

Bridges Impact Foundation Ltd.

Trustees' Annual Report & Accounts

For the year ended 31 March 2018

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's Annual Report & Accounts for 2017/18, my second year as chairman.

I want to begin by thanking our exceptional Board of Trustees, all of whom have donated their time and expertise to the Foundation to great effect this year.

For all of us on the Board, the success of the UK National Advisory Board on Impact Investment has been a key highlight of the last year. The Foundation has made an important contribution to the UK NAB's work by funding a secretariat to support the board's work while chaired by Michele Giddens (co-founder and partner at Bridges, and a Trustee of the Foundation). Michele managed to bring together an outstanding board – as well as the Practitioners' Council that sat alongside it – and that was reflected in the calibre of the report it ultimately produced. Its very practical recommendations on how to build a more sustainable and inclusive economy in the UK have been extremely well-received, both within the industry and within the corridors of power in Westminster.

Elsewhere, we were delighted to see the continued success of Bridges Evergreen Holdings, the pioneering permanent capital vehicle launched by Bridges in 2016. The Foundation invested £2m in its first capital-raise. Evergreen has since gone on to invest the bulk of that money in three deals: New Reflexions, Shaw healthcare and, most recently, The Ethical Housing Company, a new venture to build up a portfolio of affordable homes to rent in North-East England. Since the year-end, Evergreen has also gone on to complete a second capital-raise, taking its total assets raised above the £50m mark. Without the early support of the Foundation and others (notably Big Society Capital), none of this would have been possible.

Finally, I also wanted to flag two other developments since the end of the financial year, since both may have lasting significance for our future work:

First, the Foundation has invested in a development impact bond designed to reduce poverty in sub-Saharan Africa. Delivered by Village Enterprise, a US-headquartered not-for-profit, this pioneering programme will provide capital and support to local entrepreneurs, with USAID and DFID committing to pay for successful outcomes. It's the first time the Foundation has made an investment of this type, and we're hugely excited by the potential of the programme. I look forward to reporting back on its progress in our next report!

Second, the Foundation was delighted to appoint Barbara Storch as our first ever Director of Strategy. Barbara brings huge experience of the sector, most recently from her time at Impetus-PEF. Her first task will be to establish – in collaboration with the Trustees and the Bridges team – how the Foundation should best target its energy and resources in the coming months and years. We are hopeful we can achieve some great things together.

A handwritten signature in black ink, appearing to read 'C Mindenhall', written in a cursive, flowing style.

Charles Mindenhall

Chair

On the front cover:

LEYF, backed by the Bridges Social Entrepreneurs Fund, is a childcare social enterprise, providing day care and parenting support to a diverse mix of families in community, workplace and Children's Centre nurseries. The Social Entrepreneurs Fund was supported by the Bridges Impact Foundation via a £4.6m seed investment.

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, a fund manager that specialises in sustainable and impact investment.

In 2009, the Foundation 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 of the Foundation 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
- Duncan Kellaway
- Anne-Marie Harris
- Mila Lukic (Bridges Fund Management representative)
- Michele Giddens (Bridges Fund Management representative)
- Victoria Hornby (ex-chair)

Secretary

Siobhán Tyrrell

Registered Office

38 Seymour Street
London W1H 7BP

Auditors

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

Bankers

The Royal Bank of Scotland PLC
2 ½ Devonshire Square
London
EC2M 4BA

Key achievements in 2017/18

The UK NAB releases an influential report

During 2017/18, we were particularly pleased by the progress of the UK National Advisory Board on Impact Investing and Practitioners' Council (UK NAB). The Foundation, along with the British Private Equity & Venture Capital Association, has supported the UK NAB from the beginning by funding a secretariat.

Initiated by the Global Impact Investing Steering Group (GSG), the goal of the UK NAB is to promote the growth of impact investment in the UK. The NAB was chaired last year by Michele Giddens (co-founder & partner of Bridges and a Trustee of the Foundation), who was able to assemble an impressive group of leaders from the impact investing sector, as well as other areas including finance, business and civil society. This group hosted a series of workshops to explore how impact investment could help the UK move towards a more inclusive and sustainable economy.

The UK NAB's recommendations, published in the report *The Rise of Impact*, contain a series of very practical recommendations for Government, business and investors to harness impact investing and purposeful business to help tackle some of the UK's most pressing societal challenges at scale. These include: accelerating the rise of purposeful business (like B Corps); putting purpose at the heart of public procurement (by, for instance, strengthening the Social Value Act); adopting an inclusive and sustainable inward investment agenda for the UK; strengthening the UK's role in international development finance; and empowering savers to invest in line with their

values (e.g. via 'Pensions with Purpose'). The report was launched at an event in London's Guildhall in October 2017 that was attended by over 200 people, underlining the huge amount of interest in this field across the City of London and beyond.

Perhaps even more significantly, Michele and the team were later invited to Downing Street to present the findings to the Prime Minister and other senior Government ministers. The Prime Minister subsequently commissioned a Government taskforce – led by Allianz deputy chair Elizabeth Corley – to look at how to turn some of these ideas into concrete policy proposals, and the UK NAB (now under the leadership of Sir Harvey McGrath) has been asked to contribute to this process.

The Trustees strongly believe that if some of these recommendations carry through into policy, it could unlock substantial 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. In other words, the goals of the UK NAB, and the GSG more broadly, are very much in line with those of the Foundation; so we're delighted to have been able to support its important work during the period.



Left: Launch of the UK NAB report at the London Guildhall

Right: UK NAB report, *The Rise of Impact*



Key achievements in 2017/18 – cont'd

Evergreen goes from strength to strength

This was another significant year for Bridges Evergreen Holdings, the pioneering long-term investment vehicle developed by Bridges. Structured as a holding company, Evergreen is designed to provide permanent capital as well as hands-on support to ambitious mission-led businesses. Generating its returns through ongoing yield rather than exits, this new structure enables Bridges to support the growth of these mission-led organisations over the long term. The vehicle was the first of its kind, and so the Foundation was pleased to commit £2m to its first capital-raise to help the Bridges team prove the model.

In the previous financial year, Evergreen held its first close at £23m and 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. That business continues to perform well: it opened three new care homes during the period, providing a total of 14,564 days of care to some of the most vulnerable young people in the country. 88% of its homes are now rated 'Good' or 'Outstanding' by OFSTED – well above the market average.

Evergreen completed two further investments during 2017-18.

In November, Evergreen took a minority stake in Shaw healthcare, a residential and nursing care provider for the elderly. Shaw is one of the ten biggest employee-owned businesses in the UK: it operates over 50

homes across the country and supports nearly 2,000 residents, with 83% of its services rated 'Good' or 'Outstanding' by the regulator. The business has since traded ahead of plan and won some impressive new contracts, while the Bridges team has also been actively engaged in helping the Shaw team think about impact performance as it prepares for a new phase of growth.

Then in January, Evergreen launched The Ethical Housing Company (TEHC), a new venture working to create a portfolio of decent and affordable homes for rent across Teesside. Across the UK, an estimated 4.5m people live in poverty in private accommodation, while unstable tenancies are a major driver behind this rise in homelessness. Evergreen has partnered with local entrepreneur Carla Keegans – who has run The Ethical Lettings Agency in Redcar for the last three years – to create a new kind of supportive landlord. The aim is to prove the concept in Teesside, and then hopefully, roll it out to other parts of the UK where the housing need is acute.

Following these deals, Evergreen had invested or committed most of its original capital. So, it went back to market, and we're pleased to report that since the end of the period, it has been able to raise a further £27m of capital, taking its total assets above the £50m mark. This is a strong endorsement of the Evergreen model, and a helpful validation of the Foundation's original decision to commit to the first close in the hope of catalysing others.

Left: Shaw healthcare
Right: The Ethical Housing Company



Key achievements in 2017/18 – cont'd

The enduring impact of the Bridges Social Entrepreneurs Fund

Much of the groundwork for Evergreen was laid by its predecessor, the Bridges Social Entrepreneurs Fund (SEF), an earlier social investment vehicle developed by the Bridges team and seeded by the Foundation with a £4.2m commitment.

Like Evergreen, SEF was also the first vehicle 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. If Bridges had not raised this dedicated fund (with the support of the Cabinet Office and other social investors), it would not have been able to create a dedicated investment team with the specific skills and resources needed to lead risk capital investments and support its investee organisations in these areas.

SEF has been able to prove the validity of its concept through a number of successful investments: notably LEYF, a social enterprise that provides childcare and parenting support in community, workplace and Children's Centre nurseries; CASA, an employee-owned domiciliary care operator, and HCT, a community transport social enterprise. The Fund has now reached the end of its investment period, though the Bridges team continues to manage out its legacy assets.

Another abiding legacy of SEF is the growth of the social impact bond market. After SEF, Bridges went on to raise the Bridges Social Impact Bond Fund, the first fund anywhere in the world to focus exclusively on investing in

outcomes contracts commissioned by central and local Government. The Foundation supported this via a £2.5m co-investment allocation within the Social Entrepreneurs Fund – giving the new Fund the firepower it needed to support some of the UK's first SIBs.

Today, the market for new social outcomes contracts has never been stronger, thanks in part to the success of the early programmes (like Career Connect, which delivered over £11m of outcomes on a contract capped at £4.5m) and in part to the sterling work of the Bridges team and other early movers to build the market. There have now been over 100 social outcomes contracts commissioned by various governments around the world, of which Bridges has supported 27, most recently in family therapy, diabetes prevention and social prescribing. And there's growing enthusiasm within the UK Government for using outcomes-based commissioning to tackle entrenched challenges in areas like homelessness, healthcare, children's services and youth employment.

All told – taking into account both SIBs and Evergreen – the Foundation's original catalytic seed funding of SEF has effectively enabled Bridges go on to raise almost £100m of additional capital to support highly impactful charities and other mission-driven enterprises.

Left: CASA, Bridges Social Entrepreneurs Fund
Right: LEYF, Bridges Social Entrepreneurs Fund



Key achievements in 2017/18 – cont'd

Unforgettable continues its progress

In October 2014, the Foundation provided seed funding of £44k to Unforgettable, a pioneering online business that aims to improve the lives of the 850,000 people in the UK and 50 million worldwide affected by dementia and memory loss.

This seed 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 Bridges Social Entrepreneurs Fund and Social Interim Fund subsequently committed £800k 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.

In 2017, Unforgettable was able to raise a further £3m in a funding round led by the venture capital arm of McKesson, the largest healthcare company in the US and owner of the LloydsPharmacy chain in the UK. This was one of the first examples of a UK social business attracting a substantial investment from a mainstream US venture capital firm, and gives Unforgettable a ready-made UK distribution platform for its ever-growing range of products. In addition, it means the Foundation's original seed investment of £44k has now catalysed over £4m of additional social investment.

We're delighted to report that Unforgettable has enjoyed another good year of trading: it exceeded its sales and EBITDA budget for the 12 months to March 2018, driven by strong sales during the pre-Christmas trading season, particularly of own-brand products like its Day Clock (pictured below). Unforgettable has now brought 10 new products to the UK market and has five more in the pipeline.

In addition to new product development, Unforgettable's focus for the next few months will be on marketing. To this end, it has recently been piloting a new feedback survey for customers to better inform its understanding of customer needs, constraints and key purchasing criteria. Feedback continues to be informative as well as positive: 65% of its customers would strongly recommend Unforgettable to friends or colleagues.

Unforgettable continues to be a highly impactful business. One-third of its customers come from underserved areas in the UK, and it is actively seeking to tailor its offering to the needs of care-givers as well as those with dementia, as the quality of life of both groups is interdependent. The business also recently hired a former dementia nurse to help drive engagement with this community, while also supporting new product design and descriptions.

Left: Unforgettable's Day Clock
Right: James Ashwell, founder of Unforgettable



Key achievements in 2017/18 – cont'd

Increasing our philanthropic grant-making

Recently, the Foundation has also begun to support charitable organisations through philanthropic grant giving. We are excited to update you on the activities below.

The Board has approved three grants during the period:

Fusion Housing

Fusion Housing is a West Yorkshire-based charity that provides a range of housing advice and support services. The Foundation is supporting Fusion's 'HOMES' service, providing a £25,000 grant that Fusion can use to establish a 'Tenant Finder Service' as part of its newly developed Social Lettings Agency. The Tenant Finder Service will be a mission-driven, tailored service for Private Rented Sector landlords; its aim is to expand the supply of affordable housing by reducing the risk of letting to low-income households. This service will connect affordable housing with households on low incomes (from earnings and/or benefits). The main beneficiaries of this new approach will be single people, couples and parents with children who do not qualify for help through local authority means. This service is free for tenants, and charges landlords a 10% fee. Aside from the financial grant, Bridges colleagues are also supporting the programme with operational advice and expertise. On the basis of our support, Fusion Homes has been able to attract additional funding for the establishment of this service.

Onside

The Foundation made its first ever multi-year grant commitment to Onside, the Youth Zone

charity. We are supporting the charity, and in particular its first London Youth Zone in Barking and Dagenham, called 'Future', in a three-year partnership with £25,000 per year and a tailored pro bono package, drawing on the Bridges team's areas of expertise and experience. The youth zone will open in 2019, and will offer young people aged 8-19 (up to 25 if they have a disability) access to a state-of-the-art centre providing activities and opportunities in sport, music, art, enterprise and media, 52 weeks per year, as well as targeted interventions for some participants (with a focus on employability, health and well-being, and mentoring). The Onside team has presented its plans to the Bridges team, and some Bridges colleagues have already visited one of the existing zones. We look forward to building and growing our partnership with this exciting project, which provides young people in the third most deprived Local Authority in the UK with somewhere to go, something to do and someone to talk to.

Place2Be

The Foundation also made a donation of £25,000 to national charity Place2Be, to support its work with children, parents and teachers in schools and nurseries based near Grenfell Tower. The Foundation wanted to provide immediate relief support to the affected community, and Place2Be, which had been established in the community prior to the tragedy, made this possible. It provides expert counselling and support to parents and adults in the community as a member of the Support 4 Grenfell Community Hub.

Left: Fusion Housing
Right: Onside, Youth Zone



Other activities and achievements

The Matched Giving Facility

The Foundation's Matched Giving facility, launched in the 2014-15 financial year, has an 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 third full year in operation – two further awards were made from the facility: £4,281 to Depaul International, a homelessness charity; and £2,000 to 40TUDE, a charitable organisation that collects funds to put towards tackling colon cancer.

The first of these awards was made to match the £4,281 raised collectively by 10 members of the Bridges team who participated in this year's Depaul Sleepout at Somerset House. The event was held to raise funds for Depaul International, a global charity that

provides safe shelter, accommodation, food and health services to help people affected by homelessness receive the education, employment and social services they need. Their goal is to empower people who face homelessness, improve their quality of life and help them stay off the streets for good. Bridges has worked closely with Depaul UK over the last four years and has seen first-hand the value of their work. We first backed its work via an outcomes-contract designed to support 200 of the most vulnerable young people out of homelessness and into accommodation, education, training and employment.

The Matched Giving facility has now made thirteen separate awards to date. The Trustees will continue to work with the Bridges team to raise awareness of the facility and to encourage applications.

The Benevolent Fund

In the financial year 2015-16, the Foundation launched a new Benevolent Fund, designed to provide short-term financial support grants to members of the broader Bridges network (such as portfolio company employees) who find themselves in difficult circumstances. An initial allocation of £10,000 was made to the fund, to be repeated annually.

In the latest period, the Benevolent Fund made two awards. The first was to support an employee at a growth business backed by the Bridges Sustainable Growth Funds. This

employee's daughter has been undergoing treatment for leukemia and other cancers since she was only 10 months old. She is now three years old and her treatment continues. An award was allocated to allow the employee to take time off to support his family during this difficult time.

A second award was made to an employee at another growth business backed by the Bridges Sustainable Growth Funds, who suffered injuries during a terrorist attack in Barcelona.

Left: Depaul International
Right: Team Bridges at the Depaul Sleepout



Other activities and achievements

Donor Advised Pool

The Foundation has established a new Donor Advised Pool – a pool of funds capped at 20% of Bridges' carry whereby the carry holders can make a requests to the Trustees on how to allocate the funds.

To date, donations have been made to B Lab (£1,000), Depaul International (£500) and Emerging Leaders (£10,000).

Emerging Leaders is a charitable organisation that works to support vulnerable communities across Africa through leadership training. This allocation funded four sets of 'Leadership for Life' training, two in Uganda in partnership with a charity called Every Life, and two in Burundi via a network called GLO, all of which have received positive feedback. The charity is planning to return to Burundi in 2018 to build upon those they have worked with by running a 'Train the Trainer' programme which will enable the most promising participants to share the 'Leadership for Life' programme further into their existing networks and organisations, including schools and government departments.

'Leadership for Life' training in Burundi



Future Plans

The Foundation will continue to focus its work in the following areas:

- **Social Investment:** The Foundation has the opportunity to continue its catalytic financial support to Bridges Evergreen Holdings, by unlocking further financial commitments from existing and new investors, effectively leveraging its funding, and allowing the Fund to validate the concept further.
- **Market-building:** The Foundation will continue to seek opportunities to support initiatives and publications aimed at promoting the growth of the broader sustainable and impact investment market. One promising avenue is the Impact Management Project, a sector-wide initiative facilitated by Bridges Impact+ (involving over 1,500 global stakeholders) to agree a common convention for analysing and articulating impact.
- **MIINT:** Our sister Foundation in the US continues to support the MIINT (MBA Impact Investing Network & Training), an experiential impact investing course for MBA students run in conjunction with the Wharton Business School, which continues to go from strength to strength.
- **Venture Philanthropy:** Through its two grants, including a first multi-year partnership with a charity partner, the Foundation has embarked on a more active venture philanthropy journey, with the aim of providing financial and non-financial support to a select number of mission-led social ventures. The emergence of new funding streams through the realisation of carried-interest related donations will allow the Foundation to do more of this.
- The Foundation has hired its first dedicated employee, the Director of Strategy, to create and direct the strategy for its deployment of funds. The process of clarifying and aligning the Foundation's mission has started, and we look forward to updating on the result, and implementation of the agreed strategy, in the next Annual Report.

2018 MIINT finals hosted by the Wharton Business School



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 a portion of their carry to benefit the Impact Foundation. This resulted in the Foundation receiving donations totalling £574,640 during the period. With the addition of Gift Aid of £162,613 – which has been claimed during

the 2017/18 financial year – the Foundation has received donations totalling £737,600 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 Foundation 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 in Bridges Social Entrepreneurs Fund from its restricted funds totalling £58,497 (2017: £110,590) and received total distributions of £643,999 (2017: £234,086).

The gross value of the Fund at the year end after adjusting for released commitments was £8.7m. Of the remaining 13 investments in the portfolio, seven have been revalued upwards and/or are showing a positive return, four have been held at cost, one investment has been partially provided for and one investment has been fully provided for.

In relation to its commitment to Bridges Evergreen Holdings, the Foundation made contributions from its restricted funds totalling £1,059,485 (2017: £588,136) and no distributions have been received to date.

At the year-end, £18.6m had been drawn down from investors in the Bridges Evergreen Capital Fund since the commencement of the Fund on 6 July 2016. This represents 82% of commitments and has been used to fund Evergreen's investments in New Reflexions, Shaw healthcare and The Ethical Housing Company, as well as Priority Profit Share and other fund expenses.

Governance costs for the Foundation were slightly lower than the previous year at £9,214 (2017: £32,625), covering legal and audit fees. Administration and investment services are performed by Bridges Fund Management Limited on a pro bono basis. It is not possible to quantify the value of this work.

Left: New Reflexions, Bridges Evergreen Holdings
Right: Shaw healthcare, Bridges Evergreen Holdings



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 Foundation 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.

To ensure best practise in the operation of the Trustee board, in 2018 the Trustees have reviewed the Charity Governance Code in line with current practice and will continue to do so.

The charity does not engage in fundraising activities and no donations are sought from the public. The Foundation does not use third parties to assist with fundraising and the charity received no complaints in this year regarding its fundraising practices

Left: The Foundry, Bridges Social Entrepreneurs Fund
Right: HCT, Bridges 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 the 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 the 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.

Left: Community Links, Bridges Social Impact Bond Fund
Right: Manchester Foster Care, Bridges Social Impact Bond Fund



Organisation and appointment of

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 Ltd.

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

Charles Mindenhall will seek to be reappointed to the Chair at the next Trustees meeting in September. Charles has been involved with the Foundation since 2014, and his expertise and dynamism make him a perfect choice to lead the Foundation.

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

Trustee Induction and Training

New Trustees of the 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 Ltd 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 Foundation.

Left: The Ethical Housing Company, Bridges Evergreen Holdings
Right: Commonweal, Bridges Social Entrepreneurs Fund



Risks and Risk Management

The key risks faced by the Foundation 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 Foundation.

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 Foundation's mission

The Foundation incurs minimal costs of operation, including governance costs. It

considers that the unrestricted reserves at the year-end totalling £1,219,967 (2017: £499,393, of which £37,394 is designated and £1,182,573 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 £3,704,515 (2017: £3,814,324) at the year end, but are pending further drawdowns 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.

Left: Teens & Toddlers, Bridges Social Impact Bond Fund
Right: LEYF, Bridges 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.

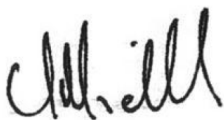
In so far as the Trustees are aware:

- 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: 12 November 2018



Bridges Impact Foundation
38 Seymour Street,
London, W1H 7BP
+44 (0) 20 3780 8000

info@bridgesfundmanagement.com
www.bridgesfundmanagement.com

Bridges Fund Management Ltd. is authorised and regulated
by the Financial Conduct Authority.

Registered in England No 10401079.
Registered office is at the address shown above.

Copyright designation: This work is licensed under
the Creative Commons Attribution-NoDerivatives
4.0 International License, that allows the copying and
distribution of this material as long as no changes
are made and credit is given to the authors.
<https://creativecommons.org/licenses/by-nd/4.0/>

Bridges Fund Management, November 2018