

20 December 2022

CAPITAL FOR COLLEAGUES PLC
(‘Capital for Colleagues’, ‘C4C’ or the ‘Company’)

AUDITED RESULTS FOR THE YEAR ENDED 31 AUGUST 2022

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 2022.

CHIEF EXECUTIVE’S REPORT FOR THE YEAR ENDED 31 AUGUST 2022

I am pleased to report on another year of solid progress for C4C against a difficult economic background. The well-documented headwinds of rising costs, a tight labour market and shortages of materials have provided challenges for a number of our investee companies. However, the valuations of several of our investments have increased meaningfully during the year under review on the back of robust financial progress. We are convinced that the culture engendered by employee ownership and high levels of employee engagement has been a major factor behind the robust performance of our investment portfolio during these difficult times.

During the year to 31 August 2022, the Net Asset Value per share (NAV) rose by 6.9% to 74.49p (2021: 69.71p). In addition, a dividend of 1.5p per share was paid in March 2022.

The strong trading performance of several companies in the portfolio resulted in net unrealised revaluation gains of £1.142m (2021: £1.293m) in addition to net realised gains on disposals of £0.395m (2021: £1.130m). It is pleasing to report that, as was the case last year, no loan impairments were required in the portfolio during the year under review.

We saw a noteworthy increase in dividend income from investee companies as our portfolio matures. Five companies in the portfolio paid a dividend compared to four in the prior year and we received dividends totalling £0.141m during the year under review, an increase of 78% on the prior year.

The Company was admitted to the AQSE Growth Market’s Apex segment, which caters for larger, more established businesses, and applies additional eligibility criteria to encourage greater transparency and liquidity.

I am pleased to note that the company’s success in recent years has been recognised by being shortlisted for ‘Aquis Company of the Year’ in both the 2022 Small Cap Awards and Shares Awards 2022 run by Shares Magazine.

Board Changes

There were no changes to the Board during the year under review.

Activity

New Investments

In last year's report I commented on the strength of our pipeline, and that we were confident that we would be updating shareholders on new investments in the near future. As it transpired, that confidence was misplaced as no new investments were completed during the year under review. We came near to completing new investments on a number of occasions but ultimately were unable to agree suitable terms with the prospective investees. We are fully committed to extending EO but all investments that we make must be commercially attractive for our shareholders.

Additional Investment

During the year we acquired additional equity in TPS for cash consideration of £0.500m from the two executive directors of TPS. Following this transaction, C4C holds 27.6% of TPS' issued equity capital, with the balance of 72.4% continuing to be held by executive management at TPS.

Follow-on Loans

Loans totalling £0.625m were made to three existing investees, 2C Services, Computer Application Services Limited and South Cerney Outdoor Limited, providing those companies with additional working capital.

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 completely. We fully exited two investments during the year under review.

- In October 2021 we sold our investment in Office for Public Management Limited ('OPML'), for cash consideration of £0.469m. C4C had invested £250k in OPML in 2016. OPML is an independent research and consultancy organisation which supports and champions the delivery of social impact. Following the realisation of our investment OPML became a 100% employee owned business.
- Merkko is a builder's merchant located in Kingston Bagpuize, Oxfordshire, which was sold to a trade buyer on the retirement of its owner and major shareholder. Capital for Colleagues' original investment of £0.200m in Merkko, made in 2015, was redeemed in 2020 for a profit of 100%, at which time the Company re-invested £0.150m of the proceeds to subscribe for ordinary shares in Merkko. These ordinary shares were sold for cash consideration of approximately £0.378m.

We wish both companies well on the next stage of their development.

As our investees mature, we will typically restructure our investment so that, while we retain a right of approval in certain reserved matters, our shareholding is in ordinary shares rather than any form of preference share. In line with this approach, during the year under review, holdings in 'A' ordinary shares were redeemed by Bright Ascension and The Home Build Centre and 'B' ordinary shares were redeemed by TPS.

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 investments. Further details on all of the company's investments can be found in the following section of the Annual Report and on C4C's website.

Employee Owners Group Limited trading as Carpenter Oak

Carpenter Oak has been a leading provider of predominantly hand-finished oak framed buildings and structures since the late 1980's. The company operates from yards in SW England and Central Scotland, employing around 35 skilled designers and craft carpenters. 2022 is forecast to be a very profitable year for Carpenter Oak after a period of considerable turbulence. The company is now seeing the benefits of a past merger which caused some of that turbulence and the new management team formed to address these issues has settled in well and is about to be enhanced by an experienced finance manager from Riverford Organics, a local high-profile Employee Owned Business. The company has moved further away from mainstream commodity markets into higher margin niches and has delivered some notable projects including a complex octagonal roof for Radley College Chapel for which it has been shortlisted for two industry awards. Radley College is a prestigious private boarding school near Oxford founded in 1847. During the year agreement has been reached, with C4C support, for a controlling interest in the company to be acquired by an Employee Ownership Trust from the founding shareholders and that transaction is anticipated to be concluded before the end of the company's December year end.

TPS Group

Trading as Total Pipeline Specialists, TPS has a long history of supplying infrastructure products for water, energy, housing and transport markets on the island of Ireland via well-stocked distribution depots in Lisburn and Dublin. Demand has been rising and seems set to remain high whilst the company enjoys a leading position in these markets. Consequently, profits have also been rising with substantial recurring employee profit share payments and dividends to shareholders including C4C. Results are influenced by the £/Euro exchange rate but EBITDA to the latest December 2021 year end was just under £1m on turnover of c£16m and the company had already exceeded these figures for the current financial year by the time of C4C's year end of 31 August 2022.

We have recently increased our equity holding to 27.6% of the company through the acquisition of part of the existing shareholdings of management for £0.500m and remain optimistic for the future of this business which has comparatively young but experienced management, high levels of employee engagement and remains ambitious for further growth.

Computer Application Services Limited

Computer Application Services (CAS) is a developer of case management software branded as Workpro. 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. Over the last year, Workpro recurring revenue grew by over 22% to around £1.250m 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 £1.600m. CAS is the second largest holding in C4C's portfolio.

The Security Awareness Group Limited trading as "TSC"

TSC has been delivering behavioural change and security awareness training since 1997. The company became employee owned in December 2019.

TSC's bespoke projects and solutions boost the awareness at work and home of security and cyber risks and help employees to change their behaviour, thereby protecting their organisations from inadvertent human error. In the year under review, TSC grew revenue by 48% and returned the business to profitability, having successfully navigated through the pandemic period. New business from a number of blue-chip clients coupled with repeat business from existing clients and strong cost control helped deliver the improvement in profitability. The company declared its maiden dividend to shareholders during the year under review.

South Cerney Outdoor Limited

South Cerney Outdoor (SCO) is an outdoor training and adventure centre, on the site of a 47 acre lake in Gloucestershire. SCO established a new café on the lakeside in autumn 2020 that has proved popular with customers of the centre but has also attracted healthy passing trade. The centre was closed for much of the pandemic, but the introduction of a "pay and play" option for individuals, the construction of a high-ropes tower, the return of school parties and the continued success of the café saw a marked improvement in the financial fortunes of the centre in the last financial year. The high-ropes tower is the tallest in the south of England and as such is a significant attraction for individuals and parties alike. The business profitability has enabled the board to pay bonuses to all employees, including the seasonal apprentices, as well as dividends to shareholders which includes the employees and to C4C.

Downward revaluations

It is pleasing to report that none of the equity investments held in the C4C portfolio as at 31 August 2022 fell in value during the year under review.

Dividend

The Board of C4C believes that where profitable realisations occur, it is appropriate to distribute some of these gains to shareholders. A final dividend of 1.75p per ordinary share will be paid on 3rd March 2023 to shareholders on the register on 10th February 2023.

Outlook

The unsettled geopolitical background coupled with inflationary pressures and the likelihood of recession and low growth in the UK economy do not provide an encouraging background for our portfolio given its heavy domestic bias. However, while we and our investees remain cautious we have, to date, been pleasantly surprised by the resilient trading that many of our investees are reporting. There is no doubt in our minds that employee ownership is a key factor behind this.

We are well positioned going into the new financial year with net liquidity of £3.939m and an exciting pipeline of potential new investments. I look forward to updating shareholders on a number of exciting developments for the Company in the near future.

Alistair Currie
Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2022

	2022	2021
	£'000	£'000
Revenue	492	435
Fair value gain / (loss) on investments	1,537	2,423
Total income from investing activities	2,029	2,858
Administrative expenses	(675)	(518)
Impairment of loan receivables	-	-
OPERATING PROFIT	1,354	2,340
Finance income / (costs)	1	1
Profit for the year before tax	1,355	2,341
Tax credit / (charge)	-	286
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	1,355	2,627
Earnings per share attributable to the ordinary equity shareholders		
Basic and diluted	7.68p	17.01p

All the activities of the company are from continuing operations.

STATEMENT OF FINANCIAL POSITION AT 31 AUGUST 2022

	2022	2021
	£'000	£'000
NON-CURRENT ASSETS		

Intangible fixed assets	2	5
Tangible fixed assets	1	1
Investments	8,548	7,820
Loan receivables	608	239
TOTAL NON-CURRENT ASSETS	9,159	8,065
CURRENT ASSETS		
Loan receivables	597	680
Trade and other receivables	242	212
Cash and cash equivalents	3,939	1,907
TOTAL CURRENT ASSETS	4,778	2,799
TOTAL ASSETS	13,937	10,864
CURRENT LIABILITIES		
Trade and other payables	(163)	(100)
NON-CURRENT LIABILITIES		
Provisions for liabilities	-	-
TOTAL LIABILITIES	(163)	(100)
NET ASSETS	13,774	10,764
CAPITAL AND RESERVES		
Called up share capital	7,397	6,176
Share premium	1,810	1,099
Retained earnings	4,567	3,489
TOTAL EQUITY	13,774	10,764

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

****ENDS****

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

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Capital for Colleagues plc

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).