



It all adds up

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**We make a living by what we get.
We make a life by what we give.**

Sir Winston Churchill

The challenge

Young people are not realising their potential

-
- Each year, **8 out of 100 children** leave primary school every year with literacy and/or numeracy skills below those of an average 7-year-old

 - **35,000** young people leave school each year with no qualifications

 - **1.3m** young people in the UK are not in education, employment or training (NEET)

 - For society, the long-term costs of each young person being 'NEET' has been estimated to be **£97,000** over the course of each of their lifetimes

 - Young people from poorer backgrounds are more than **twice** as likely to drop out and be NEET at age 19

 - Youth unemployment costs the UK economy **£10m** a day in lost productivity

Charities play a vital role in helping solve these issues...

-
- They can be a powerful and dynamic force for change
 - They effectively combine passion and compassion, where all employees paid or voluntary serve a single mission
 - They reach communities not reached by the private or public sector
 - Charities exist for a social purpose and to help drive social change
-

...but charities themselves need assistance

-
- The 250,000 charities in the UK are operating in a highly competitive environment
 - They are frequently small scale and under-capitalised operations
 - Often reliant on short-term funding
 - Unable to secure the funding they need to develop their infrastructure and scale their activity
 - Youth charities and causes are less popular with the general public, capturing just 1.5% of private voluntary donations
-

Our role is to support charities helping disadvantaged young people build the confidence and skills that will allow them to reach their full potential in the evolving global community.

Our mission

**Empower young people
to reach their full potential.**

**Enable charities to reach
their full potential.**

**Help the private equity
industry to reach its full
potential.**

PEF has offered us a unique opportunity to contribute our PE skills to a local community charity in a new, highly participative way.

Eric Machiels – Terra Firma Capital Partners Limited

We can achieve this by...

- Focusing on a major issue, become expert and make a significant impact. PEF has started with the NEETs (young people not in education, employment or training) issue
- Engaging on a pro bono basis, the skills of the PE industry to help these charities become world class
- Applying the tools and techniques of the private equity industry to drive value, impact and results
- Building a portfolio of 15 medium sized charities specifically addressing the NEETs issue where:
 - our money can be an agent for transformation, growth replication;
 - we can help develop an exceptional organisation, management and a sustainable financial model; and
 - there is an openness to our engaged, active governance model.

Our approach mirrors well established and effective techniques of Private Equity

The **Private Equity** Value Chain:

1. Searching and evaluating high potential companies

2. Investment, agree priorities, create partnership

The **Private Equity Foundation** Value Chain:

1. Searching and evaluating high potential charities

2. Grant funding, agree priorities, create partnership

- Our focus is on a single ‘market’
 - NEETs.
- We conduct research and tap into the latest information about the best interventions.
- We conduct a proactive search to find the best charities.
- Each charity undergoes a rigorous screening and due diligence process to ensure their work fits PEF’s criteria and mission.

- A SWOT team of expert advisers from the PE community, with a PE professional acting as Deal Captain, engage with the charity.
- 100-day plans to build momentum and partnership with the management team.
- Formal investment agreements.
- Measurement and monitoring of impact.

3. Reporting, supporting, growing the business

4. Increasing value and sale

3. Reporting, supporting, growing the charity

4. Increasing social value and exit

- A three-year relationship is established with the Deal Captain and the SWOT Team.
- PEF engages external resources from the PE community to help the charity implement its business plan.
- There is regular engagement with PEF's CEO and staff.
- Quarterly updates on progress are submitted to the PEF Board and an annual review takes place with the original SWOT Team.

- There is a clear up-front agreement with each charity on its strategy, targets and exit plan.
- PEF builds up the charities' capability to create a sustainable funding model.
- PEF is starting to measure the overall social return on investment.
- PEF acts as an agent of change in the Third Sector, bringing charities together to create a world class cadre who will continue to make a social impact beyond our initial investment.

What have we achieved so far?

-
- Raised £15m for social causes
 - Built a portfolio of 13 UK charities and 2 European charities
 - 4,000 hours of skills donated
 - 32 firms now involved in pro bono work
 - Supported our portfolio charities to be more effective and have more sustainable business models
 - Completed first phase of research into services for children who have suffered sexual abuse
 - 15,000 more children and young people helped to aspire towards university
 - A new Community Centre in Newham has been built
 - 4,000 more children a year have access to psychological and emotional support in schools
 - Commissioned our first piece of research to look at the evidence base surrounding interventions targeted at young people aged 16 to 24 who are not in education, employment or training (NEETs)
 - Joined up with the Department for Children, Schools and Families (DCSF) and Innovation Exchange, to organise a unique conference, forging new partnerships to tackle the key issue of young people not in education, employment or training (NEETs).
-

We have created a portfolio of charities addressing the NEETs issue in a variety of ways. By investing in research and evaluation, we can begin to identify what works and what doesn't, across the age groups.

Early intervention

5 – 11

Every Child Counts

NSPCC

School-Home Support

The Place2Be

Volunteer Reading Help

Building a confident and sociable generation

Age 12 – 16

Hamburger Hauptschulmodell

Leap Confronting Conflict

IntoUniversity

Skill Force

Young people as learners, workers and good citizens

Age 16 – 24

City Year

Community Links

Fairbridge

Tomorrow's People

Vital Regeneration

Women for Women International

PEF + School-Home Support = inspiration

Why we invested

School-Home Support fits within our own mission in empowering young people to reach their full potential. In helping disadvantaged and vulnerable children overcome obstacles which get in their way of learning, their vision is that every child will have the support it needs to thrive and achieve.

We invested in them for the following reasons:

- Compelling model of work addressing a whole range of barriers preventing children from benefiting from their schooling
- Leaders in the field – the only voluntary organisation chosen to deliver as part of the Government's Parent Support Adviser (PSA) pilot
- Ambitious leadership looking to take a model proven in London and Yorkshire nationwide
- Potential to inform and enhance work delivered by other agencies, as well as delivering own services

How we invested

PEF is backing SHS to expand its impact across the country, through direct services and training other practitioners, so that thousands more children can enjoy and achieve in their schooling. PEF's money is building the infrastructure for growth rather than funding programmes: this means building up core management capacity, marketing and fundraising capabilities, IT and impact monitoring systems, and their new product development and human resources functions. These are areas that are difficult for smaller charities to fund, but are critical foundations for growth. PEF also actively supports the management and trustees of SHS on issues of strategy and performance improvement, drawing on a wide range of expertise from private equity, strategy consulting, corporate finance, law and IT.



I feel much better because of my School-Home Support worker, she is my role model.

Sam

PEF + Hamburger Hauptschulmodell = apprentices

Why we invested

HHM is an innovative and successful approach to helping disadvantaged young people access the labour market through apprenticeships. As PEF's first investment in Germany, it is an ideal way of beginning to understand the German concept of 'school-work transition'. It is also an effective and nationally recognised model, already working with 1,000 students in Hamburg each year.

HHM acts as a bridge-builder in the school-work transition. It coordinates the efforts of 90+ Hauptschulen, the local job agency and the business community.

We invested in them for the following reasons:

- Transfer this successful model to other regions in Germany
- To ensure these regions share the HHM vision
- Achieve results that are as strong as in Hamburg

How we invested

Support for this programme presents PEF with an opportunity to help a small organisation make a step change in its impact, to learn more about the education and employment environment in Germany and to begin working in conjunction with the private equity community there.

HHM has already benefited from pro bono communications support that has secured national media coverage for the model. Using PEF's funding, they have hired a Communications Officer and Quality Assurance Officer, launched a new website and brought together organisations from regions across Germany to begin to share learning. The target is to double the number of young people helped in Hamburg, and to reach 14,000 young people a year across the network in Germany.



**Ich bin froh, dass das Hamburger
Hauptschulmodell mich unterstützt hat eine
herausfordernde Lehrstelle zu finden.**

Heike

(Through the Hamburger Hauptschulmodell I got great help and I am happy that through this I got the possibility to find a challenging apprenticeship).

PEF + The Place2Be = self esteem

Why we invested

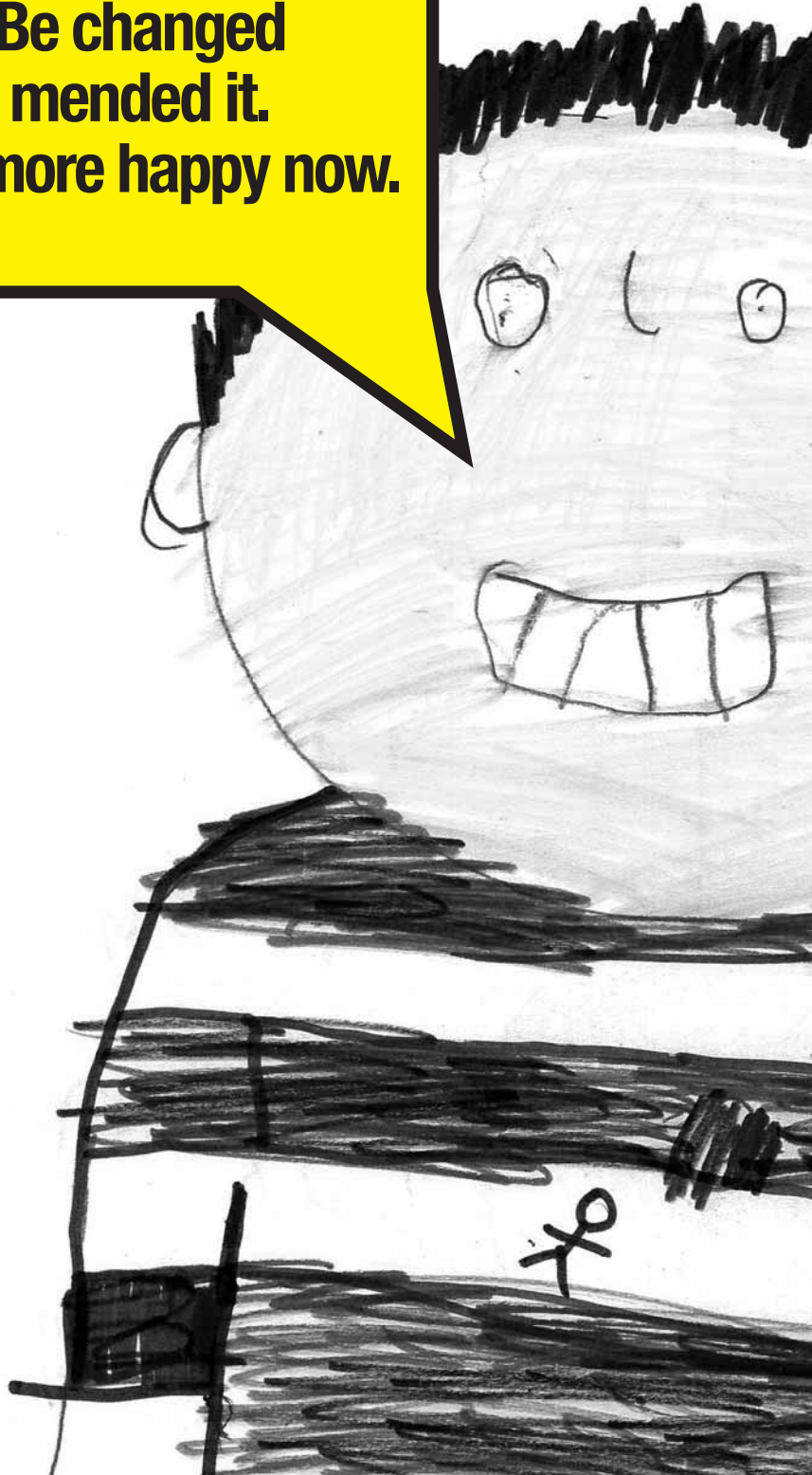
The Place2Be helps children deal with their problems through talking, creative work and play, which can help prevent disengagement from education, later offending, substance abuse and antisocial behaviour. PEF has invested in The Place2Be because it has strong evidence for its effectiveness, using a combination of clinical assessment, feedback and case studies. One study found that the proportion of children classed as 'abnormal' on scales measuring emotional well-being and social behaviour was 60% before therapeutic intervention (compared with 10% in the general population) but this declined to 41% following intervention; work is now underway to link these outcomes to benefits in later life. PEF has also been impressed by The Place2Be's strict decision-making criteria on establishing service hubs in new areas: it must have built up strong relationships with local authorities and schools, and secured financial commitments to sustain the hub for at least three years. This measured approach allows it to develop sustainable, high-quality services that enjoy the full support of local partners.

How we invested

PEF's investment provided The Place2Be with growth capital to develop three new hubs, in Manchester, Burnley and Cardiff. PEF's initial investment has leveraged a further £1,158,000 from schools, other funders and agencies, and two of the three hubs are already operational, reaching a total of 3,938 children in 2008. PEF also recognised that The Place2Be needed to develop enhanced fundraising capabilities to sustain a growing, professional organisation. A new Director of Fundraising funded by PEF led to a further £1,200,000 being raised in 2008/09, developed strong relationships with supporters, and begun to build a more secure base for the long-term future of The Place2Be. The Place2Be has also benefited from the PEF community's expertise in areas such as impact analysis and business continuity planning, and it is now playing a vital role in emerging collaborative initiatives with other PEF portfolio charities.

**The Place2Be changed
my life and mended it.
I feel a lot more happy now.**

Simon



PEF + Tomorrow's People = employability

Why we invested

PEF supports Tomorrow's People's Working It Out programme, which targets excluded young people, helping them develop life-management skills and gain practical work experience through a 16 week programme that includes a series of community challenges.

PEF invested in Working it Out because:

- It has an 86% success rate at helping hard to reach young people into positive activities
- It is a proven intervention that was ready to refine and scale
- The organisation is business focused and keen to make use of PEF's expertise and assistance to scale up the programme

How we invested

PEF is backing Tomorrow's People to scale up Working It Out across the country. PEF's funding will support the roll out of the programme in five areas, and our initial investment has already leveraged £3.8m in additional investment from V and Inspiring Scotland. PEF has also supported the Tomorrow's People team to evaluate the potential efficiencies that can be made while scaling up, and as a result, a refined 10 week programme is being trialled at the Glasgow site, with very positive initial results. The PEF community has also provided strategic consulting support, legal and tax advice as part of our partnership with Tomorrow's People.



The work experience placement really helped me. I feel much more confident to look for a job now.

Jonathan

**Now you know what
we do, take a look at the
detail behind it...**

Message from the Chairman

The world has changed a great deal since we created the Private Equity Foundation in 2006. The number of young people not in education, employment or training (NEET) has already risen to 1.3 million and we are seeing regular warnings about a ‘lost generation’ of young people who will be unable to access the labour market and make a contribution to society.

This change makes the mission of the Private Equity Foundation more important than ever.

It is heartening that so many firms have stepped up to the challenge – sticking with us in the tough times, and giving not just funding but also thousands of hours of time that are key in providing support to our charity portfolio.

As the Foundation's thinking has developed, we have also begun to look beyond our own portfolio at the broader context in which our charities operate. We have recognised that if we are to really make an impact on the NEETs issue, we need to form strategic partnerships and alliances at the highest level.

That is why we are so proud of our relationship with the Department for Children, Schools and Families. This is the government department focused on children and young people. Together we held a joint conference in January 2009 which brought together three sectors to tackle the NEETs issue in partnership. Senior leaders from business,

government and charities gathered to tackle some of the most difficult issues in this field and to form alliances that have gone well beyond those initial conversations. We will be following up on specific commitments a year later, and will be publishing the results and developments.

In addition, the Private Equity Foundation is supporting the Mayor's Fund for London, an exciting and innovative approach to joining up activity across four borough boundaries in Shoreditch, East London that will start to take shape from January 2010.

We should feel proud that our industry is taking action to tackle one of the most urgent issues of our time. Together we are making a difference, and together we are achieving more than any of us can do as individuals.

Thank you to all our supporters for entrusting us with your donations, and to all our pro bono supporters for your time and effort to help turn our amazing charity portfolio into an unstoppable force for social change.

We look forward to working with you as the Foundation develops its thinking and activity over the coming year.

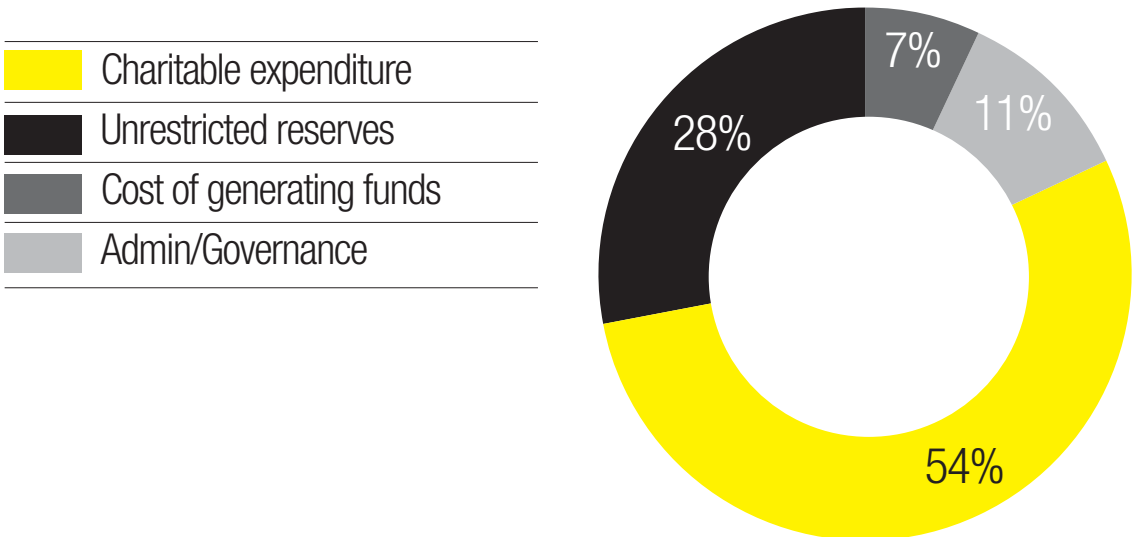


Ramez Sousou Chairman

Financial information

Since 2006 the Private Equity Foundation and Private Equity Foundation I, Inc., have collectively raised £15m.

– Private Equity Foundation I, Inc. (PEF I, Inc.) a sister organisation to PEF is a US charity that is exempt from federal income tax pursuant to section 501 (c)(3) of the Internal Revenue Code. PEF I, Inc. solicits charitable contributions independently of PEF and makes independent decisions as to whether to support initiatives of PEF. PEF I, Inc. shares the charitable goals and charitable investment approach of PEF.



Financial summary

	2008	2007
Incoming resources from generated funds	£	£
Voluntary income: donations	4,564,204	4,188,606
Investment and other income	165,920	426,311
Total incoming resources	4,730,124	4,614,917
Resources expended		
Costs of generating funds		
Fundraising and publicity	286,268	500,013
Charitable activities		
Grant funding	3,902,332	2,448,393
Staff costs	290,381	41,993
Support costs	339,346	164,980
Governance costs: legal and audit	155,251	161,763
Total resources expended	4,973,578	3,317,142
Net (expenditure)/incoming resources for the year	(243,454)	1,297,775
Fund balances at 1 August 2007	1,297,775	—
Fund balances at 31 July 2008	1,054,321	1,297,775

The figures in this summary of finances are consistent with Private Equity Foundation's Trustees' Report and Accounts (for the year ended 31 July 2008 and the 13 month period to 31 July 2007), which complies with the Statement Of Recommended Practice (SORP) 2005 for Charities.

Investment summary

Charity and focus

Community Links

Breaking the cycle of poverty in East London.

IntoUniversity

Raising aspirations and attainment for disadvantaged children and young people.

Leap Confronting Conflict

Youth conflict mediation and training.

NSPCC

The Place2Be

Children's emotional and psychological health.

Volunteer Reading Help

Helping disadvantaged children develop reading ability and enjoyment.

Women for Women International (Kosovo)

Fostering women's economic participation in post-conflict zones.

Every Child a Chance Trust

Intensive work in primary schools to address poor literacy and numeracy.

Fairbridge

Supports young people (aged 13-24) who are NEET or at very high risk of dropping out of school.

Hamburger Hauptschulmodell (Germany)

Bridges the school-work transition for disadvantaged young people.

School-Home Support

Helps children and their families overcome barriers to fully benefiting from school.

Skill Force

Delivers alternative courses in secondary schools to engage students and spur achievement.

Tomorrow's People

Helps unemployed people build confidence and skills, and progress into employment.

City Year (USA)

National service programme for young people aged 16-25.

Vital Regeneration

West-London-based community revitalisation charity.

Investing in impact

Building a new centre on the deprived Rokeby Estate to reach disadvantaged young people and families.

Replicating the service in five new areas across London to help thousands more children and young people aspire towards university.

Developing an education and training business to upskill other practitioners working with young people and conflict.

Supporting six existing Treatment and Therapeutic centres, and research programme (06/07).
Supporting a Young People's Centre in Warrington (07/08).

Establishing three additional 'hubs' to serve 24 new schools, so that thousands more children per year can access therapeutic services developing core fundraising capability.

Strengthening core capabilities and infrastructure so that more volunteers can be placed into schools.

Establishing an Opportunity Centre to help thousands more women become economically active in their communities.

Developing and scaling up the Every Child Counts programme, which aims to support 30,000 children in over 1,600 schools by 2010/11.

Step-changing impact metrics and income generation capabilities driving programme service growth in Scotland.

Driving programme expansion based on the HHM model through network of affiliates across Germany.

Scaling up existing and emerging programmes, in order to help thousands more children and families across the country.

Improving the scalability and sustainability of the whole organisation, so that more students can be reached in future.

Refining and scaling up the Working It Out programme for young people across England and Scotland, and seeking out opportunities for mainstream adoption.

Development grant to support the exploration of establishing a City Year site in the UK.

Developing and rolling out the Create+ programme to engage and progress NEET young people back into mainstream opportunities.

Sustainability	Year of investment	Funds approved
Funding for the ongoing costs of the centre secured from local government.	06/07	£270,000 PEF £270,000 PEF I, Inc.
Robust impact metrics and fundraising capabilities to secure funding longer term.	06/07	£300,000 over 4 years Co-investment with Impetus
Earned income streams from the business will help enlarge and diversify Leap's funding base.	06/07	£200,000 over 2 years Co-investment with Impetus
Through research, building the case for statutory funding for treatment and therapy.	06/07, 07/08	£1.1m; £781,500
Sustainable revenue model with both strong service income and fundraising, supported by strong impact metrics.	06/07	£576,000 over 2 years
Earned income for schools to support growth, supported by better impact metrics.	06/07	£502,000 over 3 years
New revenue streams (eg membership fees, facility hire) to supplement core sponsorship income.	06/07	US\$940,000 PEF I, Inc.
Rolled out through the mainstream education system, in full partnership with local authorities and schools.	07/08	£550,000 over 2 years
Greater and more diversified income from services and fundraising.	07/08	£625,000 over 3 years
Affiliate-based growth model allows core operations to stay light.	07/08	€180,000 over 3 years
Sustainable revenue model with both strong service income and fundraising, supported by strong impact metrics.	07/08	£650,000 over 3 years
Higher service revenues, enhanced fundraising and efficient configuration.	07/08	£600,000 over 3 years
Improved fundraising, more efficient delivery and potential for mainstream adoption.	07/08	£625,000 over 3 years
N/A	08/09	£100,000
Developing a scalable, commissioning-led growth model, leveraging partners where possible.	08/09	£530,000 over 3 years

15 Charities
+ 70 donor firms
+ £15m raised
+ £7m of pro
bono support
= 40,000 children
and young people
reaching their
full potential

...many people
full potential



These are all the achievements that the Private Equity Industry can be proud of. I hope that we can continue to work together to ensure that we change the lives of many more children and young people.

Shaks Ghosh, CEO

Members and supporters

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UBS *

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*** = support with pro bono services**

As of June 2009

Donations between August 2007 and June 2009 of £10,000 or more.

Thank you also to AMG, Bain & Company, Inc, OC & C Strategy Consultants and Debevoise & Plimpton LLP for their pro bono support

...why not join them

How to donate

Our bank details are below, along with those of our sister foundation in the US if you would prefer to donate that way. If you are an individual donor or partnership, your donation is worth an additional 28% to PEF through Gift Aid. This extra 28% means a huge amount to us, so we urge you to give this way.

UK bank account details

Our bank account is Drummonds at The Royal Bank of Scotland plc:

Account Name: **Private Equity Foundation**

Account No: **10242859**

Sort Code: **16-00-38**

Address: **Drummonds, 49 Charing Cross, London SW1A 2DX**

For transfers from banks outside the UK, include:

IBAN No: **GB26RBOS16003810242859**

IBAN BIC: **RBOSGB2L**

If you are a taxpayer in the United States you may wish to make a donation to our sister organisation, Private Equity Foundation I, Inc which co-invests alongside PEF in selected portfolio charities. PEF I Inc. is a non-profit organisation with tax-exempt status under section 501(c)(3) of the Internal Revenue Code.

Employer Identification Number: **43-2116245**

US bank details

The bank is at Citibank NA:

Account Name: **Private Equity Foundation I, Inc**

Account No: **44339583**

ABA/Routing No: **2211-72610**

Address: **Citibank Account Services, PO 5870, Grand Central Station, New York, NY 10163 MA 02116, USA**

For transfers from banks outside the UK, include:

Swift code: **CITI US 33**



Gift Aid form for individual donation

Gift Aid is a scheme that allows the Private Equity Foundation to reclaim tax on every personal gift you make to us. So for every £1 you donate, we can claim back 28p from the government – at no extra cost to you!

All that is required is a simple, one-off declaration.

To qualify for Gift Aid, you must have paid UK income tax and/or capital gains tax at least equal to the amount we will reclaim in the tax year in which the gift was received.

Registered charity number: **1116139**

giftaid it

Please fill out the form and return to:

Julie Nesbitt

Private Equity Foundation, 2 Bath Place
Rivington St., London EC2A 3DB

Title: Ms Miss Mr Dr (please circle)

Forename:

Surname:

Home address:

Postcode:

I am a UK taxpayer and am making a personal donation. I would like the Private Equity Foundation to claim Gift Aid on all donations I make to it until I notify otherwise.

Signed:

Date:

Management and governance

PEF

PEF is a charity registered with the Charity Commission. Registration number 1116139

PEF is a company limited by guarantee registered in England and Wales. Registration number 05882818

Registered office at 10 Upper Bank Street, London E14 5JJ

PEF can be contacted at 2 Bath Place
Rivington Street, London EC2A 3DB
T: 0845 838 7330

E: info@privateequityfoundation.org

Shaks Ghosh Chief Executive Officer

PEF Trustees

There are nine Directors of PEF who perform the role of trustees of the charity.

David Barker Cinven Limited

David Blitzler The Blackstone Group International Limited

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Carl Parker Permira Advisors LLP

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Charlie Green

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Government and Public Sector
1 Embankment Place
London WC2N 6RH

Bankers

Drummonds
49 Charing Cross
Admiralty Arch
London SW1A 2BA

Legal advisors

Clifford Chance LLP
10 Upper Bank Street
Canary Wharf
London E14 5JJ

**Thank you for your
continued support**

Private Equity Foundation is an excellent and timely initiative and an important demonstration of the conscience of the industry.

Sir David Walker