



Big Issue Invest Fund Management
Social Enterprise Investment Fund L.P.
Annual Review

For the year ended 31 March 2018



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Our Mission

To dismantle poverty by creating opportunity, through self-help, social trading and business solutions.

Our Values

We believe in prevention

We invest in and partner with organisations that tackle the root causes of poverty and inequality.

We believe in social enterprise

We create and support business solutions that provide organisations with the tools they need to make a positive impact in people's lives.

We believe in working together

We work closely with our investees and seek to build long-term relationships. This enables us to offer tailored support and solutions.

We believe in doing the right thing

We take risk seriously and manage it prudently. We prize fairness and diversity and always act with integrity.

We believe in innovation

We are bringing the mainstream to social investment. We strive continually to create new business solutions to deliver social change.

Letter from the Chair

This has been another successful year for the Social Enterprise Investment Fund I (SEIF I), Big Issue Invest's first social investment Fund. The Fund is now fully invested and has already returned 40% (£3.7 million) of its original committed capital to investors and made its first annual income distribution. The capital has been used to support 21 remarkable social enterprises across the UK which, in turn, are helping to support over 550,000 beneficiaries with much needed services and products. This pioneering Fund continues to lead the way in showing how investing in social businesses can deliver both financial returns and outsized social impact.

During 2017-18, SEIF I increased disbursements to 95% of the Fund's original committed capital. Investment disbursements during 2017-18 totalled £178,790, bringing the total amount disbursed by the Fund since inception to £8.73 million. No further capital disbursements have occurred or are planned.

We continued to see full repayments of investments, such as SCA Trafalgar and Highland Home Carers. One further investee, Stramash, has made a full repayment of our loan post March 2018. In December 2017, the four Big Lottery 'Fair Chance Fund' investments finalised their delivery programme which enabled SEIF I to support their outcome contracts. They have already achieved great success with two hitting the outcomes payment cap, which are now contributing to the success of this Fund. This also continues SEIF I's pioneering spirit as one of the early supporters of the growing Outcomes-Based Contract sector.

SEIF II continues to make periodic distributions of capital to investors, having returned over £287,178 in the 12 months ended 31 March 2018 and over £3.5 million until 31 March 2018. The Fund made its first annual income distribution in October 2016 of £191,000. Until 31 March 2018, the Fund has returned 40% of original committed capital to investors in the form of capital and income distributions.

I am pleased to report that with the success of SEIF I, its successor Fund SEIF II and the Outcomes Investment Fund, Big Issue Invest Fund Management is now managing £38.3 million as of 31 March 2018. This makes it one of the leading dedicated social investment impact Funds in the UK. I am particularly pleased that the newest Outcomes Investment Fund is gaining real traction. This Fund is focusing on investments into Outcomes-Based Contracts (also known as 'Social Impact Bonds'), a new and rapidly growing segment of the social investment market.

This continued success and growth has given both Big Issue Invest, and the wider UK social investment market, a solid 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. While we are pleased with this progress we are also acutely aware that there is still much work to be done to mainstream impact investing in the UK.

This year has also been one of transition. After a decade of dedicated service, Ed Siegel, the Managing Director of Big Issue Invest, has moved on to head up Charity Bank. We owe a huge debt of gratitude to Ed. He has been responsible for the establishment of most of Big Issue Invest's Funds, has a sector leading track record as a social investor, and has built a strong and dedicated team of social investment professionals.

As with all changes it has opened up new opportunities and I am delighted that Danyal Sattar, a pioneer and an acknowledged leader in the sector, will be joining us as the new CEO of Big Issue Invest in late 2018.

I would also like to thank my predecessor, Ron Sheldon, for the years of dedicated service, support and wisdom he has provided as the Chair of the Investment Committee and Fund Management Board.

Finally, I would like to thank the members of the Investment Advisory Committee, our Fund administration team at NCM Fund Services, the Fund Management 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 achievements this year.

A handwritten signature in red ink, appearing to read 'V. Lindsay', is positioned above the printed name.

Vaughan Lindsay
Chair
October 2018



Fund Description

The Social Enterprise Investment Fund (the 'Fund') was launched in June 2010 to provide creatively structured medium-term growth capital to social enterprises with a clear potential for growth, long-term financial sustainability and high social impact.

The Fund is a closed-ended limited partnership with 22 investors. Big Issue Social Investments Limited is the General Partner. During 2014-15, Big Issue Invest Fund Management Limited gained FCA authorisation and took over the role of Fund Manager. This role was previously carried out by CCLA.

Big Issue Social Investments Limited is 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 Limited is responsible for investment sourcing, due diligence, structuring and monitoring of Fund investments.

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.

Our core impact areas are:

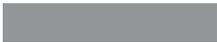
- Employment and training;
- Education and learning;
- Health and social care;
- Tackling homelessness;
- Financial inclusion;
- Community and sustainable transport.

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

Beyond these core impact areas, the Fund has a wider socio-economic impact. It is:

- Creating jobs;
- Enabling economic development in disadvantaged areas;
- Raising the bar on employment standards.

Investor type by number

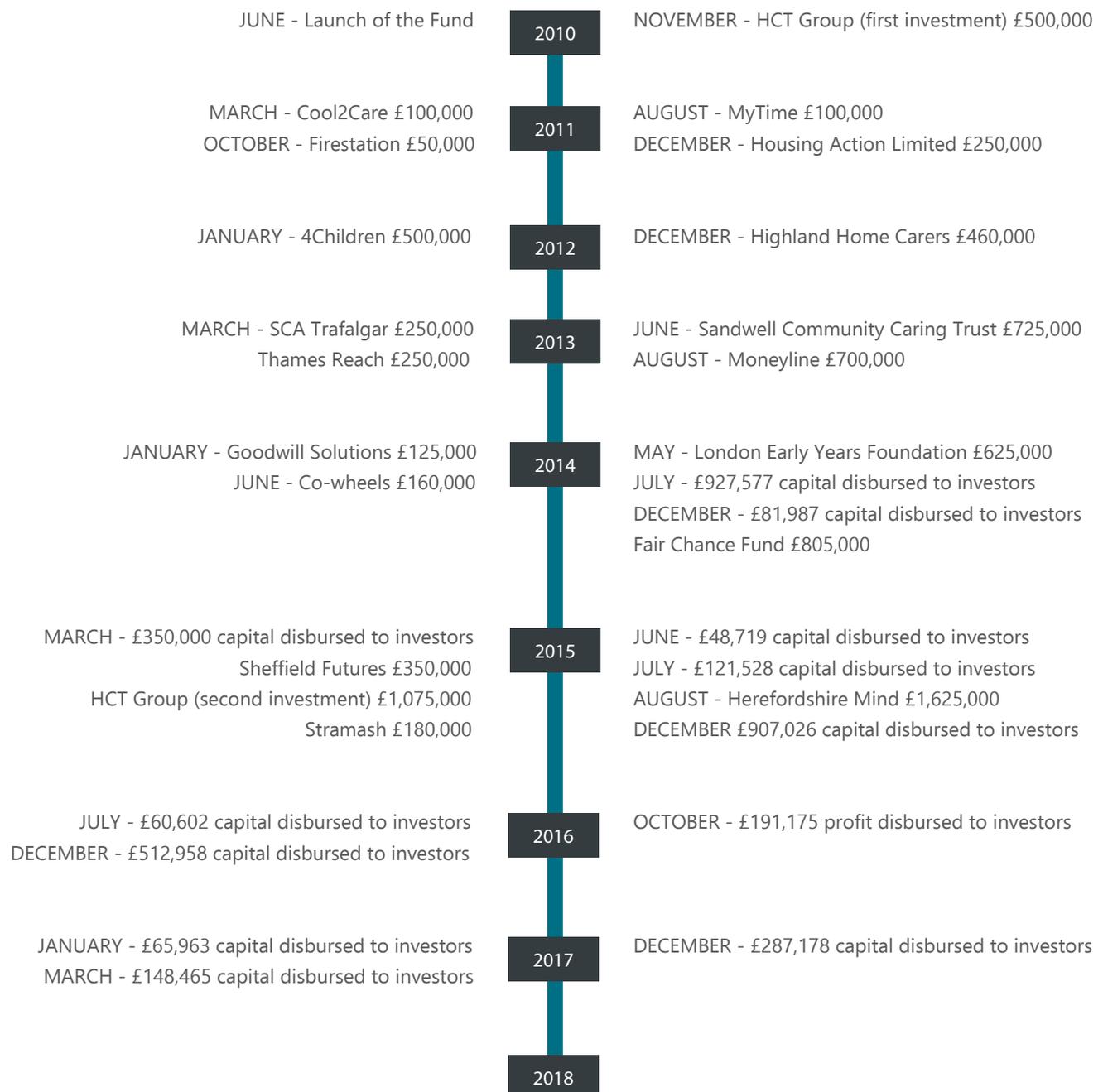
Individuals	9	
Corporates	8	
Foundations and Trusts	5	

Investor type by value

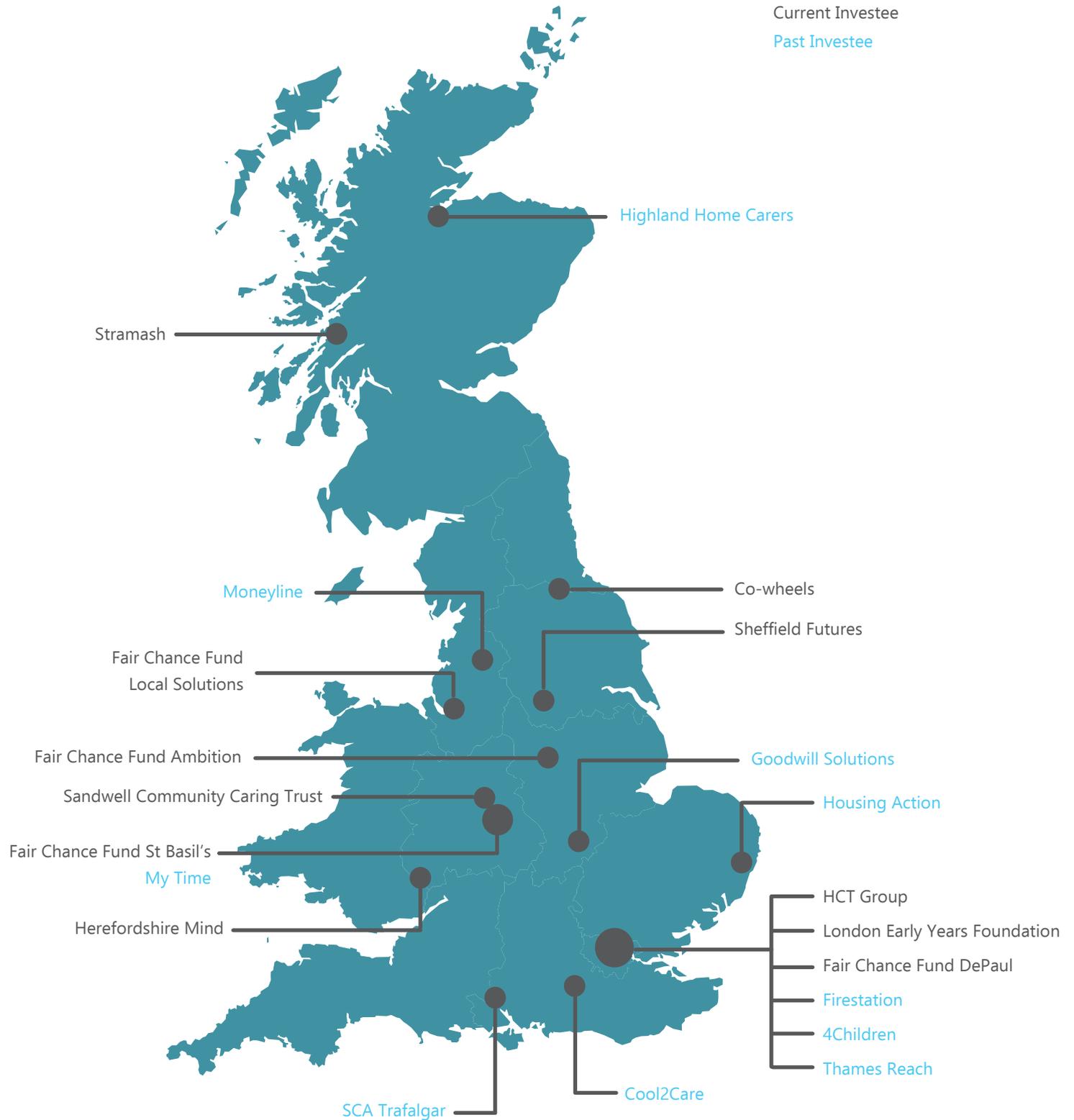
Individuals	12%	
Corporates	57%	
Foundations and Trusts	31%	



Investment Timeline



Geography of Investees



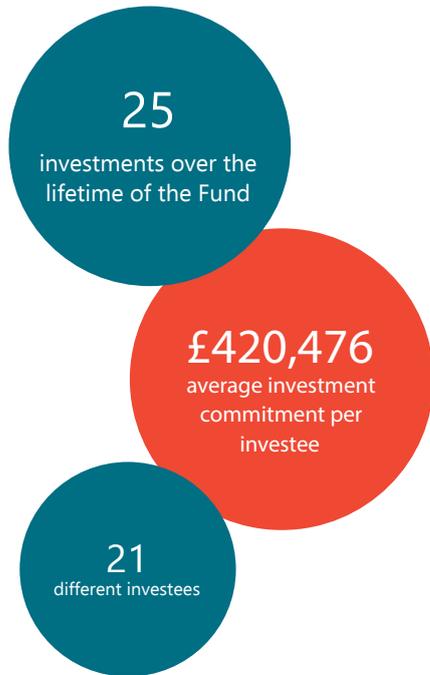
Investment Portfolio

Investee*	Investment Type	Committed Capital
Co-wheels	Fixed Rate Loan & Rev. Part	£160,000
Fair Chance Fund - DePaul	Social Impact Bond	£100,000
Fair Chance Fund - St Basil's	Social Impact Bond	£150,000
Fair Chance Fund - Local Solutions	Social Impact Bond	£300,000
Fair Chance Fund - Ambition	Social Impact Bond	£255,000
HCT Group	Fixed Rate Loan & Rev. Part	£1,075,000
Herefordshire Mind	Fixed Rate Loan	£1,625,000
London Early Years Foundation	Fixed Rate Loan	£625,000
Sandwell Community Caring Trust	Fixed Rate Loan & Rev. Part	£725,000
Sheffield Futures	Social Impact Bond	£350,000
Stramash	Fixed Rate Loan	£180,000
Total		£5,545,000

*as at 31 March 2018



Fund Summary



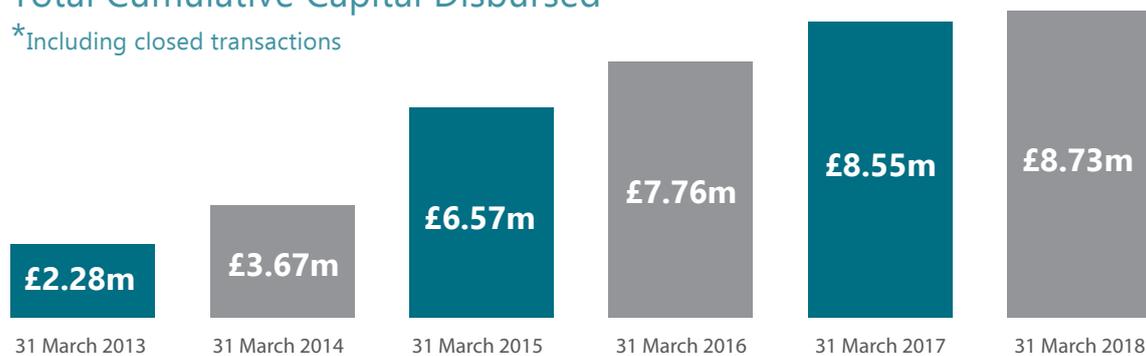
Investees by Target Population

*Investees sometimes target multiple groups

People with low incomes	5	
Young people	4	
Long-term unemployed	4	
People with mental health needs	3	
Older people	3	
People with learning disabilities	2	
People with long-term health conditions	2	
Children	1	
Homeless or ex-homeless	1	

Total Cumulative Capital Disbursed*

*Including closed transactions



Summary by Social Outcome Area

Employment and Training

While unemployment in the UK is low, 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 to 24 year olds unemployed and 10.5% of 16 to 24 year olds lacking any qualifications.

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.

The Fund aims to tackle these problems by creating long-term, stable employment opportunities through the provision of training and skills development, mentoring and jobs. The Fund invests in organisations that can help jobseekers to develop soft skills, increase qualification levels, enter quality employment and ultimately increase well-being.

Our investees are making an impact in this outcome area in a number of ways. The Fair Chance Fund is supporting homeless people to find, enter and sustain training and employment opportunities. Sheffield Futures is supporting at-risk young people to succeed at school and progress into employment and HCT Group provides job-specific training for vulnerable people to get them into the labour market.

Education and Learning

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 success but it's never too late to intervene; children can be effectively supported to succeed at any age.

The Fund has focused on increasing the provision of high quality education available to children and young people from low income families by investing in organisations that plan to:

- Increase the provision of high quality early years education in low-income communities;
- Improve childhood development and life chances for children from disadvantaged backgrounds.

Investee London Early Years Foundation provides access to high quality early years education for children in London who come from low income families. Stramash promotes outdoor education at all ages from outdoor nurseries, to schools to adult education programmes in Scotland.

Health and Social Care

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.

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 much needed.

The Fund has focused on facilitating improvements in the quality and accessibility of health and social care services, particularly for older and disabled people, by investing in organisations that improve health, reduce isolation and support independent living. Sandwell Community Caring Trust is an example of an investee that demonstrates how social enterprise can deliver high quality social care.



Community and Sustainable Transport

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, 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.

The Fund has invested in organisations that develop and improve the provision of community transport and sustainable car use. Investee HCT Group provides a wide range of specialised transport services to meet specific community needs such as rural transport and transport for people with disabilities. Another investee working in this social outcome area is Co-wheels, which provides an environmentally friendly and affordable alternative to car ownership.



Financial Inclusion

Financial inclusion means having access to the financial services needed to manage money, absorb unexpected costs and smooth out big expenses over time. Nearly two million adults in the UK don't have a bank account, 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 services – an unnecessary additional charge on those who can least afford it.

Financial access facilitates day-to-day living, and helps families and businesses plan for everything from long-term goals to unexpected emergencies. As accountholders, people are more likely to use other financial services, such as credit and insurance, to start and expand businesses, invest in education or health, manage risk, and weather financial shocks, which can improve the overall quality of their lives.

The Fund has invested in organisations that enable access to credit, money advice, savings and financial literacy for people who cannot access mainstream financial services.

Tackling Homelessness

Homelessness is a big and 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.

There is no national figure for how many people are homeless across the UK. This is because homelessness is recorded differently in each nation, and because many homeless people do not show up in official statistics at all.

Government street counts and estimates give a snapshot of the national situation. Some of the latest figures showed that 4,751 people slept rough across England on any given night in 2017 - a 15% increase compared to the previous year, and more than double the amount in 2010.

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.

The Fund has invested in organisations meeting immediate shelter needs as well as long-term housing needs while also providing specialist support and services to address the underlying causes of homelessness. An example of an investee working in this social outcome area is the Fair Chance Fund which provides intensive mentoring and support for homeless young people.

Summary by Investee

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HCT Group	24
Herefordshire Mind	26
London Early Years Foundation	28
Sandwell Community Caring Trust	30
Sheffield Futures	32
Stramash	34



 Sandwell Valley School
and
Training Centre
Tel: 0121 679 7522
An independent school for ages 13+ sponsored by Sandwell Community Caring Trust & Bond Wolfe



Co-wheels

Business Overview

Co-wheels is the only independently owned national car club operator in the UK, providing low emission, hybrid and electric cars on a pay-as-you go basis for individuals and organisations.

Headquartered in the city of Durham, Co-wheels is one of the fastest growing social enterprises the UK providing a diverse location range, from city centres to villages. Some car clubs are used by Local Authorities and universities as pool cars for staff, while others focus entirely on being shared cars for residents. Local ownership of operations is encouraged, which are sometimes run as community car clubs or as social franchises.

Co-wheels provides a social return with both environmental benefits and improved social inclusion through the placement of cars in areas with a scarcity of public transport options. In addition, the investment has been structured with an element of fixed return and revenue participation so that the Fund shares financially in the strong growth evident.

Recent Developments

The Co-wheels team looks to create opportunities for innovative projects. They are continually seeking ways to partner with local and national transport operators to integrate services. They are introducing electric vehicles wherever possible, ensuring they are accessible and appealing by introducing a zero-mileage fee. This approach is proving attractive to foreign electronic car manufacturers seeking to establish a foothold in the UK market. Co-wheels is pioneering electric bike hire for employees, with a public access e-bike hire scheme in Bristol. Co-wheels was also the first and only car club to introduce wheelchair accessible vehicles into their fleet.

Social Impact

Co-wheels changes attitudes towards car ownership and patterns of car use and enables people to voluntarily 'kick the habit' of car dependency - reducing the number of cars on the road, helping clear streets and improve air quality in communities. This provides financial and health benefits to individuals and increases options for people experiencing transport poverty. Co-wheels helps people with mobility difficulties to have better access to services and places they wish to visit, while also reducing carbon dioxide emissions.

Investment

£160,000 fixed rate and revenue participation loan
£106,971 outstanding at 31 March 2018

Social Mission

To regulate car usage so everyone can have access to a car, as and when its needed.

Date of Investment

June 2014

Social Outcome Area

Community and Sustainable Transport

Target Population

People with low incomes, disabled people

Route to Impact	Relevant Indicators	2016-17	2017-18
Smarter travel for employees: providing fleets for organisations that need their staff to travel during the day (Local Authorities)	Number of organisations using Co-wheels	337	618
	Number of staff in those organisations signed up to Co-wheels	4,910	6,771
Minimising emissions: reducing unnecessary car use	Percentage of members saying they are less likely to buy a car in the next few years as a result of membership	67%	61%
	Percentage of members saying they drive less since joining Co-wheels	42%	30%
Overcoming transport poverty: providing affordable options for car use	Percentage of Co-wheels members from demographic groups with below average incomes	39%	38%
Community empowerment: enabling communities to take charge of their own transport needs by offering a franchise scheme	Number of community-owned franchises	5	5
	Number of members of community-owned franchises	550	673



Fair Chance Fund

Business Overview

The Fair Chance Fund (FCF) is a Department for Communities and Local Government (DCLG) and Cabinet Office commissioned payment by results (PbR) programme. It seeks to address some of the key social issues contributing to homelessness amongst 18 to 24 year olds. Total funding of £15 million was allocated by DCLG for seven organisations to deliver a series of prescribed outcomes dedicated to helping young people to find and maintain accommodation, education, training and employment over a three year period. The potential impact of FCF is high given the target cohorts are not benefiting from existing statutory services and demonstrate complex, multiple needs.

The Fund made the investment as a Social Impact Bond which is a three-way partnership between public service commissioners, service delivery organisations and investors. Unlike traditional commissioning relationships, payments are conditional on service delivery organisations achieving certain agreed outcomes.

The four investments were:

- Ambition East Midlands; £255,000 into a consortium comprising P3, The Y (Leicester) and YMCA Derbyshire, to work with 409 young people in Leicester and Derbyshire.
- DePaul UK; £100,000 to work with 206 young people in Manchester, Oldham, Rochdale and Greenwich.

- Local Solutions; £300,000 (only £200,000 drawn down) to work with 139 young people in Liverpool and Knowsley.
- St Basil's; £150,000 to support 351 young people across 30 sites in Birmingham and the West Midlands.

The outcomes for this Social Impact Bond are targeted across four broad areas; initial and ongoing assessments, accommodation sustainment, education/training and employment. Higher payments are available depending on the ability to sustain outcomes over increasing time periods. The programme typically involves a period of intensive mentoring, understanding the specific issues a young person faces and sourcing appropriate, sustainable housing in the first instance, before supporting that young person into education or employment based on their preferences.

Recent Developments

The FCF contract came to an end in December 2017 and all four projects have delivered strong engagement, housing, education and training outcomes with some exceeding expectations. Although all the providers are working to the same eligibility criteria, variation in local need has inevitably led to each provider working with a diverse range of young people. Local Solutions is working with a slightly older group with higher rates of mental health and substance misuse problems, whereas DePaul is working with a younger cohort, more likely to have a police record.

Investment

£805,000 in Social Impact Bonds across four projects
£161,969 outstanding at 31 March 2018

Social Mission

To improve the quality of life for young people who are at risk of homelessness aged 18 to 24 who are not currently in employment, education or training.

Date of Investment

December 2014

Social Outcome Area

Education and Learning
Employment and Training
Tackling Homelessness

Target Population

Young people at risk of homelessness

Despite this regional variation, the FCF projects have experienced many common challenges such as securing hard-to-achieve employment outcomes and ongoing issues with retention of staff. They have each adapted their models of delivery in response and as a result, the organisations have developed new ways of working to deliver better outcomes for the young people on the programme who have diverse and complex needs.

The four FCF projects in which the Fund invested, have been successful for the individuals involved and for the delivery organisations.

Social Impact

The FCF delivery partners exceeded targets on all their headline indicators by the end of their contract delivery in December 2017.

The Fair Chance Fund target outcomes were:

- Improved (soft) skills and attitudes (job readiness) for employment;
- Increase in qualifications and (hard) skills necessary to find employment;
- Increased number of job seekers enter and sustain employment.

Indicator	Ambition East Midlands	DePaul UK	Local Solutions	St Basil's	TOTAL
Young people who started the programme	1,059 (target 857)	517 (target 499)	368 (target 353)	751 (target 751)	2,695
Young people who moved into stable accommodation	1,424 (target 1,171)	863 (target 798)	553 (target 493)	1,204 (target 1,129)	4,044
Young people who moved into education or training	237 (target 366)	128 (target 135)	217 (target 198)	417 (target 371)	999
Young people who moved into employment	497 (target 563)	159 (target 151)	108 (target 129)	275 (target 287)	1,039
Overall performance	Target exceeded	Target exceeded	Target exceeded	Target exceeded	



Photo: Brian Kemp

HCT Group

Business Overview

HCT Group is a flagship UK social enterprise, operating a model which uses the revenue generated from providing public bus services to reinvest into community transport services and skills training programmes.

HCT Group safely provides over 30 million passenger trips on its buses every year. It delivers a range of transport services – from London red buses to social services transport, school transport to whole bus networks as well as education and training. The organisation reinvests the profits from its commercial work into further transport services or projects in the community.

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, as they build on their extensive track record of mergers with Community Transport operators, to move beyond the confines of purely organic growth. HCT Group is also currently actively pursuing acquisitions of commercial bus operators; buying bus companies with a view to turning them into social enterprises.

Year end March 2018 revenue increased by 26.7% to £63.2 million on the previous year's £49.9 million, showing HCT benefitted from a full year of the new Transport for London red bus routes and the aforementioned realised merger and contract opportunities. Net income margins remained stable, going from 1.5% in 2017 to 1.3% in 2018 and net income increased from £757,000 to £838,000.

The 2017 Bus Services Act continues to be a major influence on HCT. It allows Local Authorities to franchise bus services in their area to encourage access and competition. A great example is in Manchester, where the Local Authority is setting the pace in terms of bus franchising, and during 2017-18 Manchester Community Transport joined HCT Group, placing HCT in a strong strategic position.

Social Impact

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.

Investment

£1,075,000 fixed rate and revenue participation loan
Full amount outstanding at 31 March 2018

Social Mission

To enhance people's lives, provide opportunities and bring people and communities together through transport and training.

Date of Investment

March 2015

Social Outcome Area

Employment and Training
Community and Sustainable Transport

Target Population

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

HCT has developed a theory of change for its operations and produces a comprehensive annual social impact report. HCT is continually developing and sharing innovative approaches to maximising and measuring its impact.

Dai Powell, CEO says

"Social investment is vital if we are to achieve our goals. The investment has helped us to grow, with turnover increasing by 26.9% last year. As we increase in scale, this in turn lets us have a greater social impact in the communities where we work."

Indicator	2014-15	2015-16	2016-17	2017-18
Community Transport				
Passenger trips provided to community groups	179,800	123,716	97,322	121,604
Passenger trips provided to disadvantaged individuals	224,324	242,960	230,804	224,993
Travel Training				
Individuals trained to travel independently	101	126	68	20
Education and Training*				
Individuals not working for HCT Group who gained qualifications as a result of training and support by HCT	634	616	446	N/A
External Job Creation*				
Unemployed people who obtained jobs outside HCT Group as a result of training and support provided by HCT Group	114	139	178	N/A

*2015-16 and 2016-17 data restated to academic year. 2017-18 data not yet available





Herefordshire Mind

Business Overview

Herefordshire Mind is an independent affiliate of the national charity Mind and has provided mental health services for 30 years. The ethos of Mind is person-centred with a focus on helping individuals recover from mental ill health. Herefordshire Mind delivers residential care at home support and day care activities to 250 people. Herefordshire Mind is paid to deliver services by Herefordshire Council, NHS commissioning groups and individuals through personal means.

Herefordshire Mind offers a range of short course training, art workshops and physical activity groups, in addition to skills development and leisure activities, designed and delivered by experts, which help to increase a person's confidence and self-esteem.

Recent Developments

Mind has recently downsized as a consequence of funding cuts. Herefordshire Mind has entered into a lease arrangement for the vacant property they own, Miller Court. The tenant is NMiTE, a new engineering university located in Hereford which will ultimately become the first wholly new 'Greenfield' UK university in 40 years.

Under the two year lease agreement, Herefordshire Mind will receive rental income and the university will likely boost the asset value if it is successful in launching next year and repurposes the site for student accommodation. There is the risk that the university will not be successful or sustainable, and to mitigate this risk, there is a full repair and maintenance obligation in the lease contract with the right to sell to a third party.

Cathie says

"I can talk and create something, rather than unpicking the things that bother me."

Amy says

"I wouldn't talk to my friends as openly as I can to people in the arm room."

Phyll says

"I'm learning how to cry, but my art work is my vent."

Investment

£1,625,000 fixed rate loan
Full amount outstanding at 31 March 2018

Social Mission

To raise awareness and promote understanding of mental health issues, while providing quality support.

Date of Investment

August 2015

Social Outcome Area

Health and Social Care

Target Population

People with mental health needs

Indicator	2015-16	2016-17	2017-18	Commentary
Number of people receiving services from Herefordshire Mind	263	253	483	Increase in preventative community based work
Hours of care delivered	N/A	106,860	121,621	N/A
Percentage number of CQC assessed services rated as 'Outstanding' or 'Good'	100% (1)	100% (1)	100% (1)	Quality of Care at The Shires has been consistently 'Good' (during this period, Miller Court was not assessed)
Staff turnover rate	38.8%	9.7%	11.5%	Unfortunately the closure of Miller Court resulted in some redundancies but Mind relocated them within the organisation
Staff sickness rate	4.7 days per year	5.7 days per year	9.35 days per year	One full time staff member was off long-term with a chronic illness for the whole year and this accounted for 51% of the sickness rate

London Early Years Foundation

Business Overview

Originally founded in 1903, LEYF is a highly regarded social enterprise that operates 39 nurseries in London with a 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. 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. There is also significant input and help from parents and the local community to ensure that children have the best possible 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

While the market has been challenging in recent years, LEYF has performed robustly. Significant internal system and operational developments have driven more informed decision-making at individual nursery level which has been reflected in improved staff retention levels.

LEYF has been forced to decrease the number of subsidised nursery places offered. This has meant, however, that they are able to consider opening new nurseries selectively, while continuing to pay fairly and offer comprehensive employee packages to all staff. As nurseries across London are closing due to insufficient funding, high risks and a lack of space, LEYF continues to provide much needed nursery places.

LEYF gained attention recently for highlighting that only 5% of UK early years staff are men. A survey of early years staff carried out by LEYF found that 61% thought the low proportion of men in the sector was because men are not encouraged to join. The research also highlighted 'stereotyped anxieties': perceptions of poor pay and 'poor status'; fear of accusations of abuse and paedophilia; discomfort at working in a female-dominated environment; and an unrealistic expectation that one man can address the shortfall of positive male roles in so many children's lives. LEYF hopes to change his perception, launching a plan to attract more men to the sector.

Investment

£625,000 fixed rate loan
Full amount outstanding at 31 March 2018

Social Mission

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.

Date of Investment

May 2014

Social Outcome Area

Employment and Training
Education and Learning

Target Population

Children, people with low incomes

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 key performance indicators 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.

June O'Sullivan, CEO says

"As part of a consortium, Big Issue Invest along with Bridges Ventures has allowed us to add 14 new nursery schools to our group and become one of London's largest charitable social enterprises growing from 24 nurseries in 2012 to 38 by June 2016."

The 'Magic Sum'	Progress towards the 'Magic Sum' in 2016-17	Progress towards the 'Magic Sum' in 2017-18	Change from 2016-17 to 2017-18
Dosage: optimal target for child development is 15-30 hours per week	Average hours per week attended 26.1	Average hours per week attended	Increase towards optimal dose
Duration: optimal target for child development is >36 months per child	Average number of months attended by leavers: 14.0	Average number of months attended by leavers: 14.6	Increase towards optimal dose
Quality of provision	100% of LEYF nurseries rated 'Good' or 'Outstanding' by Ofsted	100% of LEYF nurseries rated 'Good' or 'Outstanding' by Ofsted	Improved performance
	91% parents willing to recommend LEYF to others	91.6% parents willing to recommend LEYF to others	Improved performance



SANDWELL

Community
Caring Trust



Sandwell Community Caring Trust

Business Overview

Sandwell Community Caring Trust (SCCT) is a registered charity that provides housing and social care services for the disabled and elderly in the West Midlands and Devon. SCCT was established in the mid-1990s as a spin-out from Sandwell Metropolitan Borough Council. SCCT left the Local Authority with 85 staff, a contract of £1.2 million and a remit to provide better services at lower cost.

Today, SCCT is a £12 million business that provides residential care for over 145 older people, 97 of whom are suffering with dementia. It provides 150 days of day care each week for adults with profound learning and/or physical disabilities and care and support to over 280 adults with learning disabilities in supported living. SCCT delivers high quality care services because it is a well-managed business. As well as cultivating a compassionate ethos, management focuses on key performance indicators including staff turnover and absenteeism to understand the health of the business.

SCCT also owns a large number of properties that are homes for its clients, allowing SCCT to provide the highest standards of accommodation whilst securing revenue streams that can be used for charitable purposes.

Recent Developments

One of the major objectives during the financial year has been to fully understand the implications of austerity on Local Authority income and the impact that this would have on the fees paid for the delivery of adult social care. In addition, SCCT is focused on the implications of the continued rise in the National Minimum Living Wage, particularly in the context of on-going austerity.

Two of SCCT's main key performance indicators are the level of employee absence days and staff turnover. Employee sickness levels are monitored through the year, and this year, each employee took an average of less than one day off. The staff turnover for this year was 13% which was a decrease of 7% compared to last year. Both of these indicators not only have a financial impact on SCCT but also have an impact on the quality of care that is provided to its service users. These levels have remained constant over the years which demonstrates a satisfied work force that provides high quality care to vulnerable people.

Geoff Walker, CEO says

"The latest investment has allowed us to buy a purpose built property that's secured the long term future for 10 adults with profound learning and physical disabilities."

Investment

£725,000 fixed rate and revenue participation loan
£664,583 outstanding at 31 March 2018

Social Mission

To support people who need help to live independent and happy lives through the provision of high quality social care.

Date of Investment

June 2013

Social Outcome Area

Health and Social Care

Target Population

Older people, disabled people, people with long-term health conditions

Social Impact

SCCT prides itself on delivering needs-led packages of care and believes the best way to achieve quality care is through investment in its staff. A strong focus on quality jobs and staff development not only benefits staff but contributes to consistency of care. Staff who are highly trained, valued and respected are less likely to take time off and more likely to stay in their roles for longer. Good outcomes for service users contribute to the wider overall impact SCCT has on the health and social care system by keeping people happy and safe in their homes and out of hospital.

SCCT's target outcomes are:

- Increased number of job seekers entering and sustaining (quality) employment;
- Increased (hard) skills and qualifications necessary to find employment;
- Improved wellbeing and self-reliance for the individuals concerned;
- Service users experiencing improved physical health;
- More older people being able to manage their mental health and live a self-fulfilled independent life;
- Fewer older people feeling isolated, excluded or lonely.

Indicator	2015-16	2016-17	2017-18
Number of clients otherwise in hospital or residential care settings	62	103	103
Annual savings for local authorities/CCGS based on above clients	£2m+	£2.3m	£2.3m
Percentage of clients rating their care worker excellent or good	N/A	100	100
Percentage of family member who felt less isolated as a result of support	N/A	95%	98%
Number of supported apprenticeships	159	65	57
Number of young people in to employment	28	55	140
Number of learners in SCCT academy	59	99	N/A
Staff turnover rate	14%	20%	13%
Average absence days per year per employee	0.9	0.4	0.5



Sheffield Futures

Business Overview

Sheffield Futures is a highly regarded charity that is dedicated to working with disadvantaged young people aged 14 to 25, by providing support and advice on training, employment, social inclusion and personal development.

The Youth Engagement Fund is a £16 million programme set up by the Department for Work and Pensions (DWP), developed with the aim of testing whether an outcomes-based approach to commissioning is successful in tackling the problem of young people who are not in employment, education or training (NEET). Funds have been allocated to support innovative interventions with young people, aged 14 to 17, who are at risk of disengaging from the education system. The DWP will only pay contractors under the Fund when a series of prescribed outcomes have been achieved. Research suggests that 13% of 15 to 18 year olds are currently NEET. This can have long-term, damaging effects on young people's lives and future prospects and by the age of 21, young people who have been NEET for at least six months are more likely than their peers to be unemployed, earn less, have a criminal record and suffer from poor physical and mental health.

A total of four contracts were awarded in March 2015, all of which are being financed through SIB vehicles. Futureshapers (Sheffield) is a Special Purpose Vehicle (SPV) set up to manage a three-year contract, with

Sheffield Futures acting as delivery partner.

Under the Sheffield Futures delivery model, each young person is assigned a specific mentor on commencement of the programme where a diagnostic assessment is undertaken. An action plan is agreed, setting out a detailed pathway and all participants are offered personal support and activities designed to break down barriers to progression, such as lack of confidence and resilience, social issues, lack of parenting and lack of literacy and numeracy skills. Intensity of ongoing support depends on the individual, for example, attending regular counselling sessions or additional tuition.

Recent Developments

Futureshapers had a slower than expected mobilisation phase, which delayed achievement of some initial outcomes. Since then, the project has performed better in terms of recruitment, engagement and behavioural outcomes, and has outperformed on a large number of outcomes. There are still some outcomes to be claimed, but the Futureshapers team has managed to deliver a great result.

Social Impact

The outcomes identified for the project are progressive, from improvements in behaviour and attitudes, to qualifications, and finally to employment. This reflects the journey participants are expected to make as they go through the programme.

Investment

£350,000 Social Impact Bond
£257,600 outstanding at 31 March 2018

Social Mission

To help young people aged 14 to 17 who are disadvantaged to succeed in education, training and employment.

Date of Investment

March 2015

Social Outcome Area

Employment and Training
Education and Learning

Target Population

Children and young people

Futureshapers' target outcomes are:

- Improved childhood development and life chances for disadvantaged children;
- Improved (soft) skills and attitudes (job readiness) for employment;
- Increase in (hard) skills and qualifications necessary to find employment.

Gail Gibbons, CEO says

"The investment from Big Issue Invest and other funders has enabled Sheffield Futures to provide a fantastic and much-needed service for disadvantaged young people through the Futureshapers programme. We are proud to have helped many young people gain qualifications and move into employment."

Outcome Indicator	Achieved by August 2018	% of target for August 2018 achieved	% of total programme target achieved
Start on programme	1,319	> 100%	100%
Improved attitude towards school/education	904	> 100%	100%
Improved behaviour at school	730	100%	100%
Entry level qualifications	610	> 100%	100%
Level 1 qualifications	829	> 100%	100%
Level 2 qualifications	229	89%	89%
Level 3 qualifications	29	71%	71%
First entry into employment (13 weeks)	218	97%	97%
First entry into employment (26 weeks)	140	> 100%	100%



Stramash

Business Overview

Stramash operates outdoor pre-school nurseries and provides outdoor learning courses for school age children and adults. It is based in Oban on the west coast of Scotland. It is an enterprising company with a vision to be a leader in the provision of outdoor pre-school education. The outdoor nursery model is gaining traction in the UK, following successful implementation in Sweden and Denmark. By developing a replicable model for outdoor nurseries, Stramash is ensuring financial sustainability and support for its wider programme of outdoor activities. Stramash has strong support from Highlands and Islands Enterprise, the Scottish Government's economic and community development agency.

The Fund provided loan finance to assist Stramash to purchase the site for its third nursery at Elgin, 30 miles east of Inverness. The Fund provided investment at a fixed rate of 7.5% with no capital repayments required in the first two and a half years to allow Stramash to build its income streams.

Recent Developments

In recent years Stramash has come under increased financial strain. At the beginning of 2018, a new Chief Executive was recruited, Maggie Tierney, who drew up plans to remodel the business. The plans included the development of a new sister service at Tornagrain, which would not damage the service

provision to children in Elgin, but rather allow the site to be sold. Maggie is also undertaking a much broader restructure of how nursery services are delivered going forward. In March 2018, an ex-Stramash parent made an offer to buy the Elgin site and the sale of this property enabled Stramash to repay the Fund's loan in full in May 2018.

Social Impact

Stramash is committed to enabling all children and young people to take advantage of outdoor education, irrespective of their ability to pay. A significant proportion of their provision is geared towards children from lower income families who are financially supported to attend. Stramash aims to increase the provision of high quality early years learning and education in low-income communities and improve childhood development and life chances for children from disadvantaged backgrounds.

Maggie Tierney, CEO says

"The investment helped us to stabilise our finances and to grow our business. Thanks to this investment, we are not only successfully operating our outdoor nursery in Elgin but we have also been able to open another nursery in Tornagrain. For us, the value of the investment was not just financial. It was also about the constructive assistance the team provided as we managed a challenging period in our organisation's growth."

Investment

£180,000 fixed rate loan
£171,005 outstanding at 31 March 2018

Social Mission

To increase the number of people from all backgrounds who have access to the outdoors and who can benefit from the consequent positive effects on health, wellbeing and personal development.

Date of Investment

March 2015

Social Outcome Area

Education and learning

Target Population

Children and young people

Indicator	2014-15	2015-16	2016-17	2017-18
Number of children receiving outdoor education	98	200	186	207
Number of funded pre-school sessions for lower income children	9,379	17,604	16,871	13,944
Number of Stramash nurseries with all grades assessed as "Good" or "Very Good" or "Excellent" by The Care Inspectorate	1/1	1/1	1/3	3/3
Number of children attending outdoor education sessions	1,299	1,251	1,342	1,481
Percentage of children attending sessions that were financially supported to attend	70%	50%	70%	78%

Directors of the General Partner

Vaughan Lindsay

Vaughan has worked in the social purpose sector for over 30 years, including at Shelter, NCVO and the Dartington Hall Trust. He has also always worked at McKinsey & Co as a strategy consultant. More recently he has worked in impact investing at LeapFrog and SpringCap.

John Montague

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 Big Issue Invest 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 Big Issue Invest.

Parveen Bird

Parveen has worked at The Big Issue for 14 years in various roles. Starting on a voluntary basis in the publishing and marketing department, Parveen now sits on the Group Board of Directors and on the Big Issue Invest Board. Parveen is also a Trustee of The Big Issue Foundation. Prior to this Parveen worked as a Broadcast Journalist at GMTV and BBC.

Stephen Howard

Stephen recently joined Power to Change as Chair having recently retired as Chief Executive of Business in the Community after 10 years in post. Stephen brings a wealth of senior management experience acquired in the corporate sector. Stephen has held a number of executive and non executive roles including Chief Executive of Cookson Group plc and Novar plc. Some of Stephen's other roles include, Chair of Thames Reach and Trustee of Big Society Trust.

Investment Advisory Committee

The Investment Advisory Committee includes Vaughan Lindsay, John Montague and the following:

Georg Stratenwerth

Georg works as a Senior Advisor to Pillarstone. He spent most of his career in Private Equity, initially with JP Morgan Partners and then Advent International. He worked as a management consultant at Mercer Management Consulting and Roland Berger & Partner. Georg also serves as a member of the Ashoka support network and is on the Board of Trustees of ClientEarth and CASA, a Big Issue Invest investee.

Kate Markey

Kate is CEO of London Community Foundation. Prior to this, Kate was the Divisional Director of Employment Services of The Forward Trust, a social business supporting people in the criminal justice system to make transformational change in their lives. Kate is a board member of ERSA, a Trustee of VoiceAbility, a Fellow of the RSA and a member of the Advisory Council of Big Society Capital. Before joining The Forward Trust, Kate was Deputy Chief Executive of CAN.

John Gilligan

John Gilligan has worked in the Private Equity and Venture Capital industry for over 30 years. He started his career in 1988 at 3i Group plc as a financial analyst. He was then a Corporate Finance Partner of Deloitte and latterly BDO for over 20 years. He is currently the Director of the Oxford Saïd Finance Lab at Saïd Business School, University of Oxford. John is also a Visiting Professor at Imperial College Business school and has degrees from Southampton University, Nottingham University and London Business School.

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 at JP Morgan. Jeremy is now Chief Investment Officer for Big Society Capital. He also sits on the Investment Committee of the Lankelly Chase Foundation and is a Senior Adviser to the Rockefeller Foundation's Innovative Finance program.

Fund Management Team

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 Big Issue Invest as an Investment Director.

Katy Pillai Investment Director

Before joining Big Issue Invest in December 2016, Katy worked as a corporate finance advisor with ClearlySo, Social Finance and Varthana, supporting social enterprise and impact investment funds to raise capital. Katy started her career in corporate and investment banking with RBS and UBS. She has undergraduate degrees in English and Financial Services and is a CFA Charterholder. Kate is also a Director of the Financial Inclusion Forum.

Mark Lovell Investment Advisor

Mark has over 20 years' experience as a CEO, Executive Chairman and Non-Executive Director of organisations involved in the delivery of public services both in the UK and internationally. Having worked across the social investment market since 2008 he has extensive experience working with commissioners, providers and investors on the development of Social Impact Bonds.

James Salmon Investment Director

Prior to joining 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.

Jonathan Page Investment Manager

Jonny started his career at Deloitte where he qualified as a Chartered Accountant, heading up post-transaction valuation assurance work across the EMEA region and managing subsidiary audits of US listed clients. Before joining Big Issue Invest, Jonny spent two months supporting a social enterprise in Cambodia.

Hannah Barkan Investment Analyst

Before joining Big Issue Invest, Hannah worked with small enterprises and non-profit organisations in the West Bank, Palestine, and later in Business Development with a tech start-up in Switzerland. Hannah has a BA in International Relations, and a GDL from BPP University.

William Male Trainee Analyst

William completed post graduate education in the field of Environmental Geography and International Development. Whilst studying he performed frontline delivery work addressing homelessness in Norwich. He started his career by completing an internship at The Department for International Development as a business analyst.



Exited Investments in 2017-2018

Highland Home Carers

£460,000 invested in December 2012 (fixed rate loan).

Full amount repaid in December 2017.

Highland Home Carers has exited the investment in line with the contractual repayments schedule.

The investment achieved an IRR of 10.6% and a cash multiple of 1.3x.

SCA Trafalgar

£250,000 invested in March 2013 (fixed rate loan).

Full amount repaid in March 2018.

SCA Trafalgar has exited the investment in line with the contractual repayments schedule.

The investment achieved an IRR of 9.9% and a cash multiple of 1.5x.





Fund Information

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John Montague (Appointed January 2016)
Parveen Bird (Appointed January 2018)
Stephen Howard (Appointed March 2009)

Manager

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Daniel Godfrey (Appointed August 2015)
John Gilligan (Appointed August 2013)
Parveen Bird (Appointed January 2018)
Melanie Tillotson (Appointed October 2018)

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Georg Stratenwerth
Jeremy Rogers
John Gilligan
John Montague
Kate Markey

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