

Investment Summary:

Proposal to raise loan finance under the SITR scheme to support social enterprise trading and growth



Jericho staff supporting one of our apprentices

Deal Highlight

Organisation Name	Jericho Foundation (charity)
Trading history	23 years
Annual Revenue	£3.248m (15/16)
Income sustainability	85% (15/16) of income from social enterprise trading
Employees	+70
Sector	Training and employment for disadvantaged individuals
Target raise	Max £275,000
Minimum investment	£10,000
Loan Term	5 years
Advance Assurance	Yes (Approved by HMRC)
Total interest payable	10% (i.e. 2% per year for 5 yrs)
Investor fees	0%

Introduction to Jericho

Established in 1993, the Jericho Foundation is a Birmingham based charity and Social Enterprise that helps those most disadvantaged overcome barriers to training, employment and social inclusion.

Jericho helps a variety of people including 16-24 year old young people with complex needs, those who have survived the experience of Human Trafficking and/or Modern Day Slavery, and individuals who have been in prison.

Jericho provide real paid work experience in one of our 8 Social Enterprise businesses combined with an individually tailored package of training and personal development support. Their Social Enterprises offer a range of products and services to local businesses and organisations and include Construction, Landscaping, Catering, Cleaning, Recycling and Printing. Jericho also have a Retail business – the ReUsers, plus they offer office space and First Aid Training.

Our history & mission of sustainability

The Jericho Foundation started as a volunteer led 'drop in' service for the local residents of Balsall Heath, Birmingham, back in 1987. The area in those days was quite deprived and unemployment was very high. Rev. John Mallard was the minister at Edward Road Baptist Church and he decided to open up the church hall on Wednesdays and offered a very simple pastoral service with hot drinks and biscuits to local residents of all faiths. John Mallard always had the idea to set up a training centre to help some of the local residents gain skills and experience to help them into work.

It was in 1993, that the Jericho charity was established and the drop in service then took on an employment focus to help locals apply for work. With the goodwill of some volunteers, the weekly jobs paper, a simple computer and a telephone, locals from the community accessed the service to apply for jobs. It was soon clear that for some of the local residents, a simple jobs matching and applying service was not going to be enough. Some of the barriers being faced by these individuals were quite complex and difficult, and many people who were accessing the service wanted to better their lives but had barriers that kept holding them back. John Mallard, Christine Parkinson and others then embarked on a fundraising mission to purchase land or a building to realise John's long held vision of a training centre. It took five years of fundraising but eventually in 1998 the current Jericho HQ building was purchased and The Jericho Community Business was created, which in effect was Jericho's first social enterprise, wholly owned by the Charity, operating as a print business and a local corner shop. The project was based on the "Glasgow Works" Intermediate Labour Market model, where programme beneficiaries would spend 60 % of their time in real paid work experience in the business, 20% on personal development and 20% on some sort of accredited formal training.



Staff at our ReUsers Social Enterprise in Sutton Coldfield

From these humble beginnings Jericho has grown into one of the West Midlands leading social enterprises with a turnover in excess of £3m and over 70 staff. Today Jericho work across all of Birmingham but continue to have specific expertise in some of the most overlooked, neglected and poorest communities of Birmingham, including the wards of Sparkbrook, Ladywood, Nechells, Aston, Bordesley Green and Washwood Heath, where unemployment is twice as high the city wide average. Jericho have an expert team of front-line delivery staff who reflect the communities in which they work, and who have an extensive understanding of the barriers and issues facing marginalised and disadvantaged people with complex needs, including those from a wide range of minority ethnic communities.

Jericho continues to achieve its charitable aims mainly by providing paid and unpaid supported employment programmes (including Apprenticeships) in their 8 in house social enterprise (SE) businesses, which they combine with individually tailored packages of holistic, wrap around, personal development support to meet the specific needs of each individual client. Each SE business provides a safe and supportive learning environment for their clients whilst also delivering high quality, value for money goods and services to the local community. The social enterprises include Landscaping and Grounds maintenance, Construction, Recycling/Wood Recycling, Cleaning, Reuse/Retail, Catering, Print, Co-working and Conferencing Facilities.

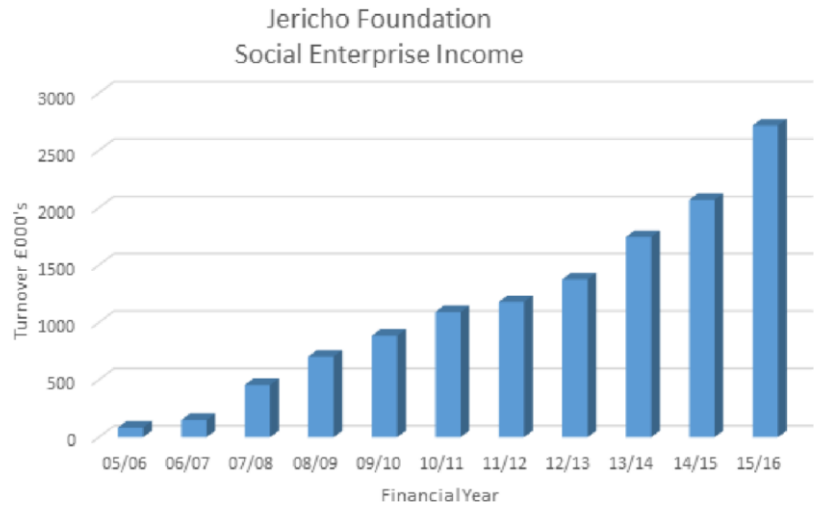
Over their 23-year history Jericho have delivered a wide range of employment focused projects for a range of statutory and charitable funders and have supported over 7000 disadvantaged individuals. Approximately 70% of their NEET clients progress into sustainable employment elsewhere and they estimate their programmes deliver a benefit to the country of £7 for every £1 that they cost.

A sustainable funding model

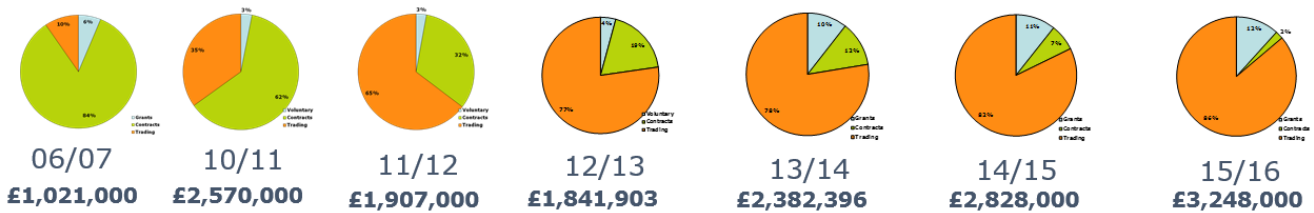
Over the last 7 or 8 years Jericho have gone through a complete transformation of their income streams and in the way they deliver their mission. Back in 2006/7 over 90% of income came from grants and from running government funded contracts like New Deal, IAG, Skills Coaching etc. Only 10% of their income came from social enterprise activities.

Jericho realised that this was not sustainable as they were very much dependant on the public sector contracts which are in turn highly dependent on political policy. Clearly recent events, the global recession and the unprecedented cuts to public sector budgets have proved them correct in this assessment. So Jericho set out to build their social enterprise income, to reduce dependence on government and grants.

The diagrams below indicate progress to date. Whilst not without pain, their transformation has been remarkably successful. In the year to March 2016 just over 85% of income came from social enterprise trading activity with only 1% from government sources and the balance from a broad range of donors, corporates and grant making trusts. Jericho plan to increase their trading income still further in the coming years albeit they anticipate that they will always need a small proportion from grants, donations and/or social investments (such as SITR to contribute towards their continuing charitable mission).

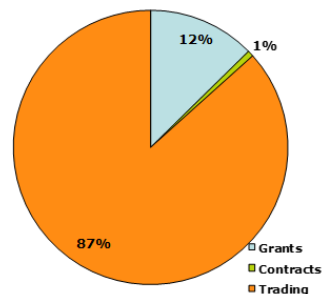


The Jericho Foundation Contracts Trading Grants



16/17 Target

Contracts = £23,000
 Trading = £2,791,000
 Grants/corporate = £407,000
 Total = £3,221,000



Why SITR and proposed use of funds

Jericho are looking to raise up to the SITR limit (under EU state aid rules) of approximately £275,000 as an unsecured loan (as required under SITR legislation) with a 5 year term and a fixed rate of interest of 2% per annum. In addition under SITR rules taxpayers making an eligible investment can deduct 30% of the value of their investment from their income tax liability giving an effective return on investment of 40% over the 5 year term

Funds will be deployed for:

1. Working capital to support their social enterprises day to day cash needs – as they further develop trading activity and move away from grants and contracts (which often provide cash in advance), their working capital needs are increasing.
2. Displacement of existing higher cost commercial loans/overdraft facility which will save Jericho money and enable them to spend more on delivering our mission.
3. Start-up capital for the expansion of Jericho's most successful social enterprise – The Reusers (see detail below).



The Reusers is currently Jericho's most exciting social enterprise. The Reusers is based adjacent to the Household Waste Recycling centre in Sutton Coldfield, where they take household items that would otherwise be put in the skips and process, clean, test, upcycle (where appropriate) and sell them.

The enterprise has been extremely successful and since its formation in Feb 2013 it has delivered the following:

- 16 permanent jobs have been created, 9 of which have gone to previously unemployed and/or disadvantaged individuals.
- 25 NEET young people have undertaken supported apprenticeships.
- Over 30 people have done volunteer placements at Reusers.
- Over 300 tonnes of reusable goods have been diverted from Landfill and sold.
- The enterprise has generated over £700k of income to the organisation at approximately 40% net margin.

There is massive local community support for the enterprise with over 1000 people visiting the site every week. This is increasing awareness of the benefits of upcycling and reuse.

With the support of Eastside Primetimers, a leading social enterprise management consultancy, Jericho are now working in partnership with Veolia (who run the Birmingham sites) and Amey who run the Solihull site to roll out The Reusers to a further 5 locations. This will enable the creation of a further 40-50 jobs/work placement opportunities whilst also greatly improving financial sustainability and adding £1.5m per annum to the Jericho turnover.

Financial Summary - 06/07 to 15/16

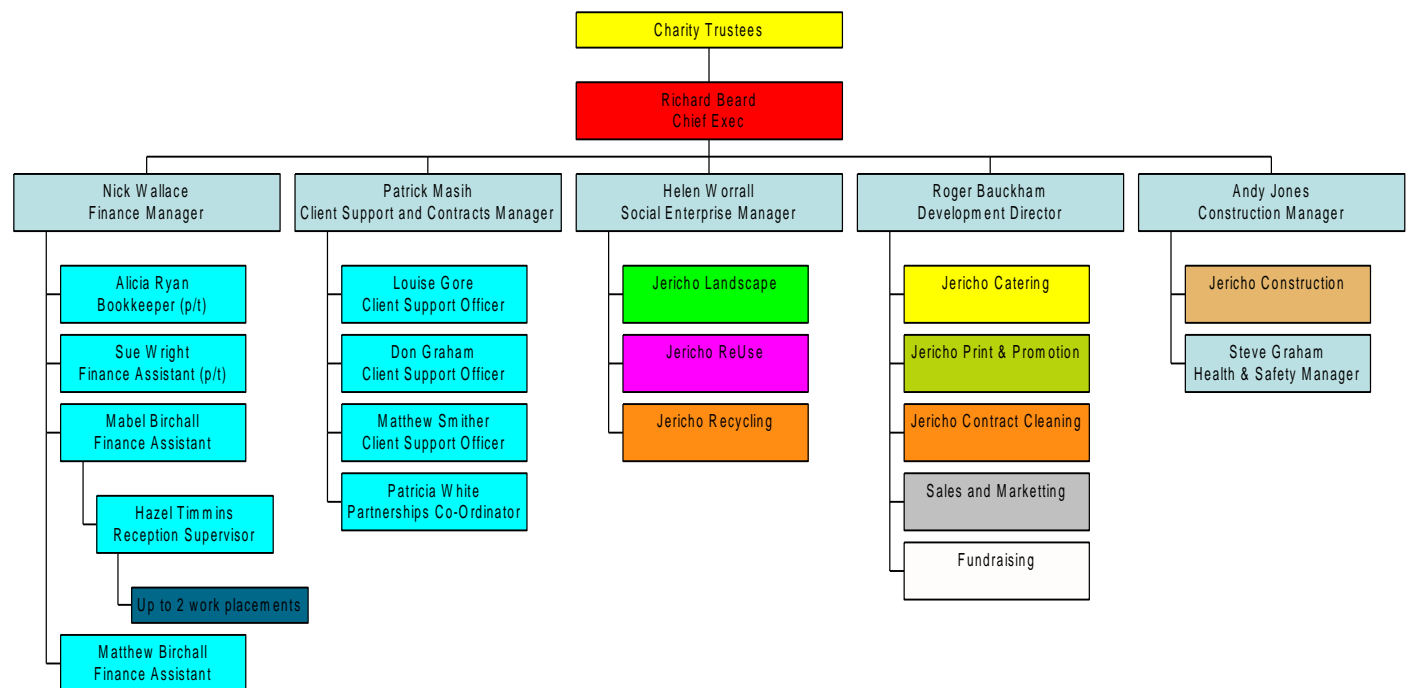
Year	13/14	14/15	15/16
Turnover	£2,383,396	£2,683,929	£3,248,696
Expenditure	£2,340,611	£2,627,173	£3,186,761
Surplus	£41,785	£56,756	£61,935
Total Net Assets	£241,457	£298,213	£360,147

Recent loans

Finance Birmingham £200,000 loan, paid off in September 2016, no payments missed

Triodos £281,000 mortgage, current balance £279,508, no payments missed

Organisational Structure



Management Team

Richard Beard BSC MCIBSE CEng – CEO

Richard joined Jericho in July 2004 and has been CEO since 2006. Under Richard's leadership The Jericho Foundation has grown from a small community organisation employing 10 people into one of the city's leading social enterprises with over 70 staff and a turnover in excess of £3m. He is a chartered engineer and prior to joining Jericho spent 17 years as a senior manager for a large international engineering consultancy, latterly at Director level. Richard is passionate about tackling the joint evils of social injustice and climate change and has been responsible for many of Jericho's environmental initiatives. In addition to his role at Jericho he also has non-exec positions with a number of third sector organisations including Director of Kingsbridge Community Sports CIC - community sports organisation, Chair of Balsall Heath is our Planet - community charity aiming to support carbon emissions reduction, Chair of The BEST Network - a network of Third Sector training and employment organisations

Nick Wallace BA (Hons) – Finance Manager

Nick is part qualified CIMA with 30 years' experience in the private, public and charity sectors. He joined the Jericho Foundation in June 2007, following 3 years managing the finances of the Birmingham Children's Fund for Action for Children, and has been a key part of growth and development over that time. He has extensive knowledge of all aspects of the finance function.

Roger Bauckham Btech (Hons) DipM.FCIM – Development Director

Roger has over 30 years' experience in IT solutions sales, the last 24 years running his own business supplying IT solutions and services to commercial organisations and charities. He is a Fellow of the Chartered Institute of Marketing and joined Jericho in February 2015 as senior manager with responsibility for Sales and Marketing. Roger is passionate about business and its contribution to the community, particularly in relation to the employment and skills development of young people. Roger and his family are long standing members of Yardley Wood Baptist Church and his charitable work has included Chair of Governors at Billesley Primary School, Deacon and Secretary at Yardley Wood Baptist Church and currently director and trustee of Yardley Wood Baptist Charitable Company, a school for children at risk of exclusion from main stream education.

Martin Warner MSc FRICS FRSA – Trustee

Martin is a Fellow of the Royal Institution of Chartered Surveyors and is the founder and Deputy Chairman of Michelmersh Holdings plc, the fourth largest brick business in the UK. The business is quoted on the AIM market and employs over 300 people at four locations. He has is also an active member of Northchurch Baptist Church and a Trustee/Director off a number of third sector organisations including The Jericho Foundation, Dens which is a homelessness charity, The Cinnamon Network which supports church based social action projects to franchise and Hope for Justice which rescues victims of modern slavery.

Mike Thomas MSc, DIC, BSc – Trustee

Mike is an international businessman with considerable experience of creating and executing profitable changes in a diverse range of operations. He is a skilled people motivator and communicator. He has successfully integrated acquisitions and carried out a lot of voluntary work. Since 2002 Mike has been running his own business consultancy specialising in business improvement / turnaround and managing major projects. He has undertaken numerous consultancy roles including managing the relocation of a steel plant for US steel producer PTC Alliance, several business improvement projects for Technicolor the worldwide technology leader in entertainment and media and the turnaround of Anglian Windows, UK's biggest home improvements company. Prior to this Mike held a number of senior international positions in the manufacturing industry. Mike is the Chair and a Trustee of the Jericho Foundation, Trustee of Christian charity 222 Ministries UK and COO of 222 Ministries International.