

PRESS NOTICE¹

WANTED: BRIGHT IDEAS WITH BRIGHT FUTURES

6 February 2017

The Bright Futures Fund has made its first investment into Ability Tec, a Bolton-based social enterprise, using the newly introduced Social Investment Tax Relief. The fund targets commercial success stories which deliver high social impact. It wants to invest in enterprises that seek to improve the lives of children and young people and relieve the threats facing vulnerable communities.

To receive financial assistance, the enterprises must be: a charity or community benefit society or company providing service of clear community benefit.

For investors in the Bright Futures Fund, capital put to work in qualifying social enterprises attracts tax relief under the HM Government's Social Investment Tax Relief (SITR) scheme.

The Bright Futures Fund has raised £1.5 million from more than 40 UK tax payers. Its ambition is to lend up to £300,000 to a dozen firms.

Says Annika Tverin, a director of Social Finance, the independent social investment intermediary: "We will consider all sorts of enterprises from pretty much any field. Manufacturing and business services enterprises as well as companies whose social impact agenda is more obvious.

"The only restrictions come in the conditions set by the Government as part of the SITR framework. This means we have to target social enterprises, charities, and companies which supply services with high impact to local communities."

The loans are unsecured, in line with the SITR stipulations, and investments may be structured as debt or equity. The Bright Futures Fund requires recipient social enterprises to have income streams sufficient to give a reasonable expectation on returns.

Richard Hoskins, Kin Capital, says: "There has been lots of interest from financial advisers to learn more about SITR. As awareness increases, given the similarities between SITR and the better known Enterprise Investment Scheme, we expect this part of the tax efficient market to grow. "

For enterprises, the interest rate is likely to be between 5 and 10 percent – much more affordable than what might be charged elsewhere. Qualifying social enterprises will only have to pay interest at first, with capital repayment usually starting after three years.

¹ *This note was updated on 7 February to emphasise that the Bright Futures Fund is closed to new subscriptions.*



The Bright Futures Fund's "call for investment requests" coincides with its inaugural investment. It has just agreed to lend £260,000 to a Bolton-based firm called Ability Tec.

Ability Tec is a Community Interest Company (CIC) which provides contract electrical manufacturing services to more than 15 clients. The end products are gadgets such as taxi-fare meters and ipad chargers.

Ability Tec was formed in September 2012. It has created the equivalent of eight-full time jobs, with a mission to employ people with disabilities. The refinancing from the Bright Futures Fund will enable the company to grow by taking on additional staff and replacing some of its existing higher cost financing.

Oli Randell, Ability Tec's founder and managing director, said: "With the cost savings and additional working capital from the Bright Futures Fund's investment, Ability Tec will be able to hire an Operations Director and additional production staff. This will allow me to focus on managing existing client relationships, finding new clients and building the structure of the business."

Notes to Editors

About Bright Futures

The Bright Futures Fund has adopted a diversified approach to social investment while making full use of substantial tax incentives under the UK Government's new Social Investment Tax Relief (SITR) scheme.

The Bright Futures Fund wants to find opportunities where there is a strong recipient partner, attractive potential returns, SITR tax benefits, and a compelling approach to solving social problems.

Social enterprises are an increasingly important force supporting and delivering high quality public services. Together, they received more than £13 billion from government bodies in 2013. More than four-fifths of the total was earned through contracts or fees. Social Enterprises account for nearly 10 percent of all local authority contracting and that is set to rise.

An active lending market already exists within the charities and social enterprises sector. Around £3.5 billion-worth of balance sheet loans were recorded in 2012/13. But to respond to this growing demand for public services, charities and other social enterprises need to access growth capital like never before.

Kin Capital, the investment manager, and Social Finance, the investment adviser, have decided to invest primarily via loan stock. The fund may consider equity or a combination of the two to suit the structures of the investee enterprises.

Loan investments give investees added certainty because they will have a fixed life of between three and five years. Investors will earn interest immediately and be repaid capital in years four and five.

Says David Hutchison, the Social Finance chief executive: "The Bright Futures Fund will help charities and other social enterprises access capital to expand."



That brings plenty of reward on its own. The investments are also structured to make decent financial returns.”

The fund is closed to investors.

About Social Investment Tax Relief (SITR)

The UK government introduced SITR to support investment in charities and other social enterprises in July 2014. SITR is similar to the Enterprise Investment Scheme (EIS), but while EIS is limited to equity investments, SITR rules also allow tax relief on debt investments. This reflects the fact that most charities and social enterprises do not have traditional share capital.

About Kin Capital

Kin Capital develops tax-efficient investment schemes. It works with independent financial advisers. It has helped to raise more than £500 million in the last decade for a variety of different companies and investment funds.

About Social Finance

Social Finance has mobilised over £100 million of investment both to support existing charities and other social enterprises since its inception in 2007.

It creates new ways of helping vulnerable communities. Its Social Impact Bond model, a private –public partnership, is the stand-out example.

Social Finance’s capital raising projects have focused on children and adolescents, children’s charities, disengaged youth and homeless young people. Of the projects focusing on children and young people, all but one could have qualified into the Bright Futures Fund had they existed earlier.

Additional resources on request

- Ability Tec CIC business profile
- Oli Randell entrepreneur profile
- Photos of Ability Tec and Oli Randell
- Ability Tec website www.abilitytec.co.uk
- Social Finance website: www.socialfinance.org.uk
- Kin Capital website: www.kincapital.co.uk
- Media contact: alisa.helbitz@socialfinance.org.uk/ 07500 433 044

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