



Managing Director's Summary

I am pleased to report that Resonance has enjoyed a year of exceptional growth in both its size and impact. Our continued efforts to develop and maintain relationships with key investors, saw our funds under management grow to over £60m, which has meant more money to make a difference in the lives of real people. Our consultancy and deal arranging work supporting social enterprises in their investment readiness has been busier than ever and means that we are working with projects across a range of sectors from housing to renewable energy and organic farming to special educational needs.

Resonance led the way in effecting changes to tax relief rules and regulations concerning both Enterprise Investment Scheme and Social Investment Tax Relief (SITR) - the new tax benefit from the Treasury announced in 2014. Resonance in fact arranged the first ever SITR deal for FareShare South West in Bristol - another significant milestone that inspired the launch of the first full-scale SITR Fund "The Resonance Bristol SITR Fund" that is open for investment now.

Summer 2014 also saw us close a £2.8m deal for Stockwood Community Benefit Society that involved bringing together a large number of investors, a community share offer and a number of debt providers including a loan from our own Community Share Underwriting Fund.

Our Real Lettings Property Fund really stepped up a gear as we saw the investment grow to £57 million at its close early in 2015, helping no less than 230 people in only its second year of operation. The recently published second year Social Impact Report highlighted the achievements of the fund and also the learning we have gained from it, and we now feel ready to roll out this successful formula on a national basis in our soon to be launched National Homelessness Property Fund.

We were delighted that some of our work has won awards throughout the year and we hope that these will raise the profile of the issues that we are trying to tackle as well as some of the solutions we are putting forward to help.



Daniel Brewer
Managing Director

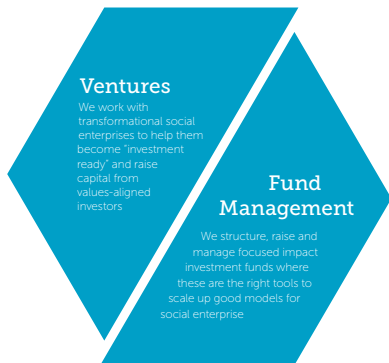
Highlights of the Year

- The Real Lettings Property Fund closed at £57m with 230 tenants already housed and was recognized in the mainstream Property Week (RES) awards.
- Community focused funds hit their stride supporting 23 community owned projects helping them realize almost £24m of overall project finance.
- Successfully arranged the Stockwood Community Benefit Society £2.8m purchase of Rush Farm and Stockwood Business Park and subsequently saw over 3,000 members of the community engage in their events.
- Partnership with UBS Wealth Management to develop the country's first Social Investment Tax Relief Fund following the completion of the first ever SITR deal with FareShare South West.



Who We Are & What We Do

Resonance is a social impact investment company. Our mission is to connect capital with social enterprise: something we have been doing across the UK for the last 13 years. Our Ventures team works with individual social enterprises to raise investment, from investment readiness through to deal arranging. Our Funds team creates and manages impact investment funds, focused on the capital needs of multiple social enterprises. We have particular expertise in community-led projects, homelessness, education, health, social care, criminal justice, agriculture and renewable energy.



Ventures

We work with transitional social enterprises to help them become "investment ready" and raise capital from values-aligned investors

Fund Management

We structure, raise and manage focused impact investment funds where these are the right tools to scale up good models for social enterprise

Our Team



Ventures



Chris Wood
Investment Manager - Ventures

Impact and Shared Values

Resonance's Ventures team is a bit like the best dating agency: connecting two people who believe in the same things, knowing they can do more together than alone.

Of course, in our world, it's investors and social enterprises; both believing in a particular form of social impact.

Our skill is in matching them up, supporting them through the "getting to know you" phase and remaining on hand post transaction to monitor progress and celebrate the success of their new partnership. Whilst we value ongoing relationships with social enterprises and investors, the real prize is their flourishing relationship.

Why do they need a dating agency? Because finding the (relatively few) people who care about the same things as you, and getting to know and trust them, can be pretty intense and more than a little nerve-racking at first. Although shared values are what make relationships last, they are not always obvious when you first meet. So it's our job to understand, in depth, what investors and social enterprises care about and the impact they want to create, and make the right connections that will last.

It's why values matter so much to us. It's why we begin and end every assignment with social impact.

Preparing for Investment

In a typical year, we spend about 20% of our time asking for and arranging investment. To make sure that the answer is much more likely to be yes, we spend about 80% of our time helping organizations get 'investment ready', which is really only industry shorthand for answering three fundamental questions from investors:

- **Who are you?** (meaning: Who is leading the organization, do they care about the same things as me?);
- **How are you going to use the investment to scale your social impact?** (meaning: Is there line-of-sight between my money and the social impact I want to create? Do I agree with how you're going to use it?); and
- **How will I get it back?** (meaning: How do the finances look; in the past and in the future?).

In a practical sense, it means the Ventures team working on: social impact models and metrics (what do we want to change, how do we know what good looks like?); governance & management (are the right people in the right jobs in the right legal structure, to maximize the impact of the organization?); financial analytics and business models (what story do the numbers tell, how does the organization create value, what's going on around us, what happens if things don't go as well as everyone expects?).

The 80% of our work devoted to investment readiness feels much more like being part of a movement that's seriously supporting social enterprises through programmes like the Big Potential Fund (£20m), the Access Foundation (£100m), and the Power to Change (£150m). We couldn't help nearly as many social enterprises without them.



Ventures Client Stories

Low Carbon Hub

Hands up who loves their big six energy supplier?..... Exactly! Whether you believe in man-made climate change or not, there has to be a better way, which is why Low Carbon Hub was created in 2012. Not so much to keep the lights on, as to keep communities alive by harnessing renewable energy from Oxfordshire's roofs, rivers and woodlands, that is generated, used and owned locally.

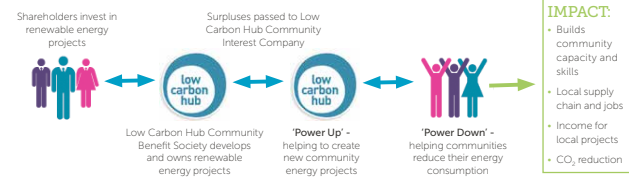
Low Carbon Hub's solar, hydro and biomass energy projects produce more than energy. They produce a financial surplus, which is invested in energy conservation like insulating poor quality housing in deprived communities across the county.

The clever bit is that around a third of the surplus goes to the community (that's about twice as much as other projects we've seen).

This year, with Resonance's support, Low Carbon Hub completed the Thames' first ever community owned hydro scheme at Osney Lock (40% of the investors live within a mile), generated 258MWh of electricity from solar roofs (enough for about 70 households), and raised £1.7m from 350 community shareholders to build more projects.

Low Carbon Hub is on a roll and we're delighted to be a part of their success.

How Low Carbon Hub works...



Stockwood Rural Business Park & Farm

In July 2014, the long held dream of the Stockwood Community Benefit Society came true, when the purchase of Rush Farm and Stockwood Business Park completed. Having raised the full £700,000 from individual investors as a community share offer, as well as over £2m of debt from CAF Bank, Biodynamic Land Trust and Resonance's Community Share Underwriting Fund (CSU), the rural business park and farm was transferred from private ownership to the local community with the aim of preserving it as an organic and biodynamic haven, which will be held in trust in perpetuity.

The income from the Stockwood Business Park gives a stable return to the investors, whilst the surplus will be used to continue to develop the farm and engage the community to raise awareness about land and resource stewardship.

It is a wonderful example of social impact – the farm, being organic, requires labour and offers jobs to local people; the community co-owns it on the basis of 1 member 1 vote; members can buy produce and get involved in the farm as well as participate in training courses and events – learning some of the skills required to build the future of the business. The minimum investment was set deliberately low at just £100 to allow as many people as possible to participate and share in the 5% return. By purchasing the whole estate –

farm and business park together – the Society has a resilient financial model, and a tool to further its charitable objectives.

The deal, one of the largest community asset acquisitions of its kind, was structured by Resonance, marketed in partnership with Ethex, and involved over 130 corporate and individual investors.

"We wanted to secure our farm in trust and identified a community buyout of the farm and the business park located on it as the best route. The Resonance CSU fund understood our vision and quickly came on board – priming the pumps for the many private investors and the anchor corporate lender that followed, and bridging the inevitable time gap it takes for crowd funding to gather momentum, so that the trust could be created straight away."

Sebastian Parsons,
Director, Stockwood CBS



FareShare South West

First Ever Social Investment Tax Relief (SITR) Deal

Bristol based FareShare South West is an independent franchise of the national charity FareShare.

It works with the food industry to minimize the waste of fresh, frozen and long-life food - distributing it instead to organizations working with the most vulnerable people in the community.

Thousands of tonnes of perfectly good in-date food are wasted each year, whilst at the same time there are over 4 million people in the UK who cannot afford a healthy diet.

FareShare South West aims to address this imbalance by redistributing quality surplus food to organizations working with vulnerable individuals in and around Bristol. The key benefit is that these organizations get high quality, healthy food at a fraction of the price it would be if they purchased it directly. Each week around 50 people help re-distribute the food throughout the South West. Around half the volunteers are, or have been, vulnerable themselves and they are offered training opportunities and support as part of their work.

The charity received an investment of £70,000 from a small group of Bristol-based angel investors that were piloting how social investment could help scale solutions to poverty in the city.

This deal was the first of its kind using the new Social Investment Tax Relief to reduce the cost of capital for FareShare South West and simultaneously reduce the risk to investors by deducting 30% of their investment from their tax bill.



How SITR Works...



Funds

Funds Under Management

This has been a year of significant growth in Resonance's Funds activity, including a final closing of the Real Lettings Property Fund at £57m of investment. Despite a competitive London property market, the fund has successfully sourced a large portfolio of good properties at the target yields, and is now well on its way to delivering a portfolio of around 260 properties for use in Real Lettings (St. Mungo's Broadway's social lettings agency). The positive impact of this for individuals seeking a route out of homelessness has been reported in our second Social Impact Report for the fund, summarized on page 10. We now look to take this initiative national in the coming year.

Following two pilot investments in Bristol social enterprises by our Ventures team, one of them using the new government Social Investment Tax Relief (SITR), our Funds team developed the Resonance Bristol SITR Fund to invest in social enterprises seeking to dismantle poverty in that area. The SITR tax benefit means the fund can provide an attractive rate of return to investors whilst keeping its loans affordable for social enterprises who need them for growth. UBS Wealth Management has been sponsoring the development of this fund and is distributing it to its clients; the first time a social impact fund has been promoted in this way by a mainstream investment company.

Our Community Land & Finance funds – the Community Share Underwriting Fund and the Affordable Homes Rental Fund – grew by £3.75m and are now in their third year of operation, investing in even more community-led organizations to help them secure the assets that are important to their local communities.



Simon Chisholm
Investment Director

Snapshot: Community Land & Finance Social Impact Report



John Williams
Investment Manager

Funds Client Stories

Community Share Underwriting Fund

The Community Share Underwriting Fund (CSU) helps local communities raise investment in three different ways depending on the stage at which it is used: it can help to **build confidence** in a share offer before it launches, **add momentum** to an offer which is already underway, or **bridge the gap** which might emerge at the end of an offer, which has not quite reached its target. In all cases the impact is to make it more possible for local people to make local projects happen, and to keep more of the ownership within the community.

Here's what some of our clients said about us this year:

JOHN CLEVELAND COMMUNITY WOODHEAT

"We would like to thank the team at Resonance for arranging this facility and for supporting our share offer. Also the support this gave in helping boost investor confidence and reaching our target."

Richard Halsey, Director, John Cleveland Community Woodheat

BATH & WEST COMMUNITY ENERGY, WILMINGTON PROJECT

"Resonance was involved before we launched our fundraising and we stated this in our share offer document, which provided confidence to invest and this form of underwriting was a key factor in us hitting our target."

Jeff Kenna, Managing Director, Bath & West Community Energy

SOMERSET COOPERATIVE COMMUNITY LAND TRUST

"We were really pleased to have the comfort of knowing that once we had raised half of our fundraising target we had the option of taking the match funding from Resonance to develop our community housing project."

Alex Lawrie, Development Worker, Somerset Cooperative CLT

"We are really happy we took the decision to take on the project as a community group as opposed to handing this over to a local housing association. Resonance worked with us right from the early stages to understand our project in detail and we are thrilled that they are on board as a social impact investor in our project."

Jim Fergusson, Director, Homes for Wells

"We found Resonance's advice and support very helpful, particularly when we had to do some project restructuring. Overall, we appreciated the collaborative approach and the sharing of our vision of affordable self built housing for the village."

Richard Hickman, Chair, Broadhempston CLT

Affordable Homes Rental Fund

Homes for Wells

This community group in Norfolk wanted to convert a listed building into 11 affordable homes for local people. The Affordable Homes Rental Fund was able to provide a loan of £400,000 to help the project go ahead.

Broadhempston Self Build

This exciting project in Devon has involved six local families building their own homes within the framework of a Community Land Trust. The Affordable Homes Rental Fund worked with the project over an extended period and was eventually able to provide 100% of the financing required for the project.

Funds Client Stories

reallettings propertyfund

Our pioneering impact investment fund, the Real Lettings Property Fund, attracted nearly £60m of investment at its final close early in 2015. It is already proving that it can deliver both financial returns and focused social impact in the area of London homelessness.

The fund sources one and two bedroom properties, refurbishes them and leases them to homelessness charity St Mungo's Broadway via its Real Lettings team. Real Lettings then lets them at affordable rates to families and individuals who are homeless or in danger of becoming homeless, and who would otherwise struggle to access the private rented sector.

The latest social impact report for year 2 shows a dramatic rise in the number of tenants housed from 36 to 233 over the financial year to 31 March 2015. The expectation is that this will rise to well over 500 individuals by March 2016

when the fund will be fully deployed and Resonance will have handed over all the properties.

Importantly, the data also shows that 98% of tenancies are being sustained for more than 6 months and 87% of tenants say that their property has had a positive impact on their support networks and relationships. These are early indicators that tenants are successfully establishing stable tenancies – a key first step. The report also looks at early data for longer-term measures, to track progress towards tenants gaining more options in the private rented sector, progressing towards work, and developing resilience against homelessness.

The success of this Fund has led us to roll out the model to a National Homelessness Property Fund that will target other cities around the country.

Awards

The Sustainable City Awards
Sustainable Finance
Highly Commended

RESI Awards
Newcomer of the Year
Winner

LGO Awards 2014
Housing Initiatives
Shortlisted

NEW MARKETS AWARD RUNNER-UP
CABINET OFFICE SOCIAL INVESTMENT AWARDS
New Markets
Runner Up

Tallulah

Tallulah found herself in temporary accommodation provided by the local authority after a private landlord evicted her and her son. Real Lettings provided not only a stable home, but also the support to find childcare for her four year old, get training and prepare for setting up her own business. "My home now is perfect for a lone parent. It's probably the best privately rented home I've ever had and it's the perfect space for me to think about going back to work and starting again."

98%

Tenants sustain their tenancies for more than six months

39%

Tenants in employment
24% in training/education
26% actively looking for work

100%

Homes are kept in adequate or better condition

87%

Tenants say the property has had a positive impact on their support networks and relationships

Tenancy sustainment as at 31/03/2015, other data based on sample of 107 responses from tenancy reviews, with impact on networks and relationships measured at or beyond 6 months in tenancy.

Our Impact

At Resonance, we want to measure the impact of everything we touch. Yes, the impact on people delivered by social enterprises with the backing of investors is why we're here, but if we want to make that scalable and permanent, we know we need to pay attention to the impact of the process too. We want to encourage more investors to invest for social impact and we want social enterprises to win investment, but only if they both agree that the deal is the right match of impact, pricing, and terms. We want to understand impact at every stage of our business, so we've taken a slice through the process from end-to-end and begun to measure what we feel evidences how Resonance has contributed to making the world a better place.

It's imperfect, and we're restless about improving it, but that's in our DNA: We're only doing social investment at all because we're not happy with the way things are. If we want things to be different, we need to know what difference we are making.

“The underwriting offer from Resonance allowed us to raise more from the community than we anticipated and we only took a small amount of the loan to help us install our community owned wind turbine.”

James Mansfield, Director
Ecodynamic CBS

“Resonance and St Mungo's enjoy a genuine partnership, where we share our successes and work together to review obstacles to come to a solution, that meets all our needs.”

Susan Fallis, Director of Real Lettings and Property Services
St Mungo's Broadway

Un-inventing ourselves: We help organizations build their capacity to raise investment and win contracts themselves, because we don't want anyone to be overly dependent on our support. Sometimes this works so well that Resonance is only involved for a little while before the enterprise does the rest.

Pact (the Prison Advice and Care Trust) was like that this year: we helped get the charity 'investment ready' and worked with the team on a new corporate structure; a social impact model with a dashboard of data; a forensic financial model; market analysis, business model; and changes to management. Pact took it from there, and won £10m of contracts it bid for in the criminal justice space.

That's success for us: an organization that has completely transformed itself from traditional charity to fully-operational, high-impact, social enterprise in a way that is self-reliant, without creating dependency on intermediaries.

We un-invent ourselves in other ways too. £1.85m was raised by social enterprises because we offered them a loan, and that offer gave investors confidence to back them without needing our money. That's success too.

We are not here to try and build a financial institution of ever increasing size. In many ways we try to be as invisible as possible. However whilst our world remains broken, we'll try to leave an indelible mark on every challenge in which we get involved: aiming to fix social issues permanently, one deal at a time.

Our Impact

Investors:

- **Growing the market:** 524 new investors connected to social enterprises through our deals in 2014-15
- **Building relationships:** 12 investors returned this year to invest again
- **Scaling impact:** 2 investors tripled their stake in deals they'd backed in previous years, adding £30m in pursuit of impact

Resonance:

- **Bridge-building:** we built bridges between investors and social enterprises that carried £38m of capital to 11 social enterprises in 2014-15
- **Systemic change:** we created one new fund, designed 3 and scoped a total of 13, to take our pilot funds nationwide and create impact on new issues; we raised £30m more and extended the life of two of our existing funds; in pursuit of changing the system

Social Enterprises:

- **Extending our reach:** We engaged meaningfully (proper conversations that made it into our relationship database – not just audiences at presentations) with 613 people in 337 social enterprises in 2014-15
 - **Making connections:** We used our networks to connect social enterprises with lots of other people to support them; as non-executive board members, professional advisers, or in other ways. What we didn't count this year was how many (but we want to count it next year)
 - **Leveraging finance:** £4.2m of investment offers made by our community loan funds, attracted over £13m of investment from third parties; a ratio of more than 3 to 1
- People:**
- **Somewhere to call home:** 197 homeless people housed in 2014-15
 - **Communities in control:** 9,597 people engaged by the projects we've backed; 11 new projects
 - **Stewardship:** 11 communities generated enough renewable energy for 70 households, saving 136 tonnes of carbon emissions



Summary of Accounts 2014/2015

Extract from Audited Figures as at 31st March 2015.

The Resonance Group has continued to grow with the team almost doubling in size this year.

We operate from four locations in the UK now: Launceston, Manchester, Bristol and London and we anticipate a further increase in staff numbers in the coming year to enable us to support our growing number of clients and funds.



Sharon Gorman
Group Financial Controller



Our net assets have grown by 70% and the group has seen a healthy and sustainable increase in profit after tax, bringing our cumulative revenue reserves to a break-even position.

	2015 £ thousands	2014 £ thousands
Funds Under Management (nearest £m)	63,000	29,000
Net Assets	249	176
Turnover	881	583
Profit After Tax	74	10

This performance is based on our people, without whom we would not be the company we are. Part of that is being fair, which we try to reflect in our pay structure:¹

	2015	2014
Ratio of highest paid to lowest paid staff member ²	2.9	3.3

¹ Many organizations have a target to keep the ratio of highest to lowest paid member of staff below a certain number, typically this is somewhere between 5 and 20 amongst ethical financial services organizations.

² In order to provide a fair comparison with other organizations (and for complete transparency) this data doesn't include our non-executive Directors, Associates or Interns. Interns are on structured and time limited training placements (all paid).

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