

Bridges Impact Foundation Ltd.

Trustees' Annual Report & Accounts

For the year ended 31 March 2017

Registered Company No. 06864617

Registered Charity No. 1129756

Bridges
Impact Foundation



From the Chair



Dear friends

I am delighted to present the Bridges Impact Foundation 2016/17 Annual Report & Accounts – our first under our new name, and my first as chairman.

There were a number of exciting developments for the Foundation to celebrate this year – not least the successful launch of Bridges Evergreen Holdings, a pioneering investment vehicle designed by the Bridges team to provide patient capital to mission-driven businesses and

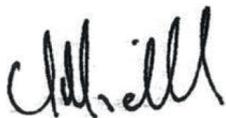
social sector organisations (p. 5). This is the third Bridges social investment vehicle that the Foundation has supported, and the Trustees are confident that Evergreen – like the Bridges Social Entrepreneurs Fund and the Bridges Social Impact Bond Fund before it – not only meets a clear need, but can also have an important systemic impact on the broader market.

Speaking of which, the Trustees were delighted to see the Social Entrepreneurs Fund – which has now completed its investment phase and moved into the realisation phase – receive some well-deserved recognition this year (p. 6). By supporting high-quality organisations like HCT, the social enterprise bus operator, CASA, the employee-owned domiciliary care business, and LEYF, one of the leading nursery operators in the South-East, it has helped over 28,000 people access better products, services, qualifications and more. For the Foundation – which provided the seed capital for the fund – that’s something to be proud of.

We’re also very proud of the continued success of Unforgettable, which the Foundation backed as a start-up in October 2014. This award-winning social business – which provides products and support for people struggling with dementia – has just raised a further £3m of funding, led by the biggest healthcare company in the US (p. 4). Not only will this latest funding round accelerate its growth; it also means the Foundation’s initial investment has now crowded in over £4m of additional investment.

This year saw the departure from the Board of Trustees of Victoria Hornby, my predecessor as chair. Victoria has been an exceptional leader of the Foundation; I look forward to building on her sterling work, and hope that she will remain involved with our work in the coming years. We also welcome Duncan Kellaway, who joins as an independent Trustee, and welcome back both Anne-Marie Harris (now an independent trustee) and Michele Giddens, our founder, who returns as one of the two Bridges representatives.

A key priority for the Trustees this year will be to examine how we can use the Foundation’s ever-growing firepower to support more causes that are close to the hearts of the Trustees and the broader Bridges team. We are actively exploring a number of options, including further social investments along the lines of our seed funding of Unforgettable, and also possible venture philanthropy opportunities that might draw on the expertise of the Bridges team. We welcome your feedback as part of this process.



Charles Mindenhall

Chair

On the front cover:

Core Assets, backed by the Bridges Social Impact Bond Fund, delivers skilled and experienced foster care to young vulnerable people by a team of professionals through a structured and phased approach. The Bridges SIB Fund is indirectly supported by the Bridges Impact Foundation via a £2.5m co-investment allocation within the Social Entrepreneurs Fund.

About the Foundation

Objectives and Summary of Activities

The Bridges Impact Foundation (the "Foundation") was set up in 2007 to provide a philanthropic complement to the work of Bridges Fund Management Limited (previously Bridges Ventures LLP), a fund manager that specialises in sustainable and impact investment.

In 2009, the Trust was incorporated as a charitable company, with all the trustees of the original charity becoming directors of the new company.

The trustees are able to use the charity's resources to support and promote any purposes which are exclusively charitable according to the laws of England and Wales.

Its primary objective is: "the promotion for the benefit of the public of urban or rural regeneration in areas of social and economic deprivation".

This could involve (for example):

- The relief of financial hardship
- The advancement of education, training or retraining, particularly among disadvantaged young people and the unemployed
- The provision of housing for those in conditions of need
- The provision of public health facilities and childcare
- The protection of the environment
- The advancement of the education of the public

The Bridges Fund Management team (both past and present) have committed to donate the equivalent of 10% of the 'carried interest' (profits) arising from the funds managed by Bridges Fund Management to the Foundation. These donations are then to be distributed by the trustees to support charitable activities that relate to the work and interests of the team members.

The Foundation therefore provides a means for the Bridges team to:

- Channel and amplify their philanthropy;
- Promote the broader social impact investing market;
- Engage in community activities and support.

The first initiative of the Foundation was to act as cornerstone investor in the creation of the Bridges Social Entrepreneurs Fund, which was established to provide equity and equity-like capital to fast-growing social enterprises seeking to scale.

In addition, the Foundation has also been able to use its charitable status to commission and support various initiatives that have helped to support the growth of the broader social investment market, usually working in conjunction with members of the Bridges Fund Management team.

Regulatory Details

Company Registration Number: 06864617
Registered Charity Number: 1129756

Directors

The trustees who served during the year were:

- Charles Mindenhall (Chair as of 08/09/16)
- Duncan Kellaway (appointed 08/09/16)
- Anne-Marie Harris (appointed 18/10/16)
- Mila Lukic (Bridges Fund Management representative)
- Michele Giddens (Bridges Fund Management; appointed 08/10/16)
- Victoria Hornby (ex-Chair; resigned 08/09/16)

Secretary

Siobhán Tyrrell

Registered Office

38 Seymour Street
London W1H 7BP

Auditors

Kingston Smith LLP
Devonshire House
60 Goswell Road
London
EC1M 7AD

Bankers

HSBC Bank Plc
Coventry DSC
Harry Weston Road
Binley
Coventry
CV3 2TQ

Key achievements in 2016/17

Unforgettable goes to the next level

This has been a transformational year for Unforgettable, the pioneering online business that aims to improve the lives of the 850,000 people in the UK and 44m worldwide affected by dementia and memory loss.

In October 2014, the Trust provided seed funding of £44k to Unforgettable. This funding allowed founder James Ashwell to work with the Bridges team to incubate the idea and develop the business plan – as a result of which, the Social Entrepreneurs Fund and Social Interim Fund subsequently committed £700k to support the launch of the business. This, in turn, allowed Unforgettable to go to market and raise an additional round of funding in June 2015, including a £500k investment from Impact Ventures UK.

Now Unforgettable has been able to raise a further £3m funding round from new and existing investors – which means the Trust’s original seed investment has now catalysed over £4m of additional social investment. Significantly, this round has been led by the venture capital arm of McKesson, the largest healthcare company in the US and owner of the LloydsPharmacy chain in the UK – making this one of the first examples of a UK social business attracting a substantial sum of capital from a mainstream US VC firm. It also provides Unforgettable with a ready-made UK distribution platform for its ever-growing range of products.

Indeed, Unforgettable’s fundraising success was a reflection not only of the scale of the opportunity, but also of the strong progress

the business has made in the last year. It achieved breakeven in unit economics this year by improving engagement, driving online conversions, increasing average order value and improving margins. This is in part due to the growing share of revenue that comes from own branded products and services, which include an Unforgettable day clock, a tracker and the first dementia-specific lasting power of attorney service. Following the investment from McKesson, Unforgettable’s products are also reaching the UK high street, with a curated range of 7 products now available from 50 LloydsPharmacy and 9 Betterlife stores.

31.3% of Unforgettable’s customers come from underserved areas of the UK, and the team continues to enhance the accessibility and affordability of its range through its new product development. Unforgettable continues to receive plaudits from customers and commentators alike: it has an average feedback score of 4.5 out of 5 (across usefulness, value for money and NPS scores) and has won numerous awards, including for “Outstanding Dementia Innovation” at the 2017 National Dementia Care Awards.

The Foundation was delighted to see Unforgettable secure this transformational fundraising round, which validates the trustees’ early faith in the potential of the business. We hope to see it continue to go from strength to strength in the coming year.

Unforgettable, Bridges Social Entrepreneurs Fund
James Ashwell, Founder, Unforgettable



Key achievements in 2016/17 – cont'd

An encouraging start for Evergreen

Last year's report highlighted the Trustees' decision to commit £2m to Bridges Evergreen Holdings ("Evergreen"), a new kind of investment vehicle developed by the Bridges team. Structured as a holding company, it is designed to provide permanent capital as well as hands-on support to mission-led businesses, generating its returns through ongoing yield rather than exits. This will allow Bridges to help ambitious organisations grow over the longer term, freed from the typical constraints of a closed-ended fund model.

Evergreen is intended to be a natural successor to Bridges' previous social sector funds (all of which have been supported by the Trust). However, the Bridges team felt that the sort of patient, mission-aligned capital provided by this model would prove to be highly attractive to social sector organisations – and that there would be good demand from socially-motivated investors for a yield-focused vehicle of this type.

We are pleased to report that developments during the year have only served to endorse this thesis. In October, Evergreen held a close on £23m. Since then, the team have been actively marketing, focusing on mission-driven organisations within Bridges' four impact 'themes' (health & well-being, education & skills, sustainable living, underserved markets).

It has also made its first investment: in New Reflexions, a specialist residential childcare business that provides accommodation and therapy for children with acute behavioural,

emotional and social difficulties. It operates 17 children's care homes, four 'rapid response' services and a special school, with a reputation for quality of care (half of its schools are Ofsted-rated 'Outstanding' and the rest 'Good') and for a strong ethos of never giving up on a child. Since Bridges' investment, the team have brought in an experienced chairman (Steve Page), added to the second-tier of management and created a new outcomes framework to better capture New Reflexions' impact.

The Bridges team have substantial experience in the care sector; they believe that this experience will help New Reflexions' talented management team to roll out this model to new homes and schools in the coming years (including c. 8-10 additional beds in the current year) and ultimately become a national exemplar.

The Bridges team also report that the Evergreen message is resonating well with mission-driven businesses and social sector organisations, and expect to make more investments in the coming year.

Our hope is that by proving the efficacy of a new investment model, Evergreen can (like SEF, p. 6) have not only a powerful direct impact on beneficiaries but also a broader catalytic impact within the social investment sector.

New Reflexions, Bridges Evergreen Capital



Key achievements in 2016/17 – cont'd

Deserved recognition for the Social Entrepreneurs Fund

The Bridges Social Entrepreneurs Fund (SEF), which the Trust seeded in 2009 with a £4.2m commitment, received several awards this year in recognition of its role in building the social investment market in the UK.

SEF was the first of its kind in the UK: an institutional closed-ended fund designed to provide quasi-equity – plus strategic and operational support – to help ambitious social sector organisations achieve greater scale. By providing additional capital to enable growth, and by working with management to develop more sustainable processes, SEF has allowed social sector organisations to compete with private sector businesses on a more equal footing. Moreover, it has shown that in some cases, social business can actually have a competitive advantage – because they are more attractive to Government commissioners, for example, or because their higher levels of employee engagement help them to deliver a better service, or because they enjoy greater customer loyalty.

SEF has now reached the end of its investment period, but continues to realise value for investors. This year saw its fifth exit – from the Foundry, a managed office building and conference centre for social justice and human rights organisations in Vauxhall, London. Developed by the Ethical Property Company and launched with the backing of SEF in 2014, the Foundry is now providing affordable office space for 30 social justice organisations; it has been operating at an occupancy rate of 99% and has enjoyed consistently excellent client satisfaction levels.

This is just the latest example of the direct impact SEF has been able to achieve. Across the fund, it has backed organisations that have served over 28,000 individuals – including (inter alia) finding stable accommodation for over 500 homeless people, and helping over 8,000 young people enter education or gain qualifications.

More broadly, by creating a specific framework for channelling aligned capital to social sector organisations – both at an individual deal level (developing innovative structures like revenue royalty models and social impact bonds) and at a fund level (enabling the support of a dedicated team) – SEF created an early fund template that was easily replicable. A number of other vehicles have since been developed along these lines, creating a far more active and vibrant social investment market.

This important role SEF has played in building the market was recognised last summer at the Cabinet Office's prestigious Social Investment Awards, where it received the 'Institutional Social Investment Award'. In October, SEF also won the 'Investing and Financing' category in the 'Finance for the Future Awards 2016', which were founded by ICAEW and HRH The Prince of Wales's Accounting for Sustainability Project, in partnership with Deloitte; the judges praised SEF as a great example of a "truly innovative, scalable market offering".



Key achievements in 2016/17 – cont'd

The UK NAB continues its industry-leading work

The UK National Advisory Board on Impact Investing and Practitioners Council (“NAB”) are a group of leaders from impact investing, as well as other areas of finance, business and civil society. They were appointed by the Global Impact Investing Steering Group to help grow impact investing in the UK, and to explore how we can move towards a more inclusive and sustainable economy.

In 2016, Michele Giddens (co-founder of Bridges Fund Management and the Bridges Impact Foundation) was appointed as chair of the NAB. Other members of the board include David Blood, co-founder of Generation Investment Management; Sacha Romanovitch, CEO of Grant Thornton; Saker Nusseibeh, CEO of Hermes Investment Management; Cliff Prior, CEO of Big Society Capital; Laurie Spengler, CEO of Enclude; and Nick O’Donohoe, CEO of CDC (it has been labelled in the media as an “impact investing dream team”!).

During the year, the Foundation has continued to fund a secretariat to support the work of Michele and the NAB, consisting of Jared Lee (dedicated full-time) and Laura Noorani (part-time).

The focus of the NAB and secretariat has been to develop a report containing a series of recommendations, and work to influence change in line with these recommendations, across five main areas:

- Accelerating the rise of purposeful business
- Putting purpose at the heart of public procurement
- Adopting an inclusive and sustainable investment agenda for the UK
- Strengthening the UK’s role in international development finance
- Empowering savers to invest in line with their values

The board members strongly believe that these areas collectively have the potential to unlock enormous additional funding to help address some of the UK’s most pressing challenges, as well as help create a more inclusive and sustainable economy for the future. The group plans to publish its final report in September 2017.

In addition to developing the report, several major outcomes were achieved in the period. For example, a set of policy recommendations developed for the Government’s Inclusive Economy Unit late last year have helped galvanise momentum at the highest levels of Government. The NAB recommended that the Government explore a place-based impact investment approach to target communities that have seen decades of no real income growth, and feel least well served by the global economy. This is now being explored by the Department for Culture, Media & Sport (along with many other areas covered in this report), and in part led to the ‘UK Shared Prosperity Fund’ proposed in the Conservative manifesto. The NAB has also been actively engaging corporate leaders, investors, and social sector organisations to strengthen and disseminate the key ideas.

The aims of the NAB are very much in line with the Foundation’s own aims of supporting and promoting the growth of the broader social investment market. The role of the secretariat has been crucial to its achievements to date, and so the Foundation is delighted to be able to support it.

Michele Giddens, Chair, UK NAB
Jared Lee, Joint Secretariat, UK NAB
Laura Noorani, Joint Secretariat, UK NAB



Key achievements in 2016/17 – cont'd

Growing momentum in the social impact bond market

The Bridges Social Impact Bond Fund (SIBF) was the first fund anywhere in the world to focus exclusively on investing in outcomes contracts commissioned by central and local Government. It is indirectly supported by the Foundation via a £2.5m co-investment allocation within the Social Entrepreneurs Fund.

SIBF provides working capital and, importantly, operational support to help social sector organisations deliver outcomes contracts in areas such as homelessness, healthcare, children's services and youth employment. As such, it chimes well with the Foundation's stated aim to support the advancement of education and training, particularly among disadvantaged young people.

Last year, we reported that while the Fund had had a quiet year for new investments, the Bridges team had been working hard to advance the cause of outcomes-based commissioning. It published 'Better Outcomes, Better Value', a short paper (based on the lessons Bridges has learned from its experience to date) arguing for a simpler, faster, cheaper approach to SIBs. And the team also supported the launch of the Government Outcomes Lab (GO Lab) at the Blavatnik School of Government, part of the University of Oxford – which is intended to provide data and resources that will make it easier for central and local Government to commission contracts on an outcomes basis.

This year, we are delighted to report that this market-building work seems to be bearing fruit. The team have been seeing a much more active pipeline of investment opportunities,

and were able to invest in two new programmes during the period (taking the fund's total investments to date to 17):

- HCT Travel Training: delivered by HCT, the leading social enterprise bus operator, this programme teaches children with special educational needs how to use public transport. On the one hand, this helps Local Authorities reduce the considerable sums they currently spend on providing private transport for these children; but more significantly, it also helps the children develop greater confidence and independence.
- West London Zone: a unique collaboration between local schools, local and central Government and philanthropic groups in West London, WLZ works to identify those children most at risk of suffering poor life outcomes, and helps them access additional support from local charities or community. Having completed a successful pilot programme in White City last year, the SIB-funded WLZ programme will initially work with 132 children in schools in north Hammersmith.

In the coming year, the team expect to complete a number of new investments, while continuing to drive strong impact performance from the fund's existing SIB portfolio, and continuing their efforts to build the market in conjunction with the GO Lab, Cabinet Office and others. Again, this aligns with the Foundation's aim to advance the education of the public about the value of outcomes-based commissioning in the public sector, and to promote the broader social impact investing market.

HCT Travel Training, Bridges Social Impact Bond Fund
West London Zone, Bridges Social Impact Bond Fund



Other activities and achievements

The Matched Giving Facility

Introduced in the 2014/15 financial year, the Foundation's Matched Giving facility has an initial allocation of £20,000 to match charitable fundraising or donations by individual members of the Bridges team up to a maximum of £1,000 per team member per annum, thus amplifying their contribution to their chosen charity.

Last year – its second full year of operation – two further awards were made from the Matched Giving facility: £722 to Save the Children, and £1,000 to Teens & Toddlers.

The second of these awards was to match the £1,000 raised by Foundation trustee Mila Lukic, who successfully completed the 2016 London Marathon. Teens & Toddlers is a charity that takes vulnerable 14-16 year olds and partners them with a toddler to mentor – helping them

develop responsibility and empathy, and giving them the opportunity to act as a role model. This can create transformational change in the young person's life, helping them behave better at school and perform better in exams. The charity has a long association with Bridges, having been one of the first organisations backed by the Bridges Social Impact Bond Fund to deliver an outcomes contract; this initial programme was so successful that the charity was subsequently awarded a second outcomes contract.

The Matched Giving facility has now made eleven separate awards (with at least one more to follow after the end of the period). The Trustees will continue to work with the Bridges team to raise awareness of the facility and to encourage applications.

The Benevolent Fund

Last year, the Fund launched a new Benevolent Fund, designed to provide short-term financial support grants to members of the broader Bridges network (e.g. portfolio company employees) who find themselves in difficult circumstances. An initial allocation of £10,000 was made to the fund, to be repeated annually.

Subsequent to the end of this period, the Benevolent Fund made its first award – to a young employee of Viva Gym (the Spanish low-cost gym operator backed by the Bridges Sustainable Growth Fund III), who suffered a cycling accident on his way to work that has sadly left him paraplegic.

Teens & Toddlers, Bridges Social Impact Bond Fund



Future Plans

The Trustees expect to continue with all the Foundation's current activities and functions, while also exploring additional possibilities to further its charitable mission.

The emergence of a new funding stream via carried interest-related donations in the last five financial years has already increased the Foundation's Balance Sheet strength, and the Trustees expect this trend to continue in the coming years. This should give the Trustees greater capacity to support a broader range of charitable causes.

As such, the Foundation has been actively engaging with the Bridges team to establish what form that support should take. During a series of internal strategy days, Bridges staff were asked to think about what the Foundation should be looking to achieve. This led to a number of interesting suggestions about future strategies – from volunteering overseas to creating a research institute.

However at time of writing, the Trustees expect to focus on four areas in the coming year:

- **Social investment:** This will include fully funding the Foundation's commitment to Bridges Evergreen Holdings, and also developing a strategy for its next commitment. It may also include providing seed funding to incubate social start-up businesses, as the Foundation has done successfully with Unforgettable.
- **Market-building/ Thought leadership:** Promoting the growth of the social and impact investment market, and the sustainable economy more broadly, remain central to the Foundation's vision. In the near term, that will mean continuing

to fund a secretariat to support and promulgate the work of the UK National Advisory Board. In the coming years, it may also include funding the kind of thought leadership work for which Bridges Impact+ (Bridges' specialist internal advisory group) has become well known.

- **Venture philanthropy:** This is likely to be the main area where the Foundation expands its current level of activity. Feedback from the Bridges team has indicated an eagerness for the Foundation to support causes where there is an opportunity to use the team's expertise for the benefit of the organisation, in addition to funding. This may involve selecting organisations that operate in sectors where Bridges has relevant experience, or that have other strategic or operational needs that Bridges is well-placed to address. The Trustees are developing an active pipeline of potential opportunities to test this theory, and hope to be able to report some meaningful progress in next year's report.
- **Incorporating the US:** To reflect the continued expansion of Bridges' own operations in the U.S – which now include real estate, growth capital and advisory teams – the Foundation is keen to establish an equivalent model in the U.S. Bridges Impact Foundation U.S. has now been formally established; during the coming year, the Trustees will work with Bridges' UK and US teams to establish its operations and agree a harmonised strategy.

Depaul UK, Social Impact Bond Fund
St Basils, Social Impact Bond Fund



Financial Review

Fundraising

During the year, a number of the funds managed by Bridges Fund Management Limited were able to achieve a profit and therefore make a payment of carried interest ('carry') to the Bridges Fund Management team.

The Bridges Fund Management team, both existing and those that have now moved on to other workplaces, have committed to donate the equivalent of 10% of their carry to benefit the Impact Foundation. This resulted in the Foundation receiving donations totalling £271,760 during the period. With the addition of Gift Aid of £54,352 – which has not been

accrued but will be claimed during the 2017/18 financial year – the Trust will ultimately receive donations totalling £339,700 in respect of carry received during the period.

As more of the Bridges funds enter the realisation phase, and particularly as some of the larger investments in the Bridges portfolio start to be exited, the Trust expects this arrangement to create a steady funding stream for the Foundation – and one that is likely to rise over time. This should allow the Foundation to expand its activities further in the coming years.

Investments

The Foundation made contributions in the period from its restricted funds totalling £698,726 (2016: £279,798) and received total distributions of £234,086 (2016: £963,322) in relation to its investment in Bridges Social Entrepreneurs Fund.

The amount drawn down to date is shown as long-term programme related investments in the Balance Sheet at 31 March 2017.

The gross value of the Fund at the year-end was £8.8m after allocating the General Partner's priority profit share of £2.8m.

The remaining investments in the Fund are two subordinated loans (Commonweal and LEYF); Auto 22, which has been fully provided for; and the SIB investments and co-investments. Commonweal has again been revalued upwards, while LEYF is a fixed term loan which has been held at cost. The remaining SIB investments, and the co-investments with the Bridges Social Impact Bond Fund, made good progress in the year. In line with previous years' valuation policy, all SIB investments which

are delivering in line with forecast, but are still in their first two years of operation, have been held at cost. The valuation of the Fund's investments into Fusion Fair Chance, Unlocking Potential and T&T Youth Engagement have been adjusted upwards to reflect strong performance.

Total funds committed by the charity to Bridges Social Entrepreneurs Fund LP were £3.6m at year end. This amount reflects a reduction in the year of £594,286, following the manager's decision to cancel a portion of commitments that were no longer needed.

Governance costs for the Trust were broadly in line with the previous year at £32,625 (2016: £13,377), covering legal and audit fees. Administration and investment services are performed by Bridges Fund Management Limited (previously Bridges Ventures LLP) on a pro bono basis. It is not possible to quantify the value of this work.

Action for Children, Social Impact Bond Fund
Community Links, Social Impact Bond Fund



Public benefit

The trustees have complied with the duty in section 17 of the Charities Act 2011 to have due regard to the Charity Commission’s published general and relevant sub-sector guidance concerning the operation of the public benefit requirement under that Act, including the guidance ‘public benefit: running a charity (PB2)’.

The trustees consider that the activities of the charity provide significant public benefit, in a number of important ways.

By acting as the original cornerstone investor in the Bridges Social Entrepreneurs Fund, which in turn co-invests alongside the Bridges Social Impact Bond Fund, and more recently by investing in Bridges Evergreen Holdings, the Trust has helped to channel capital to innovative and ambitious social sector organisations looking to create long-term, sustainable impact at scale.

The ongoing work of the Bridges Social Impact Bond Fund team to build capacity in the social impact bond market also has significant potential to improve public sector procurement, both in the UK and beyond, by delivering better outcomes and better value for the public purse.

The Trust’s seed investment in Unforgettable has helped to launch a thriving online social business which has clear potential to help the 50 million or so people who are struggling to deal with dementia around the world.

The Matched Giving facility amplifies and thus incentivises individual charitable fundraising by members of the Bridges team.

Community Links, Social Entrepreneurs Fund
St Basils, Social Entrepreneurs Fund



Relationship with other entities

Bridges Capital Limited (previously Bridges Ventures Limited) and Bridges Fund Management Limited

The incorporated charitable company Bridges Impact Foundation is connected to Bridges Capital Ltd by virtue of the fact that it holds B shares in the company. The Foundation does not exercise control or significant influence over Bridges Capital Ltd as the B shares are non-voting shares.

Bridges Impact Foundation is connected to Bridges Fund Management Limited ("BFM Ltd") by virtue of the fact that it holds B ordinary shares in the company. The Foundation does not exercise control or significant influence over BFM Ltd, as the B ordinary shares are non-voting shares except in certain situations governing a change of the mission

of the company. Under the terms of BFM Ltd's Articles of Association, it has no right to any of the profits or losses of the company except in the event of a sale or liquidation.

The Foundation occupies office space and shares management personnel with BFM Ltd. In addition, BFM Ltd provides fund management services to the Foundation in connection with its income funds.

At the year end, one of the trustees, Michele Giddens was a director of Bridges Fund Management Ltd. In addition, Mila Lukic was an employee of Bridges Fund Management Ltd.

Bridges Social Entrepreneurs Fund LP

Bridges Social Entrepreneurs Fund LP is constituted under a Limited Partnership Agreement and attracts funding which is invested in social enterprise initiatives that have strong potential philanthropic benefit.

The general and controlling partner of Bridges Social Entrepreneurs Fund LP is Bridges Social Entrepreneurs Fund (General Partner) Ltd (a wholly-owned subsidiary of Bridges Fund

Management Ltd). The investments of Bridges Social Entrepreneurs Fund LP are managed by Bridges Fund Management Ltd.

The investors in the Bridges Social Entrepreneurs Fund, including Bridges Impact Foundation, are members of the fund's advisory board where the manager updates the investors on progress to date and future plans for the Fund.

Bridges Evergreen Holdings

Bridges Evergreen Holdings is constituted under a Limited Partnership Agreement and attracts funding which is invested in social enterprise initiatives that have strong potential philanthropic benefit.

The general and controlling partner of Bridges Evergreen Holdings is Bridges Evergreen Holdings (General Partner) Ltd (a wholly-owned subsidiary of Bridges Fund Management Ltd). The investments of Bridges

Evergreen Holdings are managed by Bridges Fund Management Ltd.

The investors in Bridges Evergreen Holdings, including Bridges Impact Foundation, are members of the fund's advisory board where the manager updates the investors on progress to date and future plans for the Fund.

LEYF, Social Entrepreneurs Fund
The Foundry, London, Social Entrepreneurs Fund



Organisation and appointment of trustees

The Bridges Impact Foundation is administered by the Board of Trustees. There must be at least three trustees and no more than seven in office at any given time, of whom a majority must be independent of Bridges Fund Management Limited.

Independent trustees are appointed by a resolution of the trustee board and serve for three years, at which point they can be reappointed for a further three year term.

During the year, Victoria Hornby stood down as chairperson of the Foundation, having served her three-year term.

She departs with the Board's grateful thanks for her service; her insight and leadership have been central to the Foundation's progress in the last few years, and we hope she will remain involved with its work so we can continue to benefit from her support and guidance.

In Victoria's stead, Charles Mindenhall agreed to become the new chair of the Foundation. Charles has been involved with the Foundation since 2014, and we expect his expertise and dynamism make him the perfect choice to lead the Foundation.

The Board also appointed a new independent trustee in Duncan Kellaway, a partner at law firm Freshfields who has been heavily involved in the development of the social impact bond market in the UK.

This year also saw the return to the Board of two familiar faces: Anne-Marie Harris, a former Bridges partner, has returned as an independent trustee, while Michele Giddens has returned as a second Bridges trustee (alongside Mila Lukic)

The Foundation will continue to seek out new independent trustees as appropriate.



Charles Mindenhall



Duncan Kellaway



Victoria Hornby

Trustee Induction and Training

New trustees of Bridges Impact Foundation take part in a mandatory induction meeting to understand their legal obligations as a trustee under charity law. Trustees who are not employees of Bridges Fund Management Limited are also briefed on the company's activities and philosophy, governance, decision-making process, and recent financial reports.

All trustees are invited to join a meeting of the Bridges Social Entrepreneurs Fund and Bridges Evergreen Holdings advisory board as part of their induction and training. All trustees are encouraged to undergo external training that can better inform them of their role as trustee or enhance their expertise/ skills to contribute to the work of the Trust.

Risks and Risk Management

The key risks faced by the Trust relate to the performance of funds managed by Bridges Fund Management.

The value of the Foundation's investment in SEF, and its investment in Evergreen, may rise or fall depending on the performance of the companies in which these funds choose to invest.

Equally, the Foundation's biggest funding stream derives from the Bridges Fund Management team (both past and present), who have committed to donate the equivalent of 10% of the 'carried interest' (profits) arising from the funds managed by Bridges Fund Management to the Foundation. If the funds

fail to generate carried interest, the funding of the Foundation will be adversely affected.

The trustees work to proactively manage risks by reviewing potential financial, reputational and other risks on an annual basis and developing and implementing strategies to pre-empt or minimise these risks. They also maintain close communication with the Bridges Fund Management team to monitor and obviate any potential risks pertaining to the funds' investment activity.

A key element in the management of financial risk is the frequent review of financial statements by the trustees and of the amounts and terms of donations made to the Trust.

Reserves Policy

The Bridges Impact Foundation's policy is to hold reserves that will enable the organisation to:

- Ensure there is sufficient money to continue its core activities during a period of unforeseen difficulty
- Undertake special projects and one-off activities in keeping with Trust's mission

The Charity incurs minimal costs of operation, including governance costs. It considers that the unrestricted reserves at the year-end

totalling £499,393 (2016: £244,434), of which £16,690 is designated and £482,703 is general, will be more than sufficient to cover ongoing expenses associated with its current operation. The trustees continue to explore with the Bridges team other avenues of charitable activity that are aligned with the skills, interests and activities of the team.

Restricted funds totalled £3,814,324 (2016: £3,716,652) at the year end, but are pending further draw-down to Bridges Evergreen Holdings.

Structure

Bridges Trust (company number 06864617) was incorporated on 31 March 2009 under a Memorandum and Articles of Association, with all existing trustees in the unincorporated charity Bridges Charitable Trust (charity number 1118391) becoming directors of the newly incorporated Bridges Trust.

Bridges Trust was registered as a charity with the Charity Commission on 20 May 2009

(charity number 1129756); changed its name to Bridges Charitable Trust on 17 August 2009; and changed its name to the Bridges Impact Foundation Ltd. on 22 February 2017.

During the period, the Foundation adopted revised articles of association which clarified and extended the number and composition of the board of trustees.

HCT, Social Entrepreneurs Fund
LEYF, Social Entrepreneurs Fund



Statement of Trustees' Responsibilities

The trustees (who are also directors of Bridges Impact Foundation for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, the financial reporting standards applicable to the UK and Republic of Ireland.

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles in the Charities SORP
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

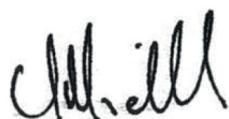
In so far as the trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware
- The trustees have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor was aware of that information

Auditors

Kingston Smith LLP have been appointed as auditors in the year and have expressed their willingness to continue in that capacity.

Signed on behalf of the Trustee Board by:



Charles Mindenhall

Chair of Board

Date:



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Bridges Fund Management, August 2017