



# ANNUAL REPORT 2013



Capital for social enterprise

## MANAGING DIRECTOR'S STATEMENT

Following Resonance's investment from NESTA in November 2011, this year has been a year of considerable growth of the business and the team. Resonance's consultancy work supporting social enterprises to become 'investment ready' has continued to flourish helped by some clients benefiting from the Cabinet Office sponsored Investment and Contract Readiness Fund. Establishing a fund management team and gaining FCA authorisation for subsidiary Resonance Impact Investment Limited have been key achievements as well as reaching an initial £19.25m funds under management. Our continued commitment is to support social enterprises to access affordable capital to scale their transformational impacts, whilst structuring appropriate opportunities for investors to deploy their capital in line with their values as well as risk/return appetites.

Both financially and operationally the business has performed according to plan and 2013 / 14 is set to take the group from strength to strength.

## HIGHLIGHTS OF THE YEAR

- Worked with 11 transformational social enterprises to prepare for investment in the fields of community-led enterprise, homelessness, education and social care
- Of these 4 were at a stage to begin capital raising, with two by the end of the year successfully securing over £1m between them from 7 investors (3 foundations, 2 CDFI's and 2 individuals)
- Established 3 impact investment funds with first round investments of £19.25m, focusing on affordable housing, community sustainability and homelessness
- Secured FCA authorisation for Resonance Impact Investment Ltd for fund management and deal arrangement activities
- Expanded our team and investment committee members to over 20
- Opened a new office in Manchester helping us have additional reach in the North



## ABOUT US

Resonance is a social impact investment company with over a decade of experience working closely with social enterprises throughout the UK. We help social enterprises prepare for and raise capital from investors who value both their impact ambition and their business model. Based on this knowledge, we also create and manage impact investment funds focused on specific social issues across a range of sectors. We have particular expertise in property, community-led projects, homelessness, education and social care and work closely with investors whose values and ethics closely align with these sectors.

The Resonance Group also includes two subsidiaries; Resonance Impact Investment Limited (RIIL), a deal arranger and fund manager authorised by the Financial Conduct Authority (FCA) and Community Land & Finance CIC, a community development finance institution and accredited Social Enterprise.



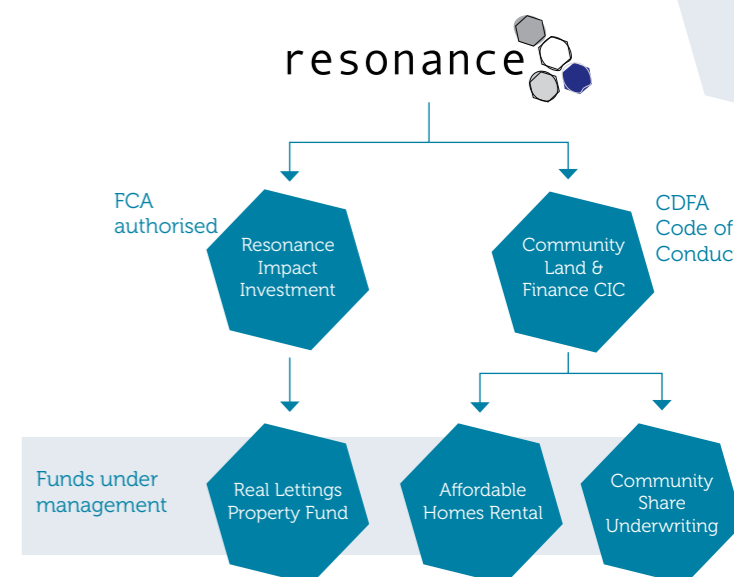
With offices in London, Manchester and Cornwall and with a team made up of 20, including Associates contributing skills to specific projects and Investment Committee members with diverse backgrounds, Resonance is helping to build the market for social investment in practice.

## What we do

The two linked aspects of our work are Ventures and Fund Management.

Specialist teams work in each of these areas, but their work remains highly integrated.

This balance gives us the ability to help social enterprises whether they fit our current funds or not and ensures any funds created by the Resonance Group are "demand led", inspired and evidenced by the work done by social enterprises on the ground.



## "Ventures"

corporate finance advisory work and deal arranging, enabling social enterprises to become investment ready and raise capital from investors

## "Fund Management"

creating, structuring, raising and managing investment funds where this is the right tool to scale up or replicate good models for social enterprise

## OUR FUNDS

Resonance now has £19.25m Funds Under Management across the three social impact funds it has launched to date:

- The Real Lettings Property Fund
- The Affordable Homes Rental Fund
- The Community Share Underwriting Fund



### The Real Lettings Property Fund

“From homelessness to independent living”

In 2013 Resonance established its first impact focused real estate fund, The Real Lettings Property Fund, a private rental sector fund in partnership with Real Lettings, the letting arm of London homelessness charity Broadway.

The Fund acquires properties that fit Real Lettings’ needs and provides them for use on a five year standard lease. Real Lettings then uses the properties to offer affordable accommodation in the private rented sector for formerly homeless people, or those at risk of homelessness, who cannot access social housing but are ready and able to maintain a tenancy. The Fund is having a real impact on the lives of Real Lettings tenants, with measurable outcomes in improving housing opportunities, encouraging progress towards work and improving resilience against becoming homeless again.

In March 2013, the Fund purchased its first property a two-bedroom flat in Dollis Hill, North West London with the aim to purchase a total of about 240 properties across London. With more investment already secured subject to contract by the year end and over 30 homes now completed or under offer, the Fund is well on the way to securing better futures for more people.

From a financial perspective, the Fund offers the opportunity to invest in a diversified portfolio of London residential property underpinned by 5 year leases and with an expected return of around 5.5%.

### AHR Fund

“Local homes for local people taking off”

The Affordable Homes Rental (AHR) Fund was established in August 2012 by Resonance through its community lending vehicle, Community Land & Finance CIC, with anchor investment from Big Society Capital of £2.5m.

The Fund invests through an innovative loan product in community led organisations providing long-term affordable rental housing for local people, which in turn strengthens local communities. In the initial months of operation the Fund extended loans and made loan commitments of £1.4m, covering four separate community groups and 20 affordable homes.

A Social Impact Report reporting the results will be published annually throughout the 10 year life of the Fund.

### CSU Fund

“Creating powerful autonomous communities”

The Community Share Underwriting (CSU) Fund established in May 2012 with £0.5m investment from Esmee Fairbairn Foundation provides finance to community groups to support innovative and ambitious community projects in diverse areas including sustainable energy, community business hubs, affordable housing and community farms.

The Fund provides “underwriting”, in the form of interest only loans, for community share offers – a powerful financial tool for local communities to take control of financing their own projects.



## OUR VENTURES

This year we have worked with eleven different social enterprises helping them prepare for and raise investment. Five of these enterprises reached a capital-raising phase and two of those have (so far) managed to secure the necessary investment. One raised £250,000 of start-up venture funding from a mix of business angel support and a Community Development Finance Institution. The other social enterprise raised £750,000 which helped re-configure their premises to enable a step change in their capacity and facilitate a merger with another charity.

As mentioned earlier, we have seen a number of clients supported by the Cabinet Office’s much needed Investment and Contract Readiness Fund. It is often a hard ask for social enterprises needing to raise capital for their growth to spend significantly on preparing for this, and yet the degree of ‘readiness’ expected by investors continues to increase.

All potential venture clients are put through a rigorous investment readiness programme, which includes a review of their “theory of change” (what they do to have positive impact on peoples’ lives) and impact measurement using the Transformational Index and the commercial opportunities and challenges they face. Once an investment proposition is agreed with the client, investment is then arranged with one or more investors.

In some cases these investors are drawn from Resonance’s own Angel Investor Network, representing individuals who invest due to shared values with the organisation as well as the prospect of generating a financial return.



## CASE STUDIES OF OUR WORK

Resonance provides investment readiness services to social enterprises across the country, working through a tailored programme of steps to position the business for investment from values aligned investors.

### TLG – The Education Charity

Bradford

TLG works with young people who have been excluded from mainstream school, through a unique model of partnering with local churches to provide Alternative Provision schools which meet local need. It has a 96% success rate in helping young people who attend a TLG Education Centre to go back into mainstream school, further training or onto employment. Resonance is working with TLG on investment and contract readiness under a contract funded by the Investment and Contract Readiness Fund.

### Holsworthy Community Property Trust (HCPT)

Devon

HCPT is a charitable company limited by guarantee established in 2005 and run by five voluntary board members and one salaried part time staff member. It currently manages 15 affordable homes within four separate projects within the Torridge area. Thirteen homes have been disposed as shared equity sales, typically at 60% of open market values, and 2 homes have been provided for rent. Resonance’s Affordable Homes Rental Fund provided a loan of £95k to support the refinancing of a shared equity property into an affordable rental property, in order to house a local family who were unable to secure a mortgage to purchase the property.

### Sunflowers Care

Cambridgeshire

Sunflowers’ two founding directors, Lucy Andrews and Karen Higgins, have combined pediatric nursing experience of over 40 years. Their research had proved the need for an alternative care solution for children being held in hospital for longer than necessary, often because their own homes were not ready or carers had to be trained.

£250,000 was raised from an angel investor and local Community Development Finance Institution to fund conversion of a leased property and provide start-up working capital

# SUMMARY OF ACCOUNTS 2012/13

## Resonance Group

Extract from Audited Figures as at 31 March 2013

|  | £                |
|--|------------------|
| Fixed Assets                                 | 7,306            |
| Current Assets                               | 1,174,952        |
| <b>TOTAL ASSETS</b>                          | <b>1,182,258</b> |
| Current Liabilities                          | (129,425)        |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> | <b>1,052,833</b> |

| <b>Long Term Creditors</b>       |         |
|----------------------------------|---------|
| Non redeemable preference shares | 25,000  |
| Investor's loans                 | 861,726 |
|                                  | 886,726 |

|            |         |
|------------|---------|
| NET ASSETS | 166,107 |
|------------|---------|

## Contact us

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