractions and benefits of EOBs to a wider audience.

During the year C4C announced the appointment of three new Directors of the Company.

Richard Sloss was appointed as a non-executive Director in November 2020. Richard 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.

John Lewis was appointed as the Company’s Finance Director in January 2021. John is a Chartered Accountant with over 30 years’ experience at senior levels in a range of industries. John has also served as C4C’s Company Secretary since inception and represents the Company on a number of investee companies’ boards.

Bill Ainscough was appointed as a non-executive Director in March 2021. Bill has had a distinguished career in the residential construction sector. Having started his career as an architect, he moved into house building by founding Wainhomes in 1972. Over the following thirty years Bill grew Wainhomes

through a number of mergers and acquisitions and, following a merger with Whelmar Housebuilders, he floated the Group on the London Stock Exchange in 1991. Bill also established Networkspace, a company involved in investment, development and management of commercial property and Windermere Marina Village. In 1999 he took Wainhomes back into private ownership. A significant part of the business was subsequently sold to Wilson Connolly in 2001, with the residual operations being renamed as the Wain Group. The Wain Group has since grown into a substantial business, with divisions in the South West and North West of England. In 2015 Bill set up the Himor Group, a land and property company that specialises in commercial development, land promotion, property investment and regeneration.

## **Activity**

During the year under review, we completed one new investment. Craft Prospect Limited (CPL) is a space engineering business that develops enabling quantum and AI-based products and mission applications for the small satellite market.

Capital for Colleagues has invested £800,000 in ordinary shares in CPL. Craft Prospect will use the new funds for furthering its flight heritage capability, recruiting additional experience to its team, and developing new products and services, including through its Responsive Operations for Key Services (ROKS) mission, which is designed to demonstrate automated, efficient, and secure quantum communication services by combining responsive operations with Quantum Key Distribution (QKD) technology.

Alongside C4C's investment, Scottish Enterprise also became a shareholder in Craft Prospect, having invested in CPL through its Early Stage Growth Challenge Fund. Subsequently the University of Strathclyde has also invested in CPL. Following these investments, CPL's management and employees have a 71.3% equity interest in Craft Prospect, an Employee Ownership Trust has 10.0%, Scottish Enterprise 3.7%, the University of Strathclyde 4.1% and Capital for Colleagues 10.9%.

During the year, C4C was pleased to be able to provide some of our investees with short and medium term funding totalling £141k principally to help them cope with working capital pressures arising due to the pandemic.

## **Realisations**

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.

- In February 2021 we sold our investment in Civils Store Limited for consideration of approximately £1.0 million, in cash, a profit on the original investment of around 150%.
- In March 2021 we sold our investment in Anthesis Consulting Group Limited for consideration of £1.15 million in cash, a profit on the original investment of around 155%.
- In August 2021 we sold our investment in Ecomerchant for consideration of £250,000 as part of a management and employee buyout, a profit on the original investment of around 150%. The consideration for the disposal was payable as £100,000 in cash on completion, with the balance payable over 5 years, deferred to enable repayments to be made from Ecomerchant's operational cash flow.

We wish all three companies well as they move to the next stage of their 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 on a number of the company's equity investments. Further details on all of the company's investments can be found in the Investment Portfolio section below and on C4C's website.

### **Bright Ascension Limited**

Bright Ascension (BAL) is an industry-leading space software technology provider, offering unique off-the-shelf software products and solutions for the delivery of space-based services, both on spacecraft and on the ground. The number of spacecraft in orbit using BAL software increased by 50% to 24 during the year under review, with several more scheduled for launch in the near future.

During the year BAL raised £1m of additional equity to match development funding of approximately £1m that has been awarded to BAL as part of a European Space Agency (ESA) project. Bright Ascension will use the new funds for the development of next generation satellite software infrastructure, which will offer its customers a complete end-to-end software solution for space-based service provision. This expansion stage closely correlates to the company's participation in ESA's ARTES Pioneer programme, a multi-year project set to design and develop a cutting-edge end-to-end solution which will enable a wide range of companies to create innovative satellite constellation services at a significantly reduced cost and within a reduced timeframe.

The updated valuation of BAL as a result of the fund raising represents a further material uplift in the value of our investment in the company to £2m. BAL is the largest investment in the Company's portfolio.

### **Computer Application Services Limited**

Computer Application Services (CAS) is a developer of case management software. Since our initial investment in 2016, CAS has grown its client base significantly in both its traditional public sector markets and newer markets that it has targeted in the private sector. CAS has also successfully developed overseas markets and in recent months added new clients in Bermuda, Trinidad & Tobago and in Minnesota. Over the last year recurring revenue grew by over 20% and now exceeds £1m per annum, covering a significant proportion of the company's cost base. The strong growth achieved by CAS has led to a significant increase in the valuation of our holding to almost £1.4m. CAS is the second largest holding in C4C's portfolio.

### **Hire & Supplies Limited**

Hire & Supplies (H&S) was forced to close during the early stages of the Covid-19 pandemic. Following its re-opening, the company's high service levels and strong position in its markets in the West of Scotland and the North of England have led to significant growth in the business in the year under review. Turnover grew by over 45% and profits increased substantially, with EBITDA exceeding £1m for the first time. This has resulted in a significant increase in the valuation of our holding. The company continues to invest in its hire fleet, including in new ranges of electrically powered equipment and we anticipate further strong growth in future years.

### **Downward revaluations**

It is pleasing to report that we have prudently reduced the valuation of only one of our ongoing investments in the year to 31 August 2021 and the adjustment was below £100,000. This revaluation was entirely related to the effects of Covid-19 and is anticipated to reverse in the current financial year as the business returns to normal trading patterns.

### **Dividend**

The Board of C4C believes that where profitable realisations occur, it would be appropriate to distribute some of these gains to shareholders. Last year we reported that the company was constrained in its ability to pay dividends due to the deficit in its distributable reserves but that realisations and other corporate transactions should permit the declaration of a dividend of at least 1p in the results for the year to 31 August 2021.

It is pleasing to report that the company now has distributable reserves and a final dividend of 1.5p per ordinary share will be paid on 3rd March 2022 to shareholders on the register on 4th February 2022.

### **Outlook**

It is clear that the Covid-19 pandemic is an ongoing challenge that the business world must deal with and the potential for unexpected disruption to normal trading remains a meaningful risk.

Notwithstanding this, we are confident that our portfolio of investments will continue to perform well.

Our confidence stems from the outstanding reaction from the management and employees across our portfolio to the challenges posed by the first eighteen months of the pandemic. We remain firmly convinced that the culture engendered by employee ownership and the associated high levels of employee engagement have been a major factor behind this.

One such example is the National Self Build and Renovation Centre which was forced to close its doors to the public at various times during the past 18 months. However, innovative thinking, fostered by a very strong employee ownership culture helped the business to cope with the severe challenges that it faced, indeed, many of the new initiatives adopted have improved the company's resilience and enhanced its future growth prospects. We were delighted to see these achievements recognised by the award to the Centre of the 2021 EOA Stories Award for 'Business Resilience'!

Our pipeline of new opportunities for potential investment from C4C is as strong as it has ever been and encompasses interesting businesses across a range of industry sectors. 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

#### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2021

|   | <b>2021</b>  | <b>2020</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Revenue                                 | 435          | 569          |
| Fair value gain / (loss) on investments | 2,423        | 1,653        |
|   | —————        | —————        |
| Total income from investing activities  | 2,858        | 2,222        |
| Administrative expenses                 | (518)        | (549)        |
| Impairment of loan receivables          | -            | (100)        |
| Impairment of investments in associate  | -            | (2)          |
|   | —————        | —————        |
| <b>OPERATING PROFIT</b>                 | <b>2,340</b> | <b>1,571</b> |
| Finance income / (costs)                | 1            | (4)          |
|   | —————        | —————        |
| Profit for the year before tax          | 2,341        | 1,567        |

|  |                   |                   |
|--|-------------------|-------------------|
| Tax credit / (charge)  | 286               | (138)             |
|  | <u>          </u> | <u>          </u> |
| <b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>        | <b>2,627</b>      | <b>1,429</b>      |
|  | <u>          </u> | <u>          </u> |
| <b>Earnings per share attributable to the ordinary equity shareholders</b> |                   |                   |
| Basic and diluted  | 17.01p            | 9.25p             |
|  | <u>          </u> | <u>          </u> |

All the activities of the company are from continuing operations.

#### STATEMENT OF FINANCIAL POSITION AT 31 AUGUST 2021

|                                 | <b>2021</b>       | <b>2020</b>       |
|---------------------------------|-------------------|-------------------|
|                                 | <b>£'000</b>      | <b>£'000</b>      |
| <b>NON-CURRENT ASSETS</b>       |                   |                   |
| Intangible fixed assets         | 5                 | 1                 |
| Tangible fixed assets           | 1                 | 1                 |
| Investments                     | 7,820             | 6,950             |
| Loan receivables                | 239               | 452               |
|                                 | <u>          </u> | <u>          </u> |
| <b>TOTAL NON-CURRENT ASSETS</b> | <b>8,065</b>      | <b>7,404</b>      |
|                                 | <u>          </u> | <u>          </u> |
| <b>CURRENT ASSETS</b>           |                   |                   |
| Loan receivables                | 680               | 622               |
| Trade and other receivables     | 212               | 79                |
| Cash and cash equivalents       | 1,907             | 388               |
|                                 | <u>          </u> | <u>          </u> |
| <b>TOTAL CURRENT ASSETS</b>     | <b>2,799</b>      | <b>1,089</b>      |
|                                 | <u>          </u> | <u>          </u> |
| <b>TOTAL ASSETS</b>             | <b>10,864</b>     | <b>8,493</b>      |
|                                 | <u>          </u> | <u>          </u> |
| <b>CURRENT LIABILITIES</b>      |                   |                   |
| Trade and other payables        | (100)             | (70)              |
|                                 | <u>          </u> | <u>          </u> |
| <b>NON-CURRENT LIABILITIES</b>  |                   |                   |
| Provisions for liabilities      | -                 | (286)             |
|                                 | <u>          </u> | <u>          </u> |
| <b>TOTAL LIABILITIES</b>        | <b>(100)</b>      | <b>(356)</b>      |
|                                 | <u>          </u> | <u>          </u> |

|                             |        |       |
|-----------------------------|--------|-------|
| <b>NET ASSETS</b>           | 10,764 | 8,137 |
|                             | =====  | ===== |
| <b>CAPITAL AND RESERVES</b> |        |       |
| Called up share capital     | 6,176  | 6,176 |
| Share premium               | 1,099  | 1,099 |
| Retained earnings           | 3,489  | 862   |
|                             | -----  | ----- |
| <b>TOTAL EQUITY</b>         | 10,764 | 8,137 |
|                             | =====  | ===== |

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:

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### **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**

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation EU 596/2014 as it forms part of retained EU law (as defined in the European Union (Withdrawal) Act 2018).