



Profit through Purpose

Annual Report 2015-2016





Managing Director's Summary

Our fourteenth year has been one of continued growth: Our team has grown 33%; our funds under management by 51%; our revenues 36%; our profits 45%; but more importantly in the impact we are seeing through the transformations achieved by the social enterprises we back. We have simultaneously continued to invest in our systems and processes so that the team are resourced in readiness for our next phase of growth. Part of this has been the recruitment of three distinguished new non-executive directors, bringing a breadth of experience, knowledge and diversity of perspective to strengthen our board.

We have trialed and shown that there are ways to raise significant pools of capital, and to deploy that capital effectively, without compromise to either returns or impact. We are taking the learning from these models and applying them to the design of new structures that can extend the reach of what we do to more people and communities and also to new investors.

Growth of course, is not a goal in itself. We constantly challenge ourselves to make sure Resonance is driven by our vision of seeing a world where capital serves people and communities. There is still too much of the world of business where it seems to be the other way around; people serving money. There are some considerable challenges in society and some can be addressed by innovative, scalable business models. It is the drive to resource these solutions that is behind our continued growth.



Daniel Brewer
Managing Director

Highlights of the Year

- Launched the first Social Investment Tax Relief Fund in England with a focus on dismantling poverty in the Bristol city region. This is our first perpetual investment vehicle allowing investors to invest throughout the year and for as long as we have a pipeline of projects to deploy;
- As well as working with over 40 social enterprises exploring and preparing for investment we were also privileged to be able to share our Investment Readiness tools with Bangladesh intermediary, Tindercapital, through a knowledge sharing project sponsored by the British Council;
- Fully deployed our first property fund of £56m in 36 months with 249 individual transactions. That's an average of 7 legal transactions each month;
- Launched our National Homelessness Property Fund, further deepening our partnership with St Mungo's and rolling out the success of our London fund across the country, with a structure that can now be accessed by other homelessness organisations;
- Winner of the Estates Gazette Private Rented Sector Initiative of the Year.

Our Vision

A world where...

- capital serves people and communities
- all are empowered to invest in enterprise for positive social impact
- resources are stewarded for future generations

Our Mission

To **connect** capital to social enterprises

To **find** creative **solutions** matching transformational enterprises with investors who share their values

To **shift** market motivations, aligning commercial returns with social impact

Our Values

- We are a **bridge**, not an institution
- We believe there is always a **solution**
- We build **trusting** and **transparent** relationships, one investment at a time
- When we strive for **mutual** profit, all of society benefits



Who We Are & What We Do

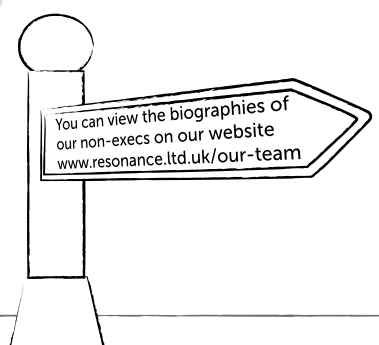
Resonance is a social impact investment company. Our mission is to connect capital with social enterprise: something we have been doing across the UK for the last fourteen years. Our Ventures team works with individual social enterprises to raise investment, from investment readiness through to deal arranging. Our Funds team creates and manages impact investment funds, focused on the capital needs of multiple social enterprises.



Introducing our Non-Execs

It is with great pleasure that we welcome three new non executive directors. We had many amazing people express an interest and so it took some time to find a balance of skills, diversity of perspective and experience. Anita, formerly at AXA and now at Barclays Wealth is a corporate lawyer bringing strength to the oversight of our risk and process management. Graham, formerly a Managing Director of Deutsch Bank and more recently Chief Executive of London's Air Ambulance is now a

professional leadership coach with significant experience in developing highly effective teams. Karen Shackleton is an advisor to a number of Local Authority Pension funds and, alongside her previous experience as CEO of an advisory business, is helping Resonance position itself and its products for institutional investors. Peter Dawe, of course, has been with Resonance since the beginning, but continues to bring enormous value with his considerable entrepreneurial and investor experience.



Ventures

Our Ventures team has continued to work with many individual social enterprises, helping them to prepare for and arrange investment. We have had the opportunity to explore embedding some best practice across our work and helping enterprises and investors as they navigate forming relationships together. Our approach is customised and impact focused, looking to optimise the structure of the transaction to find the best balance between impact, risk and return.

This year we successfully arranged over £3.5m (£1.9m last year) into three social enterprises (same as last year) with agreed facility for a further £3.4m, which was undrawn at the year end. Another 4 social enterprises finished the year with investment ready propositions ready to take to investors. Overall we supported 42 social enterprises with some level of paid for support in exploring or preparing for social investment. Our focus has remained on supporting UK social enterprises, but we also had the opportunity to work with a small number as far afield as Bangladesh as we shared our tools and experiences through collaboration with the British Council. We worked with 12 (14 last year) in depth to get investment ready, of which 58% progressed into deal arranging (50% last year). It is interesting to note that 2 of the 5 social enterprises that weren't able to progress into deal arranging went through a significant change in Executive team. This reinforces the point that as investors primarily back management teams, having a strong and stable team in place is one of the keys to successfully preparing for investment. Of the 7 that managed to complete investment readiness phase, 43% (43% last year) were fully funded by the year



£6.9m
raised for
social
enterprises

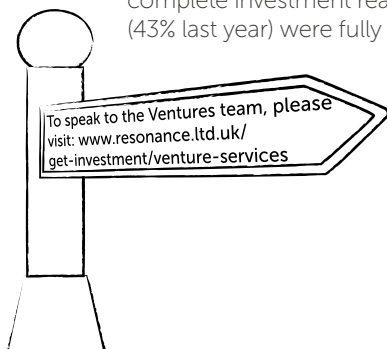
“Without you, this deal would not have happened.”

Karen Sorab
Chair
BeyondAutism

end, with the remaining 4 making good progress towards lining up investors.

Resonance doesn't have a single investment product or structure – we won't push clients to do a 'charity bond issue' or build a 'social impact bond'. In our experience getting the structure wrong or settling too quickly for a product can lead to expensive mistakes and sometimes compromise the long term impact objective.

As well as doing repeat deals with investors we also enjoy it when social enterprises come back to us to help with another capital raise. This year, this has happened three times, and it has been a pleasure to again serve Stockwood CBS, BeyondAutism and Low Carbon Hub; all outstanding impact businesses led by inspirational people and for each we have completed transactions within the year and continue to work with them.



Daniel Brewer
Managing Director

Jeremie Chotard
Investment Analyst

Jari Moate
Investment Manager

Ben Wrigley
Investment Manager

Diagnostics Investment Readiness Deal Arranging Social Impact Observatory

When we carry out diagnostics for a social enterprise we look at their social impact, financial performance and business model. This helps us to identify what areas of the business might need extra support or changes.

To prepare a social enterprise for investment, we help articulate both their impact objectives and their growth plan. We explore investment structures and then prepare relevant documentation.

Once a social enterprise is deemed "ready for investment" we will commence a marketing campaign to attract investors and work with the social enterprise through the legal process to deal completion.

Post investment we work to help social enterprises embed the systems needed to measure and manage their social impact. Please see more about the Social Impact Observatory on page 12.

Ventures Client Story

London Community Land Trust

Making the capital affordable.

House prices are between 7 and 30 times median earnings¹; renting has doubled in ten years²; and people are spending between half and three quarters of median income on rent³.

London Community Land Trust (London CLT) is making London more affordable again and returning housing to being about home, family and community; rather than money, profit and price.

London CLT works with developers and London boroughs to provide a form of ownership for families with a strong local connection to each development site. Homes are made available for sale at genuinely affordable prices by connecting the cost of its homes to earnings rather than house prices, and carefully keeping control of future sales so the houses will be affordable for generations to come. London CLT aims to help its residents spend no more than a third of their income on their house.

The homes for sale on the CLT's first development of 23 houses at St Clements are at approximately one third of the open market-priced homes next door.

Resonance has had the privilege of working with London CLT through 2015-16, to develop their share offer for £450,000 in pursuit of the next 2 years' work and the pipeline of 185 homes across London that will give stability to more than 700 people.

The support has been remarkable: more than 2,000 people have become paid-up members of the CLT (it's a community benefit society) giving the community a voice in the housing debate; 136 investors backed the CLT with £500,000 (that's £50,000 more than the target)⁴; and they have political commitment to more than 400 homes across the capital.

And yet, it's not really even about the houses. They're the tool. The social impact lies in stabilising families and building communities. It recognises people as agents of change in their community; the mutuality of an organisation that is by, with, and for its members; the integrity that comes with clarity of mission; the creativity this unlocks; and the investment that flows as a result.

If this sounds a little like a utopian niche market, it's worth looking across the Atlantic to London CLT's US counterpart, the Champlain Housing Trust with nearly 3,000 homes, 6,000 people, and more than \$300m of assets.

But then, revolutions always start small....

"The best legacy for the idea of the Olympic Games" Danny Boyle, film director, on London Community Land Trust.

London CLT aims to both develop homes directly themselves but also to act as a support or 'umbrella' organisation to smaller local CLTs emerging throughout the capital.



“ The skills and heart Resonance has put into this means that we have felt we are working with an organisation that shares similar values to us in terms of bringing about a more equitable and sustainable future for communities, creating new opportunities and hope for those on the margins. ”

Paul Regan
Chair of London CLT

¹ Department for Communities and Local Government (DCLG)

² Office for National Statistics (ONS)

⁴ The share offer crossed the boundary of the financial year so began in 2015-16 and closed in 2016-17 at more than the target.

Resonance Angel Investor Network (RAIN)

We believe that all individuals should be empowered to invest for transformational social impact, through businesses that are directly tackling some of the most pressing social challenges in the UK and beyond.

The Resonance Angel Investor Network (RAIN) is one of the key ways in which we build this bridge – connecting social enterprises that have growth potential, with investors that share their social mission. We don't do this through a paying members' club based around fancy dinners or events – we are an opportunity-sharing network of people looking to build long-term relationships, with the common goal of scaling social impact. Since 2002 we have worked with social enterprises to prepare them for investment opportunities that are best suited to direct investment from hands-on individuals and family offices. RAIN allows investors to have the opportunity to pick the individual social enterprises that suit them as a complement to being able to invest in portfolios of investments through our funds.

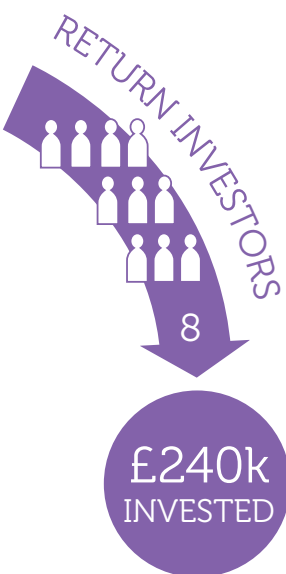
This year saw some focused development of RAIN, following a number of new social investment opportunities for individual investors – not least, the recently launched Social Investment Tax Relief (SITR). This has provided not only a tax relief incentive for social investors, but has been used to reduce the cost of capital for the social enterprises we work with. After arranging the very first SITR deal in the



country (which was awarded 'Social Investment Deal of the Year 2015' by Social Enterprise UK), 2015 also saw us launch the first SITR Fund in the country. This has led us to engage with more individual investors than ever before, many of whom are exploring social investment for the first time.

We've been delighted to see RAIN grow so significantly over the last 12 months, and will be continuing to develop the opportunities available to our investor community throughout 2016. This will include some new initiatives to better understand what individual investors care about, and to make it easier for investors to access information on live investment opportunities that align with their values.

If you're interested in joining the network and learning more about the exciting direct investment opportunities we have coming up over the next 12 months, we'd love to hear from you.



“Commercial investment is easy to make but, let's face it, it's usually unfulfilling. And that's before you look seriously at what some commercial funds actually invest in. I'm not the only one who has doubts about their social usefulness. And you're certainly not making a difference.

“Today, social investment has come of age – and if it benefits from SITR there's even a tax break! Resonance is a seriously professional organisation involved in genuinely worthwhile and exciting projects. These are financially viable enterprises and are not a form of charity. And as an investor, there's no doubt that you are contributing to making a real difference.”

Harold Immanuel Investor

Funds

Funds Under Management

Our impact investment funds have continued to grow strongly this year, led by the real demand for capital we see across the UK social enterprise sector, and delivering both financial return and targeted social impact for their diverse investor bases.

The funds are grouped under three main headings, reflecting the different impact areas and asset classes they address.

Property Funds - *scaling social enterprise through access to property, on the right terms and at volume, with a current focus on Homelessness.* Building on the success of the £57m Real Lettings Property Fund in London, in December 2015 we launched the National Homelessness Property Fund, replicating this successful model around the country.

Enterprise Growth Funds - *scaling social enterprise through access to affordable and flexible growth capital at the relevant scale.* Our main initiative in this area continues to be through Social Investment Tax Relief (SITR). Our first such fund, the Resonance Bristol SITR Fund continues to raise capital on a quarterly basis and has completed its first three deals since the year end. Work continues on replicating these SITR funds in other city regions around the country. Since year end we have also launched the Health & Wellbeing Challenge Fund, focusing on small scale loans to social enterprises in the South West.

Community Asset Funds - *empowering local communities to deliver the asset projects they need to flourish, and inspire others.* Building on the success of our first two funds in this area we have now started to look at the next phase of impact funds to help communities invest in the asset projects they need.

Simon Chisholm
Investment Director

Katalin Juhasz
Investment Manager

John Williams
Senior Investment Manager

Grace Howells
Senior Investment Analyst

Donna Thomas
Investment Manager

James Godson
Property Originator

Connell Grogan
Portfolio Manager

Kate Aiken
Investment Analyst

Veryan Young
Investment Manager

Kay Orlopp
Investment Assistant



Property Funds

reallettings propertyfund

In London we completed deployment of the ground breaking Real Lettings Property Fund, delivering a £57m portfolio of 259 properties all around the capital. This fund is now generating expected yields and capital appreciation for investors and is now housing over 600 people on their journey out of homelessness, in partnership with St. Mungo's.

Outcomes for tenants of the Fund were showing very positive results too. As reported in the second social impact report (available on our website) 87% of tenants said their property has a positive impact on their support networks and relationships.

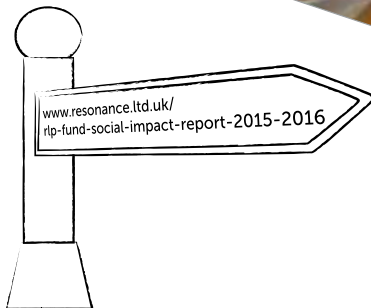


“ It has been great to see the success of the Real Lettings Property Fund in Greater London providing transitional accommodation and support to those who need it. Through our investment in the National Homelessness Property Fund, we are pleased to continue to back Resonance and St Mungo's as they build on this and replicate the model nationally. This Fund will create more homes for more people to provide a platform for stable, fulfilling lives.”

James Burrows
Investment Director
Big Society Capital

“ Without the scheme I would literally have no where to live, nowhere to go. I would be homeless. This property has helped my whole life and I couldn't be more grateful.”

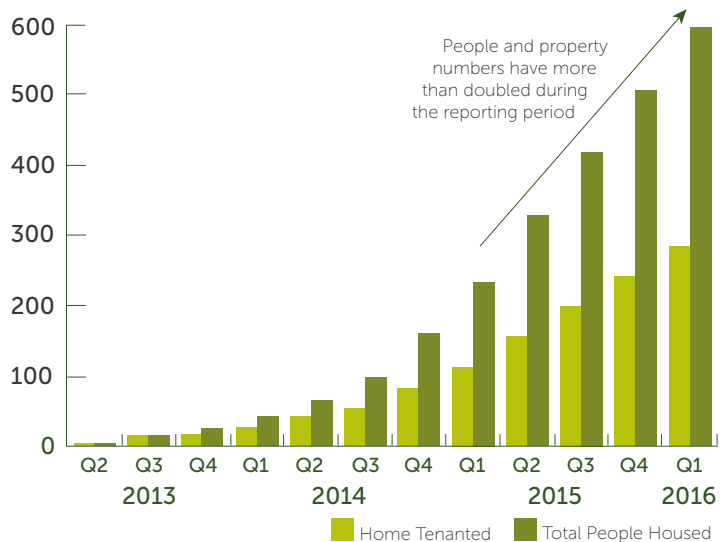
Peter
Tenant, Real Lettings
Property Fund



nationalhomelessness propertyfund

Resonance began focusing on taking the successful Real Lettings Property Fund model to other cities in the UK with similar need and attractive property market dynamics. This led to the launch of the National Homelessness Property Fund in December 2015, which started with initial investment of £30m in three areas - Oxford, Bristol and Milton Keynes – and is now actively looking to expand its investment, geography and charity partners. The scale and attractive returns from this Fund make it attractive to institutional investors.

Another Year of Significant Tenancy Growth



Community Asset Funds

Community Land & Finance CIC

...growing local solutions
...building resilient communities

The two initial funds launched in this area, the Community Shares Underwriting Fund and the Affordable Homes Rental Fund, continued to deploy flexible lending to community groups around the country, and delivered secured, asset-backed yield to their investors.

The third impact report for the two funds was published during the year, and was able to evidence data from completed projects, including new affordable homes delivered and surpluses allocated to community benefit.

The **Community Share Underwriting Fund** exists to support communities acquiring or developing community assets, which are funded by community share offers. It addresses the common problem of community funded projects not proceeding due to fund raising targets not being achieved. It can do this in three ways: by helping **build confidence** in a share offer before it launches; **add momentum** to an offer that is already live, or **bridge the gap** which could emerge at the end of an offer.

At its heart is the powerful idea that local communities can take control of community assets and their financing, ensuring that projects are delivered and the benefits are retained at a community level.

To date we have supported 6 innovative Community Land Trusts across the country and engaged with many more.

Our underwriting offers have unlocked 3 times as much in community share funding and 6.1 times as much in total project investment for communities.

This year the Fund has made underwriting commitments totalling **£2.1m** across the UK.

The **Affordable Homes Rental Fund** exists to house people affordably who otherwise would not be able to live in their communities. It intends to simply, but effectively, address a persistent market failure in financing community-led affordable housing, by delivering a 'one-stop-shop' for both development and medium term mortgage finance.

As well as enabling community groups to deliver affordable rental homes in their local area, the Fund helps to stabilise and strengthen these places as sustainable social and economic locations.

This year, the Fund invested in 1 affordable homes project, creating 12 new homes, with a total investment of £1.2m.

The overall social impact of both these funds is to help build sustainable and resilient communities, which have the ambition, organisation, financial tools and long term assets to flourish.

Funds Investee Story

Resilience Centre

The Gloucestershire based Resilience Centre is a community benefit society whose mission it is to create environmental, social and economic benefits through renewable energy in the form of wind.

Before approaching Resonance's Community Share Underwriting Fund, Resilience already had a successful track record with commissioning a wind turbine project through community funding in Gloucestershire. However, they wanted to give their subsequent share offer, for another wind turbine, the best chance of success.

Resonance engaged with Resilience before the share offer was launched and was able to advise the group and discuss best practice approaches, which fed into their overall share offer proposal. The Fund was able to support the project by underwriting £600,000 of the fundraising target; providing confidence to community investors that their money would result in success as long as the fundraising made it past the half way mark. It did make it, the turbine was commissioned and the Resilience Centre is now planning a community



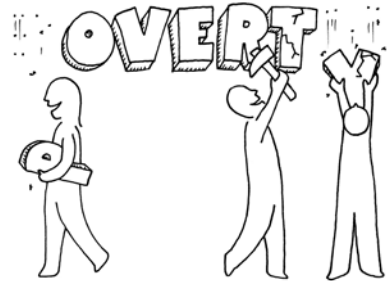
share offer launch to repay the Fund's loan and have full community ownership.

Resilience will use a proportion of surplus generated to create a community benefit fund to use within the local community to increase community resilience. The community fund, which will be managed by a local community panel, will accept applications from local projects and have absolute discretion in terms of where the funds are allocated.

“ Resilient Energy were pleased to be able to work with Resonance in underwriting the community share offer enabling the deployment of the Alvington community wind turbine, facilitating significant progress in fighting fuel poverty in the Forest of Dean district. ”

Andrew Clarke
Resilience Centre Director

Enterprise Growth Funds



Resonance Bristol SITR Fund

With the aim of dismantling poverty across Bristol, we were delighted to see the Resonance Bristol SITR Fund, the first large scale SITR fund in the country, achieving its first financial close in February 2016. This comes after a two year journey with Bristol-based angel investors, who were committed to creating a long-term investment resource for social enterprises tackling poverty in the region. We've also drawn on our learning from completing the very first Social Investment Tax Relief (SITR) deal, where we saw the many benefits this tool can unlock for social enterprises, which we were keen to make available on a larger scale. This led to the development of the Resonance Bristol SITR Fund, which enables individuals to invest in organisations addressing pressing social issues in Bristol and the surrounding area, whilst generating a financial return and tax relief benefits. It also enables social enterprises to access the investment they need to scale their social impact on more affordable, flexible terms. Whilst SITR is a new tax relief the SITR fund structure is essentially the same as the private company equivalent, the Enterprise Investment Scheme (EIS), which allows us to offer attractive terms to both social enterprises and investors.

The Fund has now raised £1.8m of its £5m total investment target, and has engaged around 60 individual investors, both directly and through 9 IFAs and Wealth Managers including UBS Wealth Management, of which over half were from outside Bristol itself. This has been the first fund which we have launched to see significant take up from Independent Financial Advisors (IFAs) and Wealth Managers and it helps, of course that the fund targets a post tax internal rate of return of 7-8% including the tax relief (equivalent to 12% Gross Equivalent pre-tax Return).

“ We spoke to a number of different social impact investment intermediaries and Resonance is clearly the market leader in this area. We want our clients to have access to this sort of thought leadership and practical social investment opportunity. ”

Jamie Broderick CEO
UBS Wealth Management

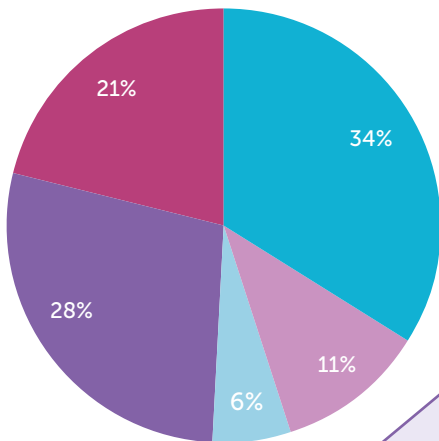
The First 3 Deals

South Bristol Sports Centre, a charity using the power of sport to break down community barriers and offer young people life-changing opportunities.

PAPER Arts, a Community Interest Company that helps creative young people and the unemployed develop their potential through art.

Bristol 24/7, a Community Interest Company, offering training, work placements & internships in journalism, for young people from marginalized neighbourhoods.

Investment Sources



- Bristol
- Near Bristol
- Other SW
- London & SE
- Not Yet Identified

“ Gaining social investment from Resonance Bristol SITR Fund and Esmée Fairbairn has been a pivotal moment for PAPER Arts. With their support, we now have the opportunity to expand and develop a business model that will secure our long term sustainability as well as dramatically increasing our social impact. ”

Simone Kidner
CEO, PAPER Arts

“ This investment will provide us with the opportunity and the platform to not only increase the provision for young people in the community, but more importantly to work more closely with them and build strong relationships to help them develop their skills, confidence and aspirations. ”

James Edwards
Football Development
South Bristol Sports Centre

“ I heard about a new social impact fund being set up in Bristol and was delighted to find out that it was from Resonance, a social impact company, which we feel shares our mission to 'dismantle poverty' in our great city. This gives us the investment we need to take the social impact of our enterprise to the next level. ”

Dougal Templeton
Founder & Director
Bristol 24/7

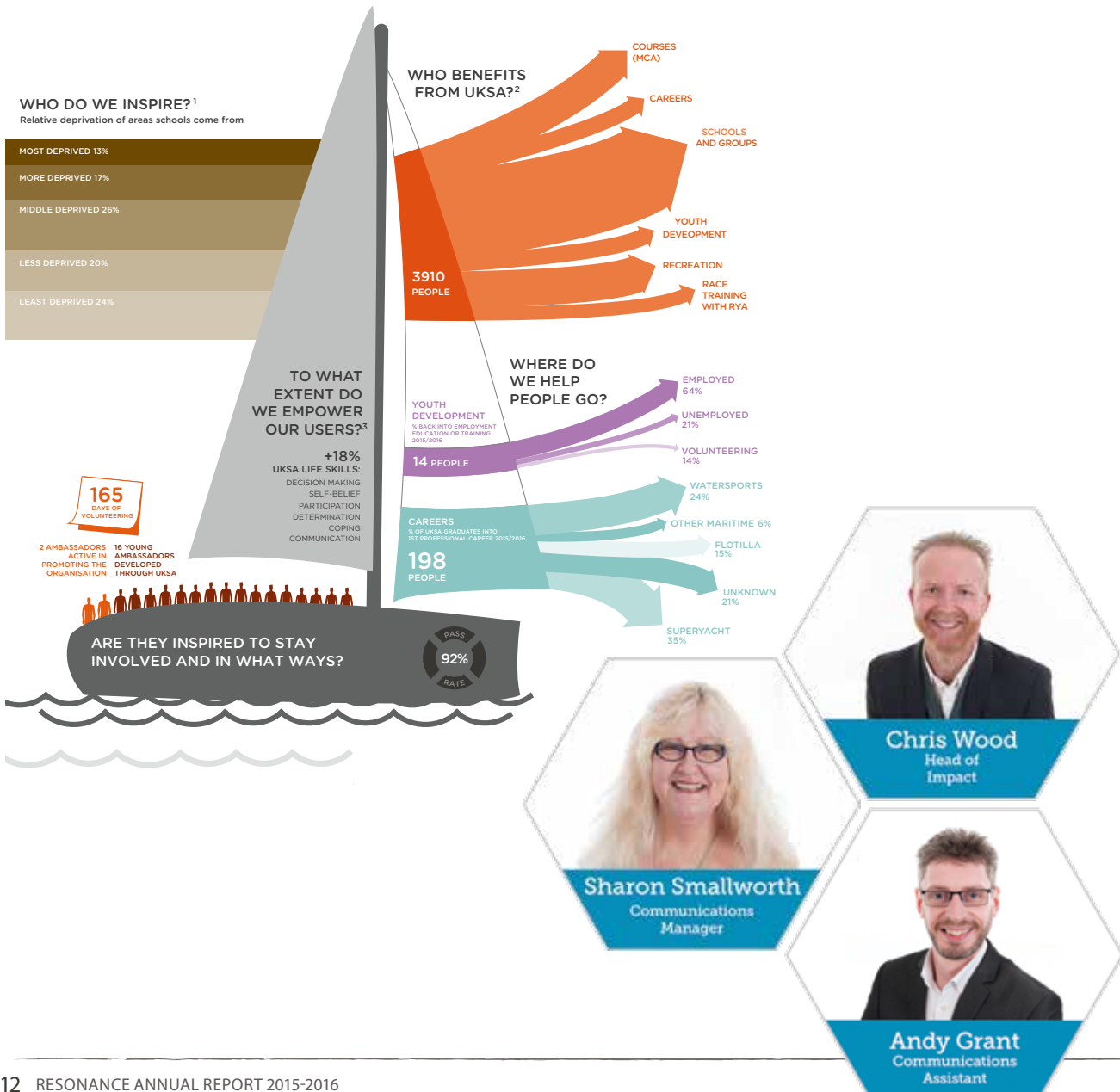


Our Impact

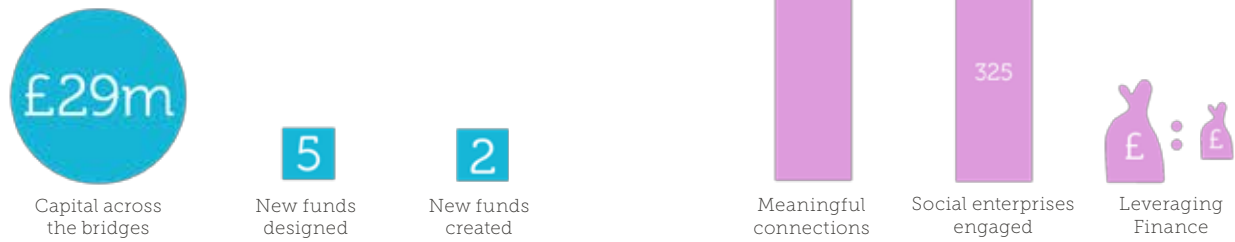
In 2015-16, we made some significant changes to become a better ally for our clients' social impact.

Internally we united our communications, IT and impact people as one team; because we want impact to define the wiring of our systems and the stories we tell, as much as the finance we raise or the clients we serve. By doing these things, we are intentionally shifting our focus from **impact measurement** to **impact management**. Impact is still everyone's responsibility as it always has been but, as we grow, the choreography is becoming more and more important.

For our clients we created the **Resonance Impact Observatory**. This is a consultancy service which gives life to looking at impact. It helps social enterprises to make impact measurement the new normal: as much a part of management information as financial data. Instead of a hoop to jump through for investors, the Impact Observatory is helping our clients wire-up their data on impact so they can make better decisions and trace the line-of-sight between investment and impact. A good example is youth charity UKSA, for whom Board meetings used to be a familiar affair where the directors would mainly debate one set of data: the quarterly management accounts. Fast-forward to today and, after some beautifully imaginative work on their impact measurement, the Board now typically asks for two sets of data: management accounts; and impact dashboard. That's the definition of our Impact Observatory: helping clients make impact a permanent part of their DNA.



Metrics



Resonance:

- **Bridge-building:** We built bridges between investors and social enterprises that carried £29m of capital to 10 social enterprises from 193 investors in 2015/2016
- **Systemic change:** We have designed 5 new funds, 2 of which were successfully launched, all in pursuit of mobilising capital efficiently for social enterprises to deliver greater social impact

Social Enterprises:

- **Extending our reach:** We engaged meaningfully (proper conversations that made it into our relationship database – not just audiences at presentations) with 535 people in 325 social enterprises in 2015/2016
- **Leveraging finance:** £3.4m investment offers made by our community loan funds, attracted £10.5m of investment, a ratio of 3:1



Investors:

- **Growing the market:** 183 new investors connected to social enterprises through our deals in 2015/2016
- **Building relationships:** 10 investors returned this year to invest again
- **Scaling impact:** The 10 returnee investors invested £17m

People:

- **Somewhere to call home:** 338 homeless people housed in 2015/16
- **Communities in control:** 43,800 people engaged by the projects we've backed; 10 new projects
- **Stewardship:** The renewable energy projects we backed generated enough electricity to power 693 households



Financial Report

The Resonance Group is made up of Resonance Ltd, the main operating company, Resonance Impact Investment Ltd, the FCA authorised subsidiary dealing with the regulated activities of the group, and two community interest companies, Community Land & Finance CIC for our community assets funds and the Health & Wellbeing Challenge Fund (Southwest), our most recently formed CIC.

Through the launch of the National Homelessness Property Fund and the Resonance Bristol Sitr Fund, our funds under management have increased by 51% to £95.15m by the year end.

As well as securing more investment during the year, we also deployed £23m, taking our overall deployment level to 60%.

The team has increased by 33%, with a 50:50 ratio of female to male employees.

Operating out of our three offices based in Launceston (Head Office), Manchester and Bristol and using the Hub in London, Resonance is able to work with enterprises across the UK, whilst keeping our operating costs lean.

This in turn, allows us to invest in our employees and attract professionals from a variety of backgrounds, whose wealth of experience and knowledge is helping us build a committed and robust team.

Beyond our team of staff, we are supported by nine independent industry experts who sit on our Investment Committees and significantly contribute to the robust framework for our investment decisions.



	2016 £m	2015 £m	% difference
Funds Under Management (<i>nearest £m</i>)	95	63	↑ 51%
Funds Deployed (<i>nearest £m</i>)	57 <i>(60% deployed)</i>	35 <i>(58% deployed)</i>	↑ 63%
Average Staff Headcount FTE ¹	20	15	↑ 33%
Net Assets	0.35	0.25	↑ 41%
Turnover	1.2	0.88	↑ 36%
Profit After Tax	0.11	0.07	↑ 45%

	2016	2015
Ratio of highest paid to lowest paid staff member ²	3.1	2.9

¹FTE - Full time equivalents

²In order to provide a fair comparison with other organisations (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!).

Locations of Social Enterprises with which Resonance worked in 2015/2016



0345 004 3432
info@resonance.ltd.uk

Resonance

42 St Thomas Road
Launceston
PL15 8BX

3rd Floor Eagle Building
62-68 Cross Street
Manchester
M2 4JQ

13-16 Orchard Street
Bristol
BS1 5EH

Resonance also operates in London
from the Impact Hub, Kings Cross.

www.resonance.ltd.uk
Find us on LinkedIn
follow @resonanceltd

