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Unless otherwise indicated, all data in this report is to end March 2011.
Dear Friends,

We are delighted to share with you our 2011 IMPACT report, which offers highlights of some of the detailed reporting we do for our investors and presents a number of case studies to illustrate our approach for a wider audience.

Over the last year, corporate scandals have dominated the press – from BP’s oil spill to News Corp’s hacking scandal. These, combined with the continuing fall-out of the financial crisis has meant that capitalism itself has come under the spotlight, with business frequently pitted against society and the suggestion of a trade-off between private and public gain.

Bridges Ventures was founded with the opposite conviction: that by building thriving, responsible businesses in underserved areas or in critical sectors – like healthcare, education and the environment – we could create commercial returns and long-lasting social benefit. In fact, our belief is that the two can go hand-in-hand: companies that meet society’s pressing needs tend to have fast growth potential; while those that behave responsibly can sustain and enhance that growth over time.

Our three-step IMPACT approach reflects this: Firstly, we select companies that create impact simply by what they do (by the products that they sell or the economic growth that they generate in underserved areas). Secondly, we work with them to optimise how they do it, both by managing their environmental, social and governance (ESG) approach and by identifying opportunities for additional value creation – opportunities we call “win-wins” because they improve social and environmental performance in ways that also improve commercial performance. For instance we worked with our portfolio company, New Career Skills, to launch a new course in environmental installation that both contributes to the development of a low-carbon economy and provides a new revenue stream for the business. Thirdly, we report in detail to our investors on the social and environmental impacts of our investments.

The entrepreneurs we back are achieving impacts across our three types of funds. These range from turning waste into energy to providing apprenticeships for young people in the Ventures Funds and from building environmentally friendly care homes in the Sustainable Property Fund to backing an innovative, cooperative approach to domiciliary care in the Social Entrepreneurs Fund. Through the performance of our portfolio, we are more convinced than ever that the combination of commercial investment and an impact-driven approach builds value for both investors and for society at-large.

We hope this gives a clear picture of the impacts that are being achieved by 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 do 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.

KEY MILESTONES

**October 2000**
The Social Investment Task Force proposed five key recommendations to harness new capital, talents and skills to address economic regeneration to the Chancellor of the Exchequer. One was the idea for community development venture funds in the UK like those in the US.

**May 2002**
Bridges Ventures was founded and raised its first Venture Fund in the same year with investment from both government and private sectors.

**June 2007**
Finished raising second fund, Ventures Fund II. £75m raised from private sector investors, beating the target of £50m by 50%.

**January 2008**
Advisory Board established.

**August 2009**
Bridges Social Entrepreneurs Fund launched.

**November 2009**
Bridges Sustainable Property Fund launched.

**August 2011**
First close of CarePlaces Fund, a partnership with Castleoak Group.

OUR INVESTORS

We are very grateful for the support of the investors that back us across our 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.
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 to create a wider 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.

Our focus this year has been on the measurement of impact. Measuring impact is often subjective and difficult to quantify. However, it is encouraging to see a range of third-party measurement systems and benchmarks increasingly gaining support from the impact and sustainable investment community.

- The Impact Reporting and Investment Standards (IRIS), backed by the Rockefeller Foundation and the Global Impact Investing Network (GIIN) provides a framework made up of a number of indicators designed to apply across sectors and geographies. We are in the process of upgrading our IMPACT Scorecard to conform with the IRIS standard measures.

- The Global Impact Investing Rating System (GIIRS) aims to create a globally applicable ratings system or assessment framework to ensure impacts by one company can be directly compared to another. We will be assessing its appropriateness for our portfolio over the coming year.

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 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.

This year, Bridges Ventures was named in the ImpactAssets 50 (www.impactassets.org), a global list of the top 50 private investment managers that successfully deliver social and environmental value as well as financial returns.

OTHER MEMBERSHIPS

- Global Impact Investing Network (GIIN)
- UK Sustainable Investment and Finance (UKSIF)
- British Venture Capital Association Responsible Investment Group
- European Venture Philanthropy Association (EVPA)
- Community Development Finance Association (CDFA)
Headline results

The case studies that follow in this report provide a detailed review of the social and/or environmental impacts results achieved by the profiled companies. Following are some highlights¹ across the portfolios.

**Bridges Venture Funds**
The Venture Funds invest in ambitious growth businesses in the following four impact themes: Underserved Areas, Environment, Education & Skills and Health & Well-being. While the vast majority of our investments are in underserved areas, many also have positive impacts in at least one of the other three themes.

- £72m invested in 35 companies to date.
- 31% year-on-year revenue growth across existing portfolio companies².
- 1,481 jobs in portfolio companies, with 8% growth over last year.

**Underserved Areas**
- £63m invested in 33 companies in underserved areas³ to date.
- 36% of employee base live in underserved areas.
- 4.1x multiplier – £4.10 of additional spending in target areas for each £1 invested.

**Environment**
- £12.5m invested in 4 portfolio companies to date.
- 254,230 tonnes of waste materials diverted from landfill and recovered for economic use.
- At least 50,846 tonnes of CO2 saved.

**Education & Skills**
- £8.5m invested in 3 portfolio companies to date.
- 2,220 students trained / educated.
- 223 apprenticeship students entered full-time employment who were previously unemployed.

**Health & Well-being**
- £14.6m invested in 3 portfolio companies to date.
- 24% of Gym members are first-time gym users (compared to 10-15% industry average).
- Provision of affordable health & fitness facilities to over 76,000 people.
Bridges Social Entrepreneurs Fund
The Social Entrepreneurs Fund invests in the social enterprise sector, combining hands-on involvement with genuine risk-capital.

- £2.1m invested in 3 portfolio companies to date.
- 130 employees who are from disadvantaged backgrounds.
- Provision of 220 domiciliary carers to older, disabled and vulnerable people.
- 163,000 passenger trips provided to disadvantaged individuals.

Bridges Property Funds
The Sustainable Property Fund invests in buildings in underserved areas and properties showing environmental leadership.

- £12m invested in 4 development properties to date.
- 175 jobs supported during construction phase and 241 jobs supported by development post-construction.
- The first care home has been built to BREEAM Excellent standards.
- Of the following two care homes being built, one will be BREEAM Excellent and the other will be built using the Passivhaus construction system.
Our IMPACT approach focuses on what our portfolio companies do to produce positive social and environmental impacts (the products that they sell or the economic growth that they generate in underserved areas) and also how they do it.

We have a thematic focus, selecting companies which inherently create impact as they scale. Then, we work with our portfolio companies to optimise their environmental, social and governance (ESG) impacts, identifying risks as well as opportunities for additional value creation. We call these opportunities “win-wins” because they improve social and environmental performance in ways that also improve commercial performance.
Our IMPACT Process

Our approach is based on a three-stage “SET” process, which focuses on identifying high-impact companies, working with them to optimise their ESG impacts in ways that protect and improve their commercial performance, then tracking and reporting on their impact.

SELECT
We select investments where impact and high-growth potential go hand-in-hand.

ENGAGE
Engage on ESG impacts to manage risks, as well as identify opportunities to create additional value.

TRACK
Track progress to inform timely management decisions, as well as report back to our investors.

The Bridges IMPACT Scorecard

Our IMPACT Scorecard is tailored to each portfolio company with a focus, above all, on materiality and practicality. We select Key Performance Indicators (KPIs) that tell us whether the company is achieving impact through what it sells or where it is located (Thematic KPIs), as well as through how it is operating (ESG factors that signal risks, as well as opportunities to create additional value). The result is a comprehensive IMPACT ‘snapshot’ that allows for timely management decisions, and for Bridges Ventures to identify areas where it can provide support.

THE SCORECARD HAS TWO FUNCTIONS

- Sets and measures performance - for the entrepreneurs we back and for our reporting to investors.
- 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.

Thematic KPIs

ESG value creation

ESG risks
Our experience over the past few years of economic turbulence is that entrepreneurs that can help meet pressing social or environmental needs are still achieving strong growth. They are fuelled by longer term drivers like an ageing population, rising levels of obesity, unemployment and climate change – challenges that just must be met regardless of the challenging economic climate.

Philip Newborough
Chief Executive
Case Studies
Bridges Venture Funds

The Bridges Venture Funds invest in ambitious growth businesses in the following four investment themes: Underserved Areas, Environment, Education & Skills and Health & Well-being.

**UNDERSERVED AREAS**
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. To ensure impact, the businesses we invest in for our underserved areas theme must:

1. Be based in one of our target areas (defined as the most deprived 25% as measured using the Index of Multiple Deprivation (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

**ENVIRONMENT**
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 are actively pursuing opportunities in several key areas including: decentralised renewable energy generation, waste recycling, smart buildings and waste water treatment and recycling.

**EDUCATION & SKILLS**
With the rising unemployment rate, particularly amongst 16 – 24 year olds, we believe it is vital for the UK to maintain a world-leading education and skills base which will deliver sustainable job outcomes. 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 the following sub-sectors where we believe both impact and commercial opportunities are particularly strong: vocational training, e-learning and training for NEETs (young people Not in Education, Employment or Training).

**HEALTH & WELL-BEING**
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.

In particular we see opportunities in a range of sub-sectors including: promotion of health and well being, home care, community services and productivity improvement and outsourcing.
Budget cuts and weak growth are disproportionately impacting deprived areas. But the creative investor can tap into strong opportunities by looking for sources of strength in these areas - whether that is in innovative uses for distressed property, in creating value-for-money propositions or in accessing a committed workforce. In turn, investing in these areas creates a multiplier effect, driving additional spending and wealth creation.

Michele Giddens
Executive Director
SealSkinz specialises 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 2011 IMPACT SCORECARD**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMD ward percentile</td>
<td>15%</td>
</tr>
<tr>
<td>Number of employees</td>
<td>66</td>
</tr>
<tr>
<td>Employees living in target areas</td>
<td>59%</td>
</tr>
<tr>
<td>Supplier spend in target areas</td>
<td>21%</td>
</tr>
<tr>
<td>Sales in target areas</td>
<td>28%</td>
</tr>
</tbody>
</table>

**BACKGROUND TO OUR INVESTMENT**

Bridges Ventures’ investment backed an MBO from an industrials parent. Subsequently, Bridges worked with the business to relocate to a larger, independent site, where the business could create employment and drive economic growth through its supplier spend. Bridges also brought in a Chair with considerable experience in retail and outdoor pursuits.

**COMMERCIAL DEVELOPMENTS**

SealSkinz continues to perform against the backdrop of a tough retail climate. The UK cycling and outdoor markets are bucking the trend and SealSkinz has grown sales in the current year by 9%. In 2010-11 brand name awareness has increased and the business has released a new product range that has been received well by retailers. This has led to a strong forward order book for 2011-12 that is 70% ahead of last year.

**IMPACT UPDATE**

**UNDERSERVED AREAS**

- SealSkinz is located in a deprived part of Kings Lynn, with 28% of its sales value occurring in underserved areas.
- SealSkinz now employs 66 full-time employees, up nearly 50% from last year. 59% of the company’s employees live in our target areas.

**ESG VALUE CREATION**

- By reducing the use of air freight, moving some production tasks in-house and consolidating deliveries for large customers, SealSkinz has been able to reduce its distribution costs to c.2% of sales while also reducing the company’s carbon footprint.
The Hoxton is a 208 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 gained recognition with national awards.

**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. The hotel was built on a brownfield car-park site in Hackney.

**COMMERCIAL DEVELOPMENTS**

From 2010-11, the Hoxton saw a continued rise in demand, with an average of 95% occupancy over the year. The hotel also added three new bedrooms, each designed by a different designer, bringing the total to 208 rooms. In addition, the Hoxton was awarded ‘Best UK Hotel’ by readers of the Guardian and the Observer at their annual travel awards for second year in a row.

**IMPACT UPDATE**

**UNDERSERVED AREAS**

- Located in the most deprived 3% of wards in the UK—and with three quarters of the sales value occurring in underserved areas—the Hoxton has become a well-known part of the regeneration of Shoreditch in Hackney.
- Nearly three quarters of the Hoxton’s employees live in the most deprived 25% of the country, a 90% increase from last year.

**ESG VALUE CREATION**

- The Hoxton donated all revenues received on April 1st 2010 to Great Ormond Street Hospital (GOSH) and provided 20 rooms for doctors and nurses from GOSH to get a decent night’s sleep between shifts. The event raised £18,349 for charity while also engaging employees at the Hoxton, who wore GOSH t-shirts all day and had celebrities working alongside them in support of the cause.
Technological innovation alone will not combat climate change. Many technologies that reduce carbon emissions have been around for a long time – the first anaerobic digester was developed in 1859 and the first photovoltaic cell was built in 1883! The challenge, in the face of daunting global trends such as rising energy prices and increasing resource constraints, is to ensure the deployment of these technologies is well-executed, as we have achieved in a number of our environmental portfolio companies such as Whelan and TEG.

Maggie Loo
Associate, Environment
The TEG Group plc (TEG) 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 2011 IMPACT SCORECARD

185,000
Number of tonnes of organic waste diverted from landfill

79
Number of employees

27%
Employees living in target areas

BACKGROUND TO OUR INVESTMENT

Bridges Ventures’ investment in TEG allowed the company to grow both organically and through acquisitions. Following our 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.

COMMERCIAL DEVELOPMENTS

Revenue for 2010 grew 35% from the prior year. In addition to its composting plants, TEG successfully secured financial closure on its first AD plant in Perth, Scotland in addition to securing support from the London Waste and Recycling Board (LWaRB) for its proposed AD and IVC facility in Dagenham, East London. This is expected to generate in excess of 1 MW of electricity (enough for 2,000 homes).

IMPACT UPDATE

ENVIRONMENT

- TEG’s plants processed more than 185,000 tonnes of organic waste last year, 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 over 120,000 tonnes in the year ended December 2010.

ESG VALUE CREATION

- In an effort to positively influence the public’s behaviour, TEG seeks pro-active relationships with local communities, including clearly communicating the benefits of re-cycling, holding plant visits and hosting community relationship groups.
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 2011**

**SOCIAL IMPACT SCORECARD**

- **40,000**
  Tonnes of waste oil recycled in year (nominal plant capacity)
- **24%**
  % reduction in energy consumption per tonne recycled in the last year
- **8%**
  IMD ward percentile
- **28**
  Number of employees
- **34%**
  Employees living in target areas
- **49%**
  Supplier spend in target areas
- **97%**
  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 to upcycle from waste oil back to a valuable product.

**COMMERCIAL DEVELOPMENTS**

Since the Whelan plant was re-commissioned, the compound annual growth rate of its turnover has been 92%. The business has established an adequate supply base of used oil, and the plant has been reliably producing a suite of virgin-grade oil products.

**IMPACT UPDATE**

**UNDERSERVED AREAS IMPACT**

- Located in the most deprived 8% of wards in the UK, with almost half of its supplier spend and almost all of its sales in underserved areas.
- 15% of Whelan’s employees were formerly unemployed. Whelan provided structured apprenticeships to four local students in the last year.

**ENVIRONMENT**

- Whelan’s oil re-refining technology has diverted over 50,000 tonnes of waste oil from combustion since 2007.
- More than 90% of the waste oil processed by Whelan is sold as a product, upcycling to create value enhancement of what would otherwise be a waste product.

**ESG VALUE-ADD**

- The Board has maintained a strong business focus on minimising the Whelan plant’s environmental impacts and ensuring the highest Health and Safety standards in its plant operations. Since re-commissioning, the plant has been fully compliant with its IPPC permit and feedback about the plant’s operations from local residents has been positive.
- The business also strives to continually train its employees. In the last year, six more employees have achieved Certification in Process and Operations, and now almost 40% of its employees have City & Guilds Certification.
There’s a pressing need in the UK for both skills and jobs. Our investments in vocational training are showing that education can be an important catalyst for entrepreneurship, leading to more jobs. At New Career Skills, many students have subsequently shifted from employee to employer by starting their own small business.

Anne-Marie Harris
Investment Director, Education & Skills
Babington Business College provides Skills Funding Agency funded apprenticeship training in accountancy, business administration, customer service and financial advice to learners aged 16 and above. Its customers comprise both public and private sector organisations.

**BACKGROUND TO OUR INVESTMENT**

Bridges Ventures provided funding to acquire Babington from its founders to use it as a platform business in the vocational training sector. We put in place a senior team to modernise systems and to grow learner numbers. We continue to provide support for both organic growth and growth through acquisition.

**COMMERCIAL DEVELOPMENTS**

Babington has delivered a 35% increase in turnover for 2010/11. In March 2011 Carole Carson was recruited as Chief Operating Officer. Carole brings a wealth of training and employability experience. Further to this, the sales and marketing function has been strengthened with a full time sales manager appointed with a background in the training sector.

**IMPACT UPDATE**

**EDUCATION AND SKILLS**

- Babington pioneered the first accountancy apprenticeship in the country and the first insurance apprenticeship in the North of England.
- The number of students receiving training in the last year increased by 25%.
- In November 2010, three apprentices were awarded WorldSkills bronze medals.

**UNDERSERVED AREAS**

- Five of the six sites are based in the 25% most deprived areas of the country, with significant local linkages.
- Over half of all students and employees are from our target areas.

**ESG VALUE CREATION**

- Babington actively engages with local businesses to match potential students with employment opportunities – last year 223 students who were previously unemployed were matched to employers.
New Career Skills provides vocation focused training courses in plumbing, electrical and green energy, as well as career search support, to mature students with aspiration to improve their skills, make a career change or start their own business.

**KEY DATA FROM 2011**

**SOCIAL IMPACT SCORECARD**

1,373
Number of students currently enrolled

7,591
Number of students enrolled since inception

36%
Students living in target areas

2%
IMD ward percentile

57
Number of employees

37%
Employees living in 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.

**COMMERCIAL DEVELOPMENTS**

Over the last year, New Career Skills (NCS) has expanded both its operations and its course range, launching its third new training centre in Watford and introducing a new “Plumbing & Heating Installer” (PHI) course. At the same time, the company has improved its operations by bringing its call centre in-house (enabling efficient reactions to student enquiries) and by moving the business to a cost-effective underserved area.

**IMPACT UPDATE**

**EDUCATION AND SKILLS**

- NCS has trained nearly 7,600 students since inception in 2004.
- 73% of 200 graduates surveyed are in a new career as a result of training with NCS, 84% of whom have started up or are running their own businesses. Of those who disclosed salaries, 37% earn over £10,000 more per annum since training with NCS.

**UNDERSERVED AREAS**

- With encouragement from Bridges, NCS has moved its head office to an underserved area in 2011, ranked in the 2% most deprived areas of the country.
- The business also has strong linkages with underserved communities – 36% of students and 37% of employees come from the most 25% deprived wards of the country.

**ESG VALUE CREATION**

- NCS has launched the “Access Programme”, which pairs up existing students to past students to give them work experience. This enables students to build hands-on skills and experience and has the added benefit of attracting new students to NCS, who want to take advantage of the network.
- By launching its Career Search website this year, NCS is creating an online community that supports students to go back into employment – or launch their own companies – while also acting as a marketing channel for new NCS services.
At a time of public expenditure constraints, private sector investment can make an important contribution to the wider health and well-being agenda. We look to support innovative management teams, often working in partnership with the NHS, to improve patient care and increase access to high quality services.

Rory Maw
CFO and Director, Health & Well-being
The Gym provides low-cost health and fitness facilities in purpose-built gyms which are open 24 hours a day and located mainly in underserved areas. Memberships are flexible, with no annual contract.

### BACKGROUND TO OUR INVESTMENT

Our decision to found The Gym in 2008 centred on its vision of increasing accessibility, affordability and flexibility in the healthcare and well-being sector, contributing to improved public health.

At the same time, we saw an opportunity to build a thriving business that creates employment and economic growth in underserved areas. Bridges Ventures incubated this idea from the concept stage, hired the management team and provided both the initial and expansion finance for the fit-out of clubs.

### COMMERCIAL DEVELOPMENTS

The past year has seen The Gym grow rapidly, from 5 to 13 units in the year to 31 March 2011. New locations have been well-spread across the UK with strong demand exhibited at each launch. Waiting lists have been introduced at some more mature clubs due to overwhelming demand. The overall membership growth was 117% over the year.

### IMPACT UPDATE

#### HEALTH & WELL-BEING

- With flexible memberships at c. £16/month, The Gym’s membership is approximately three times cheaper than joining the average mid-market UK gym.
- 76,000 members are now making use of The Gym’s 13 health and fitness facilities.
- A large number of the local community can now afford to join a gym, with obvious health benefits: 24% of members are currently first-time gym users versus the 10-15% industry average.

#### UNDERSERVED AREAS

- 12 out of The Gym’s first 13 sites are based in underserved areas, where 80% of the sales value also occurs.
- The Gym employs 32 full-time employees while also providing opportunity for c. 118 self-employed personal trainers.

#### ESG VALUE CREATION

- Over 70% of The Gym’s 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 company pro-actively collects optional donations for local charities from its customers upon joining, raising £29,300 in the year to March 2011.

### KEY DATA FROM 2011

#### SOCIAL IMPACT SCORECARD

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of members</td>
<td>76K</td>
</tr>
<tr>
<td>Total visits to The Gym since inception</td>
<td>3.7m</td>
</tr>
<tr>
<td>Members who have never previously belonged to a gym</td>
<td>24%</td>
</tr>
<tr>
<td>IMD ward percentile</td>
<td>32 (+118)</td>
</tr>
<tr>
<td>Number of employees (including self-employed personal trainers)</td>
<td>32 (+118)</td>
</tr>
<tr>
<td>Employees living in target areas</td>
<td>22%</td>
</tr>
<tr>
<td>Supplier spend in target areas</td>
<td>20%</td>
</tr>
<tr>
<td>Sales value in target areas</td>
<td>86%</td>
</tr>
</tbody>
</table>

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7 As of December 2010 unless otherwise stated. 8 As of March 31 2011. 9 Calculated as average IMD.
A key challenge of investing in properties that demonstrate environmental leadership is to ensure that sustainable construction methods are followed by energy efficient practices by the tenant. Through the Bridges Property Funds, we are seeking to break through this challenge, for example by partnering with Castleoak and Barchester, so that the investor, development partner and operator are all aligned.

Simon Ringer
Managing Director, Property Funds
Bridges Property Funds

Case Studies
Bridges Property Funds

We currently have two property funds under management: Bridges Sustainable Property Fund and CarePlaces Fund.

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.

To date, the fund has made four investments in the care home and student accommodation sectors – addressing key social needs, while also reaching new standards in environmental construction.

CAREPLACES FUND
The CarePlaces Fund is a partnership with Castleoak, one of the UK's leading healthcare developers. Bridges Ventures has chosen to work with Castleoak because of its focus on quality and sustainability. Castleoak has achieved the UK-wide BS8555 and the Green Dragon Environment Standard Certification. It has also has its own timber frame factory that has achieved the highest level Green Dragon certification (Level 5).

The Fund will have access to a pipeline of predominantly off-market, pre-let care home developments supplied by Castleoak. Each project will be developed to provide first class care facilities with a focus on sustainable design and construction. The Fund will concentrate on care homes for the elderly providing high quality accommodation at sustainable rent levels, often with specialist provision for dementia patients.
Bridges Ventures
Impact Report 2011
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Care home development
Brackley, Northamptonshire

Development of a new, high quality 60 bed care home constructed to exemplar environmental standards.

BACKGROUND TO OUR INVESTMENT
• Development is pre-let to Barchester Healthcare, one of the UK’s leading care operating companies.
• Joint venture with Castleoak, a contracting and development company with 20 years’ experience of care sector projects with a focus on high quality buildings for established care operators.
• Provision of one of the UK’s most environmentally sustainable care sector developments with significant potential to reduce carbon emissions and operating costs. The project will utilise the Passivhaus construction system – an innovative procedure which is derived from Scandinavian and German construction standards and relates to efficient building design and insulation to minimise the need for heat generation. Implementation of this construction system should reduce carbon emissions by c.60% compared to a typical care home development with a commensurate reduction to operating costs.

KEY ENVIRONMENTAL FEATURES OF THE SCHEME

ENERGY AND WATER EFFICIENCY
• Target BREEAM® rating of ‘Excellent’ for sustainability.
• Aspiration to be the first Passivhaus-accredited care home in the UK, with high standards of energy efficiency and air tightness.
• Expected to be the most sustainable care home in the UK.
• Energy efficient technologies such as a CHP Energy Centre (provides heating & hot water), efficient lighting, heat recovery system, energy efficient appliances, enhanced insulation.
• Water saving technologies such as water saving appliances, water meters, rainwater harvesting, and low water use fittings.

SUSTAINABLE CONSTRUCTION
• Utilises A-rated sustainable construction materials, achieving high levels of thermal efficiency.

SUSTAINABLE LOCATION/TRANSPORT
• Close to bus stop and local amenities.

KEY DATA FROM 2011
IMPACT SCORECARD

48
Number of jobs on site

5
Further jobs off-site supported by multiplier effects

£0.4m
Total local GVA impact (gross)

60%
Reduction in carbon footprint (relative to baseline scheme) – a saving of 149 tonnes CO₂ per annum

20%
Recycled content of building materials (by weight)

Carbon Saving (tonnes CO₂ p.a.)

Baseline/standard building

Actual footprint

10
0
100
200
300
250
101

Basel/standard building

Actual footprint

10 Building Regulations Environmental Assessment Methodology 31 March 2011
Care home development
Wadhurst, near Tunbridge Wells

Development of a new, high quality 65 bed care home targeting BREEAM Excellent environmental standards of construction.

KEY DATA FROM 2011
IMPACT SCORECARD

50
Number of jobs on site

5
Further jobs off-site supported by multiplier effects

£0.4m
Total local GVA impact (gross)

27%
Reduction in carbon footprint (relative to baseline scheme) – a saving of 76 tonnes CO₂ per annum

10%
Recycled content of building materials (by weight)

0.53ha
Amount of brown-field land covered by development

BACKGROUND TO OUR INVESTMENT

• Development is pre-let to Barchester Healthcare, one of the UK’s leading care operating companies.
• Joint venture with Castleoak, a contracting and development company with 20 years’ experience of care sector projects with a focus on high quality buildings for established care operators.
• Potential to reach BREEAM Excellent standard of development and to demonstrate environmental leadership in a market sector where energy use is high and where operators are keen to reduce operating costs.

KEY ENVIRONMENTAL FEATURES OF THE SCHEME

ENERGY AND WATER EFFICIENCY
• Energy efficient technologies such as a CHP generation unit, efficient lighting, heat recovery system, energy efficient appliances, SMART sub-metering.
• Water saving technologies such as water saving appliances, water meters, and rainwater harvesting.

SUSTAINABLE CONSTRUCTION
• Utilises A-rated sustainable construction materials, achieving high levels of thermal efficiency.

SUSTAINABLE LOCATION/TRANSPORT
• Close to a railway station (<500m).
New build student & supermarket development, London E1

Development of a new 13,000 sq ft supermarket, 350 student rooms and 8 private apartments in joint venture with an experienced development partner.

**KEY DATA FROM 2011 IMPACT SCORECARD**

- **1%**  
  IMD ward percentile
- **60**  
  Number of jobs on site within retail space
- **11**  
  Further jobs off-site supported by multiplier effects and residents’ expenditure
- **£2.7m**  
  Total local GVA impact (gross)
- **31%**  
  Reduction in carbon footprint (relative to baseline scheme) – a saving of 145 tonnes CO₂ per annum
- **348**  
  Number of residential units – mainly student accommodation
- **0.22ha**  
  Amount of brown-field land covered by development

**BACKGROUND TO OUR INVESTMENT**

- Joint venture with Chancerygate Asset Management, a development company with long term experience of construction procurement and successful investment.
- The development is based in Tower Hamlets which is in the most deprived 5% of the country and will provide much-needed student accommodation.

**KEY ENVIRONMENTAL FEATURES OF THE SCHEME**

**ENERGY AND WATER EFFICIENCY**

- Target BREEAM rating of ‘Very Good’ for sustainability.
- Energy efficient technologies such as a CHP Energy Centre (provides heating & hot water), efficient lighting, heat recovery system, energy efficient appliances.
- Water saving technologies such as low flush toilets, taps and white goods, and separate water meters.

**SUSTAINABLE CONSTRUCTION**

- Utilises A-rated sustainable construction materials, achieving high levels of thermal efficiency.

**SUSTAINABLE LOCATION/TRANSPORT**

- Highly sustainable location – close to local amenities and transport links.
- Includes 189 cycle parking spaces.

“...shows that impact and opportunistic investing are not mutually exclusive but can actually complement each other.”

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David Schlegel, Associate
Many social enterprises deliver services that are not provided within the commercial domain. We are also learning that there are mainstream sectors where the structure of social enterprise may create a competitive advantage over traditional business, in turn leading to greater scale and depth of impact.

Antony Ross,
Executive Director & Managing Director,
Social Entrepreneurs Fund
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, mutuals and similar organisations.

There are over 60,000 social enterprises in the UK yet very few have grown to scale. The Bridges Social Entrepreneurs 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.

TAILORED APPROACH
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.

HANDS-ON SUPPORT
We work closely with the social entrepreneurs we support to help them to realise their ambitions and maximise their social impact.

CONSULTING ADVICE
In addition, the social enterprises that we invest in have the opportunity to benefit from pro bono advice from strategic advisory company Monitor Group to help them reach scale.

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, e.g. 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
CASA builds and develops employee-owned franchise companies providing domiciliary care to older, disabled and vulnerable people. CASA currently operates five employee-owned businesses across the North of England.

**BACKGROUND TO OUR INVESTMENT**

Bridges invested £200k through a ‘social loan’ to strengthen the core business and provide a robust platform for future growth. It is envisaged that further funds will be invested to support future roll-out through the employee-owned franchise company model.

**SOCIAL ISSUE**

Pay and conditions for employees in the social care sector are typically poor, leading to high attrition and variable quality of care. An interim report from the Equality and Human Rights Commission inquiry into home care in the UK highlighted major problems with the current home care system, citing high staff turnover, lack of staff awareness and training and failure to deliver adequate quality of care.

**SOCIAL ENTERPRISE SOLUTION**

CASA operates an innovative employee-ownership model, resulting in a more rewarding role for employees, leading to lower staff attrition and in turn higher consistency and quality of care.

**SOCIAL IMPACT**

Staff attrition at CASA’s franchise companies is considerably lower than either the private or voluntary sectors, reflecting employee engagement and benefiting service users through higher consistency and quality of care. Furthermore, CASA aims to employ those who were previously unemployed, providing training and a long-term career in the care sector. CASA delivers an intensive and focussed training programme for all staff, and prioritises staff development throughout their career at CASA.

**FINANCIAL SUSTAINABILITY & GROWTH**

Since investment, CASA has expanded both the central executive and non-executive team, and started to implement robust and consistent financial, operational, quality and governance systems. Financial performance of the franchise companies is improving, driven by growth in the volume of care hours delivered.

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12 Data collected by CASA prior to BV investment. CASA is currently integrating a full IMPACT scorecard, as co-developed by Bridges and management, into the reporting at each franchise company. 13 Defined as the bottom quartile of wards by the Index of Multiple Deprivation. 14 From National Minimum Data Set for Social Care produced by Skills for Care, April 2010.
HCT operates a number of bus contracts, including London red bus routes, yellow school bus routes and Park & Ride services. As a community transport charity, HCT reinvests its profits to fund transport services for not-for-profit community groups and those unable to use conventional public transport, as well as related job-training services.

**KEY DATA FROM 2011 SOCIAL IMPACT SCORECARD**

**37%, £314k**
Prior year profit invested in training & community projects

**635**
Number of employees

**100%**
% wage bill to employees in deprived areas

**163,240**
Passenger journeys provided to disadvantaged individuals

**93,696**
Passenger journeys provided to not-for-profit community groups

**40**
FTE jobs created at HCT in the last 12 months

**452**
Individuals not working for HCT who gained qualifications as a result of HCT training

**74**
Unemployed people who obtained a job outside HCT as a result of training and support provided by HCT

**BACKGROUND TO OUR INVESTMENT**

Founded in 1982, HCT had historically been financed with lease funding against its fleet. Acting as lead investor, the Bridges Social Entrepreneurs Fund invested in 2010 with an innovative “Social Loan” structure that links returns to HCT’s growth in turnover and social impact.

**SOCIAL ISSUE**

- Social exclusion through poor access to transport due to physical restrictions, lack of information, restricted availability of public transport or cost
- Low levels of training and employment

**SOCIAL ENTERPRISE SOLUTION**

HCT reinvests its profits and leverages its fixed assets (depots, vehicles) to subsidise transport services for disadvantaged individuals and not-for-profit community groups, and to provide training programmes not only for its own drivers but also those interested in a career in the bus industry.

**SOCIAL IMPACT**

HCT continues to be recognised as an innovative social enterprise and business leader delivering high social impact.

**FINANCIAL SUSTAINABILITY & GROWTH**

Despite a tougher than anticipated market for tenders, the past year has seen HCT achieve its target 20% turnover growth (FY11: £28.1m), whilst maintaining its social impact in terms of community transport trips and education/training. Job creation, however, was more challenging than expected, reflective of the overall jobs market. HCT continues to innovate by branching into new areas (e.g. staff transport) and developing social enterprise solutions in areas such as the commissioning of community transport services.

"I am an 88 year-old lady who likes to keep busy... without this service my life would be miserable. The service they provide is wonderful. I cannot use public transport and [the Orange Bus] takes me to the hospital, clinic and social events..."

[User of the “Orange Bus”, HCT’s Dial-a-Ride service in Hull]

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15 Data for financial year 2010/11. 16 The bottom 25% of local authorities, according to the Index of Multiple Deprivation (IMD-2007) 17 Leading to 35,136 car journey saved. 18 100% of which went to individuals living in areas of disadvantage. 19 Of which 392 were previously unemployed.