

The Benevolent Society
**Social Benefit
Bond**

Investor Report for the nine
months ended 30 June 2014

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'Westpac continues to be excited by the prospects of the Resilient Families programme that is being funded through this Social Benefit Bond. Core to our strategy is to help shape responses to emerging social issues and to use our expertise to make a meaningful difference in our community. It is clear that this programme is making a difference and it will become the bellwether for similar programmes in the future. We are confident on the prospects for success in terms of outcomes for our community, the government and our investors.'

Craig Parker, Executive Director, Westpac Institutional Bank

'Enhancing the wellbeing of communities is at the heart of CBA's vision so we are delighted to be actively involved in this unique and innovative social benefit bond offering that is succeeding in its main role; to help support children and their parents. These early results are encouraging and we look forward to improving the lives of many more families through The Benevolent Society Social Benefit Bond.'

Leon Allen, Managing Director Government, Health, Education and Social Infrastructure, Institutional Banking & Markets, Commonwealth Bank

Foreword

Dear Investor,

The Benevolent Society is pleased to present the first Investor Report on the performance of The Benevolent Society Social Benefit Bond Trust No 1.

The Benevolent Society Social Benefit Bond is the result of a unique collaboration to find smart solutions to our country's most pressing social needs, between Australia's first charity, The Benevolent Society, the New South Wales Government and two major financial institutions, Commonwealth Bank of Australia and Westpac Banking Corporation.

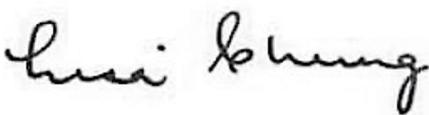
The Social Benefit Bond funds Resilient Families, an intensive family support service designed to keep children with their families where it is safe to do so and reduce entries to Out-of-Home Care.

Early results indicate a mixed performance with some measures below the control group and some above. This is not surprising as it is very early days and our experience is that intensive family support programs take time to achieve long-term results. While the results are from small data samples over a short time frame, we are encouraged by the improvement we have achieved in reducing entries of children to Out-of-Home Care compared to the control group. This is our primary goal.

One of the advantages of being involved in the Social Benefit Bond is the feedback it gives us in relation to our practices and how we interact with the NSW Department of Family & Community Services (FACS). The Benevolent Society and FACS currently work together on a range of existing programs, but the Social Benefit Bond enables us to work in new ways with each other. Better practices will lead to better outcomes for families and ultimately for investors and the wider community.

We would like to take this opportunity to thank you for your participation in this innovative performance-based contract. Without you it would not have been possible. We would also like to thank the staff at NSW Treasury, FACS, Westpac, and the Commonwealth Bank, for their support and collaboration on this ground-breaking pilot. We also thank our legal advisors, King & Wood Mallesons and our trustee, Perpetual Corporate Trust Limited.

We are all learning fast and growing stronger together.



Lisa Chung
Chairman
The Benevolent Society

Our Results to Date

How performance is measured

Improvement Percentage

The performance of The Benevolent Society Social Benefit Bond is established from results generated by the FACS data system. The progress made by families in the Resilient Families Program (the Program) is compared against the progress made by a control group who share similar characteristics but do not receive intensive support.

This is achieved by closely monitoring the number of occurrences of three types of child protection events for the Intervention Group and the Control Group:

- Out-of-Home Care Entries, which are statutory removals of children;
- Safety and Risk Assessments, which are investigations conducted by FACS; and
- Helpline Reports, which are calls made by people in the community or service providers to the Helpline to report a concern about the safety of children.

These three measures cover a wide spectrum of child safety and together determine the Improvement Percentage. The annual Improvement Percentage will be averaged over the term of the trial with the annual Improvement Percentages of the next annual cohorts of families.

Performance Percentage

Ultimately, investor payments depend on the Performance Percentage which is based on the following:

- Improvement Percentage;
- Unmatched Children Percentage – where children referred by FACS cannot be matched with a comparable Control Child, these children are applied a deemed success of 15%; and
- Guaranteed Referrals Shortfall Percentage – where FACS is unable to fill vacancies notified by The Benevolent Society within the agreed period of time up to a guaranteed minimum, they attract a deemed success of 40%.

Measurement for each child starts from the point they are referred until the Measurement Date, which is generally four years and nine months after the Referral Date (3 October 2013). [Unless they become ineligible – for example if the Control Child enters another intensive family support service and cannot be substituted.]

How performance is verified

Remediation

The Benevolent Society receives quarterly unremediated data for both the Control and the Intervention Groups but is not in a position to communicate this information to investors prior to the annual remediation process. This process consists of an annual analysis of data by FACS to verify data integrity and reporting. FACS then makes this remediated data available to The Benevolent Society, three months after the end of the financial year. The data is then checked and outliers are investigated collaboratively.

Evaluation

Separately, NSW Treasury has appointed ARTD Pty. Limited, to conduct an evaluation of the Program. This evaluation, which is ongoing, has focussed to date on broad social outcomes achieved by the Program. An evaluation plan was finalised in April 2014 and is available on NSW Treasury's website www.treasury.nsw.gov.au. The first evaluation report will be published on The Benevolent Society website www.benevolent.org.au when available.

Independent Certification

The Benevolent Society Social Benefit Bond performance will be independently certified by Deloitte Touche Tohmatsu after the Measurement Date which, unless there is an early termination of The Benevolent Society Social Benefit Bond, will be in July 2018.

Our Results to Date (cont'd)

Performance for the initial period

Given the small number of families measured in the trial at this early stage (44 families), it is important to bear in mind that results may be subject to volatility.

Improvement Percentage

As at 30 June 2014, the Improvement Percentage of The Benevolent Society Social Benefit Bond is (1%), as detailed in Figure 1 below.

Figure 1 – Improvement Percentage

Measure	Improvement	Weighting
Out-of-Home Care Entries	17%	66%
Safety and Risk Assessments	(70%)	17%
Helpline Reports	(3%)	17%
Improvement Percentage	(1%)	100%

The overall Improvement Percentage reflects mixed results and it is important to understand the key drivers underpinning these results, as follows:

- Out-of-Home Care Entries**
 We achieved a pleasing improvement in our key performance measure – reducing the number of entries to Out-of-Home Care by 17%.
- Safety and Risk Assessments**
 Research on family support programs indicates that as families achieve their case plan goals, reports of abuse or risk of harm decline. As the number of children in the Program increases, and families complete the Program, we are confident that the number of Helpline Reports and consequential Safety and Risk Assessments will decline¹.
- Helpline Reports**
 It is important to note that The Benevolent Society is a mandatory reporter and this measure includes all reports including those of The Benevolent Society. A key factor leading to higher Helpline Reports in the early days is the increased visibility of family interactions directly resulting from the intensive support provided by The Benevolent Society. Over time, as families successfully complete the Program, these are very likely to reduce and consequently the Intervention Group is expected to out-perform the Control Group over the long term.

Performance Percentage

The Performance Percentage for the nine months ended 30 June 2014 is 7.6% or 8% rounded to the nearest whole number, as detailed in Figure 2 below:

Figure 2 – Performance Percentage

Measure	Actual/Deemed Performance	Weighting
Improvement Percentage	(1%)	77%
Unmatched Children Percentage	15%	2%
Guaranteed Referrals Shortfall Percentage	40%	21%
Performance Percentage	8%	100%

Investors should note that as with Helpline Reports and Safety and Risk Assessments, the results for the Guaranteed Referrals Shortfall are expected to improve over time. In other words, it is expected that all guaranteed referrals will be fulfilled by the end of the trial. At this early stage, results should be viewed with caution.

Investor Returns

Cash flows will be paid to investors at the end of the trial period, unless there is an early termination of the Bond.

Using the formula to be applied at the Term of the Bond, but with results for only part of the first of four annual cohorts, the Performance Percentage at 30 June 2014 would result in returns to investors of 5% for the capital protected class (Class P) and 8% for the capital exposed class (Class E), as highlighted in Figure 3 below:

Figure 3 – Theoretical investor returns

Performance Percentage	Class P Bond	Class E Bond
Fail (< 5%)	0%	0%
Baseline (≥5% <15%)	5%	8%
Good 1 (≥15% <20%)	6%	10.5%
Good 2 (≥20% <25%)	7%	15%
Good 3 (≥25% <35%)	8%	20%
Good 4 (≥35% <40%)	9%	25%
Out-Performance (≥40%)	10%	30%

Investor updates

Investor reports and Program updates are published on The Benevolent Society website www.benevolent.org.au

¹Evaluation of Brighter Futures, NSW Community Services Early Intervention Program, Final Report September 2010 in relation to Helpline Reports.

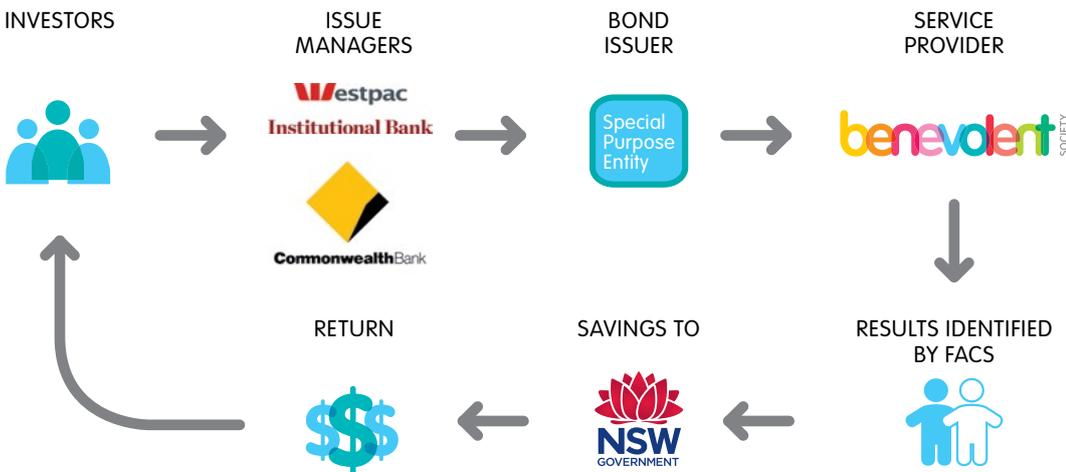
Our Bond and our Program

The Benevolent Society Social Benefit Bond was launched in October 2013 to support families that are at risk of having their children removed into Out-of-Home Care.

The \$10 million capital sought from investors funds the Program, an intensive family support service that will support between 300 and 400 families over five years.

The Benevolent Society Social Benefit Bond involves a number of parties and its structure can be illustrated as follows:

Figure 4 – Structure overview of The Benevolent Society Social Benefit Bond

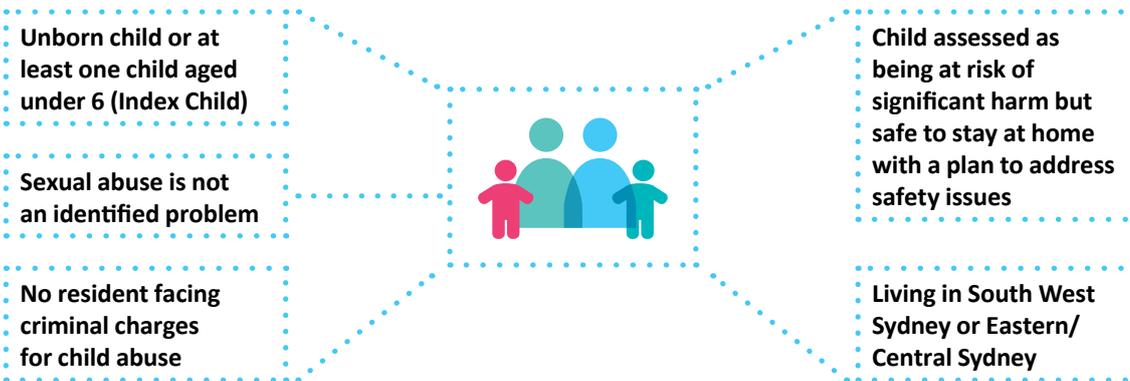


The Program is delivered by staff located across three Sydney offices (Rosebery, Liverpool and Campbelltown) and provides intensive, practical and therapeutic support to families in their homes.

After an initial twelve week intensive period that includes 24/7 support, staff spend up to a year working with families to resolve issues such as parental mental health, domestic violence and substance misuse, and to stabilise housing.

Importantly, the Program helps families develop a support network they can access after they graduate from the Program, consequently decreasing the chances of relapse and interaction with the child protection system.

Figure 5 – Program eligibility criteria



Lily's Story

The Wong family was referred to Resilient Families in late 2013. The family consists of Lily and Joe, the parents, and their three children Michael (12), Max (3) and Marlene (8 months old). The family came to the attention of FACS primarily due to:

- Lily's unstable mental health
- her threats to harm Marlene and herself
- reports of domestic violence perpetrated by Joe.

When Program staff first met the family there were several barriers to engaging with them, including that Lily had very limited English skills and required an interpreter at all times; Lily did not understand why FACS were concerned.

However, Program staff managed to engage with Lily because she needed more suitable housing. Joe had moved out and lived with Max while she and her two other children lived in a private rental. The property was shared with a housemate and was very expensive. So our first priority was to assist Lily with finding more appropriate housing.

Her Senior Child and Family Worker made various phone calls and held meetings with Housing NSW to help Lily and her family get on the priority waiting list for public housing. During this process, Lily's moods were erratic, she was often angry with services, rude and did not accept that the staff were unable to do more to assist.

'We are starting to see change but it is still early days and our aim is for the change to be long-term and sustainable. However, gentle persistence of the team with clients difficult to engage has seen some positive outcomes for children and families to date.'

Claudia Lennon, Manager Resilient Families

'FACS and TBS have worked collaboratively in these early months of the implementation of The Benevolent Society Social Benefit Bond. Both agencies will continue to bed down new referral, other operational procedures and service provision that enable children and their parents to receive intensive support through Resilient Families.'

Eleri Morgan-Thomas, Executive Director, Service System Delivery, FACS

When Lily became aggravated at a meeting, her chances of being considered for public housing were drastically reduced. The NSW Housing officer assessed that Lily, because of her attitude, may not be able to maintain a tenancy. Through her continuous engagement with the Program, Lily was able to demonstrate that she was eligible for public housing and was granted a place on the priority housing list. Eight months after the initial referral, Lily was offered a house.

Through the intervention that spanned over nine months, the Senior Child and Family Worker also worked with Lily on maintaining contact between Max and his siblings despite living apart; managing difficulties with her teenage boy, Michael; and going to playgroups with Marlene and creating connections in the community.

The Senior Child and Family Worker worked on average 2–5 hours per week with the family in the beginning stages and this was able to slowly reduce with time and a reduction of child protection concerns. Lily's family was also supported with household goods, moving costs, and items for school.

Lily was happy to “graduate” from the Program and knows that she can turn to her support network for some respite. She has developed such a trusting relationship with her Senior Child and Family Worker that she is looking forward to a phone catch-up with her next year.

Towards the end of her engagement with the Program, Lily was able to acknowledge the difficulties her children had been exposed to and her role in repairing the relationships with her children.



Update on our Program

Referrals

Over the first nine months of operation FACS and The Benevolent Society have closely worked together to successfully implement the Program that underpins the Social Benefit Bond contracts. The referral process adopted for the Program is new to both organisations and has required strong collaboration. FACS and The Benevolent Society Contract Managers for the Social Benefit Bond have worked together in the local Community Services Centres to ensure FACS Case Workers are familiarised with the process.

Engagement with families sometimes takes time because the Program operates with a ‘blind’ referral system conducted with a matching tool that uses FACS’s database. The Operations Manual, which assists in the day-to-day operation of the Program, was amended to further standardise decisions made on the case management transfer between FACS and The Benevolent Society and the eligibility criteria for the Intervention and Control Groups.

Figure 6 – Program referral process

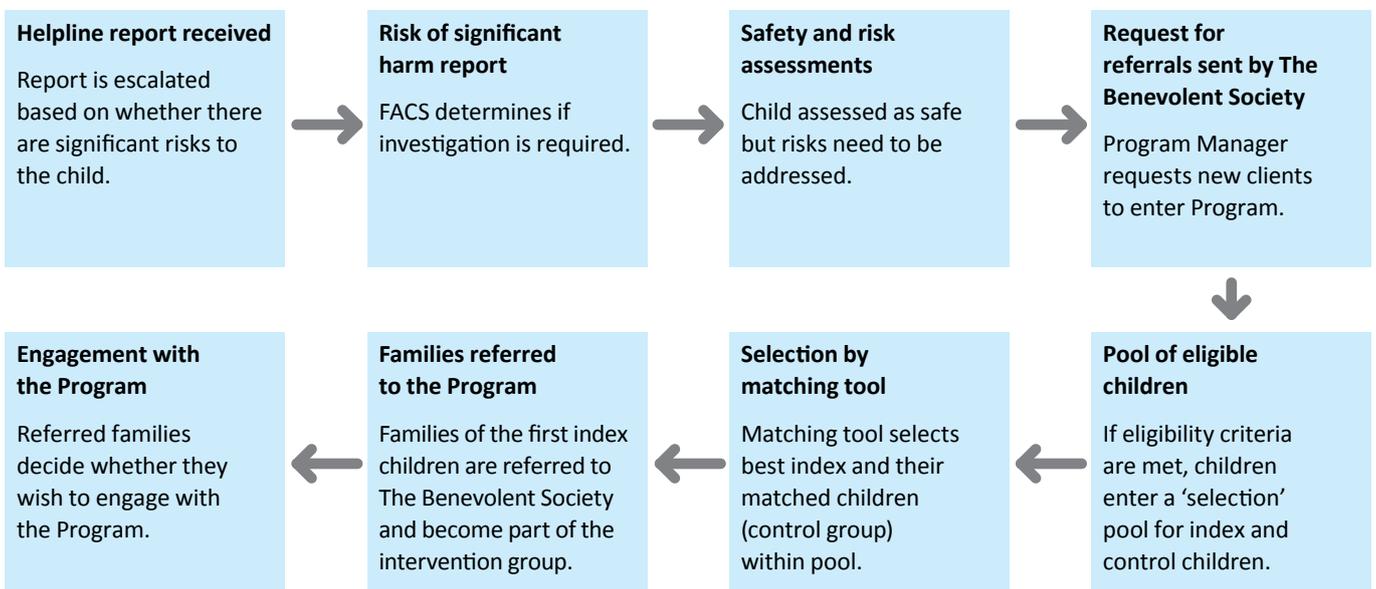
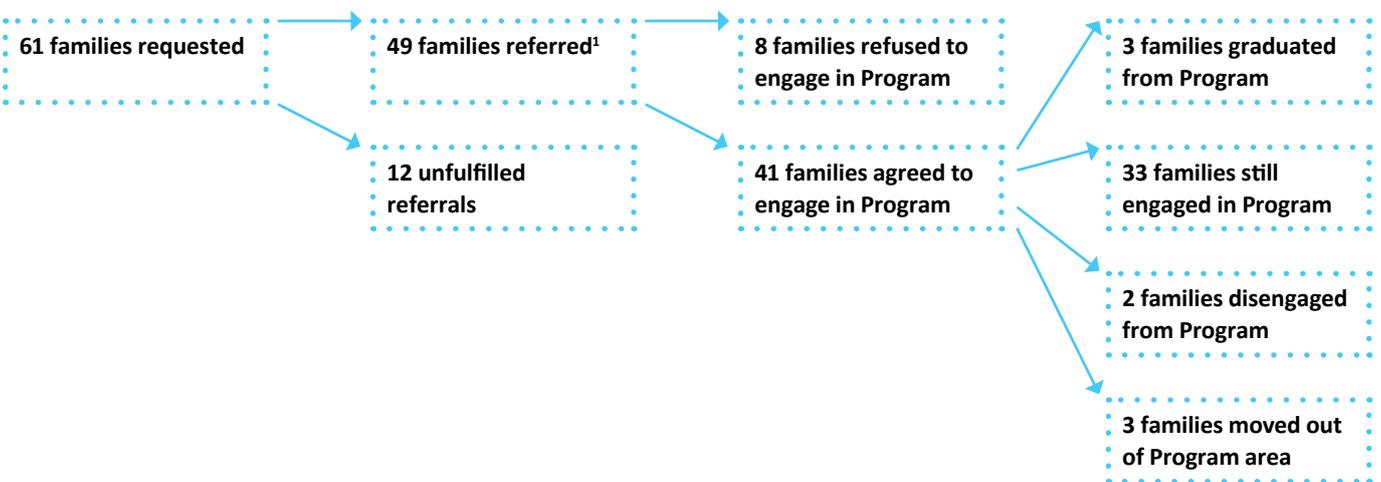


Figure 7 – Program referral summary as at 30 June 2014



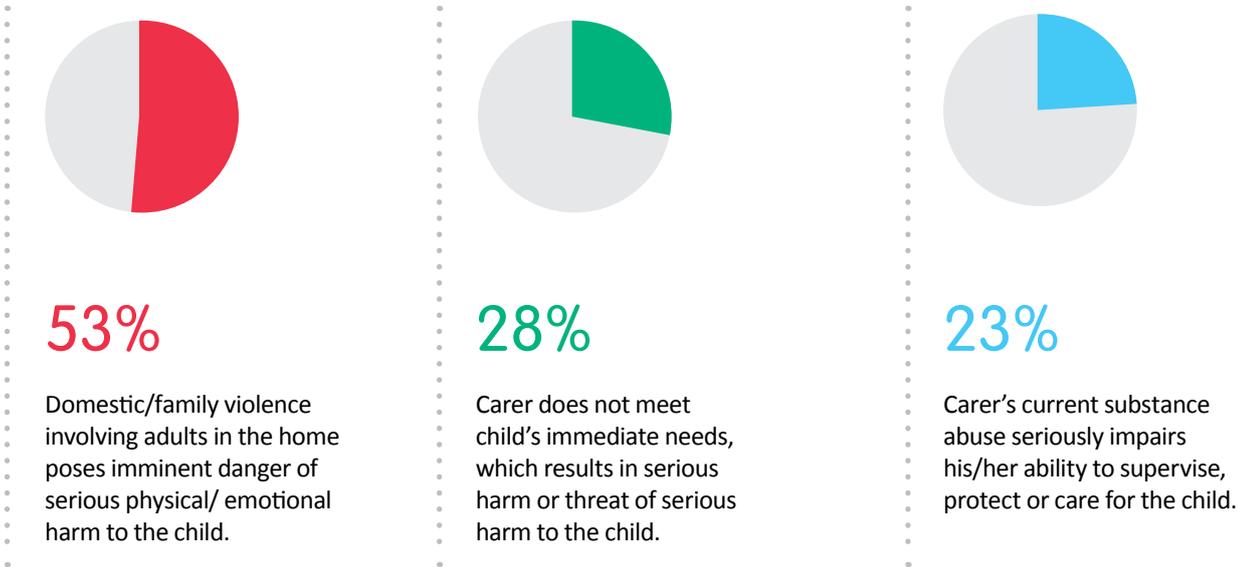
¹Of the 49 families referred, only 44 were measured at 30 June 2014 as three families moved out of the Program area within the first three months; one family’s child could not be matched; and one family had an unborn child whose outcomes will be measured from the date of birth.

Profile of the families

The families referred to the Program have complex vulnerabilities. Their children have been reported as being at risk of significant harm mostly due to domestic violence, drug/alcohol abuse, and/or neglect.

A significant number of families have had previous contact with the child protection system prior to being referred to the Program.

Figure 8 – Key statistics on families referred to the Program



Our Program model

The Program is a therapeutic, evidence informed program that seeks to maximise the likelihood of better outcomes for children by building a protective network around them.

A dedicated Senior Child and Family Worker develops a support plan in collaboration with the family.

The goals in the support plan are achieved through a mix of practical and therapeutic support alongside skills training to manage stress and conflict, encourage positive child behaviour, understand their children's developmental needs, and tackle problems early before they become entrenched and harder.

Together, the Senior Child and Family Worker and the family assess progress quarterly. Other agencies involved with the family are also invited to participate in this review.

The Program has flexible work arrangements to ensure services can be provided at times which best meet the family's needs.

The exit process for families is planned to ensure that progress can be maintained once they graduate from the Program.

Helpline reports are made by the Program as required by legislation when children are deemed at risk of significant harm. The Program is also actively engaged with families who have had their children removed where the plan is for their children to be returned to their families.

Figure 9 – Resilience outcomes sought in the Program



Disclaimer

This Investor Report has been prepared by The Benevolent Society (ABN 95 084 695 045) acting as Manager (“Manager”) of The Benevolent Society Social Benefit Trust No 1 (ABN 90 243 235 502) (“Trust”). Please refer to the Replacement Information Memorandum dated 23 August 2013 for more information on the structure and terms of The Benevolent Society Social Benefit Bond.

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We are The Benevolent Society

We help people change their lives through support and education and we speak out for a just society where everyone thrives.

We're Australia's first charity. We're a not-for-profit and non-religious organisation and we've helped people, families and communities achieve positive change since 1813.

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