



BIG ISSUE INVEST

SOCIAL ENTERPRISE INVESTMENT FUND II L.P.

ANNUAL REPORT

For the year ended 31 March 2017



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LETTER FROM THE CHAIR

October 2017

Dear Limited Partners,

This is the second Annual Report for Big Issue Invest's Social Enterprise Investment Fund II L.P. (the 'Fund'). The objective of the Fund is to supply growth capital to social enterprises to increase their scale, sustainability and social impact and to provide social and financial returns to investors. This report provides an update on our investment activities over the twelve month period ended 31 March 2017 as well as detailed profiles of the financial and social performance of the Fund's investments.

In total, £1.9 million was disbursed by the Fund to UK social enterprises during the 2016-17 financial year; £1,416,200 into existing portfolio businesses, and £500,000 into one new investee, taking the total number of different social enterprises and projects invested in by the Fund to seven. This brings the total amount invested by the Fund at period end to £5.82 million, representing 26% of the Fund's original committed capital.

In March 2017, we completed a £500,000 investment into Cornerstone, a charity providing care and support to over 2,400 children, adults and families in communities across Scotland. Cornerstone focus on providing person-centred care and support with access to activities and opportunities to ensure the people they support can live the lives they choose despite their disability or other support needs. The investment funded the transformation project "Enabling a Brighter Future", implementing new software and integrating staffing, operational and finance systems. This project will ultimately support the delivery of "Local Cornerstone" an ambitious new strategic plan for 2017-2020, designed to embrace the challenges and opportunities presented by the changing sector.

During the period, the Investment Team have intensified their focus on developing new pipeline. As a consequence of these efforts, a number of new and exciting investment opportunities have been identified. With due diligence undertaken and a number of these investments currently into the legal documentation stage, there is strong visibility to completion of these new investments. Since the period end, the Investment Advisory Committee has already recommended new investment commitments that in aggregate would exceed the total capital invested by the Fund to date.

Meanwhile, the Fund has been able to attract further investors and repeat investors into the fund with second and third closings earlier this year bringing the total committed capital to date to £23.5 million with 12 LPs. We hope to have one final closing of new investors before the end of the fundraising period in October 2017.



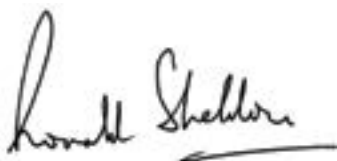
I am pleased to report that in addition to SEIF I and its successor fund SEIF II, Big Issue Invest has raised a third fund, the BII Outcomes Investment Fund, with a £10 million cornerstone investment from Big Society Capital. The Outcomes Investment Fund has been set up to focus on investments into Outcomes-Based Contracts (also known as 'social impact bonds'), a rapidly growing segment of the social investment market.

The Fund has given both Big Issue Invest and the wider UK social investment market a solid reference point and springboard for continued expansion of both the supply of, and investor demand for, investment products which offer both a financial return and positive social impact. The role of our investors in enabling us to bring about this achievement has been essential and is much appreciated.

Earlier this year, Investment Advisory Committee member John Pulsinelli advised us that due to other business commitments he intended to stand down from his role on the Committee as soon as we were able to identify a suitable replacement. John has served on the Committee since the inception of the Fund and I would like to thank him for the invaluable time and advice he has been able to provide. John Gilligan, a seasoned corporate finance professional in the private equity market and an independent non-executive Director of Big Issue Invest Fund Management Ltd, has agreed to replace John following the Annual Investor Meeting.

We would also like to thank the members of the Investment Advisory Committee, our fund administration team at NCM Fund Services, the investment team at Big Issue Invest, our Non-Executive Director appointees and, of course, the hard working and innovative social entrepreneurs of our investees and their teams for all their good work during the period.

Yours sincerely,



Ron Sheldon

Chair of the General Partner and of the Investment Advisory Committee

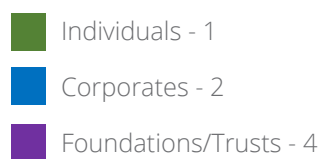
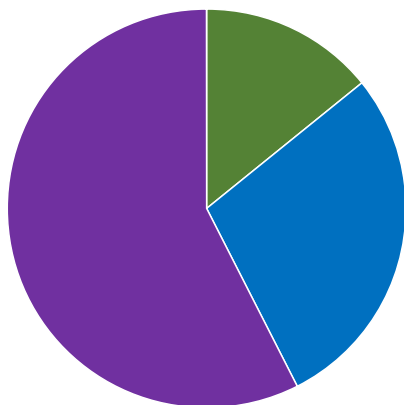


FUND DESCRIPTION

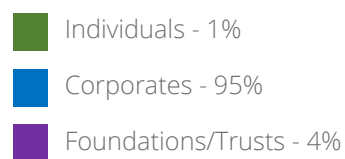
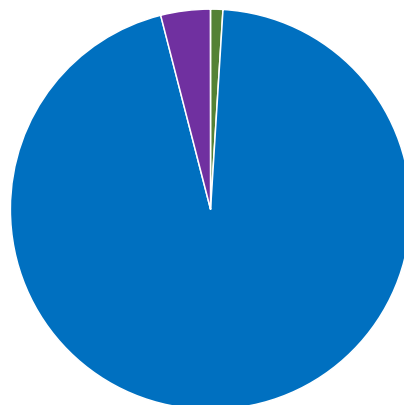
The Social Enterprise Investment Fund II (SEIF II) is the successor to the Big Issue Invest Social Enterprise Investment Fund (SEIF I) which is fully committed. SEIF II achieved a first closing in October 2015, raising £21 million from seven Limited Partners. SEIF II seeks to provide creatively structured medium term growth capital to social enterprises with clear potential for growth, financial sustainability and social impact.

SEIF II (the 'Fund') is a close-ended limited partnership. Big Issue Social Investments Limited is the General Partner and a subsidiary of Big Issue Invest, part of The Big Issue Group of companies. Since 2005, Big Issue Invest has been pioneering the financing of social enterprises. Big Issue Invest Fund Management is responsible for investment sourcing, due diligence, structuring and monitoring of investments.

Investor type by number



Investor type by value



The Fund's focus is on investing in organisations that are using innovative, socially driven and sustainable business models to improve the lives of the most disadvantaged individuals and communities. We are particularly interested in backing organisations that tackle the underlying causes of social problems. The Fund is invested in organisations seeking to achieve social outcomes in the following six areas: employment and training, education and learning, health and social care, tackling homelessness, financial inclusion, community and sustainable transport.

Many of the organisations the Fund has invested in are delivering impact in multiple ways, cutting across outcomes areas. HCT, for example, provides sustainable community transport whilst also delivering training programmes to support long-term unemployed people back in to work.

Beyond these core impact areas, the Fund also has a wider socio-economic impact and is creating jobs, enabling economic development in disadvantaged areas, raising the bar on employment standards.

INVESTMENT PORTFOLIO

THE FOLLOWING INVESTMENTS WERE HELD/APPROVED AS AT 31 MARCH 2017:

Investee	Investment Type	Committed Capital
CASA One Limited	Fixed Rate Loan	£820,000
London Early Years Foundation	Fixed Rate Loan	£750,000
East Lancashire Moneyline	Fixed Rate Loan	£2,050,000
Mental Health and Employment Partnership	Social Impact Bond	£400,000
HCT Group	Fixed Rate Loan & Revenue Participation	£1,300,000
Street UK	Fixed Rate Loan	£500,000
Cornerstone	Fixed Rate Loan	£500,000
Total		£6,320,000



INVESTMENT TIMELINE



October 2015
Launch of the Fund

November 2015
Mental Health and Employment Partnership
£400,000
East Lancashire Moneyline £2,050,000

London Early Years Foundation £750,000

CASA One Limited. £820,000

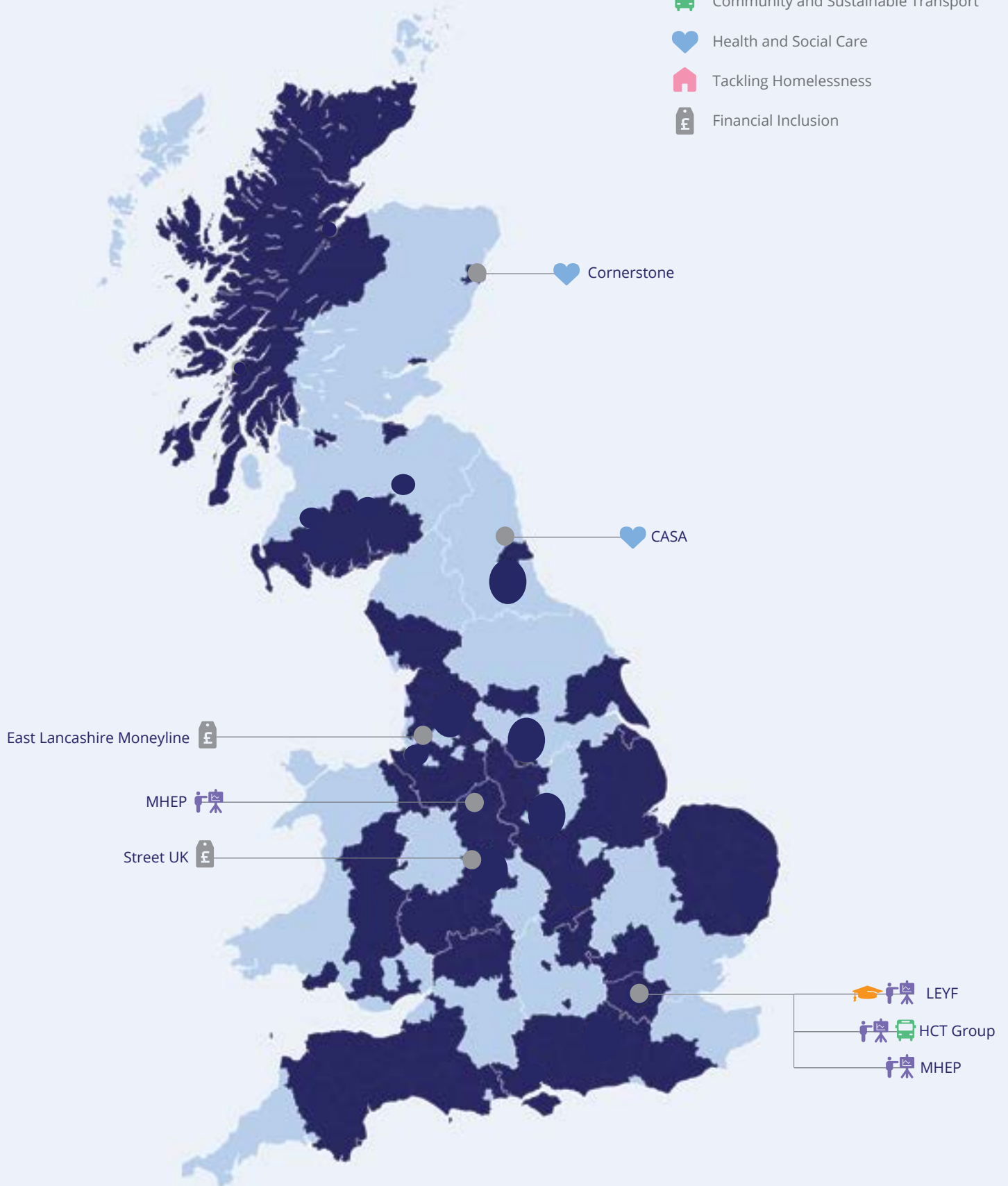
December 2015
HCT Group £1,300,000

March 2016
Street UK £500,000

March 2017
Cornerstone £500,000

GEOGRAPHY OF INVESTEEES

-  Employment and Training
-  Education and Learning
-  Community and Sustainable Transport
-  Health and Social Care
-  Tackling Homelessness
-  Financial Inclusion



FUND INFORMATION

General Partner

Big Issue Social
Investments Limited
113-115 Fonthill Road
London
Great Britain
N4 3HH

Directors of the General Partner

Ron Sheldon (Chair)
Stephen Howard
Nigel Kershaw
John Montague

Manager

Big Issue Invest
Fund Management Limited
113-115 Fonthill Road
London
Great Britain
N4 3HH

Directors of the Manager

Ron Sheldon (Chair)
John Gilligan
Daniel Godfrey
Nigel Kershaw
Edward Siegel

Investment Advisory Committee

Ron Sheldon (Chair)
Mairi Johnson
Kate Markey
John Montague
John Pulsinelli
Jeremy Rogers
Edward Siegel
Georg Stratenwerth

Limited Partnership Registration Number

LP013721

Registered Office

113-115 Fonthill Road
London
Great Britain
N4 3HH

PERFORMANCE SUMMARY

HEADLINE RESULTS FOR 2016-17



7

CURRENT INVESTMENTS

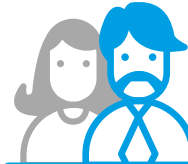


MORE THAN



550,000

PEOPLE HAVE BEEN SUPPORTED BY OUR INVESTEEES



4,000 +

PEOPLE RECEIVED PERSONAL CARE AND SUPPORT



4,139

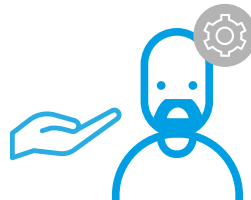
CHILDREN RECEIVED HIGH QUALITY NURSERY EDUCATION AT

38

NURSERIES AND

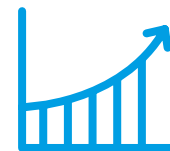
43%

OF THESE CHILDREN RECEIVED FINANCIAL SUPPORT TO ATTEND



559

PEOPLE ARE GAINING SUPPORT WITH THEIR MENTAL HEALTH AND WORKING TOWARDS RETURNING TO EMPLOYMENT



23,920

ETHICAL LOANS ISSUES TO LOW INCOME CUSTOMERS

£11.3 MILLION

ISSUED TO LOW INCOME CUSTOMERS

£4.7 MILLION

SAVED FOR LOW INCOME CUSTOMERS

NUMBER OF INVESTEES SUPPORTING THE FOLLOWING GROUPS*

* Investees often focus on multiple target groups



NUMBER OF INVESTEES FOCUSING ON THE FOLLOWING OUTCOME AREAS*

* Investees often target multiple outcome areas



SOCIAL OUTCOME AREAS



EMPLOYMENT AND TRAINING

Why is this a priority?

Unemployment in the UK is at its lowest in 11 years¹ but there are still significant problems in the labour market that are contributing to poverty and inequality. Youth unemployment is a particular concern. It peaked in 2012 and is now on the decline but remains unacceptably high with 11.8% of 18-24 year olds unemployed² and 10.5% of 16-24 year olds lacking any qualifications.³ It's not just employment that counts, but quality employment. Three in 10 people living in income poverty who move into employment remain in income poverty even once they are earning.⁴



EDUCATION AND LEARNING

Why is this a priority?

Education is the single biggest lever at a young person's disposal to help them secure quality employment, a good income and all the attendant health and wellbeing benefits. The attainment gap between children from different socio-economic groups starts early with poorer children, those with Special Educational Needs and children from certain ethnic groups lagging behind in school readiness. High quality early years education is particularly important for setting children on a course to academic success⁵ but it's never too late to intervene; children can be effectively supported to success at any age.



HEALTH AND SOCIAL CARE

Why is this a priority?

Health and social care services affect us all but there is a 'social gradient' in health; meaning that access to services and quality of care are problems which affect more disadvantaged members of society. The social care system in particular is struggling to deliver under the pressure of funding cuts and demographic change and has widely been considered to be 'in crisis' for some years now. Recently, the Care Quality Commission has publicly declared concerns about the state of the social care market and declared it to be close to 'tipping point'. New cost effective models of delivery that work for both providers and service users are urgently needed.

¹ UK Labour Market Statistical Bulletin, Office for National Statistics, September 2017

² Youth Unemployment Statistics, Briefing Paper Number 5871, House of Commons Library, 13 September 2017

³ 2011 Census Analysis, Local Area Analysis of Qualifications Across England and Wales, Office for National Statistics, March 2014

⁴ Poverty and Employment Transitions in the UK and EU, 2007-2012, Office for National Statistics, March 2015

⁵ Literature Review of the Impact of Early Years Provision on Young Children, With Emphasis Given to Children From Disadvantaged Backgrounds, Melhuish, E., Institute for the Study of Children, Family and Social Issues, National Audit Office



COMMUNITY AND SUSTAINABLE TRANSPORT

Why is this a priority?

Personal transport is a vital component of our social and economic infrastructure, keeping us connected with friends, family, work and leisure. However, the mainstream transport system doesn't work for everyone. People who can't afford a car, who are older, disabled or find public transport difficult to use can find themselves locked out of opportunities because they lack realistic transport options. Sustainable community transport aims to fill these gaps by providing a wider range of transport options that are both user and environmentally friendly.



TACKLING HOMELESSNESS

Why is this a priority?

Homelessness is a big, complicated issue. It is often triggered by personal crises like the loss of a job or breakdown of a relationship. However, there are also wider structural causes like the high cost and low availability of rental property. Rough sleeping is the most visible form of homelessness but it is a much wider problem encompassing people living in hostels, B&Bs and sofa surfing with friends. Lack of a secure base is often wrapped up with a range of other problems including social isolation, health problems and unemployment.



FINANCIAL INCLUSION

Why is this a priority?

Financial inclusion means having access to the financial services we all need to manage our money, absorb unexpected costs and smooth out big expenses over time. Nearly two million adults in the UK don't have a bank account⁶, potentially locking them out of useful services like overdrafts and short-term affordable credit. Financial exclusion affects all sorts of people, often those with low and unstable incomes. One of the results of financial exclusion is the 'poverty premium,' where low income families pay up to £1,300 a year more for goods and services⁷ – an unnecessary additional charge on those who can least afford it.

⁶ Improving the Financial Health of the Nation, Report of the Financial Inclusion Commission, March 2015

⁷ The UK Poverty Rip-Off: The Poverty Premium 2010, Save the Children, January 2011

REVIEW OF INVESTMENTS



Care and Share Associates (CASA) One Limited

Date of investment

November 2015

Investment

£820,000 fixed rate loan

£796,956 outstanding as at 31 March 2017

Target population

Disabled people, people with long-term conditions, older people, children, people who are long-term unemployed.



Health and social care



Employment and training

Social mission

Improving the quality of life for its service users through the provision of high quality care that allows them to stay in their own homes. CASA is a beacon of employee ownership and a game changer in health and social care.

Number of people benefitting

CASA supported 2,015 clients in 2016-17 and employs 1,000 staff, many of whom were previously unemployed.

Business overview and investment thesis

Care and Share Associates (CASA) is the leading employee owned domiciliary care company operating in the North of England. Established in 2004 as a social enterprise, CASA has a track record of generating strong year-on-year revenue growth and impact. The company is employee-owned which contributes to higher standards of care. The company invests heavily in training and employs a dedicated staff engagement officer. Staff turnover, a key driver of service quality, is significantly below industry average. CASA provides domiciliary care in some of the largest metropolitan areas in the North of England, including Newcastle, Manchester, Leeds and Liverpool, and covers a wider patch from Merseyside to North Tyneside. In each area, the company works closely with Local Authorities and Clinical Commissioning Groups to deliver wide ranging comprehensive home-based health and social care services to older people, disabled people (including children) and those with learning difficulties. At the heart of its ethos, CASA believes in supporting people to live in their own homes, in the way they choose, with as much independence as possible.

Recent developments

CASA continues to generate impressive growth in volume of service delivery and turnover, CASA is two years in to an ambitious five-year plan to double the size of the company and is on course to deliver ahead of schedule. This has been achieved by winning tenders to deliver care for new local authorities, the latest success story being the addition of Liverpool, and building volume within existing contracts. Turnover for the year to December 2016 exceeded £13 million having increased 22% year-on-year.

Social impact

Throughout 2016-17, CASA invested heavily in technology to make better use of real-time data. It has developed the use of "Roadrunner" software that links CASA's care management system to employee's smart phones, allowing for real-time monitoring of care calls and communication of key performance indicators with employee-owners.



This investment in technology has supported CASA to maintain a high standard of delivery during a period of rapid expansion. Despite delivering over 1 million hours of care, late and missed calls have been kept to a minimum and all CASA branches are rated “Good” by the Care Quality Commission.

CASA continues to work on developing better understanding of its social impact including seeking ways to measure both staff and client satisfaction as well as its broader impact on communities through job and wealth creation.

CASA's target outcomes:

- Service users experience improved physical health;
- More older people are able to manage their mental health and live a self-fulfilled independent life;
- Increased number of job seekers enter and sustain employment;
- Improved well-being and self-reliance for individuals concerned.

Indicator	Q4 2015-16	Q4 2016-17	Commentary
Total number of visits	231,599	1,133,917	Taken together these indicators give a sense of the scale of the organisation which is growing rapidly.
Total hours of care delivered	214,321	1,019,234	
Number of service users	-	2015	
Late calls	6749 (<3% of visits)	31,461 (2.7% of visits)	These indicators are key markers of quality of care. CASA aims to keep its care consistent and punctual as a marker of good service.
Missed calls	33 (0.01% of visits)	75 (0.01% of visits)	
Client satisfaction	-	-	CASA is developing measures of client and staff satisfaction to better understand the outcomes of the care provided.
Staff satisfaction	-	-	

*Data for 2015-16 only available for the final quarter (start of the investment period)



Cornerstone

Date of investment

March 2017

Investment

£500,000 fixed rate loan

£500,000 outstanding as of March 2017

Target population

Disabled people, people with long-term conditions, older people, children.

Social mission

To deliver high quality care and support that enables everyone to live a valued life – the life they choose.

Number of people benefitting

During 2016-17 Cornerstone delivered services to over 2,052 people.



Health and social care

Business overview and investment thesis

Cornerstone Community Care operates with a person centred approach and identifies and measures outcomes for everyone the charity supports based on four key areas: increased social inclusion, improved health, improved independence and improved wellbeing. Cornerstone achieves this through the provision of a wide range of services focussed on the needs of the people the charity supports. The Fund's investment is enabling Cornerstone to improve business processes and systems through development of the 'Brighter Futures' project.

Recent developments

Cornerstone has developed an ambitious new strategic plan for 2017-2020, called 'Local Cornerstone'. This new strategy has been designed to embrace the challenges and opportunities presented by the changing sector, and aims to position Cornerstone for continued success and a sustainable future. Inspired by 'Buurtzorg' in the Netherlands, Cornerstone is introducing the concept of self-organised teams and embracing a culture of coaching and mentoring. Buurtzorg operates using a highly successful model which challenges the current ways of providing social care.

As one of the Scottish Government test sites for introducing Buurtzorg principles to Scotland Cornerstone has the support of many of its commissioning authorities to test this model in its areas. This is a significant shift in their current model and Big Issue Invest are delighted to be able to support such a high profile charity looking to innovate in social care provision in a way that puts the people they support at the centre of everything.

Social impact

Cornerstone works with each individual client to carry out a "My Goals" assessment which is used to plan, monitor and manage care. The organisation is developing processes to aggregate this information to gain a broader understanding of its achievements with its clients as a group.

Cornerstone's target outcomes:

- Service users experience improved physical health;
- More older people are able to manage their mental health and live a self-fulfilled independent life.

“The investment from Big Issue Invest to support the investment in new technology will enable us to streamline our systems and processes and reduce manual paperwork. This will help to ensure we maximise that level of funding which can be directed to the provision of front line services”.

- *Cornerstone*



Key Performance Indicator	Performance in 2016-17	Commentary
Number of people supported	2,052	Continuity of care is vital in care services. Seeing the same face every day can make all the difference to feeling valued and supported. Staff absences and high turnover disrupt care and reduce service quality
% annual staff turnover	13.4%	
Staff lost time rates	4.2%	
Percent of customers who feel that Cornerstone makes a positive difference to their lives	86%	Results from this first survey will act as a baseline against which future trends will be measured
% of Care Inspectorate assessments rated 5 (Very Good), or 6 (Excellent) for Quality of Care and Support	71%	Cornerstone has met the commissioner's target of 70% services rated Very Good or above for Quality of Care. Scotland-wide 64% of CI inspected services are rated Very good or higher and 94% are rated good or higher for Quality of Care
% of Care Inspectorate assessments rated 4 (Good), 5 (Very Good) or 6 (Excellent)	100%	

 @CornerstoneScot

www.cornerstone.org.uk



East Lancashire Moneyline

Date of investment

November 2015

Investment

£2,050,000 fixed rate loan

£2,050,000 outstanding at 31 March 2017

Target population

People with low incomes



Social mission

The relief of poverty by provision of appropriate financial services, promotion of financial inclusion and debt advice services.

Number of people benefitting

Moneyline served 4,804 new customers in 2016/17.

Business overview and investment thesis

Moneyline, established in Blackburn in 2002, provides unsecured personal microfinance loans to marginalised customers who are typically unable to access mainstream financial services. Loans are provided responsibly and transparently at far cheaper rates than customers would be able to access from mainstream 'doorstep' lenders. Moneyline also provides savings accounts together with debt advice to promote financial independence and help customers break the cycle of indebtedness. The business operates from multiple branches across the North West of England and Wales and since inception in 2001 has made over 128,000 loans totalling more than £68 million in value and generating £8.5 million in savings deposits. The Fund's capital is being used to help fund growth in the loan book, reaching more customers and reducing their reliance on unethical and high cost lenders.

Recent developments

Following limited loan book growth in 2015, new capital raised in 2016 has enabled Moneyline to increase lending volumes, and effective arrears reduction strategies have kept bad debts low; together driving profitability. The business's customer base continues to grow, driven by cuts to welfare provision and a shrinking payday lender

market as increased regulation has forced out a large number of the more unscrupulous operators. Moneyline is an established Community Development Financial Institution (CDFI) and continues to play a prominent role in shaping how the ethical lending market develops.

Moneyline is currently in the midst of a long-term strategy implementation involving significantly expanding its established branch-based lending model via the addition of new telephone and digital distribution channels.

Social impact

Moneyline experienced a dip in outputs in 2015-16 due to financial constraints prior to SEIF II investment. Since investment, outputs have increased significantly, allowing Moneyline to further fulfil its mission. The increase in new customers seen this year is particularly encouraging, demonstrating Moneyline's ability to draw customers away from the less ethical sector of the short term lending market. In a recent customer survey, 17% of Moneyline customers said they had used either home credit (e.g. Provident) or a payday lender (e.g. Wonga) in the last 12 months. Moneyline can offer these new customers a cheaper, more appropriate product to meet their needs.



The team will be building on this success over the next three years, reaching out to a new customer base by investing in change and developing its product, channels and people partnerships.

Moneyline's target outcomes:

- Improved access to appropriate and affordable financial products for people who cannot access mainstream financial services;
- Improved access to appropriate support and advice for people who cannot access mainstream financial services.

Indicator	2014-15	2015-16	2015-17	Change 2015-16 to 2016-17	Commentary
Gross lending £	£8,738,269	£8,313,655	£8,683,290	+ 4%	Amount lent and number of loans, together give us a sense of the scale and reach of the organisation
Number of loans	19,295	16,767	16,510	- 2%	
Number of new customers	5,651	3,374	4,804	+ 42%	New customer numbers are important as they demonstrate the extent to which the organisation is reaching new markets effectively
Percentage of female customers	73%	73%	71%	- 2pp	Low income women are particularly under-served by financial markets. This figure demonstrates the organisation's ability to effectively reach its target audience.
Interest savings vs. home credit	£2,686,447	£2,863,585	£2,686,606	- 6%	Moneyline provides an alternative to less scrupulous lenders e.g. home credit. This figure demonstrates the £ value of shifting customers to a more ethical lender.



www.moneyline-uk.com



HCT Group

Date of investment

December 2015*

Investment

£1,300,000 fixed rate and revenue participation loan

Target population

Older people, disabled people, people with low incomes, long-term unemployed



Community and Sustainable Transport



Employment and training

Social mission

HCT's mission is to enhance people's lives, provide opportunities and bring people and communities together through transport and training.

Number of people benefitting

HCT delivered a total of 232,841 individual passenger journeys to disadvantaged individuals over the course of 2016/17 and delivered a range of other services to disadvantaged individuals.

Business overview and investment thesis

HCT is a flagship UK social enterprise, using the revenues generated from providing public bus services to reinvest into community transport services and skills training programmes. HCT has developed a theory of change for its operations and produces a comprehensive annual social impact report that can be downloaded from its website. The group is continuously developing and sharing innovative approaches to maximising and measuring its impact.

Recent developments

The investment has been used to fund new contract opportunities, a depot redevelopment, new fleet and bolt-on acquisitions to enable HCT to continue scaling its impact. HCT has continued to grow, winning repeat business from existing customers and securing new opportunities from new contracts and mergers. 2016-17

revenues reached £49m (2016: £44m), benefiting from new these new opportunities, which included the merger with Social Access (formerly Bristol Dial-a-Ride) and new TfL routes. Profit margins have been slightly affected by a shortage of drivers in London requiring temporary use of agency staff and an increase in insurance premiums, but net income increased to £0.5m (FY16: £0.4m). HCT launched a Travel Training 'payment by results' scheme in 2016-17, with local authorities paying HCT for children with special educational needs to travel independently on public transport and improve their quality of life.

The 2017 Bus Services Act is a major development for HCT. It allows local authorities to franchise bus services in their area to encourage access and competition. The full impact of this opportunity will become clearer during the financial year 2017-18.

* HCT Group is also a SEIF I investee.

Social impact

The HCT Group places a strong emphasis on monitoring, evaluating and developing its social impact. HCT is a leader in the social enterprise sector in terms of impact measurement and reporting, producing high quality annual impact reports that demonstrate their social value and highlight learning to be taken on board for the year ahead.

HCT tracks a suite of indicators to understand its impact in different areas and regularly reviews its data collection to ensure the correct information is being tracked in the right way. Results for 2016-17 have been varied due to

changes in apprenticeship funding affecting the Learning Centre and delays in the start of the payment by results Travel Training scheme, however improvements are expected over 2017-18.

HCT's target outcomes:

- People with mobility difficulties have better access to services and the places they wish to visit;
- Increase in qualifications and (hard) skills necessary to find employment;
- Increased number of job seekers enter and remain in employment.

Indicator	2014-15	2015-16	2016-17	Change 2015-16 to 2016-17	Commentary
Profit invested back in to community activities	£0.1m	£0.1m	Unknown	-	Data unavailable for the most recent year
Passenger journeys provided to community groups	-	123,716	101,018	-18%	2015-16 data re-stated to reflect new methodology
Passenger journeys provided to individuals	224,324	242,960	232,841	-4%	
Individuals trained to travel independently	106	126	68	-46%	Lower than expected results due to delays in the start of the travel training contract
Individuals gaining qualifications as a result of training/support by HCT	634	497	691	+39%	
Unemployed people gaining jobs as a result of training/support by HCT	114	203	132	-35%	Changes to apprenticeship funding have affected job entries

London Early Years Foundation (LEYF)

Date of investment

November 2015*

Investment

£250,000 fixed rate loan.

Full amount outstanding at 31 March 2017

Target population

Children, people with low incomes



Employment and training



Education and learning

Social mission

LEYF's mission is to change the world one child at a time through the provision of early years education; giving children from all backgrounds the best chance of being happy, healthy and successful and enabling parents to work.

Number of people benefitting

In 2016-17, 4,139 children attended LEYF nurseries.

43% of these children benefitting from free or subsidised places.

Business overview and investment thesis

Originally founded in 1903, LEYF is a highly regarded social enterprise that operates 38 nurseries in London with a particular focus on offering high quality early years education to children from low income homes. It operates a hybrid model with places paid for at market rates subsidising 'free' places for disadvantaged children. Local authority funding is intended to pay for 15 hours nursery care for all three and four year olds and 40% of the most disadvantaged two year olds. However typically the amount paid per child does not cover the cost of a place. Many nurseries either do not participate in the scheme or charge for additional hours, making these 'free' places either inaccessible or unaffordable to the most disadvantaged children and parents. Therefore the hybrid model allows LEYF to maximise its social impact by targeting services towards those children who have no other quality early years option.

Quality of education is of paramount importance with a holistic, tailored curriculum in place with significant

input and help from parents and the local community to ensure that children have the best possible early years' experience. This focus on quality is demonstrated by the fact that 100% of the nurseries within the portfolio are rated as 'Outstanding' or 'Good' by OfSTED and 95% of parents stated they were happy with the service provided.

Recent developments

LEYF is the largest early years childcare social enterprise in the UK, having experienced rapid growth and expanded across 14 new nursery sites between 2013 and 2016. Following this period of significant growth, the charity is focused on delivering quality and impact across all of its 38 nurseries. LEYF continues to face a number of challenges in its marketplace, notably changes to qualification requirements for individuals looking to work in childcare, which has negatively impacted on LEYF's ability to recruit apprentices. The organisation is making good progress in addressing many of the issues it faces, including these challenges around recruitment.

* LEYF is also a SEIF I investee since May 2014.



Social impact

The LEYF theory of change is based around four key drivers of child development: dosage, duration, quality of provision and quality of home learning environment. LEYF describes these four levers as the 'Magic Sum' and has developed a set of weighted KPIs to track progress in each of these areas. LEYF tracks a more detailed scorecard monthly, which is reviewed on an ongoing basis by the Board's social impact sub-committee. Data for 2016-17 was unavailable at the time of publication but can be provided on request.

Target outcomes:

- Increased provision of high quality early years learning and education in low-income communities
- Increase in qualifications and (hard) skills necessary to find employment
- Increased number of job seekers enter and sustain employment

The 'Magic Sum'	Progress towards the 'Magic Sum' in 2014/15	Progress towards the 'Magic Sum' in 2015/16	Change from 2014/15 to 2015/16
Dosage: optimal target for child development is 15-30 hours per child per week	Average hours per week attended: 24.8	Average hours per week attended: 24.5	Decrease away from optimal dose
Duration: optimal target for child development is > 36 months per child	Average number of months attended by leavers: 12.3	Average number of months attended by leavers: 14.4	Increase towards optimal dose
Quality of provision	92.3% of LEYF nurseries rated 'Good' or 'Outstanding' by OfSTED 88% parents willing to recommend LEYF to others	100% of LEYF nurseries rated 'Good' or 'Outstanding' by OfSTED 88% parents willing to recommend LEYF to others	Improved performance
Quality of home learning environment	LEYF is developing measurement tools in this area	LEYF is developing measurement tools in this area	N/A



Mental Health and Employment Partnership

Date of investment

November 2015

Investment

£400,000 Social Impact Bond

£400,000 outstanding at 31 March 2017

Target population

People with mental health needs, people who are long-term unemployed



Employment and training

Social mission

To provide support to individuals living with severe mental health illness to help them achieve competitive, paid employment through Individual Placement and Support (IPS) services.

Number of people benefitting

MHEP aims to engage 2,624 people over a three and a half year period. 559 individuals had engaged with the service by March 2017.

Business overview

Mental Health and Employment Partnership (MHEP) is the first Social Impact Bond (SIB) designed to support individuals with severe mental health issues into fulfilling work as an integral part of their treatment. Over three and a half years, the programme aims to work with 2,624 people three local authorities (Haringey, Tower Hamlets and Staffordshire). This is a payment-by-results contract co-commissioned by The Cabinet Office and the Big Lottery Fund, with outcome payments generated by achieving prescribed outcomes linked to three areas: initial engagement, entry into employment, and employment sustainment.

There are 4.8 million people with a health condition or disability in the UK who are not in work. The employment rate of working age adults who are accessing secondary mental health services is just 7%, however 90% of these people state that they would like to work. While unemployment in the UK has fallen overall, the number of people claiming Employment and Support Allowance and Incapacity Benefit has risen by 15%. MHEP is

utilising an intervention based on Individual Placement and Support (IPS) principles, whereby work is used as a fundamental part of a person's treatment, rather than the traditional model of treatment and stabilisation followed by employment. IPS is based around a set of eight simple principles that include a focus on rapid job search, securing paid work, employment support integrated into clinical teams and provision of ongoing in-job support.

There is now very strong international evidence that 'place then train' models – and IPS in particular – are much more effective than traditional approaches (such as vocational training) in successfully getting people into work.

Recent developments

The initial investment was made in November 2015, in advance of the programme beginning operation in April 2016. The programme has seen considerable interest from other commissioners and MHEP, with SEIF II support, is exploring expansion into other areas of the UK.



Social impact

MHEP has found that referrals have taken longer to accumulate than anticipated, but conversion of referrals to outcomes has been higher than expected. This gives further confidence in IPS as an effective support mechanism for people with mental illness to enter employment. As the MHEP services become more established there should be a considerable increase in the numbers of people supported to job outcomes.

As well as the direct impact of the investment, MHEP has encouraged sector-wide learning and capacity-building for service provider organisations. The programme is being subjected to rigorous evaluation by the Behavioural Insights Team (BIT) - a social purpose research company co-owned by the Government and NESTA, dedicated to redesigning public services. MHEP and the Centre for

Mental Health are co-hosting a learning session for IPS providers in October 2017 and the programme evaluation will be shared with DWP and other stakeholders to build the evidence case, and business case, for scaling up IPS in the UK.

MHEP's target outcomes:

- Increased number of job seekers enter and sustain (quality) employment;
- Improved well-being and self-reliance for the individuals concerned.

Indicator	2015-16	2016-17
Individuals engaged	-	559
Jobs started	0	133
Jobs sustained (6 weeks)	0	91
Jobs sustained (6 months)	0	37



Street UK

Date of investment

March 2016

Investment

£500,000 fixed rate loan

£500,000 outstanding as of March 2017

Target population

People with low incomes

Social mission

To tackle financial inclusion and alleviate poverty.

Number of people benefitting

In 2016-17, Street UK issued 7,410 loans to low income customers.



Financial inclusion

Business overview and investment thesis

Street UK was established in Birmingham in 2000 to support financially excluded people in the West Midlands through the provision of short-term credit and related services. A typical customer is a low income, lone parent looking to secure short-term credit to meet a looming financing crisis such as a need to buy a school uniform or repair white goods. Since it was founded, Street UK has advanced more than £15 million, making over 31,000 loans. In 2015-16 women accounted for 72% of the total number of loans advanced, 52% of clients were unemployed with an average client paying a 95% APR with Street UK versus an APR in excess of 400% with some of the other payday lenders.

They are differentiated from high cost payday lenders by carefully assessing affordability; under-cutting competitors with much lower rates; not compounding interest, therefore lowering the risks of spiralling debt; whilst providing financial education and signposting of vulnerable customers to debt advice to help break the cycle of indebtedness.

The Fund's loan has been used to increase the company's loan book via the expansion of their online channel which will ultimately lead to lower client acquisition costs and facilitate an ultimate reduction in cost to clients.

Recent developments

The online offer was launched in the spring of 2016 with the aim of distinguishing between two groups in the target marketplace. The in-branch team remains dedicated to helping those who are most vulnerable and on the lowest incomes. Staff take their time to get to know clients personally and the clients receive credit at the lowest rate Street UK offers. The online offer has a higher APR (201% compared to 95% in-store) and aims to attract clients who are in a relatively stronger financial position. Though these clients can afford a higher interest rate it will still be a fair rate; they are considerably under-cutting most of their online competitors.

Social impact

The new online channel has allowed Street UK to expand its customer base, and further displace customers from the home credit market, resulting in increased savings for low

income families. The Street UK 2016-17 Impact Report will shortly be published on the company's website. It provides an in-depth analysis of how Street UK's lower lending costs and repayment flexibility effect families' ability to budget and successfully manage their finances.

Street UK's target outcomes:

- Improved access to support, advice and appropriate, affordable financial services;
- Improved financial management and ability.



Indicator	2015-16	2016-17	Change 2015-16 to 2016-17	Commentary
Number of loans advanced	6,473	7,410	+14%	Increases in delivery largely due to development of the online platform customer base.
Amount advanced	£2,300,000	£2,634,550	+15%	
Interest savings (compared to home credit)	£1,500,000 (£245 per customer)	£2,072,844 (£280 per customer)	-	- Based on comparison to APR of doorstep lender Provident.
Percentage of customers who agree that Street UK's advice and support helped them manage their finances better	-	-	-	Data not available at time of publication. To be published in Street UK's 2016-17 Impact Report.
Percentage of customers who agree that Street UK's repayment flexibility makes it easier for them to repay their loan	-	-	-	

DIRECTORS & INVESTMENT ADVISORY COMMITTEE

DIRECTORS OF THE GENERAL PARTNER

Ron Sheldon (Chair)

Ron was a Managing Director of Advent International, a leading private equity firm until he retired. Ron has over 30 years' private equity experience. He worked with Advent International for 15 years. Previously, he co-founded Trinity Venture Partners and had various investment roles at 3i. Ron serves as Chair of the General Partner Board and the Investment Advisory Committee.

Stephen Howard

Stephen recently joined Thames Reach as Chairman having recently retired as Chief Executive Officer of Business in the Community after 11 years. Stephen has held a number of executive roles including Chief Executive Officer of Cookson Group plc and Chief Executive of Novar plc. Stephen was recently appointed Chairman of Power to Change and is also Chairman of the National Schools Partnership, Chairman of Anthemis Institute, Trustee of Big Society Trust, Trustee of American International Church and Director of Thanda UK.

Nigel Kershaw OBE

Chair, The Big Issue Group

Nigel is a leading social entrepreneur and advocate of social enterprise. He has first-hand experience of building social enterprises as profitable businesses since 1974, including as Managing Director, Executive Chairman and Chairman of The Big Issue since 1995. In 2010, Nigel received an OBE for his services to social enterprise.

John Montague

Managing Director, Big Issue Invest

John has worked in the social enterprise and housing sectors for the last 15 years. John established and grew TREES, a £9 million multidisciplinary social enterprise. In 2012 he joined BII to help launch its early stage investment programme, Corporate Social Venturing (CSV). Before this, John led the SPARK programme, a precursor to CSV, in partnership with BII.

INVESTMENT ADVISORY COMMITTEE

The Investment Advisory Committee is comprised of **Ron Sheldon, John Montague, Edward Siegel** and:

Mairi Johnson

Mairi has a diverse background spanning entrepreneurial ventures, finance and technology in the healthcare, finance and banking industries. Mairi was Executive Director for Healthbox in Europe. Her professional experience also includes tenures as an Executive Director at Goldman Sachs and as an Associate at Lehman Brothers.

Georg Stratenwerth

Georg works as a Senior Advisor to Pillarstone. He spent most of his career in Private Equity, from 2003 to 2016 as a Partner with Advent International and from 1993 to 2003 he worked for JP Morgan Partners. Before JP Morgan, he worked as a management consultant at Mercer Management Consulting and Roland Berger & Partner. Georg is a trustee on the Board of Client Earth and also serves on the Board of CASA. He is also a member of the Ashoka Support Network.

Kate Markey

Kate Markey is Divisional Director of Employment Services at The Forward Trust, a social enterprise operating in the criminal justice sector. Kate is also a board member of ERSA, the trade body for the employability sector; VoiceAbility, the national advocacy charity; and a member of the Advisory Council of Big Society Capital, the wholesale social investment.

John Pulsinelli

John has spent his career running high-technology businesses. He then began applying his business skills, honed from 33 years' experience in the private sector, to a portfolio of interests that includes the social enterprise sector.

Jeremy Rogers

Jeremy was at JP Morgan from 1998 to 2008 where he set up their successful European High Yield and Distressed debt group. Jeremy was promoted to MD in 2005, at the time the youngest MD in JP Morgan. Jeremy is now Chief Investment Officer for Big Society Capital. He is also involved with social enterprises Ashoka and Pilotlight.

BIG ISSUE INVEST FUND MANAGEMENT TEAM

BIG ISSUE INVEST FUND MANAGEMENT TEAM

Edward Siegel

Managing Director

Edward has over 30 years' experience in private SME and social enterprise investment. He spent the early part of his career in commercial banking, mainly with Credit Suisse. Prior to joining BII in November 2008, Edward was Vice President and Head of the Small Business Banking practice at ShoreBank International, the international consulting division of ShoreBank, and headed the company's London office.

Katy Jones

Investment Director

Katy has 14 years' experience in direct investment, corporate finance and impact investment. She started her career in investment banking with RBS and UBS, focusing on leveraged and structured finance. She transitioned to the impact investment sector in 2013 and has structured and advised on innovative debt, equity and outcomes-based investments in the UK and emerging markets for Social Finance, Varthana and ClearlySo.

James Salmon

Investment Director

Prior to joining the Big Issue Invest, James was a Director at RBS, working within the leverage finance team, responsible for originating and executing transactions of private equity backed UK mid-market corporates. Before RBS, James was at PricewaterhouseCoopers where he qualified as a chartered accountant.

Madeleine Thornton

Social Impact Manager

Madeleine joined Big Issue Invest in June 2015. Her role at BII is to support investees in develop their social impact practice and to lead on the measurement, analysis and reporting of BII's social impact. Madeleine began her career working in housing and social security before moving into the charity sector. Prior to joining Big Issue Invest, she was responsible for evaluating services at the children's charity Buttle UK.

Lars Hagelmann

Investment Director

Lars has over 15 years' experience in direct investment and investment management. He started his career in Berlin with BDO in the Corporate Finance Team before moving to London to work for SISU Capital, sourcing and managing direct Private Equity investments. Lars worked in the Middle East managing investments into education and healthcare before joining BII as an Investment Director.

Annie Minter

Investment Manager

Annie joined Big Issue Invest in 2014. Before this Annie spent over four years at Kreos Capital, a growth finance investment fund, where she was involved in screening, due diligence and ongoing monitoring of investments from both a debt and equity perspective. Annie has been involved in most of Big Issue Invest's Social Impact Bond investing to date.

Cressida Miller

Social Impact Manager (maternity cover)

Cressida joined BII in 2016 on a maternity cover as Social Impact Manager. Cressida started her career in the NHS and has worked for domestic and international charities for the last ten years. She has an interest in the use of evidence for quality improvement. Before joining, Cressida worked for Macmillan Cancer Support commissioning and managing funded research projects.

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