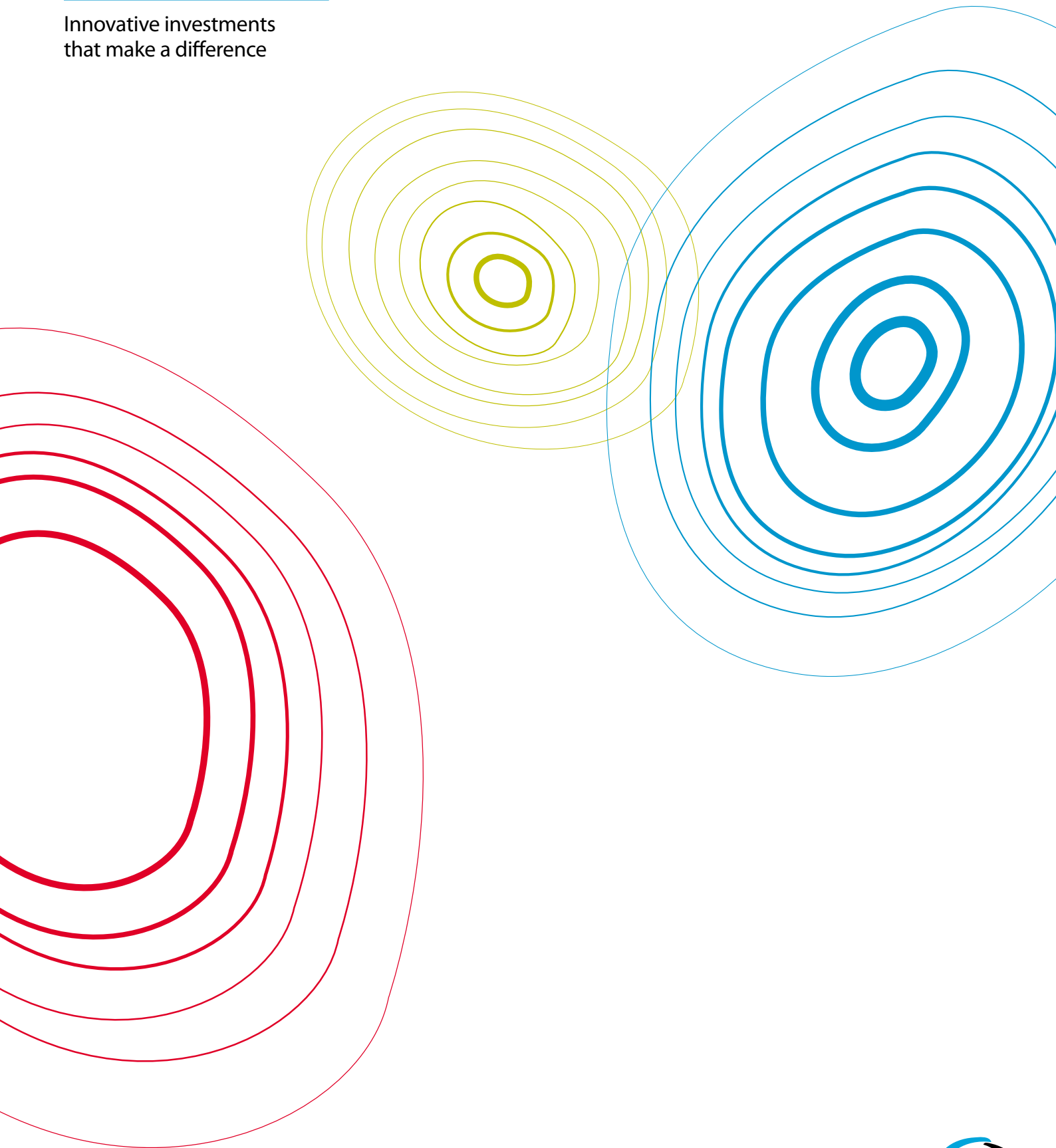

2010

Impact Report

Innovative investments
that make a difference



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SMEs and Social Investment are vital
for long-term sustainable growth in
the current economic climate



Dear Friends,

We are delighted to share with you our 2010 IMPACT report, which summarises some of the detailed reporting we do for investors, including looking at a range of case studies in order to explain this process to a wider audience.

In the aftermath of the financial crisis, there has been an increasing focus from investors, policy-makers and businesses alike as to where and how sustainable economic growth can be generated. At the same time, with significant reductions in public spending, there is a clear imperative to both create jobs in the private sector and “do more with less” in the public sector. We therefore felt that this would be an appropriate moment to reflect on how our mission and activities contribute to this wider agenda.

At Bridges Ventures we are dedicated to developing and supporting flourishing businesses that achieve positive social and environmental outcomes. Over the last eight years our Venture Funds have invested £70m in over 30 growth businesses and we have learned a great deal about using commercial capital to achieve impact. The result is a two-pronged strategy that focuses both on small businesses (SMEs) as a key engine of growth and also on sectors where underlying social or environmental need creates the opportunity for both commercial returns and impact.

The core of our approach is the provision of capital and support to high-growth small businesses. We believe that SMEs and Social Investment are vital to ensuring long-term sustainable growth in the current economic climate. UK SMEs have a combined turnover of some £1.6tn, accounting for 49% of private sector output and over half of all employment, yet few funds provide capital to the sector and banks are increasingly struggling to lend. With our investment size of £1-10m, Bridges Ventures operates in a critical gap in the “finance escalator” for high-growth companies that will create the jobs and economic prosperity of the future.

In choosing where to invest, we are guided by a conviction that the UK faces challenges which create both a pressing social and environmental need and a clear opportunity for businesses that can create innovative solutions to the problems that we face. Whether it is in improving our stewardship of the natural world, in equipping the next generation with the skills to compete globally or in addressing the challenge of an ageing population, these are areas where entrepreneurship can play a pivotal role in helping to address our collective problems. That is why our Venture Fund investments are increasingly focused on four themes: Underserved areas; Environment; Education & skills and Health & well-being.

In order to ensure that the country experiences broad-based growth it is crucial to create jobs in areas of high unemployment. Too few investors have realised that, whilst deprived, these are areas of great potential, with their own comparative advantages and opportunities. We have therefore developed expertise in building businesses in low-income, particularly inner-city areas, with over 60% of our investments being in the most deprived 10% of the country.

In the past year we have also used the insights gained through the Venture Funds to develop two new fund initiatives – a Sustainable Property Fund and a Social Entrepreneurs Fund – which are profiled here in brief and we believe will contribute significantly to our impact in the future.

We hope this gives a clear picture of the impacts that have been achieved by Bridges Ventures and the entrepreneurs and businesses with whom we work. We are proud of their track-record: socially, environmentally and commercially.

We hope you enjoy reading the report, and if you have any questions, please get in touch.

The Bridges Ventures Team

About us

It is a founding principle of Bridges Ventures that all the funds we raise aim to achieve dedicated social and/or environmental goals as well as financial returns for investors. Established in 2002, we are currently a team of 25 and benefit greatly from the support, expertise and contact networks of our founders and backers - Apax Partners, 3i, Doughty Hanson and Tom Singh. A mission-driven company, Bridges Ventures is majority owned by its management team, with a substantial minority owned by the Bridges Charitable Trust which has a veto over any change in our social mission and to which each member of our team donates 10% of their carry.



VENTURE FUNDS

2002: Bridges Venture Fund I £40m
Investment focus: ambitious businesses located in underserved areas in England

2007: Bridges Venture Fund II £75m
Investment focus: ambitious businesses in four main sectors: Underserved parts of the UK, Education & skills, Environment and Health & well-being



SOCIAL ENTREPRENEURS FUND

2009: Bridges Social Entrepreneurs Fund £9m
Investment focus: scalable social enterprises delivering high social impacts and operating sustainable business models



SUSTAINABLE PROPERTY FUND

2010: Bridges Sustainable Property Fund £28m
Investment focus: properties in underserved areas and buildings showing environmental leadership

OUR INVESTORS

We are very grateful for the support of the investors that back us across the 3 types of funds, which include:

Banks: Barclays Business Banking, Citigroup, Co-operative Financial Services, Deutsche Bank, HSBC, Lloyds TSB Scotland, The Royal Bank of Scotland.

Pension Funds: Merseyside Pension Fund, Railways Pension Trustee Company Ltd, South Yorkshire Pensions Authority, Universities Superannuation Scheme, West Midlands Pension Fund.

Families & Individuals: Lloyd Dorfman CBE, Nigel Doughty, Sir Vernon Ellis, Dr Mike Lynch OBE, Harvey McGrath, Jon Moulton, Richard Oldfield, Sir Harry Solomon.

Others: 3i, All Souls College, The Apax Foundation, Comic Relief, Community Development Venture Capital Alliance, DCD Group, Department for Business, Innovation & Skills, Doughty Hanson, The Esmée Fairbairn Foundation, The Generation Foundation, Merton College, NESTA, The Office for Civil Society, R&S Cohen Foundation, SHINE, Thomson Reuters, Wittington Investments.

Headline results



The Venture Funds invest in ambitious growth businesses in the following four investment themes: Underserved Areas, Education & skills, Environment and Health & well-being. While the vast majority of our investments are in underserved areas, many also have a positive social and environmental impact in the other three sectors of focus.

The case studies that follow in this report provide a detailed review of the social and/or environmental impact results achieved by the profiled companies, including quantitative and qualitative data on both the regeneration and sustainability impacts of each company. Following are some highlights.



UNDERSERVED AREAS

- 32 of the 34 investments made through the Venture Funds to date have been in companies operating in the most deprived 25% of the country ('our target areas'), as measured using the Government's Index of Multiple Deprivation (IMD)¹, with over 60% in the most deprived 10% of the country
- Companies in which the funds invested have employed over 1,370 people of whom 40% live in our target areas
- The multiplier effect of each £1 invested is currently £4 of additional spending in our target areas and each £1 invested leverages an additional £2.10 of external investment.



ENVIRONMENT

- £11.3m invested in four portfolio companies involved in recovery of waste resource as at end September 2010
- TEG can process 300,000 tonnes of organic waste p.a. diverting it from landfill and providing a source of renewable energy
- Whelan has diverted 33,560 tonnes of waste oil from combustion since our investment.



EDUCATION & SKILLS

- £7.9m invested in three portfolio companies
- In the last year, Babington Business College has provided almost 700 apprenticeships including 160 for young people who were previously unemployed
- Since 2004, New Career Skills has re-trained nearly 6,000 mid-career changers with 34% of current students residing in our target areas
- The School Stickers system has been used by teachers in over 8,500 schools to motivate their classes, reaching over 400,000 students.

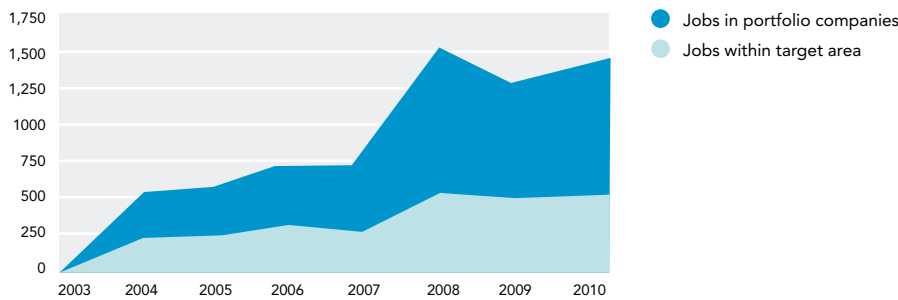


HEALTH & WELL-BEING

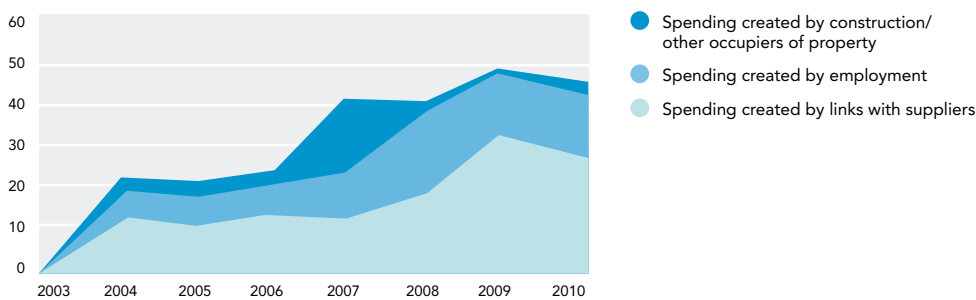
- £13.9m invested in three portfolio companies
- £11.2m invested in The Gym Group, the UK's leading low-cost gym
- Over 50,000 members have joined; with "welfare borderline" members on average 200% more likely to join, as opposed to a private club where they are 70% less likely to join
- In some clubs over 40% of members have never joined a gym before
- Nine out of the first 10 sites based in underserved areas.

¹The Government's Index of Multiple Deprivation is published by the Department for Communities and Local Government <http://www.imd.communities.gov.uk/>

EMPLOYMENT CREATED



SPENDING IN TARGET AREAS



SOCIAL ENTREPRENEURS FUND

- £1.9m invested in two portfolio companies to date
- In the last year HCT has created 116 new jobs, including 70 for people who were previously unemployed, whilst helping a further 117 unemployed people to find jobs through its training scheme
- Call Britannia has created 124 new jobs for previously unemployed and otherwise disadvantaged individuals.



SUSTAINABLE PROPERTY FUND

- New fund launched to invest in buildings in underserved areas and properties showing environmental leadership
- Projects underway in student housing and energy-efficient care homes.

PROMOTING RESPONSIBLE INVESTMENT

- Bridges Ventures is keen to play a role in promoting responsible investment, for example as a signatory to the Principles for Responsible Investment and serving on the BVCA Responsible Investment Advisory Board
- In 2010 Bridges Ventures published a report in partnership with strategic advisory firm The Parthenon Group to improve understanding of global developments in the fast-growing sector of Impact Investment.

Our methodology

We have developed a distinctive responsible investing approach using the three-stage process described below. We report regularly and in detail to our investors on the social and environmental impact as well as the commercial and financial progress of each of our investments. We also seek to innovate and develop new ways of measuring impact.

Our investments deliver social and environmental returns both on a geographic and sector-specific basis, which are measured using the Bridges IMPACT Scorecard and reported to investors alongside their financial returns. Our ethical charter and responsible investment policy are published on our website.

Our Impact Process

THEMATIC FOCUS

We set clear social and environmental criteria of location or sector then use commercial criteria to select our investments. We look for investments that, as they succeed commercially, will have a positive impact.

ENGAGEMENT

Through our IMPACT Scorecard, we work with the companies we back to look for ways to improve their Environmental, Social and Governance (ESG) impacts. This also increases our insight into their businesses, creating opportunities to produce value.

REPORTING

We report to our investors on the impact of the companies we back as well as their financial and commercial performance.

The Bridges IMPACT Scorecard

Bridges Ventures plays an active role in promoting responsible behaviour by its investee companies on an ongoing basis. The IMPACT Scorecard is tailored to measure social and environmental impact metrics year on year, specific to each company, as well as standard regeneration metrics.

THE SCORECARD HAS TWO FUNCTIONS

- Sets and measures performance
- Allows us to work with the management of the investee companies to identify additional “win-win” opportunities that can benefit the community, employees or the environment as well as the business, and highlight any governance issues.

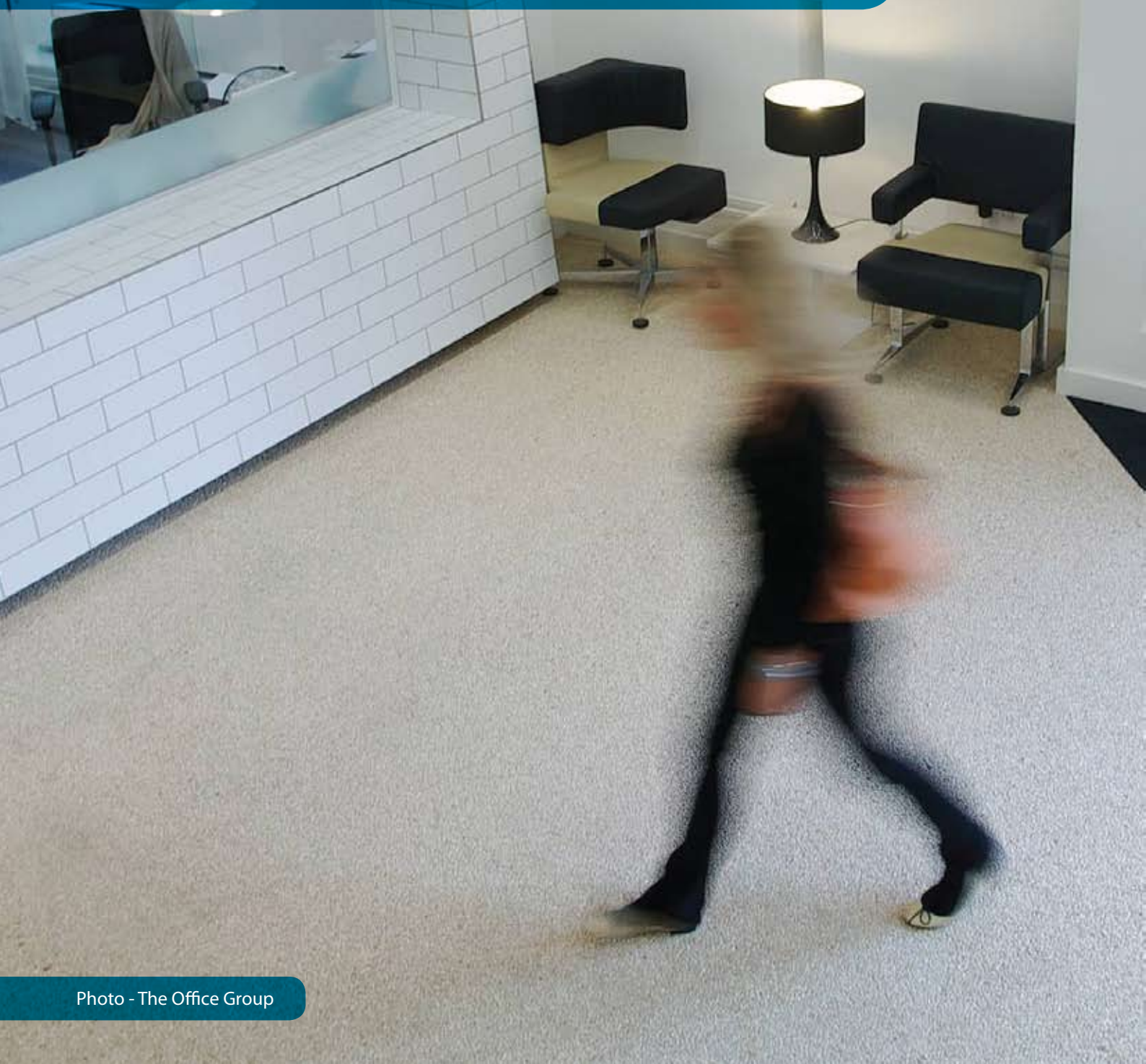
Social Impact Score Card - The Office Group		Period 1: 2005	Period 2: 2006
Represents metrics that are standard across all Bridges investments			
Economic regeneration: Job Creation			
- Location of business			
- IMD ranking of business location			
- Full-time equivalents (FTE)		8	8
- Proportion of FTEs in Bridges target wards (%)		83%	87%
- Proportion of wage bill going to employees in Bridges target wards (%)		71%	86%
- Number of FTEs who were formerly unemployed		0	
Economic regeneration: Multiplier Effect			
Suppliers	- Total supplier spend	£400k	£2,187k
	- Proportion of supplier spend in Bridges target wards (%)	83%	23%
Customers	- Total sales	£4,770k	£1,199k
	- Proportion of sales in Bridges target wards (%)	91%	100%
Economic regeneration: Role Models			
Mgmt diversity	- Proportion of female (%)	20%	NA
	- Proportion of ethnic minority (%)	0%	NA
	- Time spent promoting entrepreneurship or mentoring other companies	3	
Environment			
Risk mgmt	- Compliance with relevant environmental legislation	Y	Y
	- Capex on sustainable measures during construction	£30k	NA
	- Proportion of capex on sustainable measures during construction	14%	NA
Health			
Risk mgmt	- Any relevant health and safety procedures followed	Y	NA
Education			
	- Number of interviews that students have secured with businesses located in TOG building	3	NA
	- Number of work experience placements that students have secured	1	NA
	- Number of full-time work positions placed	0	NA
Community			
	- Number of local charity groups with whom The Office Group works	1	NA
	- Number of eco-audits conducted by Global Generation	0	NA
Governance			
Risk mgmt	- Public liability insurance in place?	Y	Y
	- Key man insurance in place?	N	N
	- Relevant industry body compliance, if applicable	NA	NA
	- Accounts filed and on time?	Y	NA
	- Up to date with PAYE?	Y	Y
	- Up to date with VAT?	Y	Y
	- Any ongoing litigation?	N	N
	- Employee attrition rate	5%	NA
	- Employee absence rate	1%	NA

Underserved areas



More deprived areas likely
to be hit harder by cuts

New Local Government Network



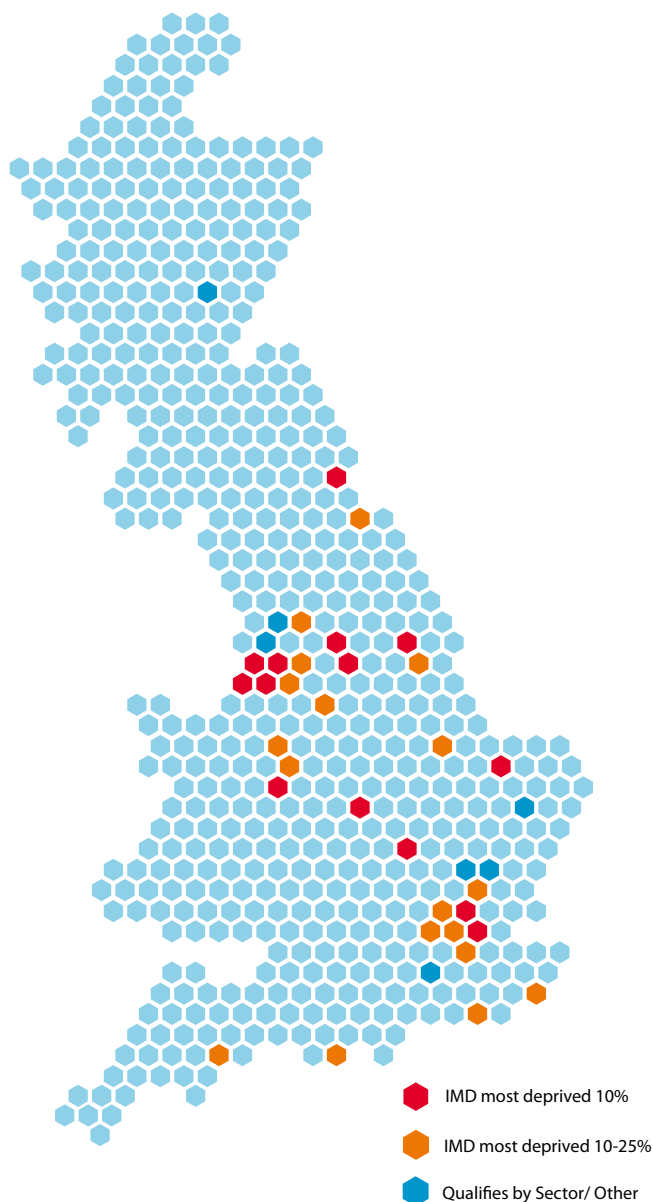
Underserved areas

SECTOR DYNAMICS

Since we were founded in 2002 we have focused on business opportunities that offer real potential for social and environmental impact in the most deprived 25% of the country.

The need for such investment has been further underlined by the economic crisis which has hit these areas hardest. With planned reductions in public spending, these areas are under even greater pressure with lower resilience to cuts as analysis by Experian and the BBC has shown².

The map below shows where current portfolio companies of Bridges Ventures are operating across the UK broken down by IMD ranking and other eligibility.



Key to the revival of these areas will be the growth of small, entrepreneurial businesses that can create employment and drive regeneration. Whilst these areas face economic and social challenges, we also believe that they contain significant untapped potential. We have developed expertise in building businesses in low-income, particularly inner-city areas where limited competition and lower costs create strong commercial opportunities particularly for “consumer champion” businesses. These underserved areas are typically under-invested, targeted by few other specialist fund managers, so they are relatively starved of capital.

HEADLINE RESULTS

- 32 of the 34 investments so far have been made in companies operating in the most deprived 25% of the country, as measured using the Government’s Index of Multiple Deprivation (IMD)³, with over 60% in the most deprived 10%
- 1,370 people are employed in our portfolio companies of whom almost 40% live in our target areas and 250 were formerly unemployed
- The multiplier effect of each £1 invested is currently £4 of additional spending in our target areas and each £1 invested leverages an additional £2.10 of external investment into these areas.

To ensure impact, the businesses we invest in for our underserved areas theme must be;

- 1 Based in one of our target areas (defined as the most deprived 25% as measured using the IMD) and
- 2 Have at least one of the following three significant linkages to the local area:
 - at least 35% of employment or supplier-spend in our target areas
 - over 50% of supplier expenditure in our target areas or
 - serving our target areas as a core market.

The following three case studies provide a detailed review of the impacts achieved by the profiled companies: The Office, SealSkinz and The Hoxton.

² <http://www.bbc.co.uk/news/uk-england-11141264>

³ Areas in need of regeneration according to the Government’s Index of Multiple Deprivation <http://www.imd.communities.gov.uk/>



A specialist provider of flexible office space with a portfolio of six sites in central London and one in Bristol, totalling 1,350 workstations. The Office Group specialises in the redevelopment and regeneration of previously under-utilised buildings located in underserved areas. These buildings are converted into high-quality offices with a strong environmental and community focus to ensure a sustainable and positive working environment.

KEY DATA FROM 2010 IMPACT SCORECARD

7%

IMD ward percentile⁴

24

Number of Employees

38%

Employees living in target areas

20%

Supplier spend in target areas

91%

Sales in target areas

14%

Capex spent on sustainability measures

BACKGROUND TO OUR INVESTMENT

The Office was founded by Charlie Green and Olly Olsen with Bridges Ventures in 2003. Bridges Ventures spent seven years working with the management team to grow the business before exiting in 2010.

UNDERSERVED AREAS IMPACT

- Six out of seven of The Office Group's buildings are in the most deprived 10% of the UK
- Sites provide a low-cost, flexible and supportive base for some 340 entrepreneurial and fast-growing SMEs who are themselves creating growth and employment in our target areas
- Contributed to local regeneration through significant investment in each site in order to upgrade and redevelop the site in keeping with the local neighbourhood.

OTHER IMPACTS

- As an explicit part of The Office Group's customer proposition, the sites display environmental leadership through deployment of a range of sustainable technologies across the estate including: careful insulation and use of natural ventilation, rainwater harvesting, wind turbines, solar panels, low energy lighting, recycling programmes, and wormeries
- The business actively engages with local charities and community groups to provide educational programmes on environmental sustainability.



Each building has outperformed the business plan – a clear statement that the flexible product was much needed in each location, meeting the demands of SMEs and start-ups. In addition, the strong environmental credentials at each building, from rainwater harvesting to solar panels, have proved to be one of our strongest market differentiators.



Olly Olsen and Charlie Green
Co-Founders of The Office Group



SealSkinz is an independent company specialising in fully waterproof, windproof and breathable hand, foot and head accessories. The business is based in an underserved area in Kings Lynn.

KEY DATA
FROM 2010 IMPACT SCORECARD

11%

IMD ward percentile⁵

45

Number of Employees

39%

Employees living in target areas

63%

Supplier spend in target areas

33%

Sales in target areas

BACKGROUND TO OUR INVESTMENT

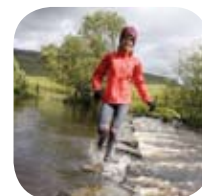
Bridges Ventures backed an MBO from an industrials parent, working with the business to relocate to a new site in an underserved area and bringing in a Chair with considerable experience in retail and outdoor pursuits. Since we invested revenues have increased 42% per annum.

UNDERSERVED AREAS IMPACT

- The business is based in an underserved area with more than half of its suppliers coming from our target areas
- It has grown strongly since our investment, doubling its number of employees and with an increasing proportion coming from our target areas
- In 2009 it won the Kings Lynn Mayor's Award for Local Business Achievement.



Overall turnover has more than doubled since Bridges Ventures' investment and as the business grows we have recruited new employees and upskilled in all aspects of the business including sales, production, sourcing, finance, customer service, and the warehouse. The vast majority of these new employees have been recruited from the local community.



Andrew Dahl
CEO, SealSkinz

⁵Contiguous ward



The Hoxton is a 205-room boutique hotel located in an underserved area in Hackney, East London, in the most deprived 3% of wards in England. Its design-led, yet price-competitive approach has led to it being recognised with national awards.

KEY DATA FROM 2010 IMPACT SCORECARD

3%

IMD ward percentile

34

Number of Employees

71%

Employees living in target areas

63%

Supplier spend in target areas

77%

Sales in target areas⁶

BACKGROUND TO OUR INVESTMENT

Bridges Ventures was involved from the beginning of the project, working with the entrepreneur to design and build the hotel and playing the lead role in financing.

UNDERSERVED AREAS IMPACT

- The Hoxton has become a well-known part of the regeneration of Shoreditch in Hackney, winning the Best UK Hotel Award at the Guardian and Observer Travel Awards in 2010 for the second consecutive year
- The Hoxton's apprenticeship scheme is offering placements to unemployed young local residents and sponsoring their education at a local college.



When we acquired the site most people thought we were mad! Today those same people think it was an obvious deal and wonder why they didn't do it themselves. The local authority and the local community have all responded positively to the Hoxton Hotel and I genuinely believe we have made a significant improvement to the area as a whole.



Sinclair Beecham, Executive Chairman
The Hoxton Hotel

Environment



The private sector will be the engine of green growth

Chris Huhne, Sec. of State Energy & Climate



Photo: The TEG Group, similar AD plant under construction (image courtesy of UTS)

Environment

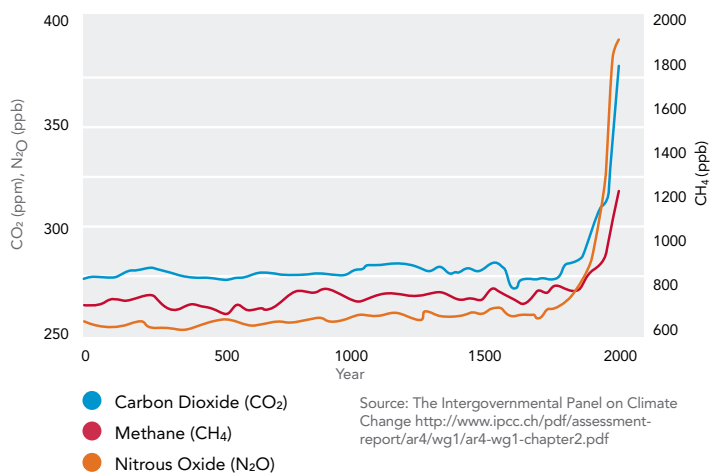
SECTOR DYNAMICS

As the world increasingly recognises the reality of the complex environmental challenges that we face, Bridges Ventures believes there is a pressing need for businesses to contribute entrepreneurial solutions to both mitigate and manage environmental change.

We believe that three key trends combine to present both a major challenge both in the UK and globally:

- **Climate Change:** average global temperatures could rise by 2-3°C within the next 50 years, leading to the need for rapid decarbonisation and long term global legislative drivers
- **Resource Constraints:** The world is transitioning from a planet of relative surplus to one of scarcity as ever-more acute resource limitations meet unsustainable rates of consumption
- **Energy Security:** dwindling fossil fuel supplies and security concerns lead to an acute need to deliver secure supplies of clean energy at affordable prices.

CONCENTRATION OF GREENHOUSE GASES FROM 0 TO 2005



Whilst these trends provide a major challenge, they also represent an opportunity for both commercial success and positive impact from businesses that can develop innovative ways to do more with less. In particular, we are actively pursuing opportunities in several key areas including:

- **Energy:** in particular, decentralised renewable energy generation
- **Waste:** including, advanced recycling & resource recovery
- **Buildings:** smart buildings and management techniques
- **Water:** including, waste water treatment and recycling/re-use.

We currently have four environmental portfolio companies: AeroThermal Group Ltd, Credential Environmental Ltd, The TEG Group plc and Whelan Refining Ltd.

HEADLINE RESULTS

- £11.3m invested in four portfolio companies involved in recovery of waste resource as at end September 2010
- TEG can process 300,000 tonnes of organic waste p.a. diverting it from landfill and providing a source of renewable energy
- Whelan has diverted 33,560 tonnes of waste oil from combustion since our investment.

The following two case studies provide a detailed review of the impacts achieved by the profiled companies: Whelan and The TEG Group plc.



Whelan Refining Ltd is the UK's first and only waste oil refining plant, re-refining waste oil to produce a range of virgin-grade base oil and fuel oil products.

KEY DATA
FROM 2010 IMPACT SCORECARD

19,223

Tonnes of waste oil recycled in year

81%

Reduction in energy consumption per tonne recycled in the last year

8%

IMD ward percentile

26

Number of employees

35%

Employees living in target areas

31%

Supplier spend in target areas

93%

Sales in target areas

BACKGROUND TO OUR INVESTMENT

Bridges Ventures invested to enable the refurbishment and re-commissioning of a mothballed plant in Stoke-on-Trent. Since the re-commissioning, the plant has been producing a high quality re-refined base oil that is sold back to the lubricant industry to produce lubricants, thereby producing a closed loop from waste oil back to lubricant. Compound annual growth rate of Whelan's turnover is 92% since the plant was re-commissioned.

UNDERSERVED AREAS IMPACT

- Whelan's oil re-refining technology has diverted over 30,000 tonnes of waste oil from combustion since 2007
- Production has grown 82% in the last year, leading to significant increases in the efficiency of the re-refining process – in the last year energy intensity has reduced by 81%.

OTHER IMPACTS

- Located in one of the 10% most deprived wards in the UK with strong local linkages – particularly in employment and sales.



Developing the refinery has been a long and, at times, tortuous journey through a period of severe global, financial upheaval. But, with Bridges Ventures' support and understanding, we have now achieved the performance and quality targets of our original proposition. In so doing, we now employ nearly 30 skilled staff – the majority of whom hail from what is the seriously depressed 'Potteries' area of Stoke on Trent.



John Whelan
Managing Director, Whelan



The TEG Group plc specialises in the treatment and processing of green and organic waste matter using technologies such as its proprietary Silo Cage in-vessel composting system as well as anaerobic digestion.

KEY DATA FROM 2010 IMPACT SCORECARD

101,523

Number of tonnes of organic waste diverted from landfill

42%

IMD ward percentile⁷

56

Number of employees

32%

Employees living in target areas

NB: Investment made in summer 2010 – full scorecard in development

BACKGROUND TO OUR INVESTMENT

Our first investment in a quoted company, The TEG Group plc (TEG) used the investment from Bridges Ventures to support the growth of the business organically and through acquisitions. Following Bridges Ventures' investment, TEG acquired a similar business in a complementary geographic area, thus increasing its processing capacity from 115,000 to 295,000 tonnes per annum. With its first anaerobic digestion plant under construction, TEG is augmenting its organic treatment offerings to include energy generation from waste.

ENVIRONMENTAL IMPACT

- In the latest financial year, TEG's plants processed more than 100,000 tonnes of organic waste, diverting it from landfill
- The decomposition of this waste in a landfill would otherwise have led to the release of methane, a major greenhouse gas
- As part of its process, TEG also produces and sells good quality compost, of which it produced 20,000 tonnes in 2009.

OTHER IMPACTS

- 56 employees, of whom 32% live in our target areas
- Over 75% of TEG turnover to December 2009 was generated in underserved areas.



We are delighted to have received the support of Bridges Ventures. The organic waste market continues to grow rapidly, we have a strong pipeline of projects and we expect to develop a range of further TEG facilities. We look forward to working with Bridges Ventures and we expect their expertise and presence in the waste and cleantech sectors will be very positive for the company.

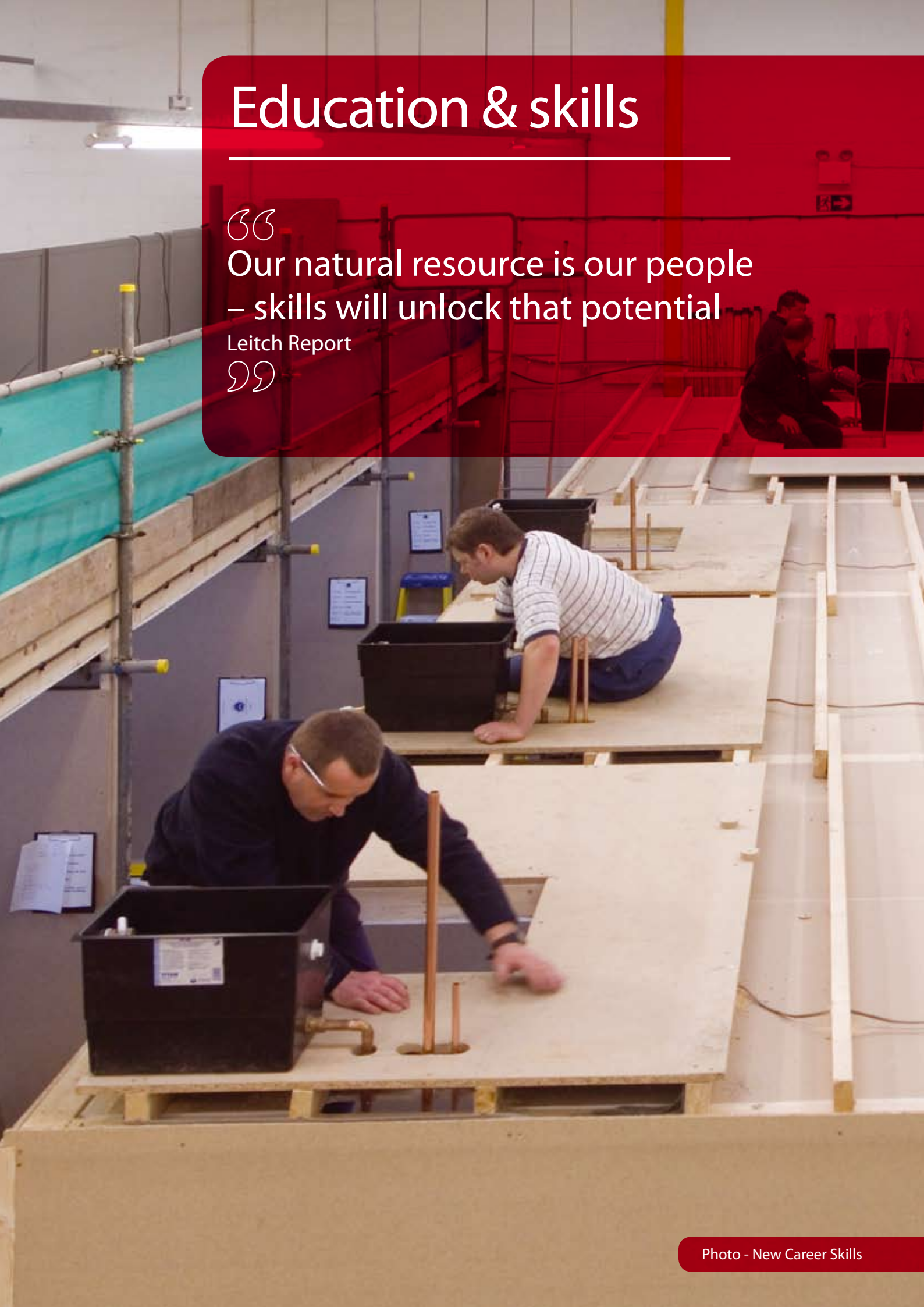
 Michael Fishwick,
CEO, The TEG Group plc

Education & skills



Our natural resource is our people
– skills will unlock that potential

Leitch Report



Education & skills

SECTOR DYNAMICS

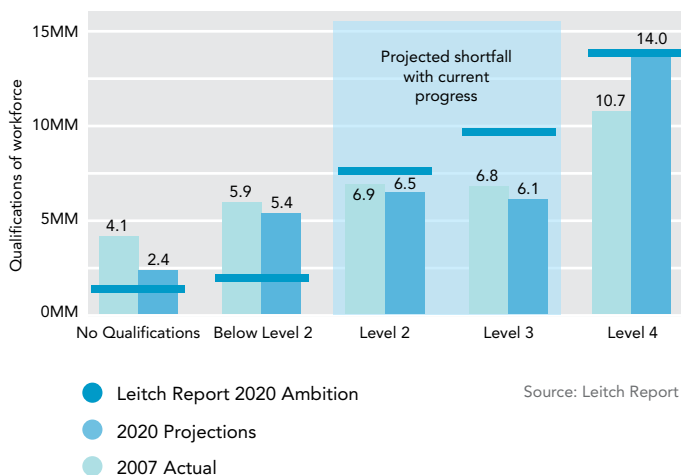
In order to achieve long-term and broad-based growth and allow individuals to reach their potential, it is vital for the UK to maintain a world-leading education system which can develop a strong skills base. However, despite significant investment, academic achievement remains uneven, with 30% of 14-year olds failing to achieve expected standards⁸.

Furthermore, the Leitch report has projected that by 2020, 5m UK workers will lack the skills to meet demand from employers, harming competitiveness.

At the same time, the education budget is under pressure, meaning there is demand to drive improved outcomes whilst generating efficiency. We are primarily focused on three major sub-sectors where we believe both impact and commercial opportunities are particularly strong:

- Vocational training
- Broadening accessibility and outcomes
- Provision of solutions addressing excluded pupils and NEETs (young people Not in Education, Employment or Training).

SKILL LEVELS⁹ OF UK WORKERS VERSUS DEMAND BY 2020



HEADLINE RESULTS

- £7.9m invested in three portfolio companies
- In the last year, Babington Business College has provided almost 700 apprenticeships including 160 for young people who were previously unemployed
- Since 2004, New Career Skills has re-trained nearly 6,000 mid-career changers with 34% of current students residing in our target areas
- The School Stickers system has been used by teachers in over 8,500 schools to motivate their classes, reaching over 400,000 students.

The following three case studies provide a detailed review of the impacts achieved by the profiled companies: Babington Business College, New Career Skills and School Stickers.



Babington Business College provides Skills Funding Agency (SFA) funded apprenticeship training in accountancy, business administration, customer service and financial advice to learners aged 16-25. Its customers comprise of both public and private sector organisations who are looking for apprentices.

KEY DATA
FROM 2010 SOCIAL IMPACT SCORECARD

671

Number of learners in period

161

Number of students entering full-time employment who were previously unemployed

98%

Students rating course as “good” or “excellent”

20%

IMD ward percentile¹⁰

55%

Students living in target areas

63

Number of employees

65%

Employees living in target areas

49%

Supplier spend in target areas

BACKGROUND TO OUR INVESTMENT

Bridges Ventures provided funding to acquire this high-quality, owner-managed business from the founders. We put in place a senior team to modernise systems and to grow learner numbers and continue to provide support for both organic growth and growth through acquisition.

EDUCATIONAL IMPACT

- Babington actively engages with local businesses to match potential students with employment opportunities – last year 161 students who were previously unemployed were matched to employers
- Student satisfaction is high, with 98% of students rating their course as “good” or “excellent”
- In November, three apprentices learning at Babington Business College were awarded WorldSkills bronze medals
- Babington pioneered the first accountancy apprenticeship in the country and the first insurance apprenticeship in the North of England.

OTHER IMPACTS

- Five of the seven sites are based in our target areas, with significant local linkages – over half of all students and employees are from our target areas.



When Jeremiah decided he wanted to be an accountant, gaining qualifications was important to him – as was earning a wage. Jeremiah completed an Apprenticeship in Business Administration and then decided he wanted to change to Accountancy. He began an Advanced Apprenticeship programme arranged by Babington, becoming a fully qualified Chartered Accountant. In the future he would like to open his own business.



“The Apprenticeship programme has given me something to aim for and it has allowed me to get good qualifications whilst earning a wage.”

Jeremiah Jordan,
Babington student

¹⁰ Calculated as the median site

New Career Skills

New Career Skills provides vocation focused training in plumbing, electrical and green energy courses to mature students who wish to make a career change.

KEY DATA FROM 2010 SOCIAL IMPACT SCORECARD

809

Number of students

34%

Students living in target areas

37%

IMD ward percentile¹¹

35

Number of employees

34%

Employees living in areas

29%

Supplier spend in target areas

BACKGROUND TO OUR INVESTMENT

With a clear demand for trade skills from career changers within the UK, Bridges Ventures acquired the business in February 2008 to provide development capital to what had been an owner-managed business. The retiring founders were replaced with a proven MD and FD to provide strategic direction to scale the business. We have recently agreed further funding to establish a new London training centre.

EDUCATIONAL IMPACT

- New Career Skills has trained nearly 6,000 students since inception in 2004, with an average student satisfaction score of 9.0 (out of 10)
- Focuses on the training of under-skilled, under-qualified individuals to help fill shortages in the vocational skills sector – with an explicit strategy of matching supply of courses to gaps in the local labour force
- Those in high-demand professions such as plumbing and green energy have a 95% pass rate.

OTHER IMPACTS

- Since investment, New Career Skills has begun to offer a range of courses in green and renewable technologies with almost 100 students in the last year
- The business has strong linkages with underserved areas – 34% of students come from our target areas, an increase from 14% in 2008.

Charmaine is a recently divorced mother of two. She came across New Career Skills, as she was interested in a career change that would allow her to move into the construction industry as a plumber. Charmaine started her City and Guilds qualification in June and hopes to finish by next summer, going straight into plumbing.



CC

In my opinion there's a gap in the market for female plumbers because I think a lot of women would feel more comfortable with a female plumber turning up on their doorstep rather than a man. It's something that I've thought of as a mum so I'm hoping I can fill that gap.

CC Charmaine Warman,
New Career Skills student



School Stickers is a manufacturer and distributor of customised motivational stickers and postcards for primary and secondary schools.

KEY DATA
FROM 2010 SOCIAL IMPACT SCORECARD

8,752

Number of schools using the system

233,000

Number of pupils using the system
(unique users in last 12 months)

2%

IMD ward percentile

11

Number of employees

45%

Employees living in target areas

36%

Supplier spend in target areas

34%

Sales in target areas

BACKGROUND TO OUR INVESTMENT

At the time of our investment School Stickers was selling stickers to a number of primary and secondary schools. It was clear to us that there was growing recognition of tools that help to improve pupil behaviour and attainment. We therefore saw the potential for strong demand from schools throughout the UK for an enhanced product range. We are now working with the business to roll-out new products with a focus on motivational rewards.



EDUCATION & ENVIRONMENTAL IMPACT

- Over 400,000 students have logged into the School Stickers system from over 8,000 schools, with 233,000 unique visitors to the site in the last 12 months
- Over 2.3 million stickers have been registered on the website since it launched in 2006
- School Stickers' new online rewards programme (www.carrotrewards.co.uk) enables schools to manage a reward scheme online and to run a range of motivational competitions across the whole school.

OTHER IMPACTS

- The business is located in Birmingham in the ward of Nechells, which is in the most deprived 2% of wards in England
- All waste paper and plastics are recycled and the entire business is carbon neutral.



The teachers and students are all very excited about this new rewards scheme. It actually saves teachers time, which is always popular, and the students think that the mystickers website is fantastic and are looking forward to earning their points. I would definitely recommend School Stickers and Carrot Rewards to other teachers.

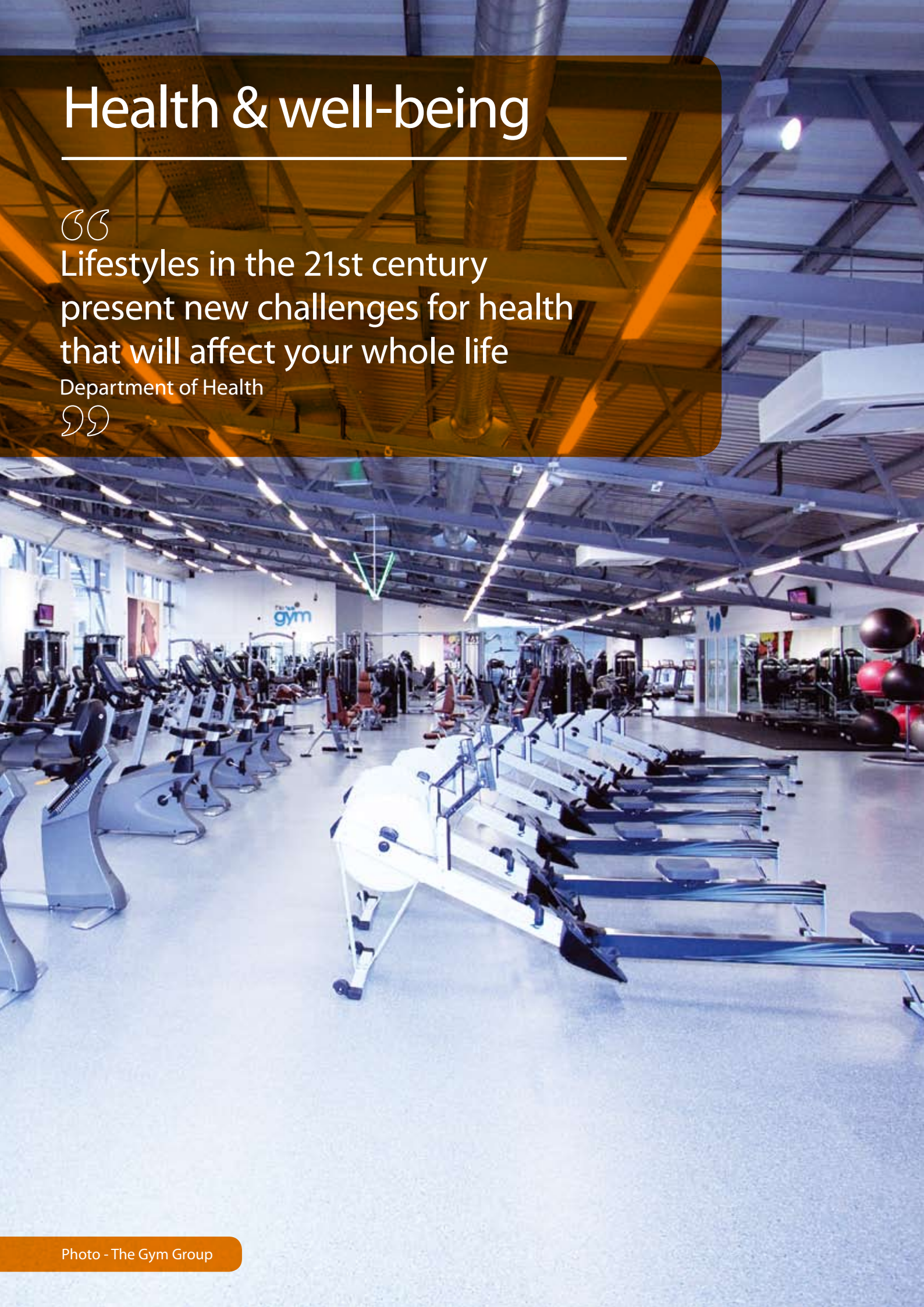
 Sue Cadman,
Leyland St Mary's School in Preston

Health & well-being



Lifestyles in the 21st century present new challenges for health that will affect your whole life

Department of Health



Health & well-being

SECTOR DYNAMICS

Increasing sophistication of care, lifestyle changes, rising levels of obesity and an ageing population are examples of current trends that, combined, create the requirement and conditions for a fundamental transformation in the provision of support for health and well-being in the UK. These powerful drivers for change are creating an opportunity for impact-focused investment capital to play a larger role in the provision of universal healthcare and the promotion of well-being.

In particular, we see the following key trends as being critical to the development of the sector and in turn, creating commercial and impact opportunities:

- **Demographics:** An ageing population means an increasing incidence of long-term chronic conditions and greater demand on the National Health Service (NHS)
- **Economics:** Pressure on public finances necessitates the use of more cost and capital effective solutions for the provision of healthcare
- **Technology:** Technology developments leverage expensive medical skills and enable the delivery of treatment outside the hospital setting
- **Regulation:** Patient choice and “any willing provider” allows NHS patients access to private sector innovation free at the point of delivery.

We believe the promotion of health and well-being is a theme with strong social impacts as well as compelling commercial drivers. Our investments fall into two broad categories:

- allowing individuals to live healthier lifestyles
- the provision of care to disadvantaged or excluded communities.

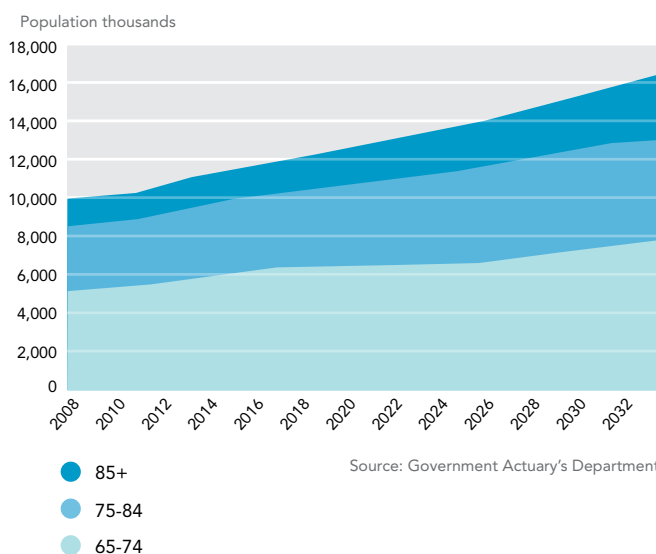
In particular, we see opportunities in a range of sub-sectors including well-being, home care, community services, productivity improvement and outsourcing.

HEADLINE RESULTS

- £13.9m invested in three portfolio companies
- £11.2m invested in The Gym Group, the UK’s leading low-cost gym
- Over 50,000 members have joined; with “welfare borderline” members on average 200% more likely to join, as opposed to a private club where they are 70% less likely to join
- In some clubs over 40% of members have never joined a gym before
- Nine out of the first 10 sites are based in underserved areas.

The following case study provides a detailed review of the impacts achieved by The Gym.

UK POPULATION OVER 65: PROJECTIONS





The Gym provides low-cost health and fitness facilities in purpose-built gyms which are open 24 hours a day. The Gym had 10 sites open by end December 2010. Memberships are flexible, no annual contract, and affordable at c. £15/month, approximately three times cheaper than joining the average mid-market or premium UK gym.

KEY DATA FROM 2010 SOCIAL IMPACT SCORECARD

50,000

Number of members (Dec 2010)

35%

Members who have never previously belonged to a gym

17%

IMD ward percentile¹²

13

Number of employees

27%

Employees living in target areas

18%

Supplier spend in target areas

80%

Sales value in target areas

BACKGROUND TO OUR INVESTMENT

Our decision to found and expand The Gym centres on its vision to bring accessibility, affordability and flexibility to the health and well-being sector, contributing to improved public health. Bridges Ventures incubated this idea from the concept stage, hired the management team and provided the initial finance for the fit-out of sites, starting with the first location in Hounslow which opened in 2008.

HEALTH IMPACT

- The Gym now has over 50,000 members using its health and fitness facilities
- The combination of value and accessibility means that a large number of the local community who have previously been unable to be a member of a gym can now afford to, with obvious health benefits: 35% of members are first time gym users versus the 10-15% industry average.

OTHER IMPACTS

- Nine out of the first 10 sites based in underserved areas
- 8% of members use The Gym between 10am and 6pm, when most gyms are closed, demonstrating The Gym provides wider access to health and fitness facilities
- Over 70% of equipment is energy-efficient, cleaning products are chemical-free and cleaning uses 70% less water than conventional machines. The sites also employ sensor-controlled lighting, showers, WCs and hand basins
- The Gym's inner-city locations mean that only 30% of visits are made via car, versus 70-80% in the industry as a whole.



The Gym has made a huge difference to my morale and self-confidence as well as helping me to drop a clothing size and lose weight. Thank you very much. The Gym is fantastic value and the staff are very non judgemental.



Guildford Member



I've never been able to afford to join a Gym before. The Gym has changed my life and I've lost two and a half stone since it opened.



Hounslow Member

New funds & Other impacts



Bridges Social Entrepreneurs Fund



Launched in 2009, the Social Entrepreneurs Fund was originally seeded by the Bridges Charitable Trust. Bridges Ventures has set up this fund to provide capital to the social enterprise sector, such as Community Interest Companies, trading arms of charities and similar organisations.

There are over 60,000 social enterprises in the UK¹³ yet very few have grown to scale. The Fund is designed to address a “funding gap” often faced by fast-growing social enterprises looking to achieve scale and deliver high social impacts and sustainable business models. To address this gap, the Fund employs innovative funding structures that combine hands-on involvement with genuine risk-capital.

THE “FUNDING GAP” FOR FAST-GROWING SOCIAL ENTERPRISES:

Grants

Hard to get for infrastructure or as business approaches sustainability
Little access to expertise in building business
Comes with strings attached

Loans

Hard to use loans for risky/long payback ventures
Banks will not fund 100% of investment with loans
Little dedicated resource to help with building businesses

Equity-like

Investors share risks & returns - greater business success results in higher social & financial returns
Investors bring expertise and hands-on involvement
Flexible structure, eg. subordinated debt with royalty payments that rise with revenue

Pure-equity

Social ventures fear loss of control and mission drift if goals of equity investors are not 100% aligned with theirs
Risk/returns tradeoffs are unsuitable for pure private sector equity investors

We tailor each investment to ensure that it fits the needs of each particular social enterprise, whilst also allowing the Bridges Social Entrepreneurs Fund to make a sufficient financial return to demonstrate a sustainable funding source for social enterprises. We work closely with the social entrepreneurs we support to help them to realise their ambitions and maximise their social impact.

HEADLINE RESULTS

- £1.9m invested in two portfolio companies
- In the last year HCT has created 116 new jobs, including 70 for people who were previously unemployed, whilst helping a further 117 unemployed people to find jobs through its training scheme
- Call Britannia is based in the most deprived 16% of wards in England and has created 124 new jobs, all of whom are for previously unemployed and otherwise disadvantaged individuals.

The fund has two portfolio companies so far, HCT Group and Call Britannia, both of which are profiled here.



HCT is a community transport business which reinvests its profits to fund local transport services for the mobility-impaired and provides training programmes for its employees and others interested in a career in the transport industry.

KEY DATA
FROM 2010 SOCIAL IMPACT SCORECARD¹⁴

27%

Prior year profit invested in training & community projects

595

Number of Employees

116

FTE jobs created at HCT Group in the last 12 months

70

Number of new hires formerly unemployed

451

Individuals not working for HCT who gained qualifications as a result of HCT training

374

Of which, those previously unemployed

117

Unemployed people who obtained a job outside HCT as a result of training and support provided by HCT

BACKGROUND TO OUR INVESTMENT

HCT was founded in 1982, and had historically been financed with lease funding against its fleet. The Bridges Social Entrepreneurs Fund invested in 2010 with an innovative "Social Loan" structure that provided HCT with flexibility while linking returns to HCT's growth in turnover and social impact.

ADDITIONAL SOCIAL IMPACT

- In 2009/10, HCT Group attracted £2.0m of external investment into areas of disadvantage
- 206,716 passenger journeys were provided to community groups and disadvantaged individuals, subsidised by investing HCT's prior year surpluses. As a result, 36,972 car journeys were saved
- 75% of the 2009/10 wage bill and 100% of new FTE jobs created went to employees living in areas of disadvantage
- HCT delivers an award-winning 'Women in the Bus Industry' programme, seeking to address the gender imbalance in the bus industry by providing training for women who are unemployed, economically inactive, or working part-time.



This won't be the biggest deal done in corporate finance today, but it may well be amongst the most far reaching in its consequences. This gives 'proof of concept' that social enterprises can now compete on a more level playing field in the capital markets. With innovative structures like the Social Loan, we can break down the barriers between investors seeking value and investors seeking values.

 Dai Powell,
CEO, HCT Group



¹⁴Data for financial year 2009/10

callbritannia

talking jobs for Britain

Call Britannia is a call centre business providing employment opportunities to those who have been unemployed, offering the agents careers advice and both formal and on-the-job skills training.

KEY DATA

124

Frontline hires in last 12 months

100%

Frontline hires previously unemployed

100%

Frontline hires from most disadvantaged groups¹⁵

As at 31 December, 2010

BACKGROUND TO OUR INVESTMENT

The Bridges Social Entrepreneurs Fund provided seed funding to back the first call centre based in Croydon, following positive feedback from the call centre sector that the business model would provide a key differentiator in a competitive market. It aims to leverage the typically high churn sector to provide a launchpad into permanent employment for the long-term unemployed.

ADDITIONAL SOCIAL IMPACT

- Call Britannia's call centre is based in Croydon, which is in the most deprived 16% of wards in England. Call Britannia was a beneficiary of the DWP's Future Jobs Fund, which subsidised jobs for the unemployed. However, despite the winding up of FJF funding, Call Britannia has continued to grow, employing 58 new frontline staff in November and December 2010 without FJF support.



We had been looking for a call centre to support our in-house teams especially during the busy winter period. We put our customers at the heart of everything we do and it is critical that we have the right people to provide the best possible service for our customers. We whole heartedly support the Call Britannia mission of employing the unemployed, but more importantly have been incredibly impressed by the level of service they offer their clients and the quality of their staff.



Simon Pook, Claims Director -
Homeserve, Call Britannia customer

Bridges Sustainable Property Fund



The Bridges Sustainable Property Fund is an entrepreneurial property fund that invests in buildings in underserved areas and properties showing environmental leadership. This builds upon Bridges Ventures' track record of successful property-backed investment through its Venture Funds. The fund made two investments in 2010 - one focused on environmental leadership in the care home sector and the other on regeneration in an underserved area, as detailed below.



HIGH-QUALITY CARE HOMES

- The fund will finance three care sector developments in joint venture with Castleoak, one of the UK's most established specialist care sector developers
- These new care homes will be constructed to high environmental standards, aiming to show leadership in the care sector and to be one of the very first care homes to achieve a BREEAM¹⁶ 'Excellent' rating
- The homes will provide high quality accommodation for the elderly including dementia patients and others with specialist needs.



STUDENT ACCOMMODATION IN EAST LONDON

- The Curve, a student accommodation development, will house 339 student rooms, 9 private apartments and a supermarket of 13,000 sq ft. The site is IMD ranked 401 and is located in the 5% most deprived of wards in the UK
- The development is on brown-field land. Upon completion, the development will support c. 60 permanent on-site jobs within the retail space, and a further 25 jobs off-site
- The development is employing sustainable construction methods in order to reduce CO₂ emissions by 30% versus a traditional development of this kind.



Promoting Responsible Investment

As well as growing our impact through our own funds, Bridges Ventures aims to help promote the growth of this type of investment more widely to create even greater impact. Members of our team sit on the BVCA Responsible Investment Advisory Board and on the boards of other related foundations and organisations, as well as speaking widely at conferences in the sector.

We are delighted to have seen an enormous increase in interest in the social and environmental dimensions of investment over the eight years since we were founded in 2002. Evidence of this development can be seen in the rapid growth over the past few years in the number of fund managers and investors signed up to The United Nations-backed Principles for Responsible Investment Initiative (PRI), increasingly including fund managers in the private equity asset class.

It is also visible in the emergence globally of niche funds that focus on achieving positive social or environmental impacts; a type of investment that has been christened 'Impact Investment' by The Rockefeller Foundation, which has made a huge contribution to the sector through initiatives like The Global Impact Investing Network (GIIN) and Impact Reporting Standards (IRIS).

Bridges Ventures works closely with all of these initiatives, offering our advice and input based on what we have learned about investing for both impact and financial returns as one of the more established funds in the space.



Bridges Ventures is a signatory of the Principles For Responsible Investment (PRI), an investor initiative in partnership with UNEP FI and the

UN Global Compact. These principles provide a framework for incorporating environmental, social and governance (ESG) issues into our investment decision-making. We are proud to have been ranked in the top quartile, which was calculated using self-assessment following a scoring method approved by the PRI Assessment Group.

'INVESTING FOR IMPACT' REPORT



This year we have also contributed to the emergence of the Impact Investment sector by releasing a report, called Investing for Impact, Case Studies across Asset Classes which was written in partnership with The Parthenon Group and with support from The Rockefeller Foundation, Generation Investment Management and GIIN.

The report is based on interviews with over 50 pioneers in this increasingly vibrant field. It argues that the current challenging economic conditions combined with the threat of climate change render impact investment more important than ever. Plummeting endowments and the shrinking budgets of non-profit organisations and governments mean that whilst social needs are continuing to grow there is less

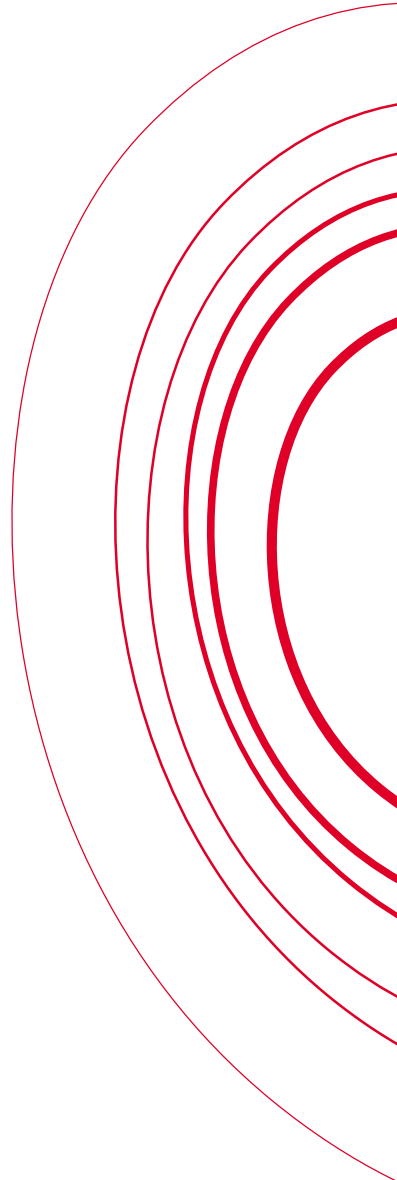
capital available through traditional sources to address them. Mobilising the capital markets to help solve deep-seated social and environmental challenges on a large scale is key to creating a more sustainable form of market capitalism.

To bring greater understanding of the Impact Investment sector, the report presents a system for cataloguing investment opportunities using the traditional asset allocation model familiar to the investment community. Over 30 case studies have been documented in detail to illustrate the diversity of opportunities by asset class, risk and investor motivation.

The report argues that Impact Investment is a growing global phenomenon and that many such funds have delivered superior market-rate or above financial returns. As such, many are now raising capital from institutions such as pension funds and financial institutions, as demonstrated by investments, for example, in the microfinance, global health, sustainable forestry and cleantech areas.

Long seen as an investment sector only for the philanthropic investor, the solid returns the sector is producing are changing this landscape. The sector is moving beyond the quoted asset class in which Socially Responsible Investment (SRI) has its roots and now investors have more choice than ever to diversify their portfolios through Impact Investments. There are now funds developing across a wide range of asset classes that provide investors with numerous options to trade off between risk, return and level of impact.





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