

Social IMPACT Report 2009



Table of Contents

Introduction	2
About Bridges Ventures	3
Headline Results	5
Bridges Ventures Methodology	7
Case Studies	9

Introduction

Dear Friends,

We are delighted to share with you our **Social IMPACT Report 2009**.

It is a founding principle of Bridges Ventures that all the funds that we raise will set out to achieve a clear social purpose as well as attractive financial returns for investors. We believe that market forces and entrepreneurship can be harnessed to do well by doing good.

We report regularly and in detail to our investors on the social impact as well as the commercial and financial progress of each of our investments. We also seek to innovate and develop new ways of measuring social impact. This report summarises some of this work, looking at eight case studies in order to explain this process to a wider audience.

We have focused here on the two venture funds Bridges Ventures manages, whose social impact focus is regeneration and sustainability. They invest in ambitious businesses located in under-invested, mainly inner city areas of the UK and in businesses with strong social benefits in sectors such as healthcare, education and the environment.

We invest up to £10m at a time in growth businesses that are early stage, later stage or property backed. So far £52m has been invested in 30 companies. To date there have been a number of successful and profitable exits, including Harlands of Hull (84% IRR), SimplySwitch in South London (165% IRR) and HS Atec in Yorkshire (29% IRR).

We also have two other funds: the Bridges Social Entrepreneurs Fund, launched late 2008, and the newly-launched Bridges Sustainable Property Fund. More information about these funds can be found on our website www.bridgesventures.com.

We aim to show that attractive financial returns can be achieved alongside positive social impacts. We hope that this report provides an insight as to how this can be achieved. Our continued growth and development is occurring at a time when interest in responsible investment and social and environmental concerns are growing strongly. Bridges Ventures is pleased to have become a signatory to the *United Nations Principles for Responsible Investment* this year. This is further informing our social impact work, and we hope many more organisations will join in the future.

All the very best,

The Bridges Ventures Team

About Bridges Ventures

Bridges Ventures is an investment company whose commercial expertise is used to deliver both financial returns and social and environmental benefits. We pride ourselves on working closely with the companies we back and we are committed to helping entrepreneurs achieve long-term success for their businesses.

The team

The diverse investment, managerial and entrepreneurial experience of our team enables us to work closely alongside our portfolio companies to help them thrive and grow.

We are fortunate to be supported by a strong group of Non-Executive Directors and Advisory Board members. They provide us with thoughtful strategic input and contribute their time and expertise pro bono to help us achieve our goals. Their contact networks and wealth of experience can also allow us to add value to the businesses we back.



Philip Newborough
Chief Executive



Michele Giddens
Executive Director



Carolyn Maddox
Executive Director



Rory Maw
Chief Financial Officer



Antony Ross
Executive Director



Simon Ringer
MD, Sustainable
Property Fund



Stewart Baird
Investment Director



Anne-Marie Harris
Investment Director



Sam Archer
Assistant Director



James Bird
Associate



Skye Heller
Associate



Maggie Loo
Associate



Ian Taylor
Associate

About Bridges Ventures

Non-Executive Directors



Sir Ronald Cohen
(Chairman)
Founder and former
Chairman of Apax
Partners



Nigel Doughty
One of the two
founders of Doughty
Hanson & Co



Dr. Peter Englander
Partner and Chairman of
the Approval Committee,
Apax Partners



Peter Williams
Former main board
director and head of UK
at 3i

Funds under management

We currently have three types of fund under management.



Venture Funds

Venture Funds I & II invest in ambitious, entrepreneurial businesses located in regeneration areas and in sectors such as healthcare, education and the environment.



Sustainable
Property Fund

The Bridges Sustainable Property Fund invests in properties in regeneration areas and sustainable buildings that have the potential to make strong financial returns as well as deliver social and environmental impact.



Social
Entrepreneurs
Fund

The Bridges Social Entrepreneurs Fund invests in social enterprises with a clear mission to create social impact which may lead to reduced shareholder returns.

Headline Results

Creating jobs

- Over 1,300 people work in the companies backed by Bridges Ventures, of whom 39% live in our target areas and 200 were formerly unemployed.

Creating economic dynamism

- 96% of investments so far are in Bridges Ventures target areas, and 66% of investment to date is concentrated in the 10% most deprived wards*.
- The multiplier effect of each £1 invested by Bridges Ventures is currently £3.40 of spend and £2.50 of Gross Value Added** (GVA) in our target areas.
- Each £1 invested by Bridges Ventures is leveraging an additional £2.50 into our target areas.

Fostering entrepreneurs

- Bridges Ventures fosters entrepreneurship by augmenting boards and management teams. 36% of the directors in our active companies have been introduced, appointed or employed by Bridges Ventures. Senior managers are also placed where necessary.
- Some of our entrepreneurs are becoming role models that can inspire others.

Sustainable investment

- Our target sectors: two environmental, one healthcare and two educational businesses backed to date.
- All portfolio companies are making improvements in the above areas through the Social IMPACT Scorecard.

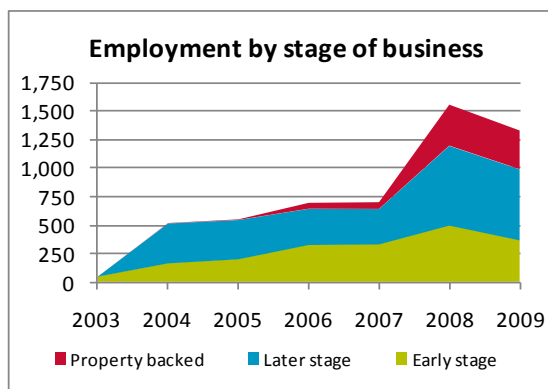
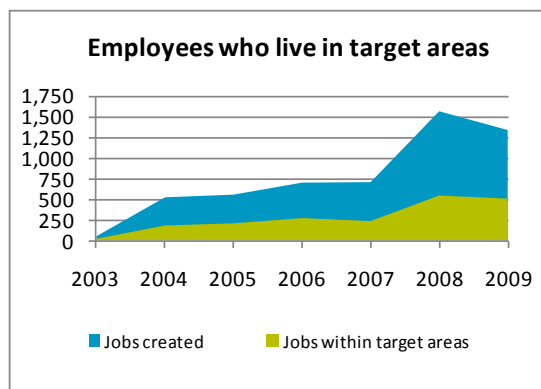
*All results are as of March 2009.

**Gross Value Added (GVA) is equivalent to a local GDP, being the revenue generated minus spending on inputs and services.

Headline Results

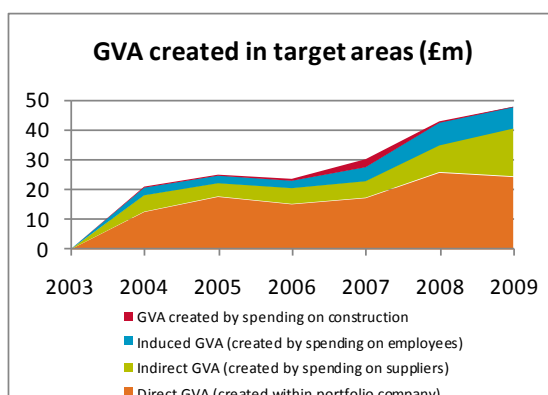
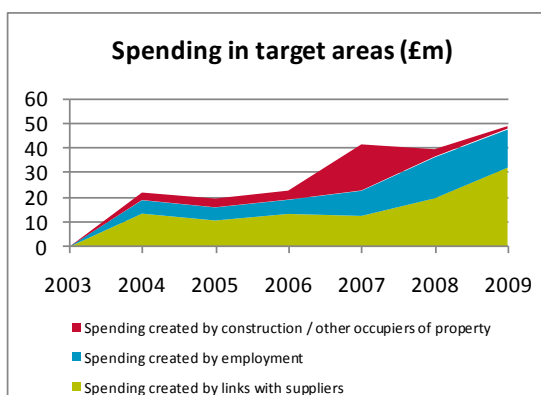
Creating jobs

Employment has consistently grown since the inception of Bridges Ventures although there has been some decline in 2009 due to the impacts of the wider economic downturn.

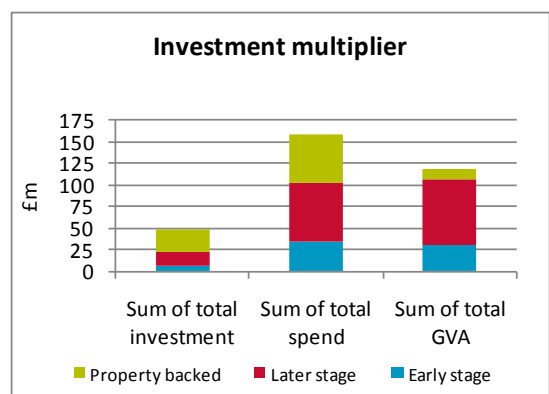


Creating economic dynamism

By investing in target regeneration areas, Bridges Ventures portfolio companies go on to spend recurring amounts in the target areas, which further benefits the local economy as measured within the GVA* metric. The multiplier effect of each £1.00 invested by Bridges Ventures is currently £3.40 of spend and £2.50 of GVA in our target areas.



Note: Figures for exited companies are held at point of Bridges Ventures' exit.



*Gross Value Added (GVA) is equivalent to a local GDP, being the revenue generated minus spending on inputs and services

Bridges Ventures Methodology

We report regularly and in detail to our investors on the social/ environmental impact as well as the commercial and financial progress of each of our investments. We also seek to innovate and develop new ways of measuring social impact.

Our venture funds deliver social returns both on a geographic and sector-specific basis, which are measured using the Bridges Ventures Social IMPACT Scorecard and reported to investors alongside their financial returns.

The Social IMPACT Scorecard

[illegible]

Standard regeneration measures

Company-specific metrics – tracked year on year and compared to historics / target set

Highlights any governance issues

Our social impact process

Social Screen

We set clear social impact criteria of location or sector, then use strictly commercial criteria to select those companies that pass our social screen. We are looking for investments that can be winners commercially as well as doing good.

Engagement

Through the Social IMPACT Scorecard we work with the companies we back to look for ways to improve their community and environmental impacts while also increasing the value of the businesses.

Reporting

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

Bridges Ventures Methodology

How we measure regeneration impact



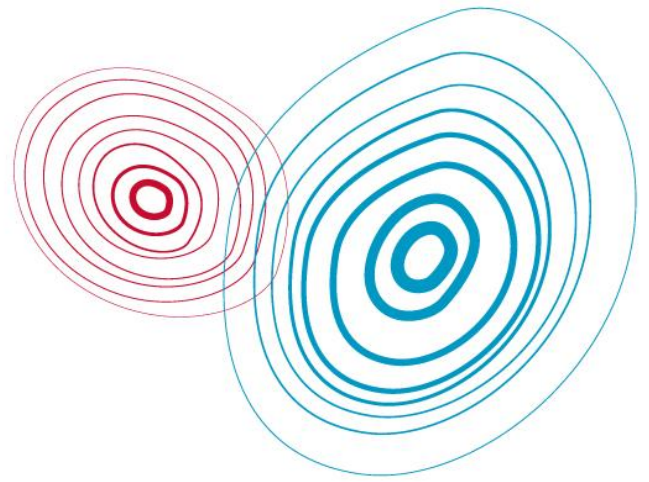
Location in a regeneration area	<ul style="list-style-type: none"> Located in the most deprived 25% of the country, as measured using the Government's Index of Multiple Deprivation
Creating jobs	<ul style="list-style-type: none"> Growth in direct jobs in company within target area Number of people taken out of unemployment
Creating economic dynamism	<ul style="list-style-type: none"> Spending on suppliers and employees plus additional spending generated within local economy Growth in economic activity of company within target area and impact of this on economic activity of supply chain Economic activity created by construction
Fostering entrepreneurs	<ul style="list-style-type: none"> Managers in investee companies serve as role models Bridges Ventures augments boards and management teams

How we measure sustainability impact



Our sustainability impacts are drawn from charitable purposes as defined by the Charities Commission.

Education	<p>Promotion of the education of a business's customers, employees or local community</p> <p><i>New Career Skills retrains career changers to become qualified plumbers and electricians.</i></p>
Health	<p>Promotion of the health and well-being of the business's customers, employees or local community</p> <p><i>The Gym provides quality gym facilities at affordable prices, which means that a large number of the local community who have previously been unable to be a member of a gym can now afford to, with obvious health benefits.</i></p>
Environment	<p>Measures and practices that minimise the environmental footprint of business operations</p> <p><i>The Office Group has installed a green roof and a water harvesting system in a number of its buildings.</i></p>
Community	<p>Activities that benefit disadvantaged customers, employees or the local community</p> <p><i>The Hoxton's apprentice scheme is offering placements to unemployed young local residents and sponsoring their education at a local college.</i></p>



Case Studies



Case Study Overview

The following eight case studies provide a detailed review of the social and/or environmental impacts achieved by the profiled companies.

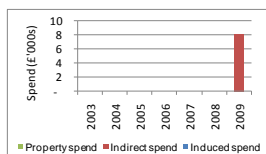
We have included graphs demonstrating the economic linkages within regeneration areas and the incremental local spend created by Bridges Ventures' investment.

Linkages to target areas



Economic linkages show the percentage of a company's employees, wages, suppliers and customers who are located in regeneration areas. Bridges Ventures typically targets at least 35% in at least one of these categories.

Local spend



Local spend tracks the incremental benefits of our portfolio companies' spending in regeneration areas as a result of Bridges Ventures' investment.

- *Property spend* represents construction or fit-out spend, and occurs when our companies expand to new locations.
- *Indirect spend* measures the additional economic benefit to regeneration areas as a result of employees spending their earnings with other local businesses.
- *Induced spend* reflects the additional impacts associated with suppliers spending more in regeneration areas as a result of increased business.

However, the numbers only tell part of the story, and we have also provided qualitative data on both the regeneration and sustainability impacts of each company.

Case Study – The Gym

The Gym provides low cost health and fitness facilities in purpose-built gyms which are open 24 hours a day.



Background to our investment

Bridges Ventures first invested in The Gym in August 2007, and at March 2009 there were two Gyms open and one being fitted out, with a strong pipeline of future sites around the country.

Investment summary

Date of initial investment	August 2007
Amount invested to date	£2,000,000
Stage	Start-up

HIGHLIGHT

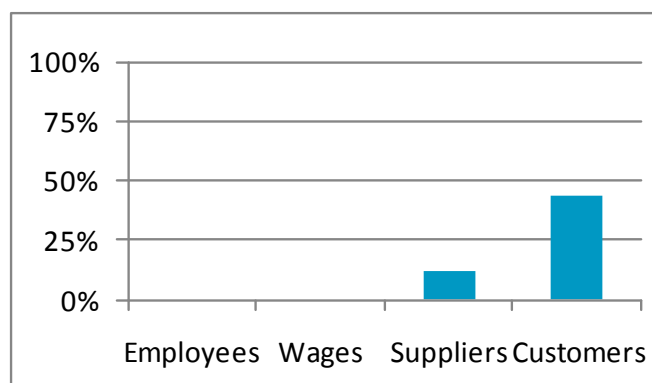
By March 2009, The Gym had over 10,000 members.

Eligibility

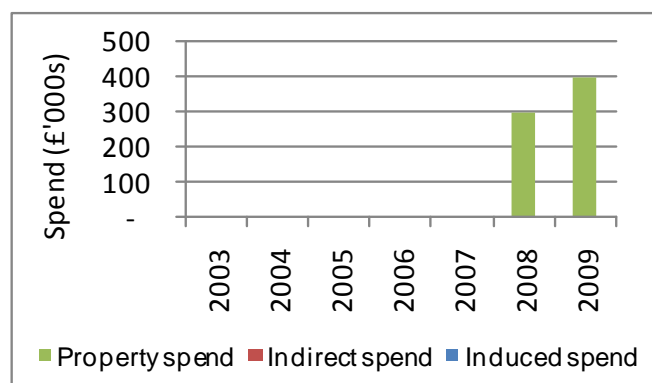
Basis for investment	Regeneration
IMD rank of wards	1,096 - 2,032*
Percentile of ward	13 - 24%

*Guildford gym is not located in an eligible area.

Linkages to target areas



Local spend



Case Study – The Gym



“The key to The Gym’s success is its ‘value for money’ pricing and the fact that there is no membership contract. This makes membership affordable to people from all walks of life and is the reason why 40% of our members are first time gym users.”

John Treharne
CEO, The Gym



www.thegymgroup.com

Regeneration impacts



At least 50% of sites will be based in regeneration areas.

Of the three Gyms open or being fitted out at March 2009, two are based in regeneration areas. All of the future sites that will be opened in 2009 are in regeneration areas.

Sustainability impacts



Health

The Gym’s combination of value and accessibility means that a large number of the local community who have previously been unable to be a member of a gym can now afford to - with obvious health benefits. Analysis of membership figures shows that over 40% of members have never been members of a gym before.

Environment

The Gym is committed to making its gyms as green as possible. This includes:

- State-of-the-art self-generating energy-efficient fitness equipment.
- Energy saving lighting.
- Thirsty Planet bottled water available for its members. Thirsty Planet is a brand of bottled water whose sole purpose is to raise money for the provision of clean water in Africa.
- All locations are cleaned using environmentally-friendly floor cleaners that use no chemicals and 70% less water than conventional machines.

Case Study – The Hoxton Hotel

The Hoxton is a design-led boutique hotel and is intended to be the first in a chain of high quality, limited service hotels.

Background to our investment

Bridges Ventures invested in the business at a seed stage, helped raise the funding package and has played a major role in the development of the business.



Investment summary

Date of initial investment	April 2004
Amount invested to date	£2,075,184
Stage	Start-up

HIGHLIGHT

In September 2008, The Hoxton was voted 12th best business hotel in Europe by CNBC Business.

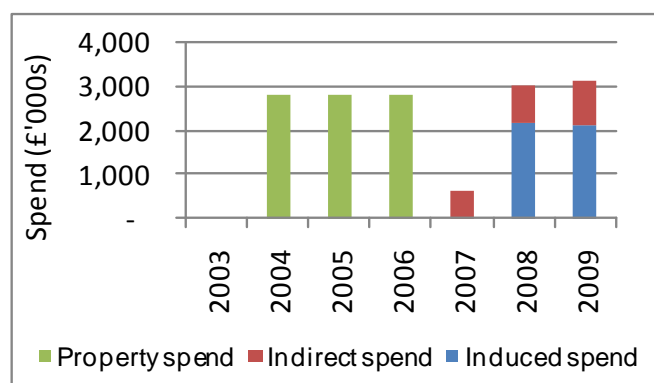
Eligibility

Basis for investment	Regeneration
IMD rank of wards	190
Percentile of ward	2%

Linkages to target areas



Local spend



Case Study – The Hoxton Hotel



Regeneration impacts



Based in Shoreditch, The Hoxton is in the most deprived 2% of wards in England.

Sustainability impacts



Environment

The Hoxton has measures in place to reduce the energy consumption, laundry cost and guest supplies used per room.

Community

The Hoxton is running 'The Hox Apprentices Scheme', offering placements to unemployed young local residents and sponsoring their education at a local college.

After the recruitment process three apprentices were hired for a six-month training program. For personal reasons two of them left shortly after starting the training program, however the remaining apprentice who is 22 years old has successfully completed the training program and is now working full time as a receptionist.

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

Sinclair Beecham
Executive Chairman, The Hoxton Hotel



www.hoxtonhotels.com

Case Study – New Career Skills

New Career Skills (NCS) provides vocation focused training to mature career changers. It is our first investment totally focused on sustainability.

Background to our investment

Bridges Ventures was attracted by the high quality training provided by NCS and the ability to make a substantial commitment in the vocational training sector which has significant growth opportunities.

Since investment a new management team has been appointed, a second training centre opened in Doncaster and a number of new courses launched.



Investment summary

Date of initial investment	February 2008
Amount invested to date	£3,830,000
Stage	Development capital

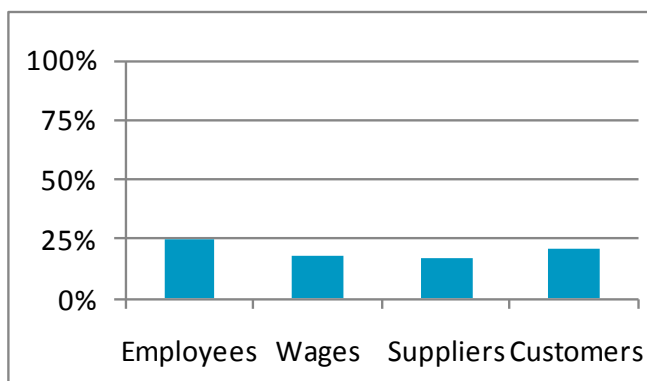
Eligibility

Basis for investment	Sustainability
IMD rank of wards	N/A
Percentile of ward	N/A

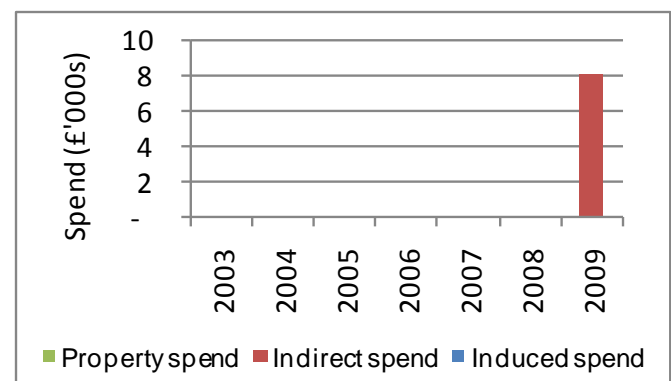
HIGHLIGHT

In March 2009, the company launched a training scheme for Domestic Green Engineers (DGEs). There is currently a massive shortage of properly-trained DGEs, whose job it is to help home-owners and builders of new homes reduce their carbon footprints.

Linkages to target areas



Local spend



Case Study – New Career Skills



“Recent economic turmoil and volatility in the job market have resulted in an increasing number of mature career changers needing to re-skill. We intend to take advantage of this opportunity and assist our students in unlocking the value of their training.”

Steven Wines
Chief Executive, New Career Skills



www.newcareerskills.co.uk

Sustainability impacts



Education

NCS provides hands-on vocational training in plumbing, electrical and green energy courses to mature students who wish to have a career change. The courses offer hands-on training at one of the Company's two dedicated training facilities in Chandlers Ford, Southampton and Doncaster. These practical sessions last for a week at a time and the student is able to complete the theory part of the course at home with a distance learning package of course materials.

Students typically go on to be self-employed or work for a larger company. Part of the course gives training on how to set up a business, advertise and manage finances.

Going forward, the business is looking to access Government-funded training budgets from the LSC and offer a wider range of courses in other areas such as IT and bookkeeping. During FY09 the business enrolled 521 students across plumbing, electrical and green courses.

Environment

In 2009, NCS launched a Domestic Green Engineer course, which trains people to install and maintain solar hot water systems, ground source heat pumps, air source heat pumps, rain water and grey water harvesting. This is an exciting area of the market that is attracting students from a wide variety of backgrounds.

Community

Nine ex-offenders have recently enrolled on to a course.

NCS is also committed to supporting the local community. Projects included the installation of lighting and some power sockets in a new wing for Rose Road Association and the installation of a shower in a deaf centre in Newbury, Berkshire.

Case Study – The Office

The Office develops and manages flexible simplified serviced office space in inner city areas, primarily for local SMEs and start-up companies.



Background to our investment

Bridges Ventures incubated this idea from the concept stage, hired the management team and provided the initial finance for the purchase of the buildings, starting with Islington in 2003.

Investment summary

Date of initial investment	September 2003
Amount invested to date	£10,745,926
Stage	Start-up

Eligibility

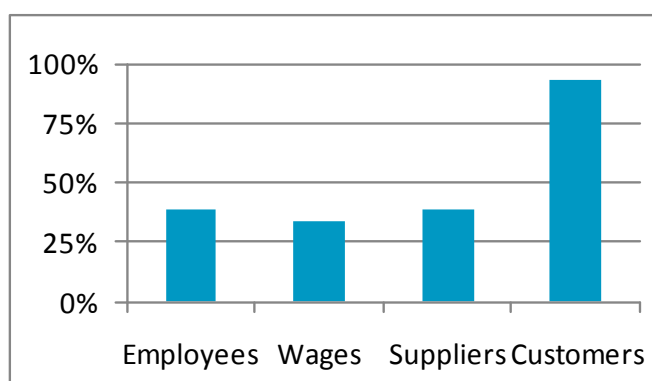
Basis for investment	Regeneration
IMD rank of wards (6 eligible sites*)	370-838
Percentile of ward	5-10%

*Bristol site is eligible for Venture Fund II but not eligible for Venture Fund I. There are two sites located in the Holborn ward.

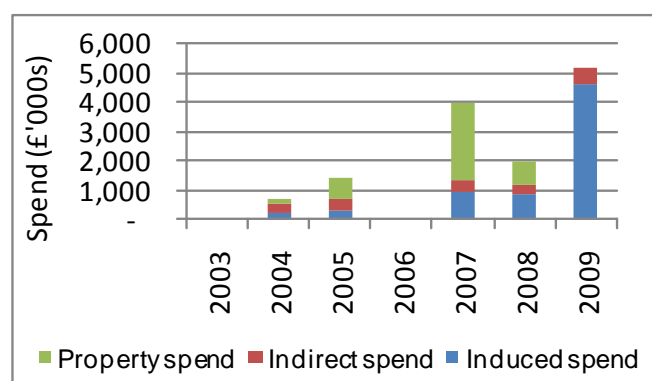
HIGHLIGHT

Earlier this year, The Office Group opened its sixth site in Marylebone. The site is a Grade II Listed Building, formerly part of British Rail's headquarters and had been standing empty for 30 years.

Linkages to target areas



Local spend



Case Study – The Office



“Bridges Ventures shared our vision for the business model and had the confidence to invest, but the relationship goes well beyond the financial commitment. The team at Bridges Ventures are dedicated to the business, available with their support and advice whenever needed!”

Charlie Green
Co-founder, The Office Group



Regeneration impacts



The Office buildings attract SME's to locate in the 25% most deprived wards, thereby stimulating the local economy.

As of March 2009, there were six buildings in the portfolio, five in central London and one in Bristol with a total square footage of c.100,000 and over 1,300 workstations.

All office sites are located in regeneration areas, with the exception of Bristol which is only fully eligible for Venture fund II.

Sustainability impacts



Environment

The Office is committed to making its buildings as eco-friendly as possible. This includes:

- Recycling
- Rainwater harvesting
- Green roofs
- Solar panels
- Low energy lighting
- The use of recycled and recyclable materials
- Bike stores
- Wormeries

Education

The Office works closely with a local charity Global Generation (www.globalgeneration.org.uk), taking local children and students and educating them on the environment and business.

www.theofficegroup.co.uk

Case Study – School Stickers

School Stickers is the market leader in customised motivational stickers and postcards for schools.



Background to our investment

Bridges Ventures first invested in School Stickers in October 2006 and since then, the business has grown sales and has been re-organised following the Vizwoz spinout. Henry Shelford, formerly an Assistant Director at Bridges Ventures, took over as CEO in May 2009.

Investment summary

Date of initial investment	October 2006
Amount invested to date	£1,420,000
Stage	Early stage

Eligibility

Basis for investment	Regeneration
IMD rank of wards	144
Percentile of ward	2%

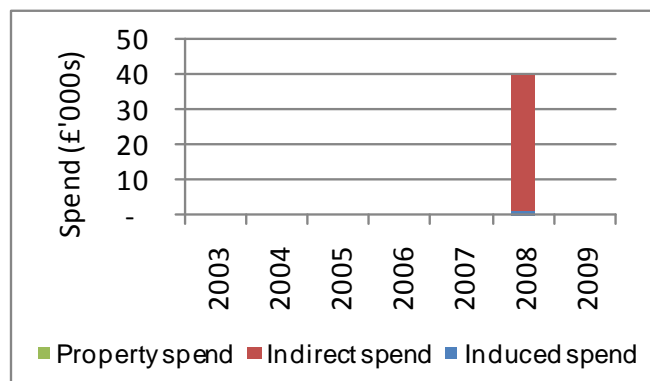
HIGHLIGHT

In May 2009, Henry Shelford, formerly an Assistant Director at Bridges Ventures, took over as CEO of School Stickers. He has since launched a number of new initiatives such as alternative supplier sourcing and increased customer interaction to improve the product and customer service.

Linkages to target areas



Local spend



Case Study – School Stickers



"Teachers are constantly seeking ways to engage children with learning. The School Stickers products provide a fun way to reward progress whilst allowing teachers to monitor awards."

Henry Shelford
CEO, School Stickers



Regeneration impacts



School Stickers is based in Birmingham in the ward of Nechells, which is in the bottom 2% of all wards as ranked by the Index of Multiple Deprivation. The business currently employs nine people, and all paper stock is sustainably sourced. All waste paper and plastics are recycled and the entire business is carbon neutral.

Sustainability impacts



Education

School Stickers currently sells motivational stickers and postcards into primary and secondary schools in the UK. They are a major supplier to primary schools and the number one sticker supplier to secondary schools. Stickers are fully personalised for each teacher and are typically awarded for good behaviour, attendance, good performance, etc.

Every sticker and postcard reward has a unique code that a pupil uses to log on www.mystickers.co.uk where he/she can collect points and win prizes. The online offering will be enhanced in 2009/10 with the launch of Carrot rewards, an interactive resource platform to use with School Stickers.

The website www.carrotrewards.co.uk makes the reward scheme fully interactive for teachers, enabling them to run competitions from simple class league tables to complex multilayered competitions (e.g. for different subject areas segmented by year, house, tutor group, etc). Pupils are kept engaged with access to up-to-the-minute leader-boards that detail the various competitions the school is running. This will enable schools to easily run competitions for academic and non-academic performance, thus increasing pupil motivation. It will also provide a school with a way of motivating students without putting an additional burden on teachers.

Case Study – SealSkinz

SealSkinz is the only manufacturer of close-fitting waterproof gloves, socks and hats in the world.

Background to our investment

Bridges Ventures supported the MBO of SealSkinz from its parent company. We have appointed a chairman who has brought considerable experience in the retail and outdoor pursuits market.



Investment summary

Date of initial investment	August 2007
Amount invested to date	£1,650,000
Stage	Development capital

Eligibility

Basis for investment	Regeneration
IMD rank of wards	2,225
Percentile of ward	27%*

*Post investment SealSkinz has moved its head office.

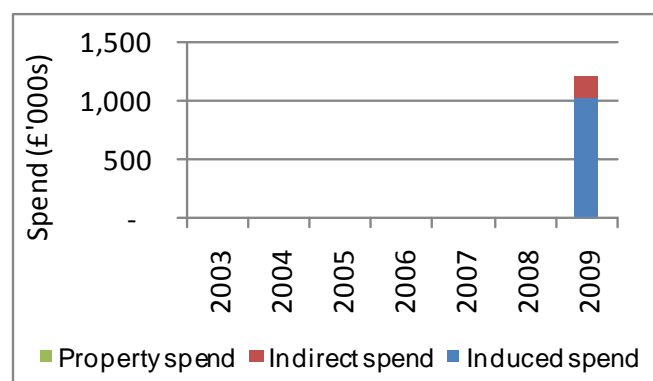
HIGHLIGHT

In March 2009, SealSkinz was awarded the Kings Lynn Mayor's Award for Business Achievement - Best Manufacturing Business.

Linkages to target areas



Local spend

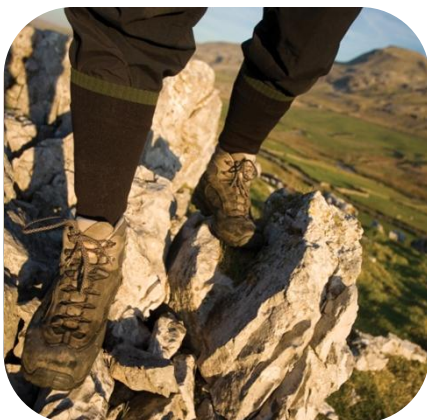


Case Study – SealSkinz



“The outdoor and cycle markets have been resilient through the economic downturn and our brand recognition continues to increase. We have successfully entered both team sports and military markets. Since the MBO in 2007 we have therefore increased our headcount from 25 to 43.”

Andrew Dahl
Managing Director, SealSkinz



www.sealskinz.com

Regeneration impacts



The business' 50% year-on-year growth has necessitated an increase in staff levels. This staffing increase has been in production and sales and support staff. Most of these employees live locally in King's Lynn, which ranks in the bottom 27% of wards on the IMD scale.

The Company also uses a number of local suppliers for product sourcing.

Sustainability impacts



Health

SealSkinz sells into the workwear, outdoor sports and outdoor pursuits (e.g. cycling, hiking, running, sailing) markets.

Environment

SealSkinz is modifying its production process to greatly reduce energy costs and improve yield. This will enable faster production and reduce the electricity cost and the Company's carbon footprint.

Community

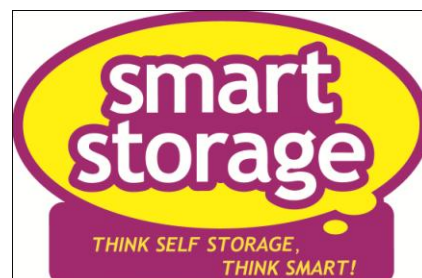
The business has now given all of its employees permanent employment contracts, giving certainty of income rather than employing temporary staff through various agencies. This has increased morale and loyalty of the workforce.

Case Study – Smart Storage

Smart Storage provides storage facilities for a mix of domestic and commercial customers across the North West of England.

Background to our investment

Bridges Ventures invested in the business at an early stage, backing a strong management team with one operational site. Bridges Ventures sits on the board and has also been active in identifying new sites and assisting the team in moving from a leasehold to a freehold model for their sites.



Investment summary

Date of initial investment	March 2006
Amount invested to date	£4,600,000
Stage	Early stage

HIGHLIGHT

The launch of Preston is the fifth site in the Smart Storage portfolio.

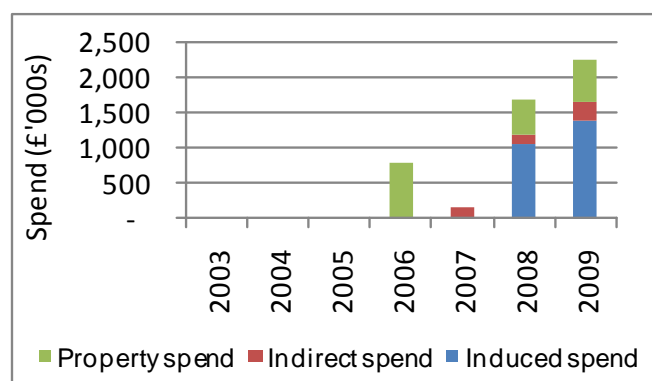
Eligibility

Basis for investment	Regeneration
IMD rank of wards	4-1750
Percentile of ward	0.05%-21%

Linkages to target areas



Local spend



Case Study – Smart Storage



Regeneration impacts



All of the self storage sites are located in regeneration areas. By leasing formerly disused buildings, the company has provided an alternative use for otherwise derelict sites. Three out of five sites had been vacant for two years or more, prior to Smart Storage's involvement.

"The property downturn has caused a number of people to move into smaller residences. Smart Storage provides a quick, easy and affordable solution for individuals and companies who require extra space."

Jon Wyles
Managing Director, Smart Storage

Sustainability impacts



Education

Smart Storage has continued to invest in skills development with c. £1,000 spent per head in staff training. The main areas of focus have been on sales, health and safety, and manager mentoring.

Community

The company continues to support Claire House Hospice with a free unit worth approx. £1,500 pa. Other charitable initiatives include supporting the "cash for kids xmas toys" appeal.

In addition, Smart has pledged to raise £10k for the North West Cancer Research Fund as part of its marketing activity.



www.smart-storage.co.uk

Case Study – Whelan

Operating the only facility of its kind in the UK, Whelan Refining Limited recycles waste oil to produce base oil - the base for all industrial and automotive lubricants.



Background to our investment

Bridges Ventures co-invested alongside Catapult Venture Managers to refurbish a previously mothballed oil re-refining plant in Stoke-on-Trent.

Investment summary

Date of initial investment	May 2006
Amount invested to date	£450,000
Stage	Early stage

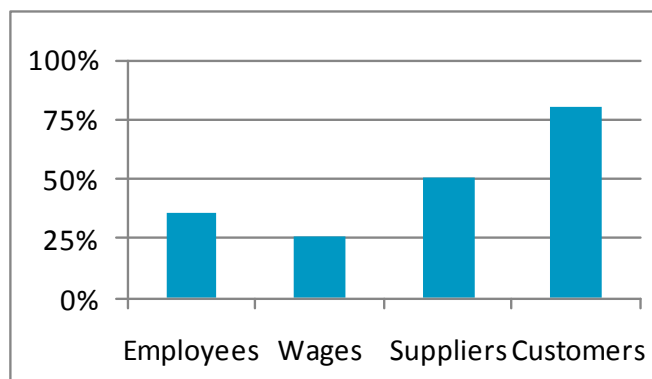
HIGHLIGHT

In the year to March 2009, Whelan recycled more than 10,000 tonnes of waste oil. This volume would otherwise have been combusted in power stations.

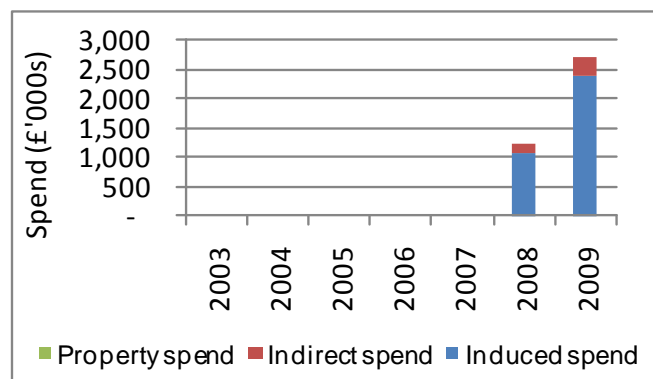
Eligibility

Basis for investment	Regeneration
IMD rank of wards	655
Percentile of ward	8%

Linkages to target areas



Local spend



Case Study – Whelan Refining



“At a time when oil is becoming increasingly scarce and expensive, Whelan is the UK’s first and only re-refinery to recycle and produce the single most valuable product, base oil. The investment from Bridges Ventures has helped us refurbish a plant to recycle and reuse this valuable natural resource.”

John Whelan
Managing Director, Whelan Refining



Regeneration impacts



Whelan re-commissioned a disused oil refinery in a deprived area (Burslem Grange is in the 8% most deprived wards in England).

The majority of its supplier spend and customer base are in Bridges Ventures target wards (51% of supplier spend, 80% of sales).

Sustainability impacts



Environment

Whelan re-refines waste engine oil back into economically- and environmentally-valuable fuel products like base oil and distillate fuel.

Whelan re-refined 10.5k tonnes of waste oil, effectively diverting this volume from being burned as a fuel in power stations which could lead to the atmospheric release of toxins like lead and mercury.

The company is in full compliance with its environmental permit.

Community

Whelan has held Open Days to enable the general public to visit the plant.

It also holds regular meetings with their local stakeholders to ensure any local grievances are addressed.