BLACKFINCH
VENTURES

Blackfinch Spring VCT plc

Annual Report and Financial Statements

For the period ended 31 December 2020

ESG
Committed

Contents

Highlights

Subscription

The Company launched successfully and raised £3,973,416 from its initial offer for subscription, with the issue of 3,911,937 shares.

Investments

The Company made its first three qualifying investments in the second half of 2020, for a total of £1.3m. There was no change in value in these investments in the period to the date of sign off of this Annual Report.

Net Asset Value ("NAV") Movement

With no change in the value of initial investments during the period, the NAV per share dropped back to 94.08p from its initial £1 because of the effect of operational costs.

Dividends

No dividends have been paid or are proposed this early in the life of the Company.

Summary Data

(Period ended 31/12/20)

Net Asset Value ("NAV")	£3,680,389
Shares in issue	3,911,937
NAV per ordinary share	94.08p
Share price	93.00p

Investment Objective

The objective of the Company is to invest in early stage technology-enabled companies with a strong focus on research and development and innovation, which gives the potential for high growth. Investments are targeted in unquoted companies where there is likely to be a reasonable prospect of a trade sale or clear exit strategy in due course.

Chairman's Statement

I am pleased to be writing to Shareholders to present the annual review for Blackfinch Spring VCT plc (the 'Company') for the period ended 31 December 2020.

Successful launch

Blackfinch Spring VCT successfully listed on the London Stock Exchange in early April 2020, with a further share issue in September, allotting a total of 3,911,937 shares, raising some £3.97m. A second prospectus was launched on 2 October seeking to raise £20m with an overallotment facility of £10m. At the end of the reporting period, this second offers for subscription had raised £1.5 million in total, with an initial closing date for the current offer of 1 April 2021.

Our first investments

Despite challenging and unusual times, I am pleased to report that the Company has made its first three investments, with the third completing just before the Christmas break. These new portfolio companies represent a diverse range of sectors across transportation, property technology and water purification. The latter, a company called Spotless Water, is a great example of UK innovation in an unusual space, addressing an untapped market that serves window cleaners with ultra-pure filtered water. These new investments are discussed in detail in the Investment Managers review section of this report.

A uniquely challenging year

The COVID-19 outbreak, which saw the country enter lockdown just after the Company was launched, has certainly created a more challenging environment for many firms around the UK. The Investment Manager's staff responded quickly, reducing non-essential travel and transitioning to remote working, whilst cautiously continuing investment activity. Necessity drives invention and many technology firms have applied their talents to solving new problems that have emerged from the pandemic. This was true for rental app Movebubble, one of our portfolio companies, that swiftly developed a video walkthrough feature to allow property viewings to continue remotely. The further tightening of restrictions later in the year saw Movebubble enter a more testing time, which it continues to work through, with the Investment Manager's support.

Strong pipeline

There has been no lack of deal flow during 2020, with a marked surge of high-quality investment opportunities presenting themselves towards the end of the year. The Investment Manager continues to grow its reach, creating new relationships with other investment firms, accelerators, and angel groups as well as using a cutting-edge research platform for deal flow discovery. Several opportunities are currently being assessed and are likely to close in the first quarter of 2021. Several of the Investment Manager's existing Enterprise Investment Scheme ("EIS") portfolio companies have responded well to the changing times, creating opportunities for follow-on investment through the Company.

Environmental, Social and Governance Policy ("ESG")
In October, the Investment Manager launched its ESG policy, committing to ensure that environmental impact, social responsibility, and good governance are properly considered in making and managing all its investments. As chair of the Company board, I can confirm we wholeheartedly support this focus and are proud to support innovative firms that collectively are set to change the way we live and work for the better. Such an approach also helps protect investor returns by mitigating longer-term risks, for example those arising from climate change and from shifts in consumer sentiment. Our newest portfolio company, Transreport, is particularly well aligned to this ESG mandate, providing the digital backbone to support the special assistance needs of people with reduced mobility across Britain's rail transport network.

Outlook
Although 2020 has been a difficult year with persistent Covid restrictions, it has also prompted considerable innovation and changing working practices, and we remain positive about the year ahead. The Investment Manager has confirmed increasing inflows as the reporting period came to a close, which should put us in a stronger position to take advantage of investment opportunities in 2021, as well as supporting the growth of our existing portfolio.

Peter L R Hewitt, JP, FCSI
Non-executive Chairman

28 April 2021

For any matters relating to your shareholding in the Company, please contact The City Partnership (UK) Limited on 01484 240 910, or by email at registrars@city.uk.com. For any other matters please contact Blackfinch Investments Limited ("Blackfinch") on 01542 717 070 or by email at enquiries@blackfinch.com. Blackfinch maintains a website for the Company: www.blackfinch.ventures/vct

The Board

Peter Lionel Raleigh Hewitt (Non-executive Chairman):

Peter has been a director of 13 public companies over the last 30 years, chairing 7 of these including 7 years as Chairman and CEO of an AIM quoted construction and facilities management business, which he founded and built from zero to £25m turnover and 400 people in 4 years. He is Co-Chairman and co-founder of Universal Defence and Security Solutions Limited, Chairman of Vordere Limited and a senior adviser at Brennan and Partners. Peter is a former Alderman of the City of London and inaugural Chairman of the City's £20m Social Investment Fund, creating investment strategy and policy. Peter is also an individually Chartered Fellow of the Chartered Securities Institute; a Justice of the Peace on the supplemental list and an Honorary Group Captain in 601 (County of London) Squadron, RAuxAF, where his role is to partner with the SLT of the RAF.

Kate Jones:

Kate's career spans senior investment leadership and Board roles in the financial services industry including the Pension Protection Fund, JP Morgan, BlackRock, Schroders and M&G. She began her career as a portfolio manager at Prudential M&G before playing an instrumental role in the growth of BlackRock's Solutions business where she built and led the portfolio management function with responsibility for over £300bn of assets. She is currently a non-executive director at the Pension Protection Fund and Chair of the Investment Committee, non-executive Chair of JPMorgan Funds Limited and Chair of Trustees for RedSTART, a financial education charity.

Reuben Wilcock:

Reuben's background has spanned academia, technology start-ups and startup acceleration. He co-founded four technology start-ups including Joulo, a smart home energy spinout which won the 2013 British Gas Connected Homes award and was acquired by Quby in 2014, and Bar Analytics, an IoT start-up that enables global brands to monitor beer quality and sales. With a PhD in Electronics, Reuben has extensive product design experience with deep technical knowledge of hardware, software and manufacturing. He is an inventor on five patents and named author on over 45 peer reviewed publications ranging from integrated circuit design to genetic algorithms. Reuben was a leading figure in entrepreneurship at the University of Southampton where he sat on its IP Panel for five years, guiding the commercialisation of research innovations through spinouts. He is a Royal Academy of Engineering award winning entrepreneur and founded and ran the Future Worlds accelerator, mentoring over 250 entrepreneurs and 50 companies over a four-year period.

Investment Manager's Review

The global pandemic certainly presented challenges over the course of 2020 and the Ventures team at Blackfinch Investments Limited ("Blackfinch") have worked hard in these unusual times to complete the Company's first three investments.

Spotless Water is a good example in an industry that has been largely unaffected by restrictions, and as a result has seen revenue growth during the year with strong unit economics around its ultra-pure water dispensing stations.

In the Autumn, Blackfinch was proud to rebrand as an ESG focussed investment firm, committed to applying a mandate of environmental, social and governance responsibility across our products. This is a direction that Blackfinch feels passionately about, building on our earlier informal practice of investing in sustainable businesses. Spotless Water, for example, simultaneously makes life easier for window cleaners whilst delivering greater environmental efficiency to the sector. It is now encouraging to see the latest investment of Transreport, which helps make public transport more accessible, echo these values even more strongly.

Concentration risk has been reduced by diversifying investments across sectors, an approach more important than ever in the context of the pandemic. Our portfolio companies in transport, property and water purification technology demonstrate our dedication to this diversification, with potential upcoming investments in safety wearables, software-as-a-service, and marketing technology likely to diversify exposure even further.

Blackfinch has grown in 2020, with an analyst being added to the Ventures team, and several new Venture Partners being appointed externally to support portfolio companies across all our funds. This broad base of expertise is helping bring even more scrutiny to our early filtering process and we aim to make further senior hires in the Ventures team in 2021.

We continue to add value beyond the core Ventures team, with the Asset Management team bringing a broader macroeconomics expertise and our track record in AIM investment being recognised through winning the Best Business Relief Investment Manager category at the Growth Investor Awards 2020.

Another example of value-add was the Isolation Intern platform which Blackfinch launched and ran in the first 6 months of lockdown, to help talented university researchers and students access remote-working internships in high-tech startups. Spotless Water was one company that benefited, appointing two data science interns, one of which now has a full-time role in the company.

Looking to 2021 we are excited to be considering the next set of investments for the Company, and I look forward to reporting on these in the half yearly review.

Richard Cook
Founder and CEO, Blackfinch Investments Limited

28 April 2021

Investment Manager's Review
Environmental, Social and Governance Policy ("ESG")

The Blackfinch Ventures team believes every one of our portfolio companies should make at least a small net positive contribution to the world, and that doing so in a responsible, sustainable manner not only benefits society and the planet but also reduces long-term investment risk.

Public sentiment is increasingly concerned with social practices, the environment and especially climate change, and companies that ignore such issues face an ever greater risk of losing both customers and talented employees. Good governance underpins management of these risks alongside more conventional business ones, maximising the prospects of long-term sustainable success for individual companies and the investments made in them. To this end Blackfinch Ventures introduced a formal ESG Policy in October, which applies to the investments they make on behalf of the Company.

Environmental considerations include not just climate change but also reducing pollution and waste, and the sustainability of raw materials. The Social element means actively working towards a healthier and higher quality of life for all stakeholders; it includes human rights, diversity and fair working practices. Governance is concerned not just with management structures and risk analysis, but with a culture of transparency, honesty, and integrity.

Investing in growing, technology-enabled businesses that address real-world needs naturally leads us to support those that are set to change the way we live and work for the better. However, we do not take this for granted and assess each company in several respects: its central purpose, what it really does in pursuit of that purpose, the manner of conducting its business, and importantly the attitude of its team.

Few early-stage companies have formal ESG policies of their own, but they must recognise the importance of the principles involved and place them above short-term business gain.

Blackfinch Spring VCT's latest investment is an excellent example of a company with strong ESG credentials. Transreport's central product is democratising access to transport for those who have limited mobility by helping them book and receive all the assistance they need throughout their journeys. Importantly, the founders are not just equipping their business customers to meet minimum statutory regulations, but are working closely with disability charities both to help those charities and to ensure their own services are of genuine benefit to disabled passengers.

Investment Manager's Review
Investment Portfolio

Investment	Sector	Location	Cost	Valuation	% of total assets	% equity owned
Movebubble	Property Technology	London	£399,997	£399,997	10.72%	5.17%
Spotless Water	Water Technology	Poole	£459,278	£459,278	12.31%	3.80%
Transreport	Transport Technology	London	£400,000	£400,000	10.72%	4.85%
Cash	-	-	£2,471,633	£2,471,633	66.25%	-
Total			**£3,730,908**	**£3,730,908**	**100.00%**	

As all these investments have been made recently, and there have been no subsequent investments in the businesses, nor other material reason to change the value of the investment, the valuation in each case is the amount invested. Further details of the valuation methodologies used are given on pages 80 to 81.

Both Movebubble and Spotless Water originated as Blackfinch EIS Portfolio companies, which have received follow-on investment from the Company. Transreport was new to Blackfinch, and the Blackfinch EIS Portfolios co-invested alongside the Company.

Investment Manager's Review
Investment Portfolio

SpotlessWater

The UK's first self-service, technology-driven, ultra-pure water distribution network whose platform allows window-cleaning businesses to quickly fill up with ultra-pure water at easy-access filling stations across the UK. Incredibly, this industry uses 40 million litres a day and that's before considering the demand for car cleaning, dentistry, and even aquariums. Spotless Water is a unique business that stands head and shoulders above its few competitors, both in terms of water quality and nationwide coverage. With over 40 stations already deployed, the business model is well proven and new installations pay for themselves in under a year. The Spotless Water team have a rare breadth of talent spanning filtering technology, secure payments, digital platforms and marketing, which has been key to their success. The company's revenue grew significantly even through lockdown, where window cleaners were one of few businesses still allowed to operate.

Company sector	WaterTech
Stage	Scale-up
Asset class	Equity
Net assets	£809,853
Revenue	Not disclosed*
Blackfinch Spring VCT investment	£459,278
Equity held by Blackfinch Spring VCT	3.8%
Initial Investment Date	Oct 2020

* Revenue is not disclosed because only abbreviated accounts are filed at Companies House.

Investment Manager's Review
Investment Portfolio

movebubble

A next-generation mobile property app that is revolutionising the housing rental market. The company introduced a unique technology which makes the monotonous task of looking for a new place to live fun and engaging. Users can view 'video walkthroughs', which utilise similar technology to popular social media apps, in order to better understand the quirks and details of each property. This video technology resulted in greatly increased engagement compared to standard rental listings. Prior to investment, the company launched the ability to accept deposits directly through the app, creating a further revenue stream. Besides letting and transactional fees, Movebubble also leverages its data with build-to-rent developers, helping them build high-yielding properties that get snapped up fast.

Despite Movebubble's innovative feature development through the first lockdown, it struggled to complete a planned Series A raise later in the year and restrictions imposed by the second wave began to impact its revenues. The existing CEO took the decision to step down from the company, which is now in the process of identifying new leadership whilst raising a bridging round of finance. In the interim, the company is being managed directly by the board, which comprises Blackfinch Investor Director and current chair Andrew Doe, plus three further directors who are independent of the Investment Manager. Whilst at no point controlling Movebubble, the Investment Manager and its Venture Partners have played an active role in supporting the company during this period and believes that the product remains one of the best on the market. We hope to report an improved situation in the next review.

Investment Manager's Review
Investment Portfolio

movebubble

Company sector	PropTech
Stage	Scale-up
Asset class	Equity
Net assets	£586,061
Revenue	Not disclosed*
Blackfinch Spring VCT investment	£399,997
Equity held by Blackfinch Spring VCT	5.2%
Initial Investment Date	Sep 2020

* Revenue is not disclosed because only abbreviated accounts are filed at Companies House.

Investment Manager's Review
Investment Portfolio

TRANSREPORT
for a better journey

Transreport's innovative technology platform makes it easy for people with reduced mobility to book special assistance needs for their complete rail journey. These requests are seamlessly communicated to station staff ensuring that their needs are met at every part of their journey. The company's close relationships with disability charities ensures its services are genuinely beneficial to users, as well as helping rail operators meet their regulatory obligations. Transreport has secured an exclusive, long-term contract with the entire British rail network, an impressive feat for a startup in such a highly regulated and complex industry. As well as its Passenger Assist app, the firm has developed a suite of technology platforms for the industry that is addressing many aspects of their wider digital transformation needs. With a strong vision to address the needs of people with reduced mobility across multiple forms of transport, spanning rail, air and road, Transreport is helping to break down the barriers that they struggle with every day, reducing the inherent discrimination that exists in the transportation sector.

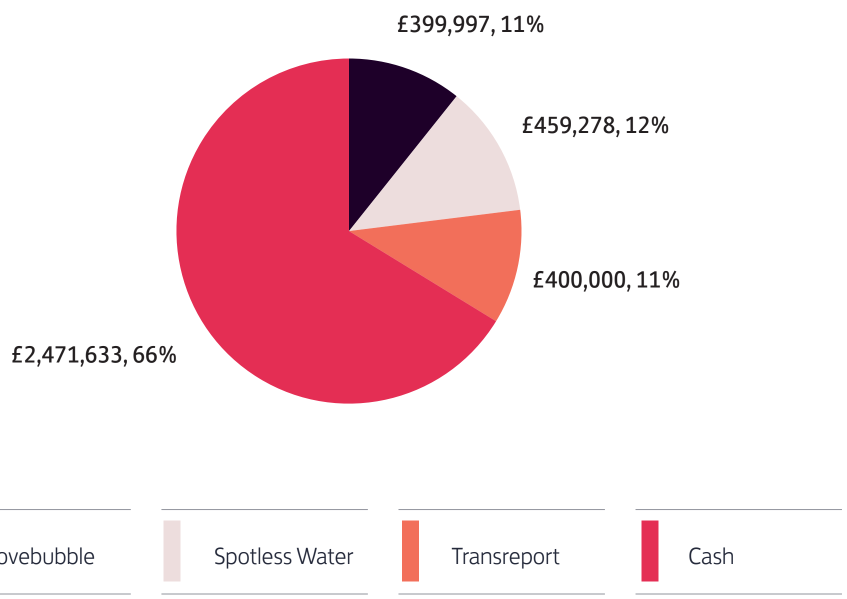
Company sector	Transport
Stage	Scale-up
Asset class	Equity
Net assets	£473,764
Revenue	Not disclosed*
Blackfinch Spring VCT investment	£400,000
Equity held by Blackfinch Spring VCT	5.93%
Initial Investment Date	Dec 2020

* Revenue is not disclosed because only abbreviated accounts are filed at Companies House.

Investment Manager's Review
Portfolio Statistics

By the end of the reporting period, 66% of the Company's £3.73m assets was held in cash while 34% was invested in qualifying portfolio companies. A full break-down is shown in the chart below. The three investments also represent 32.2% of the total amount raised during this first financial period, which is already greater than the 30% that VCT rules require be invested in qualifying investments by the end of the next financial period (2021). A total of 80% of the amount raised must be invested by the end of 2022, and we are confident that this will again be achieved well ahead of the deadline.

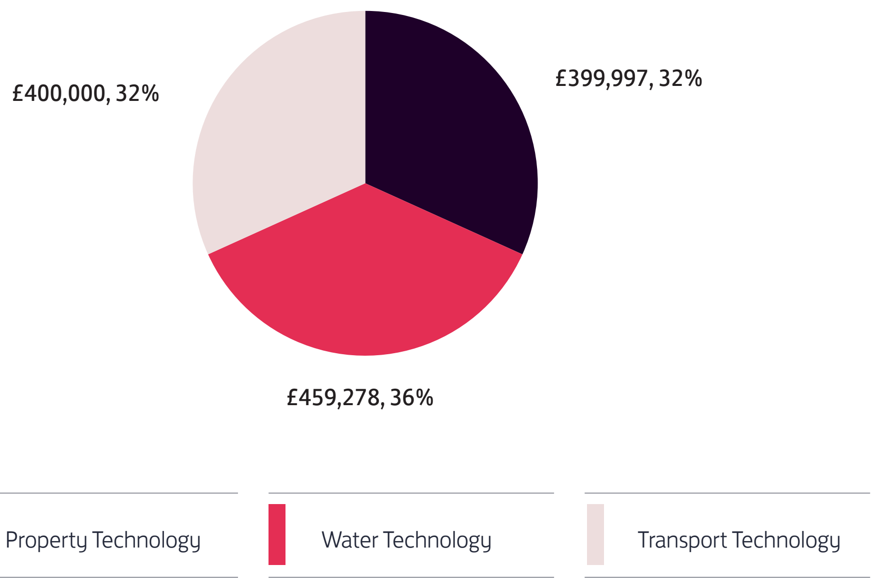
Portfolio split by valuation



Investment Manager's Review
Portfolio Statistics

The three investments to date are in distinct industry sectors, illustrating the diversification that is being built into the portfolio. We plan to continue this diversification with the next investments.

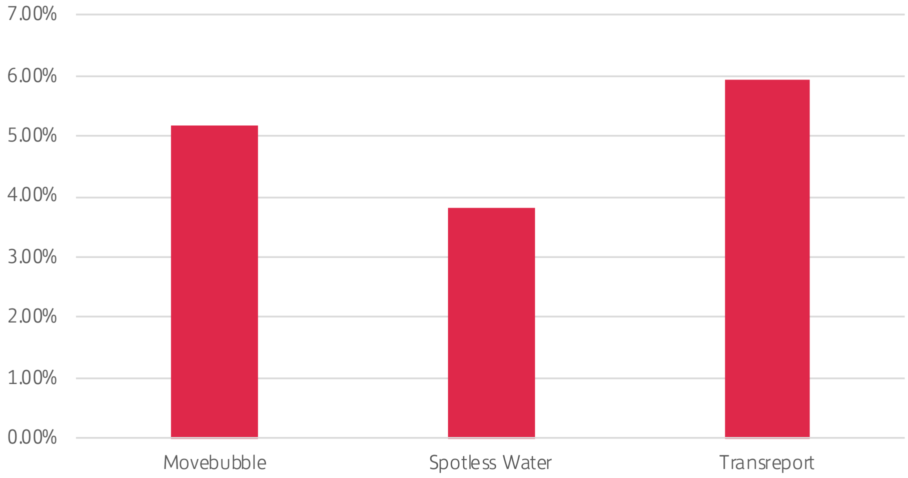
Investment Portfolio split by industry



Investment Manager's Review
Portfolio Statistics

The Company holds a small stake in each of its portfolio companies, each currently 3.5–6%. Whilst the portfolio continues to be built out and diversified it is likely that forthcoming investments will be of a similar size and equity holding, although the range is likely to increase over time.

% equity held



Investment Manager's Review
Pipeline Overview

The Investment Manager continues to benefit from a solid pipeline of opportunities, and some of those that are being considered for investment are described below.

Company 1

A hardware-driven Internet of Things company, that designs intelligent and affordable personal safety wearables and monitoring systems. Its patent-pending technology uses machine learning to automatically monitor a user's safety and alert a key contact in the event of an accident or emergency. The team responded at speed to meet customers' Covid needs for a workforce social-distancing product. However, it is now again focused on its principal proposition that monitors the safety of lone workers in large organisations, with which it is enjoying considerable success in converting trials to long-term contracts with blue chip organisations.

Company sector	Wearables
Funds raised to date	£1.6m
Stage	Scale-up
Asset class	Equity

Investment Manager's Review
Pipeline Overview

Company 2

One of the biggest challenges for any new software-as-a-service business is adding value for clients by integrating into other platforms they already use. This company solves that problem by providing out-of-the-box integrations that can be set up with simple configuration. It has built a suite of several hundred integrations, which now gives it a significant competitive advantage against any new competitors that may emerge. It is seeing significant month-on-month growth which suggests a strong product-market-fit. In what is a huge global market, it has the potential to scale into a very significant technology business.

Company sector	Software Tech
Funds raised to date	£1.7m
Stage	Scale-up
Asset class	Equity

Investment Manager’s Review
Pipeline Overview

Company 3

An ambitious software company with an ingenious solution to improve companies’ relationships with their business customers: a platform to track and manage the relationship that is shared between supplier and customer. It is proving highly successful at reducing churn and is starting to be used by some of the world’s most well-known organisations. Its existing Premium product will soon be joined by a lighter offering to expand into the SME market. Both products have inherent network effects, with suppliers pushing them to their customers and vice-versa.

Company sector	Governance Tech
Funds raised to date	£0.3m
Stage	Scale-up
Asset class	Equity

Investment Manager’s Review
Pipeline Overview

Company 4

An exciting business with highly capable leadership that is disrupting the business survey market. Its customers can get feedback from target consumers almost instantly – in under 5 minutes – to rapidly gauge sentiment and test and refine ideas. It achieves this by nurturing a large community through a gamified app that incentivises users to respond immediately. With a strong focus on user experience, its members participate as much for entertainment as for the rewards on offer. The company is showing convincing growth and a very high customer retention rate, which underlines the value it delivers. It now has exciting plans for international expansion.

Company sector	Marketing Tech
Funds raised to date	£5.2m
Stage	Scale-up
Asset class	Equity

Strategic Report
Investment Policy, Strategy and Objectives

Investment Policy

The Company will focus its investment in unquoted companies with some or all of the following characteristics:

- early-stage and technology-enabled with a focus on research and development;
- the capability to grow quickly through disrupting their markets; or
- strong performance against previous investment round milestones.

The Company's portfolio companies will be:
- requiring investment of at least £0.25 million;
- entering large growing markets and have the potential for high return multiples; and
- generally able to show evidence of product-market-fit.

Investment Strategy

The Company will invest in early-stage technology-enabled companies with a strong focus on research and development and innovation, which gives the potential for high growth alongside reasonable exit timescales and underpinned by clear ESG values. To be considered for investment, companies must be capable of growth through disrupting large growing markets, typically of at least £1bn, and be capable of achieving significant exit multiples. Highly regulated industries, for example medical technology, are considered only in exceptional cases due to the timescales involved in bringing products to market.

A key premise of the strategy is identifying companies that have already delivered convincingly on the milestones associated with any previous investment rounds. Companies will need to show evidence of product-market-fit through traction, often in the form of revenue, which is a strong indicator they are past the inflection point of their growth curve. They will also need to demonstrate an ability to control the acquisition of new customers, typically verifying the success of campaigns through carefully monitored growth metrics. Companies showing these characteristics have a higher chance of efficient, quantified growth, which is a key ingredient for future success.

When assessing investment opportunities, strong emphasis is placed on the founding team who must be highly motivated, driven, and have a track record of making excellent decisions under pressure. This team must complement each other in their skills, which should, in aggregate, cover the core operating areas of the company. Their interests must be strongly aligned to increasing the valuation of the company and their own shareholding or options, rather than only short term personal remuneration. The team's work ethic is constantly assessed as is their responsiveness, as a measure of how prepared they are for the challenges of entering the next stage of their company's growth. Every company that is selected for potential investment will have to pass through a comprehensive due diligence exercise which aims to test its innovations, financials and VCT eligibility. A senior member of the Investment Manager's team will spend a day with a sector expert at the company's offices to assess the proposition and status, from high level architecture to low level code and designs. Analysts model the company's performance and growth, and a VCT tax specialist will typically be instructed to determine whether the investment is expected to be VCT qualifying.

Diversification is intended to be achieved across both sector and stage, with the Company planning to invest in a broad range of high-calibre technology enabled opportunities across many sectors. Although Series A is preferred, the Company diversifies stage risk by balancing earlier opportunities with those slightly further along their traction curve. This approach gives the potential for significant returns whilst mitigating the effect of companies that underperform or fail. The Company will typically invest in opportunities that are bringing disruptive innovations to large growing markets and are capable of significant exit multiples.

The Investment Manager's existing Blackfinch Ventures EIS Portfolio service creates a strong opportunity for follow-on co-investment. If approved by the

Board and compliant with Listing Rules, these opportunities should benefit from a higher chance of success due to a deep understanding of the proposition and growth data from previous years as a portfolio company. Co-investments of this nature may be made at different times and on different terms to those of Blackfinch Ventures EIS Portfolios. Where possible, the Investment Manager will look to lead on the investment round to ensure that timescales and due diligence are within its control. This approach reduces technology, company and compliance risk and, for founders, the speed and confidence of execution is attractive, resulting in a pick of the better opportunities. By the nature of focussing on early stage investments, the Company will often co-invest with other investment firms and will look to secure strong working relationships with those firms during and after the deal making process.

The Investment Manager will not appoint its own manager or partner as the NED on the board of its portfolio companies. Instead, where appropriate it aims to appoint the NED from its network of Venture Partners who are experienced founders, industry leaders and experts bought together for this purpose. These Venture Partners add meaningful value through their experience and network, and founders are increasingly citing this approach as a key differentiator. The Investment Manager's portfolio team work with the Venture Partners, and also collect monthly financial and KPI data from the companies.

Qualifying Investments

Qualifying Investments comprise investments in companies which are carrying out a qualifying trade (as defined under the relevant VCT legislation), and have a permanent establishment in the UK, although some may trade overseas. The Qualifying Companies in which investments are made must have no more than £15 million of gross assets immediately prior to the investment (or £16 million immediately after the investment), fewer than 250 employees (or fewer than 500 employees in the case of a Knowledge Intensive Company) and generally cannot have been trading for more than seven years (or ten years in the case of a Knowledge Intensive Company) at the time of the Company's investment. Several other conditions must be met for an investment to be classed as a VCT Qualifying Investment.

The Company intends to invest the net proceeds of the Offer in acquiring a portfolio of Qualifying Investments complying with VCT legislation. At least 30% of the funds raised will be invested in Qualifying Investments within 12 months of the end of the Company's accounting period in which the relevant Shares were allotted, and at least 80% of its net assets will, by the start of the Company's accounting period in which the third anniversary of the date the relevant shares are allotted falls and continuously thereafter, be invested in Qualifying Investments.

Non-Qualifying Investments

Subject to the rules applicable to VCTs, funds not employed in Qualifying Investments will be invested in a limited range of investments for the purposes of liquidity management, specifically in listed shares, shares or units in alternative investment funds and UCITS (each of which must be redeemable on seven days' notice by the investor) and short term cash deposits. These may generate limited additional returns for investors and mitigate against a rise in value of competing companies. Such investments are subject to market fluctuations.

Borrowing Policy

The Company has no present intention of utilising gearing as a strategy for improving or enhancing returns. Under the Company's Articles of Association, the borrowings of the Company will not, without the previous sanction of the Company in general meeting, exceed 25% of the aggregate total amount received from time to time on the subscription of shares in the Company.

Share Buyback Policy

The shares are traded on the London Stock Exchange's main market for listed securities. Although it is likely that there will be an illiquid market for such shares and, in such circumstances, shareholders may find it difficult to sell their shares in the market, the Company intends to pursue an active buy back policy to improve the liquidity in the Shares where the Company may repurchase shares which shareholders wish to sell at a discount of 5-10% to the latest published Net Asset Value per Share, subject to applicable regulations, market conditions at the time and the Company having both the necessary funds and distributable cash resources available for the purpose. The making and timing of any share buybacks will remain at the absolute discretion of the Board. The Directors expect that there will be limited demand for share buybacks from shareholders within the first five years because the only sellers are likely to be deceased shareholders' estates and those Shareholders whose circumstances have changed (to such extent that they are willing to repay the 30% income tax relief in order to gain access to the net proceeds of the sale).

Dividend policy

The Company intends but cannot guarantee to pay: (1) a regular annual dividend commencing not earlier than in the financial year beginning 1 January 2024 equivalent to 5% of the Company's Net Asset Value and (2) special dividends, where appropriate, from the proceeds of successful exits of portfolio companies that are not reinvested. The Company's ability to pay dividends is subject to the existence of realised profits, legislative requirements and the available cash reserves of the Company. No forecast or projection is implied or inferred.

Key Performance Indicators ("KPIs") and Alternative Performance Measures ("APMs")

The objective of the Company is to provide long-term returns where shares are invested for at least five years, whilst enabling shareholders to benefit from available VCT tax reliefs. The KPIs and APMs monitored by the Board towards that objective are:

a. Total Return relative to amount subscribed.
b. The increase in the value of investments.
c. Operational expenses as a proportion of shareholders' funds.
d. Ongoing charges ratio.

Total Return is the NAV plus dividends paid. As 2020 was the Company's first year, no investments have yet seen any change in value during the year. Consequently, the Total Return necessarily shows a small reduction compared to the amount subscribed, at 31 December 2020. However, over time this is expected to be the best overall measure of long-term performance, particularly as it reflects dividend payments as well as current NAV.

The increase in value of investments will reflect performance within a year, though making it more subject to external market factors during that year. Again, for the first period as no investment has changed in value it is zero. Operational expenses in the first period were 3.5% of shareholder funds, benefitting from the Investment Manager's fee cap. The ongoing charges ratio is the annualised operating costs divided by the average NAV over the period. It includes all operating costs expected to be regularly incurred, be they of a capital or revenue nature, and that are payable by the Company, but excludes the costs of acquisition or disposal of investments, financing charges, and gains or losses on investments.

The Company's share price over the period is shown in the graph on page 56. The overall future prospects and outlook for the VCT are discussed in the Chairman's Statement.

The Board also closely monitors the measures defined by HMRC for its VCT tests, such as those discussed in Portfolio Statistics on pages 16 to 18, to ensure that the Company will continue to qualify as a VCT.

Key Contracts

Investment Management Agreement

An agreement (the "Investment Management Agreement") dated 10 December 2020 and made between the Company and Blackfinch whereby Blackfinch will, with effect from the commencement date, be appointed as the Company's Investment Manager to provide discretionary investment management services to the Company in respect of its portfolio of Qualifying Investments and Non-Qualifying Investments. Blackfinch will receive an annual fee equal to 2.5% of the Net Asset Value (plus VAT if applicable) payable quarterly in arrears, the first payment to be made in respect of the period from the Effective Date until the termination of the Investment Advisory Agreement. Blackfinch is entitled to reimbursement of expenses incurred in performing its duties under the agreement, and will also be entitled to receive and retain transaction and introductory fees, directors' fees, monitoring fees, consultancy fees, corporate finance fees, syndication fees, exit fees and commissions in relation to portfolio companies.

The appointment of the Investment Manager in relation to the investment management services commenced on the Effective Date and will continue unless and until terminated by either party giving to the other not less than 12 months' notice in writing, such notice not to take effect before the end of the fifth anniversary following the last allotment of Shares pursuant to an offer for subscription made by the Company. The Investment Management Agreement is subject to earlier termination by either party in certain circumstances.

The Investment Manager has agreed to indemnify the Company by such amount as is equal to the excess by which the Annual Running Expenses of the Company exceeds 3.5% of the Net Asset Value, calculated on an annual basis The provision by the Investment Manager of discretionary investment management services is subject to the overall control, direction and supervision of the Directors.

Performance Incentive

As is customary in the venture capital industry, Blackfinch Investments is incentivised with a performance related incentive payable in relation to each accounting period, subject to the Performance Value per Share being

Key Contracts

at least 130p at the end of the relevant accounting period. The amount of the performance incentive fee is equal to 20% of the amount by which the Performance Value per Share at the end of an accounting period exceeds the High Water Mark (being the higher of 130p and the highest Performance Value per Share at the end of any previous accounting period), and multiplied by the number of Shares in issue at the end of the relevant period. The Directors believe that the performance incentive structure provides a strong incentive for the Investment Manager to make distributions as high and as soon as possible.

The Performance Value per Share is defined as the total of:

i. the Net Asset Value,

ii. all performance incentive fees previously paid or accrued by the VCT to Blackfinch as investment adviser for all previous accounting periods, and

iii. the cumulative amount of dividends paid by the VCT before the relevant accounting reference date. This includes the amount of those dividends in respect of which the exdividend date has passed as at that date,

divided by the number of shares in issue in the VCT on the relevant date.

Administration Agreement

Under the terms of the administration agreement dated 11 November 2019, Blackfinch agreed to provide certain administration services, company secretarial services and fund accounting services to the Company. In exchange for these services, the Company has agreed to pay to Blackfinch an annual fee of either 0.3% of Net Asset Value or £60,000 (plus VAT if applicable), whichever is higher. This agreement will continue until either party chooses to terminate after giving the other part no less than 12 months' notice of termination in writing. Termination should not take effect before the end of the fifth anniversary following the last offer for subscription made by the Company, but the agreement is subject to early termination in certain circumstances, such as in the event of certain breaches or the insolvency of either party.

Key Contracts

Investment advisory services and Administration

Blackfinch is paid an annual fee of 2.5% of Net Asset Value (plus VAT if applicable) for the investment advisory services it provides to the Company. The fee is payable quarterly in arrears. The Company is responsible for its normal third party costs including (without limitation) listing fees, audit and taxation services, legal fees, sponsor fees, registrars' fees, receiving agent fees, Directors' fees and other incidental costs. Blackfinch has agreed to cap the total Annual Running Expenses plus any Execution-Only Intermediary Ongoing Fee payments to a maximum of 3.5% of Net Assets and any excess above this will be borne by Blackfinch. A maximum of 75% of the Company's management expenses will be capable of being charged against capital reserves with the balance charged against revenues.

Custody Agreement

A Custody Agreement dated 11 November 2019 between the Company and Blackfinch under which Blackfinch agrees to hold securities in certificated form on behalf of the Company as custodian for an annual fee of £5,000 plus VAT, terminable by either party giving to the other not less than 12 months' notice in writing, such notice not to take effect before the end of the fifth anniversary following the last allotment of shares pursuant to an offer for subscription made by the Company, but subject to early termination in certain circumstances.

As required by the Listing Rules, the Directors can confirm that, in their opinion it is in the best interests of the shareholders as a whole to continue the appointment of Blackfinch Investments Limited as the Investment Manager and Administrator. In order to come to a conclusion, the Directors have taken into account the length of notice period, performance to date and the standard of service received.

Principal and Emerging Risks

The Board and the Audit Committee have an ongoing process for identifying, evaluating and monitoring the principal and emerging risks facing the Company. The Board has listed below details of these including the measures taken in order to mitigate these risks as far as practicable.

VCT status qualifying risk

The Company must comply with section 274 of the Income Tax Act 2007, this act enables investors to take advantage of tax relief on their investment and future returns when investing in a VCT. If the Company breaches any of the rules in section 274, this could result in the loss of VCT status. Breaches could also result in investors becoming liable to pay income tax on dividends received from the Company and in some circumstances, investors may have to repay the initial income tax relief on their investment. The most prevalent risk to VCT status at this time is if the VCT fails to invest 80% of its funds into Qualifying Investments by the second anniversary of the end of the accounting period in which the Company issued the shares.

Working closely with the Board, Blackfinch as the Investment Manager keeps track of the VCT's qualifying status to ensure it remains qualifying. Regular reports are provided to and discussed with the Board, the Board reviews the status of the VCT tests on a quarterly basis. Philip Hare & Associates has also been appointed as Tax Adviser to provide monitoring reports to the Board twice yearly.

Regulatory and compliance risk

The Company is authorised as a self-managed Alternative Invest Fund Manager (AIFM) under the Alternative Investment Fund Managers Directive ("AIFMD"), and it must abide by the Prospectus and Transparency Directives. The Company is also required to comply with the Companies Act 2006, the rules of the UK Listing Authority, and United Kingdom Accounting Standards. If the Company breaches any of these it could lead to number of detrimental outcomes including but not limited to suspension of the Company's Stock

Principal and Emerging Risks

Exchange listing, reputational damage, or financial penalties.

The day to day running of the Company is overseen by Blackfinch. The Board is updated at Board Meetings at least quarterly on all regulatory and compliance matters and take specific legal action when required. The Board and the Investment Manager employ third parties to ensure that the Company complies with all its regulatory obligations, these parties include Howard Kennedy as Sponsor and Legal Adviser, City Partnership as Company Secretary and Philip Hare & Associates as Tax Adviser. The Investment Manager also employs a team of compliance specialists who support the Board in ensuring that the Company is compliant.

Operational and Internal control risk

There is a risk of failure of the systems and controls of any of the Company's advisers, leading to an inability to service shareholder needs adequately, provide accurate reporting and accounting, and to ensure the Company is complying with all VCT legislation rules. To mitigate these risks, the Company relies on a number of third parties, in particular the Investment Manager to provide it with necessary services such as Sponsor, Company Secretary, Receiving Agent, Registrar, Solicitors and Tax Advisers. There is a risk of failure of the systems and controls of any of the Company's advisers, leading to an inability to service shareholder needs adequately, provide accurate reporting and accounting and to ensure the Company is complying with all VCT legislation rules. The Board regularly reviews the system of internal controls, both financial and non-financial operated by the Company and key third-party advisers. These include controls designed to ensure that the VCT's assets are safeguarded, that third parties have adequate controls in place to prevent data protection and cyber security failings, and that proper accounting records are maintained. In addition, the Board regularly reviews the performance of its service providers to ensure that they continue to have the necessary expertise and resources to provide the expected level of service.

Investment, performance and valuation risk

The Company will mainly invest in early stage technology enabled VCT

Principal and Emerging Risks

qualifying companies. These companies by their nature entail a higher level of risk, are more volatile and will be less liquid than holding larger quoted companies. There may also be constraints on the realisation of investments to maintain the VCT tax status of the Company.

The Board and Investment Manager aim to minimise the investment risk attached to the investment portfolio as a whole by ensuring that a robust and structured selection, monitoring and realisation process is in place. Diversification is intended to be achieved across both sector and stage, the latter by balancing earlier opportunities with those slightly further along their traction curve.The investment portfolio is reviewed by the Board and Investment Manager together on a regular basis.

The Company's investment valuation methodology is reliant on the portfolio companies issuing accurate and complete information. In particular, the Directors may not be aware of or take into account certain events or circumstances which may happen after the information issued by such companies is reported. The unquoted investments held by the Company are designated at fair value through profit or loss and valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines as updated in 2018. These guidelines set out recommendations, intended to represent current best practice on the valuation of venture capital investments. The valuation takes into account all known material facts up to the date of approval of the Financial Statements by the Board.

Economic, political and other external factors

The valuation of investment companies in the portfolio may be affected by economic, political and other external factors such as a movement in interest rates, Britain leaving the EU, or the ongoing Coronavirus outbreak. The Company aims to invest in a diversified portfolio across a range of stages and sectors and also maintains cash to ensure it can provide follow-on investments when companies require it.

The Board and the Investment Manager are continually assessing the implications of the current Coronavirus crisis which has an impact on the UK and Global economies. This ensures that exposure to the risks for each

Principal and Emerging Risks

portfolio company are addressed and where needed action is taken to minimise the risk.

The economic and political environment are kept under constant review and the investment strategy is adapted as far as possible to mitigate emerging risks.

Governance risk

The Directors of the Company are aware that an ineffective Board could have a negative impact on the Company. The Board recognises the importance of effective leadership and board composition and this is ensured by completing an annual evaluation process, with action taken if required. City Partnership is appointed as Company Secretary to monitor corporate governance best practice.

Cash flow risk

The Investment Manager closely and continually monitors the availability of cash resources. Cash flow forecasts and budgets are presented to and reviewed by the Board on a regular basis to ensure that the risk of insufficient cash to meet financial obligations is minimised.

Section 172 Statement

Section 172 of the Companies Act 2006 requires the Directors of the Company to act in a way that they consider, in good faith, will most likely promote the success of the Company for the benefit of the members as a whole. In doing so, the Directors should have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Board considers its significant stakeholder groups to be its Shareholders, its third-party advisers and its portfolio companies. The Company takes several steps to understand the views of its key stakeholders and considers these, along with the matters set out above, in Board discussions and decision making.

The Company has no employees (other than its Directors) and no customers in a traditional sense and therefore there is nothing to report in relation to these relationships. In line with normal practice for Venture Capital Trusts, the day to day management and administration is delegated to the relevant third parties. The Board regularly engages with the third parties to set, approve and oversee the execution of the agreed business strategy and related policies. Ad hoc meetings and communications are convened where necessary to address specific issues such as the Coronavirus pandemic to ensure an appropriate and transparent response is formulated.

The Boards principal concern is the interest of the Company's Shareholders taken as a whole, the Board engages and communicates with Shareholders by various means. Given the Coronavirus pandemic the Company will be putting in place arrangements so that the first Annual General Meeting can be held virtually, all shareholders will be encouraged to attend. Shareholders will be given the opportunity to engage with the Board and the Investment Manager and hear from some of the portfolio companies. All Shareholders will be encouraged to vote on the resolutions at the Annual General Meeting.

The Board works closely with the Investment Manager in reviewing how stakeholder issues are handled, ensuring good governance and responsibility in managing the Company's affairs. As well as having a Director from the Investment Manager on the Board of the VCT, key stakeholders from the Investment Manager also attend Board meetings.

The Investment Manager has therefore been well informed of any decisions the Board has made during the period and as a result has had opportunity to discuss the impact these decisions may make, The Investment Manager provides updates to the Board on the entire portfolio at least quarterly and this has happened more regularly with the outbreak of the Coronavirus pandemic. In addition to the Investment Manager's usual monitoring of portfolio companies, in the weeks immediately following the start of the outbreak in Europe, the Investment Manager worked closely with the leadership teams of portfolio companies to ensure that they were prepared for the disruption caused by a global pandemic. The Investment Manager continues to work closely with management teams to ensure that they continue to evaluate and react accordingly to the evolving situation.

Environmental, Social, Governance, Human Rights and Community Issues

The Board seeks to carry out the Company's affairs in a responsible manner and maintain high standards in respect of environmental, governance and social issues. The Company is required by law to provide details of environmental, employee, human rights, social and community issues. As a VCT the Company does not have any employees and as a result does not maintain specific policies in relation to these matters. The Company does, however, encourage the Investment Manager to consider these issues, where appropriate, with regard to investment decisions.

The Board considers that the Company's investment operations create employment, aid economic growth, generate tax revenues and produce wealth, thus benefiting the community and the economy more generally. When considering portfolio companies, the Investment Manager strives to ensure that each one makes at least a small positive, sustainable contribution to the world.

In assessing any potential investment or portfolio companies, the following are considered:

1. The central purpose of the business: this must be worthwhile at least in some small way. An economic benefit is worthwhile. For example, a business-to-business company that saves other businesses money would generally qualify. (This is unless, for example, its customers were mainly in a high-risk sector, e.g. gambling.)
2. What the business does – and plans to do – in pursuit of its purpose.
3. How the business is conducted, especially for governance.
4. The attitude of the team – the board and especially the founders – and their commitment to ESG.

In October, the Investment Manager launched its ESG policy, committing to ensure that environmental impact, social responsibility, and good governance are properly considered in making and managing all its investments. A detailed assessment is made of ESG in each company, which is then included in the Investment Committee Paper for approval, this will list any relevant risks and mitigation plans. The Investment Manager engages with the Company's portfolio companies in relation to their corporate governance practices and in developing their policies on environmental, social and community issues on an ongoing basis. Further details on how the Investment Manager incorporates ESG into its investment processes and assesses the potential investment risks can be found within the Blackfinch Ventures ESG Policy at www.blackfinch.com/esg.

Environment Policy & Greenhouse Gas Emissions

As a VCT with no physical assets, property, employees or operations, the Company has no direct environmental responsibilities, nor is it directly responsible for the emission of greenhouse gases. The Company has no direct carbon usage therefore there are no disclosures to make in this respect. Therefore, the Board has no specific environmental policy. The Company does however recognise the need to conduct its business, including investment decisions, in a manner that is responsible to the environment wherever possible.

VCT Regulations

The Company has engaged Philip Hare & Associates LLP to advise it on compliance with VCT requirements, including evaluation of investment opportunities as appropriate and regular review of the portfolio. Although Philip Hare & Associates LLP works closely with the Investment Manager, they report directly to the Board. Compliance with the main VCT regulations as at 31/12/2020 and for the period then ended is summarised as follows:

a. The Company's income in the period has been derived wholly or mainly (70% plus) from shares or securities.
b. The Company has not retained more than 15% of its income from shares and securities.
c. The Company has not made a prohibited payment to shareholders.
d. At least 80% by value of the Company's investments has been represented throughout the period by shares or securities comprised in qualifying holdings of the Company.
e. At least 70% by value of the Company's qualifying holdings has been represented throughout the period by holdings of eligible shares.
f. At least 30% of the funds raised are invested in qualifying holdings by the anniversary of the end of the accounting period in which those funds are raised.
g. No holding in any company has at any time in the period represented more than 15% by value of the Company's investments at the time of investment.
h. The Company's ordinary capital has throughout the period been listed on a regulated European market.
i. The Company has not made an investment in a company which causes it to receive more than the permitted investment from State Aid sources.
j. Since 17 November 2015, the Company has not made an investment in a company which exceeds the maximum permitted age requirement.
k. Since 17 November 2015, funds invested by the Company in another company have not been used to make a prohibited acquisition.
l. Since 6 April 2016, the Company has not made a prohibited non-qualifying investment.

Statement on Long-Term Viability

In accordance with provision 4.27 of The UK Corporate Governance Code published by the Financial Reporting Council in July 2018 (the "Code"), the Directors consider the Annual Report and accounts to be fair, balanced, and understandable.

In line with provision 4.31 of the Code the Directors have assessed the Company's prospects over the five-year period to 31 December 2025. This period has been considered appropriate for a business of this nature and size, because it is the minimum recommended investment period and the period for which investors are required to hold their shares in order to retain tax relief.

The Directors have carried out a robust assessment of the principal and emerging risks faced by the Company, considering its business model, future performance, solvency and liquidity. They deliberated over the Company's ability to maintain its VCT status with HM Revenue and Customers, and over the valuation of investments. The impact of the Coronavirus pandemic and the effects of Brexit have been considered. Given the extent of available resources, the Board particularly assessed the ability of the Company to raise finance, as well as its ability to deploy capital. It reviewed income and expenditure projections, and examined robust stress-tested cash flows to understand the impact of different scenarios. It also assessed the Investment Manager and the processes in place for dealing with risks and identifying emerging threats. A detailed risk register is monitored and reviewed by the Board at every Board meeting. The Board has determined that the Company will be able to continue in operation, maintain compliance with the VCT rules and meet its liabilities as they fall due for a period of at least five years from the accounts approval date.

Other Disclosures

The Board of the Company is made up of three Directors, two of which are male and one is female.
The Company has no employees.

On behalf of the Board

Peter LR Hewitt, JP, FCSI
Non-executive Chairman

28 April 2021

Directors' Report

The Statement of Corporate Governance on pages 44 to 55 forms part of the Directors' Report.

Principal Activity and Status

The Company is registered as a public limited company under the Companies Act 2006 (Registration number 12166417). The address of the registered office is 1350-1360 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester GL3 4AH. The Company is a generalist VCT focused on investments in early stage technology-enabled companies with a focus on research and development and innovation. A review of the Company's business during the year is contained in the Chairman's Statement and Investment Manager's Review.

Directors

The Directors of the Company during the period under review were Peter Hewitt, Kate Jones, Reuben Wilcock and Richard Cook. Richard Cook retired from the Board on 18 September 2020. The Company indemnifies its directors and officers and has purchased insurance to cover its Directors.

Dividend

The Directors envisage that dividends will commence in the financial year beginning 1 January 2024, equivalent to 5% of the Company's Net Asset Value per share. The ability to pay the intended dividends may also be constrained by, in particular, the existence of realised profits, regulations and the available cash reserves of the Company.

Share Capital

As shown in note 16 to the financial statements, the Company has only one class of share, being ordinary shares of 1p each.

Buy back and Issue of ordinary shares

No shares were bought back by the Company during the period, at the year end authority remained for the Company to buy back 586,399 shares. There were 3,911,937 ordinary shares in issue at the year end. During the period a total of 3,911,937 ordinary shares in the Company were issued as a result of offers for subscription at an average price of 100.49 pence per share raising £3.9m.

On 5 November 2019 50,000 redeemable preference shares were allotted and issued to Blackfinch Investments Limited. Subsequent to the Company's financial year end on 15 February 2021 the redeemable preference shares were paid up, fully redeemed and subsequently cancelled.

Capital Disclosures

The rights and obligations attached to the Company's ordinary shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House. The Company has one class of share, ordinary shares, which carry no right to fixed income. The holders of ordinary shares are entitled to receive dividends when declared, to receive the Company's report and accounts, to attend and speak at general meetings, to appoint proxies and to exercise voting rights. There are no restrictions on the voting rights attaching to the Company's shares or the transfer of securities in the Company.

Annual General Meeting ("AGM")

The Notice of the Annual General Meeting is on pages 84 to 85 of these financial statements.

As this is the first AGM following their appointment resolutions are proposed to re-elect Peter Hewitt and Kate Jones as Directors of the Company. Reuben Wilcock, as a non-independent Director is subject to annual re-election in accordance with the Listing Rules.

The Notice of AGM includes the following resolutions:

- Resolution 9, an ordinary resolution, is proposed to ensure the Directors retain the authority to allot shares in the Company until the date of the 2022 Annual General meeting up to an aggregate nominal amount of £400,000 (representing approximately 407 per cent of the issued ordinary share capital of the Company as at 1 April 2021).
- Resolution 10, a special resolution, is proposed to empower the Directors to allot shares under the authority granted by resolution 9 without regard to any rights of pre-emption on the part of the existing shareholders.
- Resolution 11, a special resolution, is proposed to renew the existing share buy back authority to ensure that authority to buy back shares is in place until the date of the 2022 Annual General Meeting.

Auditor

A resolution to appoint BDO LLP as auditor of the Company will be proposed at the AGM.

Substantial Shareholdings

	31 December 2020		As at the date of this report	
Name of shareholder	No of ordinary shares held	% of shares in issue	No of ordinary shares held	% of shares in issue
Richard Hensman	200,000	5.1		
Robert Carter	200,000	5.1		
Christopher Brown	197,000	5.0		
Robert Lewis	196,020	5.0		
Gordon McArthur	126,750	3.2		

Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in business for the foreseeable future (being a period of 12 months from the date these financial statements were approved). In reaching this conclusion the Directors took into account the nature of the Company's business and Investment Policy, its risk management policies and the cash holdings. Thus, the Directors believe it is appropriate to continue to apply the going concern basis in preparing the financial statements.

Accountability and Audit

The independent auditor's report is set out on pages 57 to 67 of this report. The Directors who were in office on the date of approval of these Annual Report and Financial Statements have confirmed that, as far as they were aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors has taken all the steps they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Financial Instruments

The Company's financial instruments comprise investments held by the VCT, equity, cash balances and liquid resources including debtors and creditors.

Indemnity Payments

There are no qualifying indemnity payments made on behalf of the Directors.

Risk Management

Further details, including details about risk management, are set out in the Strategic Report and in note 19 on pages 80 to 81. Social, environmental and carbon reporting disclosures are included in the Strategic Report.

Future Developments

Significant events which have occurred after the year end are detailed in note 21 on page 82. Future developments which could affect the Company are discussed in the outlook section of the Chairman's Statement and in the Investment Manager's Review.

On behalf of the Board

Peter LR Hewitt, JP, FCSI
Non-executive Chairman

28 April 2021

Statement of Corporate Governance

The Board is committed to the principle and application of sound corporate governance and confirms that the Company has taken steps, appropriate to a venture capital trust and relevant to its size and operational complexity to comply with the provisions and recommendations of The UK Corporate Governance Code published by the Financial Reporting Council in July 2018 (the "Code"). The Code can be found on the website of the FRC at www.frc.org.uk.

The Directors acknowledge the section headed "Reporting on the Code" in the preamble to the Code which recognises that an alternative to complying with a provision may be justified in particular circumstances based on a range of factors, including the size, complexity, history and ownership structure of a company. Accordingly, the provisions of the Code have been complied with save that (i) the Company does not have a senior independent director (although the Chairman is an independent director), (ii) the Company will not conduct on an annual basis a formal review as to whether there is a need for an internal audit function as the Directors do not consider that an internal audit would be an appropriate control for a VCT, (iii) as all of the Directors are non-executive and not anticipated to change during the life of the Company, it is not considered appropriate to appoint a nomination or remuneration committee and (iv) other than Reuben Wilcock, who as an employee of the Investment Manager is not considered independent therefore is obliged to resign and stand for re-election as a Director on an annual basis pursuant to the Listing Rules, the Directors will not stand for re-election on an annual basis. The Board considers that these provisions are not relevant to the position of the Company due to the size and specialised nature of the Company, the fact that all directors are non-executive and the costs involved.

The directors consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The Board

The Board has overall responsibility for the Company's affairs, including determining its investment policy and having overall control, direction and supervision of the Investment Manager. An investment management agreement between the Company and Blackfinch Investments Limited sets out the matters over which the Investment Manager has authority. This includes monitoring of the Company's assets. All other matters, including strategy, investment and dividend policies and corporate governance proceedings are reserved for the approval of the Board. The Board meets at least quarterly and additional meetings are arranged as necessary. Full and timely information is provided to the Board to

Statement of Corporate Governance

enable it to function effectively and to allow the Directors to discharge their responsibilities. In addition, the Directors are responsible for ensuring that the policies and operations are in the best interests of all the Company's shareholders and that the best interests of creditors and suppliers to the Company are properly considered. The Chairman and the company secretary establish the agenda for each Board meeting. The necessary papers for each meeting are distributed well in advance of each meeting ensuring all Directors receive accurate, timely and clear information. The Board has direct access to corporate governance and compliance services through the company secretary which is responsible for ensuring that Board procedures are followed and compliance requirements are met.

The Board comprises three non-executive Directors, two of whom act independently of the Investment Manager. Accordingly, the majority of the Board, including the Chairman, are independent of the Investment Manager. The Directors have a wide range of investment, business, financial skills and knowledge relevant to the Company's business. Brief biographical details of each Director are set out on page 6.

The Company may by ordinary resolution appoint any person who is willing to act as a Director, either to fill a vacancy or as an additional Director. No Director has a contract of service with the Company. All of the Directors have been provided with letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the annual general meeting.

The Board is committed to ensuring that the Company is run in the most effective manner. The Board monitors the diversity of all Directors to ensure an appropriate level of experience and qualification. The Board believes in the value and importance of diversity in the boardroom but does not consider it appropriate or in the best interests of the Company to set prescriptive targets. When making new appointments the Board takes into account other demands on directors' time and prior to appointment significant commitments would be disclosed. There are no specific guidelines set on length of directors' service, including the Chairman, as the Board believes that continuity of experience is most important.

Independence of Directors

The Board regularly reviews the independence of each Director and of the Board as a whole in accordance with the guidelines in the Code. Reuben Wilcock, as an employee of Blackfinch Investments is not considered independent. Directors' interests are noted at the start of each Board meeting and any Director would not participate in the discussion concerning any investment in which he or she had an interest. The Board does not consider that length of service will necessarily compromise the independence or effectiveness of Directors and no limit has been placed on the overall length of service. The Board considers that continuity and experience can be of significant benefit to the Company and its shareholders.

Statement of Corporate Governance

The Board believes that Peter Hewitt and Kate Jones have demonstrated that they are independent in character and judgement and there are no relationships or circumstances which could affect their objectivity.

Board Performance

The Board intends to carry out a performance evaluation of the Board, the audit committee and individual Directors in the coming year. Due to the size of the Company, the fact that all Directors are non-executive and the costs involved, external facilitators will not be used in the evaluation. An evaluation has not taken place in the current period as this is the first reporting period of the Company.

	Board Meetings		Audit Committee Meetings	
Director	Held	Attended	Held	Attended
Peter Hewitt	4	4	2	2
Kate Jones	4	4	2	2
Reuben Wilcock*	2	2	1	1

*Reuben Wilcock was appointed to the Board on 18 September 2020 and is not a member of the audit committee but attends the audit committee meetings.

Board Committees

The Board has not established a nomination or remuneration committee as they consider the Board to be small and comprises non-executive Directors. Appointments of new Directors and Directors' remuneration are dealt with by the full Board.

Statement of Corporate Governance

Report of the Audit Committee

The audit committee comprises the two independent non-executive Directors, Kate Jones (Audit Chair) and Peter Hewitt. Due to the small size of the Board and his independence and experience the Board believes it is appropriate that the chairman of the board is a member of the audit committee. The Board is also satisfied that the committee as a whole has competence relevant to the venture capital trust sector and the requisite skills and experience to fulfil the responsibilities of the audit committee and meets the requirements of the Code as to recent and relevant financial experience.

The committee meets at least twice a year. The Company's auditors may be required to attend such meetings. The Committee will prepare a report each year addressed to shareholders for inclusion in the Company's annual report and accounts. The duties of the committee are:

- to monitor and make recommendations to the Board in relation to the Company's published financial statements and other formal announcements relating to the Company's financial performance;
- to monitor and make recommendations to the Board on internal control and risk management systems; and
- to make recommendations to the Board in relation to the appointment of the external auditor, to monitor its independence and objectivity, the level of audit fees and to discuss with the external auditor the nature and scope of the audit.

Copies of the terms of reference of the audit committee can be found on the Company's website: www.blackfinch.ventures/vct.

During the period ended 31 December 2020 the audit committee met twice and:

- reviewed the financial statements released by the Company (including the half-yearly report);
- reviewed the appropriateness of the Company's accounting policies;
- reviewed the internal controls operated by the Investment Manager and assessed the effectiveness of those controls in minimising the impact of key risks; and
- reviewed the external auditor's plan and fees.

Statement of Corporate Governance

The Directors carried out a robust assessment of the principal risks facing the Company and concluded that the key areas of risk which threaten the business model, future performance, solvency or liquidity of the Company are:

- compliance with HM Revenue & Customs to maintain the Company's VCT status; and
- valuation of investments.

These matters are monitored regularly by the Investment Manager and reviewed by the Board at every Board meeting. They were also discussed with the Investment Manager and the auditor at the audit committee meeting held to discuss these annual financial statements.

The committee concluded:

VCT status – the Investment Manager confirmed to the audit committee that the conditions for maintaining the Company's status had been complied with throughout the period. The Company's VCT status is also reviewed by the Company's tax adviser, Philip Hare & Associates, as described on page 39.

Valuation of investments - the Investment Manager confirmed to the audit committee that the basis of valuation for unquoted companies was in accordance with published industry guidelines. The valuation of unquoted companies takes account of the latest available information about investee companies and current market data. A comprehensive report on the valuation of unquoted investments is presented and discussed at every Board meeting; Directors are also consulted about material changes to those valuations between Board meetings.

Having reviewed the reports received from the Investment Manager, the audit committee is satisfied that the key areas of risk and judgement have been properly addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust.

Relationship with the Auditor

The audit committee is responsible for overseeing the relationship with the external auditor, assessing the effectiveness of the external audit process and making recommendations on the appointment and removal of the external auditor. When assessing the effectiveness of the process for the year under review the Committee considered the auditor's technical knowledge and that it has a clear understanding of the business of the Company; that the audit team is

Statement of Corporate Governance

appropriately resourced; that the auditor provided a clear explanation of the scope and strategy of the audit and that the auditor maintained independence and objectivity. As part of the review of auditor effectiveness and independence, BDO LLP has confirmed that it is independent of the Company and has complied with applicable auditing standards. BDO LLP does not provide any non-audit services to the Company. BDO LLP has held office as auditor since the inception of the Company. Public interest entities are required to put the external audit contract out to tender at least every ten years. BDO LLP has held office as auditor for one year; in accordance with ethical standards the engagement partner is rotated after at most five years, and the current partner has served for one year.

Following the review as noted above the audit committee is satisfied with the performance of BDO LLP and recommends the services of BDO LLP to the shareholders in view both of that performance and the firm's extensive experience in auditing VCTs.

Internal control and Risk management

The Board acknowledges that it is responsible for the Company's internal control systems and for reviewing their effectiveness. In accordance with the Code, the audit committee has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. The internal control systems aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication, and that the assets of the Company are safeguarded. Internal controls can only provide reasonable and not absolute assurance against material misstatement or loss. The financial controls operated by the Board include the authorisation of the investment strategy and regular reviews of the results and investment performance.

The Board has delegated contractually to third parties, as set out on pages 29 to 31, the management of the investment portfolio, the custodial services, including the safeguarding of the assets and the day-to-day accounting, company secretarial and administration requirements. The Board receives and considers regular reports from the Investment Manager. Ad hoc reports and information are supplied to the Board as required. It remains the role of the Board to keep under review the terms of the investment management agreement with the Investment Manager.

Regular review of the control systems is carried out which covers consideration of the key risks. Each risk is considered with regard to the controls exercised at Board level, reporting by service providers and controls relied upon.

Statement of Corporate Governance

The company secretary reviews the annual statutory accounts to ensure compliance with Companies Acts and the Code and the audit committee reviews financial information prior to its publication. Quarterly management accounts are produced for review and approval by the Investment Manager and the Board.

Shareholder Reporting

The Directors believe that communication with shareholders is important. Shareholders have access to a copy of the Company's annual report and accounts (expected to be published each April and a copy of the Company's half-yearly report (expected to be published each August). These will be made available on Blackfinch's website. Shareholders and their advisers (if applicable) will also receive updated reports from the Company and the Investment Manager on the progress of the Company.

In order to reduce the administrative burden and cost of communicating with shareholders, the Company intends to publish all notices, documents and information to be sent to shareholders generally on Blackfinch's website (www.blackfinch.ventures/vct). Increased use of electronic communications will deliver significant savings to the Company in terms of administration, printing and postage costs, as well as speeding up the provision of information to shareholders. The reduced use of paper will also have environmental benefits. Shareholders will be notified when documents are published on Blackfinch's website, such notification will be delivered electronically (or by post where no email address has been provided for that purpose).

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. Shareholders will have the opportunity to meet the Board at the annual general meeting. All shareholders are welcome to attend the meeting and to ask questions of the Directors. The Board is also happy to respond to any written queries made by shareholders during the course of the year. All communication from shareholders is recorded and reviewed by the Board to ensure that shareholder enquiries are promptly and adequately resolved.

On behalf of the Board

Peter LR Hewitt, JP, FCSI
Non-executive Chairman

28 April 2021

Statement Of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the Company for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with applicable UK accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Strategic Report, a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Annual Report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Statement Of Directors' Responsibilities

Website Publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website, this website is maintained by the Investment Manager on behalf of the Company. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- the financial statements which have been prepared in accordance with UK Generally Accepted Accounting Practice give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that it faces.

The Board considers the annual report and accounts, taken as a whole, are fair, balanced and understandable and that it provides the necessary information for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board

Peter LR Hewitt, JP, FCSI
Non-executive Chairman

28 April 2021

Directors’ Remuneration Report

Introduction

This report has been prepared in accordance with the requirements of the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the “Regulations”). Ordinary resolutions for the approval of the Directors’ Remuneration Policy and the Directors’ Annual Report on remuneration will be put to members at the Company’s first AGM to be held on 9 June 2021.

The Company’s auditor, BDO LLP, is required to give its opinion on certain information included in this report. The disclosures which have been audited are indicated as such. The auditor’s opinion on these and other matters is included in the Independent Auditor’s Report on pages 57 to 67.

Annual Statement from the Chairman of the Company

Directors’ fees are reviewed annually and are set by the Board to attract individuals with the appropriate range of skills and experience. In determining the level of fees their duties and responsibilities are considered, together with the level of time commitment required in preparing for and attending meetings. Directors fees have not changed in the period.

Directors’ Remuneration Policy

The Board as a whole considers Directors’ remuneration and, as such, a remuneration committee has not been established. The Board’s policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable with that of other companies that are similar in size and nature to the Company and have similar objectives and structures. Directors’ fees are set with a view to attracting and retaining the Directors required to oversee the Company effectively and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company’s affairs. It is the intention of the Board that, unless any revision to this policy is deemed necessary, this policy will continue to apply in the forthcoming and subsequent financial years. The Board has not received any views from the Company’s shareholders in respect of the levels of Directors’ remuneration.

The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office.

Directors' Annual Report on Remuneration

Terms of appointment

No Director has a contract of service with the Company. Each of the Directors entered into an agreement with the Company dated 11 November 2019 (in the case of Kate Jones and Peter Hewitt) and 18 September 2020 (in the case of Reuben Wilcock) whereby he or she is required to devote such time to the affairs of the Company as the Board reasonably requires consistent with their role as non-executive Director. Peter Hewitt is entitled to receive an annual fee of £18,000 (plus VAT if applicable), Kate Jones is entitled to receive an annual fee of £18,000 (plus VAT if applicable) and for the services to be provided by Reuben Wilcock, Blackfinch is entitled to receive an annual fee of £12,000 (plus VAT if applicable). Each party can terminate the agreement by giving to the other at least six months' notice in writing to expire at any time after the date 15 months from the respective commencement dates. No benefits are payable on termination. Directors are subject to election by shareholders at the first annual general meeting after their appointment. The Company's Articles of Association provide for a maximum level of total remuneration of £100,000 per annum in aggregate.

Directors are remunerated exclusively by fixed fees and do not receive bonuses, share options, long term incentives, pension or other benefits. There is no comparative information in respect of employee remuneration as the Company has no employees.

Directors' fees for the year (Audited)

The fees payable to individual Directors in respect of the period ended 31 December 2020 are shown in the table below.

Director	Total annual fixed fee (£)	Total fixed fee for period ended 31 December 2020* (£)
Peter Hewitt	18,000	13,708
Kate Jones	18,000	13,708
Reuben Wilcock**	12,000	4,300
Richard Cook**	-	4,337
	48,000	36,053

*Directors fees were not payable and did not accrue until the first allotment of shares under the offer for subscription. The aggregated amount of NI contribution paid on directors' remuneration totalled to £1,010. Contributions paid on remuneration of Peter Hewitt and Kate Jones were £505 and £505 respectively.

**Reuben Wilcock, who is an employee of the Investment Manager, was appointed to the Board and Richard Cook retired from the Board on 18 September 2020.

Relative importance of spend on pay

The table below shows the remuneration paid to Directors and shareholder distributions in the period to 31 December 2020:

	2020 (£)
Total dividend paid to shareholders	-
Total repurchase of own shares	-
Total directors' fees	36,053

Directors' shareholdings (Audited)

The Directors who held office at 31 December 2020 and their interests in the shares of the Company (including beneficial and family interests) were:

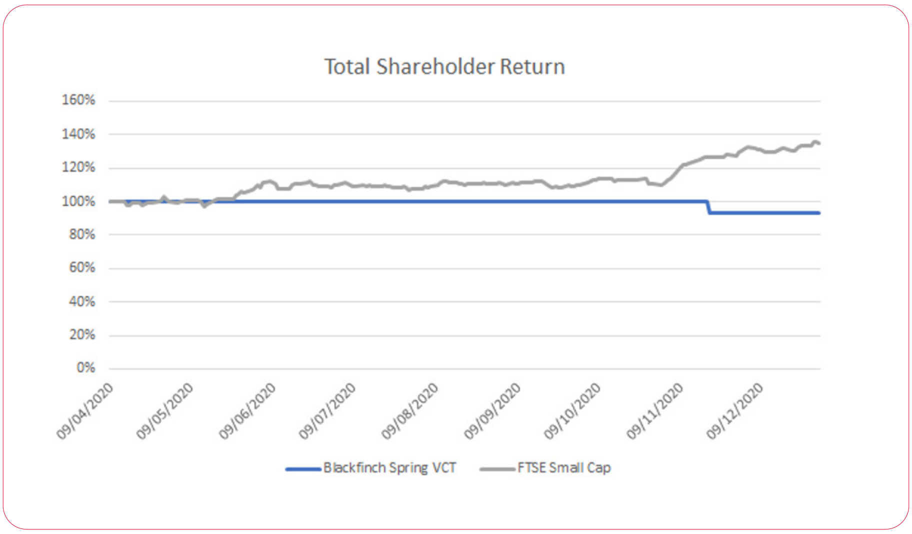
	31 December 2020	
	Shares held	% of issued share capital
Peter Hewitt	5,000	0.13
Kate Jones	-	-
Reuben Wilcock	-	-

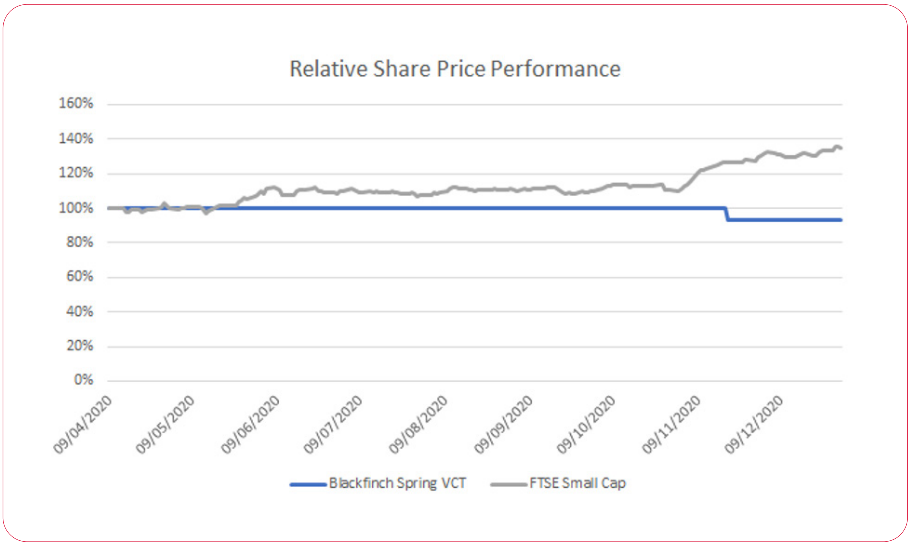
Subsequent to the Company's year end Peter Hewitt was allotted a further 13 shares in the Company under the offer.

The Company confirms that it has not set out any formal requirements or guidelines for a Director to own shares in the Company.

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Manager through the management agreement. The graph below compares the Company's share price to the FTSE Small Cap index for the period from the launch of the Company. This index was chosen for comparison purposes, as it is the benchmark used for investment performance measurement purposes.





Shareholder Voting

This is the Company's first Annual General Meeting therefore there is no voting history to disclose.

On behalf of the Board

Peter LR Hewitt, JP, FCSI
Non-executive Chairman

28 April 2021

Independent Auditor's Report
to the members of Blackfinch Spring VCT plc

Opinion

We have audited the financial statements of Blackfinch Spring VCT PLC for the period from incorporation on 20 August 2019 to 31 December 2020 which comprise the income statement, the statement of changes in equity, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its Company loss for the period then ended;
- Company have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the Company's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key Audit Matter	How We Addressed the Key Audit Matter in the Audit
Valuation of investments (Notes 6(a) and 13 to the financial statements) There is a high level of estimation uncertainty involved in determining the unquoted investment valuations. The Investment Manager's fee is based on the value of the net assets of the fund, as shown in note 7. As the Investment Manager is responsible for valuing investments for the financial statements, there is a potential risk of overstatement of investment valuations.	We tested 100% of the unquoted investment portfolio. 100% of the unquoted portfolio is based on valuations using cost (where the investment was recently acquired). For such investments, we checked the cost to supporting evidence such as share purchase agreements and considered the Investment Manager's determination of whether there were any reasons why the valuation and the valuation methodology was not appropriate at 31 December 2020. Our detailed testing for such investments, performed on all investments within our sample comprised: • Considering whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines • Verifying the cost or price of recent investments to supporting documentation; • Considering whether the investment was an arm's length transaction; • Reviewing the investment manager's calibration of cost against an appropriate methodology in accordance with IPEV Guidelines; and • Considering whether there are any indications that the cost or price of recent investment is no longer representative of fair value considering, inter alia, the current performance of the investee Company and the milestones and assumptions set out in the investment proposal. Key observations: Based on the procedures performed, there were no instances indicating that investments are misstated.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

Company Financial statements

	2020 £
Materiality	£72,000
Basis for determining materiality	2% of net assets
Rationale for the benchmark applied	In setting materiality, we have had regard to the nature and disposition of the investment portfolio. Given that the VCT's portfolio is comprised of cash at bank and in hand (64%) and unquoted investments (34%), we have applied a percentage of 2% of net assets.
Performance materiality	£46,000
Basis for determining performance materiality	65% of materiality A lower performance materiality was used as this is the first year on the audit. Performance materiality was deemed to be 65% of total materiality. The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.

Lower Threshold
Profit before tax could influence users of the financial statements as it is a measure of the Company's performance of income generated from its investments after expenses. Thus, we have set a lower testing threshold for those items impacting revenue return of £13,000 which is based on 5% of gross expenditure.

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £1,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Company's activities, and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of the valuation of investments which have a high level of estimation uncertainty involved in determining the unquoted investment valuations.

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with FRS 102, Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in October 2019. We also considered the Company's qualification as a VCT under UK tax legislation.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. Our audit work focussed on the valuation of unquoted investments, where the risk of material misstatement due to fraud is the greatest. We also:

- Obtained independent evidence to support the ownership of investments
- Recalculated investment management fees in total
- Obtained independent confirmation of bank balances.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included, but were not limited to:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management; and
- review of minutes of board meetings throughout the period.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable– the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- Audit committee reporting– the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- Directors' statement of compliance with the UK Corporate Governance Code– the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of Directors to audit the financial statements for the period ended

31 December 2020. The period of total uninterrupted engagement is 1 year, covering the period ending 31 December 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
28 April 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement
for the 16 months period ended 31 December 2020

	Note	Revenue £	Capital £	Total £
Investment Manager’s fee	7	(17,129)	(51,386)	(68,515)
Incidental investments expenses	8	-	(7,500)	(7,500)
Other expenses	9	(195,407)	-	(195,407)
Loss before taxation		(212,536)	(58,886)	(271,422)
Taxation	10	-	-	-
Loss attributable to equity shareholders		(212,536)	(58,886)	(271,422)
Return per share (pence)				
Ordinary shares (pence)	11	(5.87)	(1.63)	(7.50)

The total column of this Income Statement represents the profit and loss account of the Company, prepared in accordance with Financial Reporting Standard 102 (“FRS 102”). The supplementary revenue and capital return columns are prepared in accordance with the Statement of Recommended Practice, “Financial Statements of Investment Trust Companies and Venture Capital Trusts” (“SORP”) revised in November 2014 and updated in October 2019. A separate Statement of Comprehensive Income has not been prepared as all comprehensive income is included in the Income Statement.

All the items above derive from continuing operations of the Company.

The notes on pages 72 to 82 are an integral part of the financial statements.

Statement Of Changes In Equity
for the 16 months period ended 31 December 2020

	Non-distributable reserves			Distributable reserves		Total
	Called up share capital £	**Share premium £**	**Capital reserve £**	**Capital reserve £**	**Revenue reserve £**	**Total reserves £**
Total comprehensive income for the period	-	-	-	**(58,886)**	**(212,536)**	**(271,422)**
Contributions by and distributions to owners:						
Shares issued	**39,119**	**3,892,124**	-	-	-	**3,931,243**
Share issue expenses	-	**(29,432)**	-	-	-	**(29,432)**
Redeemable preference shares issued	**50,000**	-	-	-	-	**50,000**
Closing balance as at 31 December 2020	**89,119**	**3,862,692**	-	**(58,886)**	**(212,536)**	**3,680,389**

*There were no unrealised movements during the period, and the distributable reserve were £Nil.

The notes on pages 72 to 82 are an integral part of the financial statements.

Balance Sheet
as at 31 December 2020

	Note	£
Fixed assets		
Investments	**12**	1,259,275
Current assets		
Debtors	**14**	41,067
Cash at bank and in hand		2,471,633
		2,512,700
Creditors: amounts falling due within one year	**15**	(91,586)
Net current assets		2,421,114
Net assets		3,680,389
Capital and reserves		
Called up share capital	**16**	39,119
Share premium account		3,862,692
Redeemable preference shares	**16**	50,000
Capital reserves		(58,886)
Revenue reserves		(212,536)
Total shareholders' funds		3,680,389
Net asset value per Ordinary share (pence)	**17**	94.08

The Financial Statements were approved by the Directors and authorised for issue on 28 April 2021 and signed on their behalf by:

Peter LR Hewitt, JP, FCSI
Non-executive Chairman

The notes on pages 72 to 82 are an integral part of the financial statements.

Statement of Cash Flow
for the 16 months period ended 31 December 2020

Operating activities	Notes	£'000
Investment Manager's fees paid		(54,613)
Cash paid to Directors		(24,053)
Other cash payments		(92,237)
Net cash outflow from operating activities		(170,903)
Cash flows from investing activities		
Purchase of investments	**12**	(1,259,275)
Net cash outflow from investing activities		(1,259,275)
Net cash outflow before financing		(1,430,178)
Cash flows from financing activities		
Proceeds from share issues		3,931,243
Share issue costs		(29,432)
Net cash inflow from financing		3,901,811
Increase in cash and cash equivalents		2,471,633
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		2,471,633
Reconciliation of profit before taxation to net cash outflow from operating activities		
Loss before taxation for the period		(271,422)
Net gain on investments		-
Decrease in debtors		8,933
Increase in creditors and accruals		91,586
Net cash outflow from operating activities		(170,903)

The notes on pages 72 to 82 are an integral part of the financial statements.

Notes To The Financial Statements
for the period ended 31 December 2020

1. Company information

The Company is a Public Limited Company incorporated in England and Wales. The registered address is 1350-1360 Montpelier Court, Gloucester Business Park, Gloucester, England, GL3 4AH. The principal activity is investing in un-listed growth companies.

The Company was incorporated on 20 August 2019.

2. Basis of preparation

These Financial Statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006 and in accordance with the SORP issued by the Association of Investment Companies ("AIC") in October 2019. The Financial Statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

These Financial Statements are the first financial statements of the Company and are for the extended period from the incorporation date to 31 December 2020.

The Financial Statements are prepared in pounds sterling, which is the functional currency of the company.

3. Going concern

The Board of Directors is satisfied that the Company has adequate availability to continue as a going concern and are satisfied that the Company has adequate resources to continue in business for the foreseeable future (being a period of 12 months from the date these Financial Statements were approved). In reaching this conclusion the Directors took into the account the nature of the Company's business and Investment Policy, its risk management policies, and the cash holdings. Thus, the Directors believe it is appropriate to continue to apply the going concern basis in preparing the financial statements.

4. Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business.

5. Significant judgements and estimates

The preparation of the Financial Statements may require the Board to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities and income and expenses. Estimates and assumptions mainly relate to the fair value of the fixed asset investments, particularly unquoted investments. Estimates are based on historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and the assumptions are under continuous review with attention paid to the carrying value of the investments.

More information related to the unquoted investment and their valuations is included in note 12 and the Investments Manager's Review on page 11.

6. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

a. Investments

The Company did not hold any listed investments at any time during the reporting period. Investments in unlisted companies are held at fair value through profit or loss. Information about the portfolio is provided internally to the Directors on that basis and the Directors consider the basis to be consistent with the Company's investment strategy. The fair value of unquoted investments is assessed by the Directors with reference to the International Private Equity and Venture Capital Valuation Guidelines December 2018 ("IPEVCV guidelines") and the Special Valuation Guidelines (March 2020), which include the following techniques:

(i) Where a value is indicated by a material arms-length transaction by an independent third party in the shares of a company within the last twelve months. This value will be used only if, after careful consideration of all the facts and circumstances it is considered the best measure of fair value.

(ii) In the absence of (i), and depending upon both the subsequent trading performance and investment structure of an investee company, the valuation basis will usually move to either:

a) an earnings multiple basis. The shares may be valued by applying a suitable price-earnings ratio to that company's historical, current, or forecast post-tax earnings before interest and amortisation, or to the revenues (the ratio used being based on a comparable sector but the resulting value being adjusted to reflect points of difference identified by the Investment Manager compared with the sector including, inter alia, a lack of marketability); or

b) an assessment of other relevant, objective evidence.

(iii) Where an earnings multiple or other objective evidence is not appropriate and overriding factors apply, discounted cash flow or net asset valuation bases may be applied.

b. Expenses

All expenses are accounted for on an accruals basis. In respect of analysis between revenue and capital items presented within the income statement, all expenses have been accounted for as revenue except as follows:

Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated, and accordingly the investment management fee is currently allocated 25% to revenue and 75% to capital, which reflects the Directors' expected long-term view of the nature of the investment returns of the Company.

Expenses which are incidental to the purchase of an investment are charged through the capital reserve.

c. Cash at bank and in hand

Cash and cash equivalents are basic financial assets and comprise bank deposits repayable on up to three months' notice.

d. Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS102 to all of its financial instruments. Financial instruments are recognised in the Company's balance sheet when the Company becomes part to the contractual provisions of the instrument. Basic financial assets, which include debtors, are measured at transaction price. Basic financial liabilities, including creditors, are measured at transaction price.

e. Equity

Called up share capital

Equity instruments (ordinary shares and redeemable preference shares) issued by the Company are recorded at the nominal amount.

Share premium

The share premium account is a non-distributable reserve which represents the price paid for shares and the nominal value of the shares, less issue costs.

Distributable capital reserve

The following are disclosed in this reserve:

- gains and losses on the disposed of investments;
- increase and decrease in the value of investments held at the year-end; and
- expenses allocated to this reserve in accordance with the above policies.

Revenue reserve

The revenue reserve represents accumulated profits and losses, and any surplus profit is distributable by way of dividends.

f. Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that that have been enacted or substantively enacted by the reporting date. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue return on the "marginal" basis as recommended in the SORP.

Any tax relief obtained in respect of management fees allocated to capital is reflected in the capital column of the Statement of Comprehensive Income and a corresponding amount is charged against the revenue column. The tax relief is the amount by which corporation tax payable is reduced as a result of these capital expenses.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

The tax expense/(income) is presented either in the Income Statement or Statement of Changes in Equity depending on the transaction that resulted in the tax expense/(income). Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

7. Investment Manager's fee

	Revenue £	**Capital £**	**Period ended 31 December 2020 Total £**
Blackfinch Investments Limited	17,129	51,386	68,515

Blackfinch Investments Limited has been appointed as the Company's Investment Manager. This appointment shall continue for a period of a period of five years following the allotment of any Ordinary shares until terminated by the expiry of not less than 12 months' notice in writing given by either party. The appointment may also be terminated in circumstances of material breach by either party.

Details of the appointment may be found in the Strategic Report on pages 29 to 30.

8. Incidental investment expenses

	Period ended 31 December 2020 Total £
Philip Hare & Associates LLP	7,500

Philip Hare & Associates LLP has been providing advice on compliance with VCT requirements, including evaluation of the investment's opportunities.

Details of the appointment may be found in the VCT regulations on page 39.

9. Other expenses

Other expenses include:

	2020 (£)
Directors' remuneration fees	36,053
Administration fees	46,027
Registrars and receiving agent fee	18,812
Auditors remuneration – audit of Statutory Financial Statements	26,000
Other professional fees	30,273
Other costs	232
Irrecoverable VAT	38,010
Total	195,407

The Company has no employees other than the Directors.

Information relating to Director's remuneration can be found in the audited section of the Director's Remuneration Report on page 54.

10. Taxation

a) Analysis of charge for the period

	£
Charge for the period	-

b) Factors affecting the tax charge for the period

	£
Loss on ordinary activities before taxation	(271,422)
Effect of:	
Corporation tax at 19%	(51,570)
Current period losses carried forward	(271,422)
Deferred taxation not recognised	-
Tax credit for the period (Note 10b)	-

No asset or liability has been recognised for deferred tax in relation to capital gains or losses on revaluing investments as the Company is exempt from corporation tax in relation to capital gains or losses as a result of qualifying as a Venture Capital Trust.

No deferred tax asset has been recognised on surplus expenses carried forward as it is not envisaged that any such tax will be recovered in the foreseeable future. The value of the unrecognised deferred tax is £Nil.

11. Return per share

	Net loss (£)	Weighted average shares	Earnings per share pence
Revenue	(212,536)	3,619,335	(5.87)
Capital	(58,886)	3,619,335	(1.63)
Total	(271,422)	3,619,335	(7.50)

12. Investments

Movements in investments during the period are summarised as follow:

	Shares (£)
Movements in the period:	
Purchases at cost	1,259,275
Unrealised gains	-
Total movements in period	1,259,275
Variance	-
Closing valuation:	
Cost at 31 December 2020	1,259,275
Unrealised gains at 31 December 2020	-
Valuation at 31 December 2020	1,259,275

13. Significant interest

	Equity held by Blackfinch EIS Portfolios (%)	Equity held by the Company (%)
Investment		
Movebubble	12.79	5.17
Spotless Water	8.46	3.80
Transreport	5.11	5.93

Details of holdings may be found in the Investment Manager's Review and Investment Portfolio on pages 7 to 22.

14. Debtors

	2020 (£)
Amounts falling due within one year:	
Prepayments	3,567
Other debtors	37,500
Total	41,067

15. Creditors

	2020 (£)
Amounts falling due within one year:	
Trade creditors	4,454
Other creditors	9,530
Accruals	77,602
Total	91,586

16. Called up share capital

During the period, the Company issued 3,911,937 Ordinary shares.

Ordinary shares (1p shares)	2020 Number	2020 (£)
Allotted, issued, and fully paid during the period:		
Ordinary shares	3,911,937	39,119
Redeemable preference shares	5,000,000	50,000
Total	8,911,937	89,119

The redeemable preference shares:

- carry the rights to receive a fixed cumulative preferential dividend from the revenue profits of the Company which are available for distribution and which the Directors determine to distribute by way of dividend in priority to any dividend payable on the ordinary shares at the rate of 0.1% per annum (exclusive of any imputed tax credit available to shareholders) on the nominal amount thereof, but confer no other right to a dividend;

- confer no right to receive notice of, or to attend or vote at general meetings, except where the rights of holders of redeemable preference shares are to be varied or abrogated;

- on a winding up confer the rights to be paid out of the assets of the Company available for distribution the nominal amount paid up to such shares pari passu with, and in proportion to, the amount of capital paid to the holders of the ordinary shares, but do not confer any right to participate in any surplus assets of the Company; and

- are capable of being redeemed by the Company at any time and on their redemption the holders thereof shall, subject to the provisions of the Act, be paid sum equivalent to the amount paid on each redeemable preference share held and each redeemable preference share which is redeemed shall thereafter be cancelled without any further resolution or consent.

On 5 November 2019 the Company allotted and issued 50,000 redeemable preference shares of £1.00 each to Blackfinch Investments Limited. These 50,000 redeemable preference shares were paid up, fully redeemed and subsequently cancelled on 15 February 2021.

17. Reserves

Called up share capital represents the nominal value of the shares that have been issued.

Share premium account includes any premiums received on issue of share capital less any transaction costs associated with the issuing of shares and any amounts transferred to the special reserve.

Capital reserves includes all costs which are considered capital in nature. As at 31 December 2020 there were realised losses of £58,886.

Revenue reserve includes all retained profits and losses. The balance on the account is distributable.

18. Net Asset Value per Ordinary Share

	Net assets (£)	Ordinary shares	NAV per share pence
Ordinary share	3,680,389	3,911,937	94.08

19. Financial Instruments

The Company's financial instruments comprise equity, cash balances and liquid resources including debtors and creditors.

The Company holds financial assets in accordance with its investment policy to invest in qualifying investments.

The Company held the following categorises of financial instruments at 31 December 2020:

	Cost (£)	**Fair value (£)**
Assets at fair value through profit or loss:		
Equity investments	1,259,275	1,259,275
Assets measured at amortised cost:		
Cash at bank	2,471,633	2,471,633
Other debtors	37,500	37,500
Liabilities measured at amortised cost:		
Creditors	(13,984)	(13,984)
Accruals	(77,602)	(77,602)
Total	**3,676,822**	**3,676,822**

Blackfinch Investments Limited reviews the value of the investments in the Blackfinch Spring VCT portfolio on a quarterly basis. Valuations are determined in accordance with the most recent IPEV (International Private Equity and Venture Capital) Valuation Guidelines.

When an investment has been made recently, the value of that investment is based on its cost, reviewed for impairment or uplift. This valuation is also calibrated with the most appropriate choice of a market-based multiple or discounted cash flow analysis, and considering any significant triggers or events that may affect it. This same valuation model will typically be used to value the investment when there has been no recent investment to provide firm evidence of the market price of an investment, subject to a review to confirm it is still most appropriate. Adjustments consistent with the IPEV guidelines may be made to the resulting company valuation if deemed appropriate by the board.

The Company's technology-enabled thesis means that many portfolio companies invest for long-term growth and will not reach sustained profitability for some years. Consequently, a revenue multiple will often be the most appropriate market-based methodology to use for the calibration and valuation models. However, the Company would expect to switch to an earnings multiple when an investment has achieved the scale required for consistent profitability.

In the valuation models and calibration exercise, comparable trading multiples are selected, based on the most relevant combination of sector, size, growth rate, developmental stage, and strategy. The multiple for each company is calculated by dividing the enterprise value of the comparable by its revenue or earnings as appropriate, and adjusting for other considerations such as illiquidity, territories served, and other company specific circumstances.

Further details of the bases on which financial instruments, including investments, are held may be found in Notes 6 and 12 and in the Investment Manager's Review on pages 11 to 15.

Investment valuation risk

The Board tracks the investment valuation risk inherent in the Company's portfolio on the risk register that is reviewed quarterly. It maintains an appropriate spread of risk and ensures full and timely access to relevant information from the Investment Manager. The Company does not use derivative instruments to hedge against market risk. The equity of the Company's unquoted investee companies are not traded and, as such, their prices are more uncertain than those of more frequently traded stocks.

Investment valuations are derived from investee company valuations, which in turn are typically calibrated with revenue multiples. A 30% fall in revenue for all investee companies would result in just a 10.9% drop in the carrying value of the Company's unquoted investments. This fall would reduce profit before tax for the year and the Company's net asset value per share by £137,783 and 3.52p respectively. Such a drop is considered to be an appropriate illustration given historical volatility and market expectations of revenue, and in particular taking into account the recent outbreak of COVID-19.

Liquidity risk

The Company's financial instruments include investments in unlisted equity investments which are not traded in an organised public market, and require a mid to long term commitment, which generally may be illiquid. The Company retains a portion of the portfolio in cash in order to finance new investment opportunities.

20. Capital Management Policies and Procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern;
- to satisfy the relevant HMRC requirements; and
- to maximise the income and capital return to its shareholders.

As a VCT, the Company must hold at least 80% of its assets by value in Qualifying Investments by the second anniversary of the end of the accounting period in which the Company issued the shares. In addition, at least 30% of all new funds raised by the Company must be invested in Qualifying Investments within 12 months of the end of the accounting period in which the Company issued the shares. Qualifying Investments will be made in companies which are carrying out a qualifying trade, and have a permanent establishment in the UK, although some may trade overseas.

The Company will target an annual dividend equivalent to 5% of its Net Asset Value, and special dividends, where appropriate, from the proceeds of successful exits of portfolio companies that are not reinvested. It is envisaged that dividends will not be paid before 2024 and will be subject to the existence of realised profits, legislative requirements, and the available cash reserves of the Company.

21. Post Balance Sheet Events

Non-adjusting event

Subsequent to year end on 15 February 2021 the redeemable preference shares were paid up, fully redeemed and subsequently cancelled.

Since 31st December 2020 the Company has completed the following investment transactions:

- Investment of £500,000 in Brooklyn Supply Chain Solutions Ltd;
- Investment of £400,000 in Client Share Ltd;
- Investment of £500,000 in CYCLR Systems Limited;
- Investment of £500,000 in Startpulsing Limited; and
- Investment of £100,000 in Transreport Limited.

22. Contingencies, Guarantees and Financial Commitments

Under the terms of the Investment Advisory Agreement, the running expenses of the Company which are provided for in an annual budget approved by both the Board and the Investment Manager are restricted to a maximum of 3.50% of the Net Asset Value of the Company. Such excess, if occurred, is to be either paid by the Investment Manager or to be refunded by way of a reduction to its annual investments advisory fee.

The running expenses incurred in the period were 3.40% of the total Net Asset Value as at 31 December 2020.

There were no other contingencies or guarantees as at 31 December 2020.

23. Related Parties

The Company retains Blackfinch Investments Limited as its Investment Manager. In addition to the investment adviser fee Blackfinch Investments Limited also receives a secretarial and administration fee of £60,000 per annum, paid quarterly. Details of the agreement with the Investment Manager are set out on pages 29 to 31.

The remuneration and shareholdings of the Directors, who are key management personnel of the Company, is disclosed in the Directors' Remuneration Report on pages 54 to 55.

24. Geographical Analysis

The operation of the Company is wholly in the United Kingdom.

Directors and Advisers

Directors (all non-executive)
Peter Lionel Raleigh Hewitt (Chairman)
Katie Jones
Dr Reuben Wilcock

Solicitors and Sponsor
Howard Kennedy Corporate Services LLP
No. 1 London Bridge
London, SE1 9BG

All of:
Registered Office at
1350-1360 Montpellier Court
Gloucester Business Park
Brockworth, Gloucester
Gloucestershire, GL3 4AH

Registrars and Receiving Agent
The City Partnership (UK) Limited
Suite 2 Park Valley Mills
Park Valley House
Meltham Road
Huddersfield, HD4 7BH

Secretary
The City Partnership (UK) Limited
110 George Street
Edinburgh, EH2 4LH

Auditor
BDO LLP
55 Baker Street
London, W1U 7EU

VCT Tax Adviser
Philip Hare & Associates LLP
Hamilton House
1 Temple Avenue
London, EC4Y 0HA

Investment Manager, Promoter and Administrator
Blackfinch Investments Limited
1350-1360 Montpellier Court
Gloucester Business Park
Brockworth, Gloucester
Gloucestershire, GL3 4AH

Blackfinch Spring VCT plc
(Registered in England and Wales with registered number 12166417)

At the time of the publication of this Notice of Annual General Meeting, restrictions on public gatherings and non-essential travel remain in place as a consequence of the ongoing COVID-19 pandemic. Accordingly, the directors of the Company believe it is in the best interests of the Company and its shareholders to hold the Annual General Meeting as a closed meeting with a minimum number of shareholders present. The Company will ensure that the legal requirements to hold the Annual General Meeting are satisfied through the attendance of a minimum number of shareholders and the format of the Annual General Meeting will be purely functional. Unfortunately this means that Shareholders cannot be admitted to the Annual General Meeting. However, the Company strongly encourages Shareholders to vote on the resolutions to be put to the Annual General Meeting by completing a form of proxy in accordance with the instructions set out below. Shareholders are urged to appoint the Chairman as their proxy, as any other appointed person will not be able to access, attend or participate in the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Blackfinch Spring VCT plc ("the Company") will be held at 10am on 9 June 2021 for the purposes of considering and, if thought fit, passing the following resolutions, resolutions 1 to 9 as ordinary resolutions and resolutions 10 and 11 as special resolutions:

Ordinary Resolutions

1. To receive and adopt the Directors' Report and Financial Statements of the Company for the financial year ended 31 December 2020 together with the Independent Auditor's Report thereon.

2. To approve the Directors' Remuneration Policy.

3. To approve the Directors' Remuneration Report for the financial year ended 31 December 2020.

4. To appoint BDO LLP as auditor of the Company from the conclusion of the AGM until the conclusion of the next AGM of the Company to be held in 2022 at which financial statements are laid before the Company.

5. To authorise the directors to fix the remuneration of the auditor.

6. To re-elect Peter Hewitt as a director of the Company in accordance with the Articles of Association.

7. To re-elect Kate Jones as a director of the Company in accordance with the Articles of Association.

8. To re-elect Reuben Wilcock as a director of the Company in accordance with the Articles of Association and the Listing Rules.

9. That, the Directors be and hereby are generally and unconditionally authorised in accordance with Section 551 of the CA 2006 to exercise all of the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal value of £400,000, representing approximately 407% of the issued share capital of the Company as at 1 April 2021, being the latest practical date prior to publication of this document, provided that the authority conferred by this Resolution 9 shall expire at the conclusion of the Company's next annual general meeting or on the expiry of fifteen months following the passing of this Resolution 9, whichever is the later (unless previously renewed, varied or revoked by the Company in general meeting).

Special Resolutions

10. That, the Directors be and hereby are empowered pursuant to Section 570(1) of CA 2006 to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of CA 2006) for cash pursuant to the authority given in accordance with Section 551 of CA 2006 by Resolution 9 above as if Section 561(1) of CA 2006 did not apply to such allotments, provided that the power provided by this Resolution 10 shall expire at the conclusion of the Company's next annual general meeting or on the expiry of fifteen months following the passing of this Resolution 10, whichever is the later (unless previously renewed, varied or revoked by the Company in general meeting).

11. That, the Company be and is hereby authorised to make one or more market purchases (within the meaning of section 693(4) of the CA 2006) of Ordinary Shares provided that:

11.1 the maximum aggregate number of Ordinary Shares authorised to be purchased is an amount equal to 14.99% of the issued Ordinary Shares;

11.2 the minimum price which may be paid for an Ordinary Share is their nominal value;

11.3 the maximum price which may be paid for an Ordinary Share is an amount equal to the higher of (i) 105% of the average of the middle market quotation per Share taken from the London Stock Exchange daily official list for the five Business Days immediately preceding the day on which such Ordinary Share is to be purchased; and (ii) the amount stipulated by the UK version of Article 5(6) of Market Abuse Regulation (596/2014/EU); and

11.4 unless renewed, the authority hereby conferred shall expire either at the conclusion of the annual general meeting of the Company following the passing of this Resolution 11 or on the expiry of fifteen months from the passing of this Resolution 11, whichever is the later, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after such expiry.

Dated 28 April 2021

By order of the Board

Peter LR Hewitt (Chairman)

Registered Office:
1350-1360 Montpellier Court
Gloucester Business Park
Brockworth
Gloucester
Gloucestershire
GL3 4AH

Information regarding the Annual General Meeting, including the information required by section 311A of CA2006, is available from: 1350-1360 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester, Gloucestershire, GL3 4AH.

Notes:

a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointor. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. However, the Annual General Meeting will be held as a closed meeting with a minimum number of shareholders present. The Company will ensure that the legal requirements to hold the meeting are satisfied through the attendance of a minimum number of Directors and/or employee shareholders and the format of the meeting will be purely functional. Neither shareholders nor their proxies (other than the Chairman) will therefore be admitted to the Annual General Meeting. The Company, therefore, strongly encourages Shareholders to vote on the resolutions to be put to the Annual General Meeting by completing a form of proxy appointing the Chairman as their proxy, as any other appointed person will not be able to access, attend or participate in the Annual General Meeting. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (i) below. Under section 319A of the CA 2006, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:

- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.

b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to the Company's Registrar, The City Partnership (UK) Limited, Suite 2 Park Valley House, Park Valley Mills, Meltham Road, Huddersfield HD4 7BH not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.

c) In order to revoke a proxy instruction a member will need to inform the Company by sending a signed hard copy notice clearly revoking the proxy appointment to the Company's Registrar, The City Partnership (UK) Limited, Suite 2 Park Valley House, Park Valley Mills, Meltham Road, Huddersfield HD4 7BH. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by The City Partnership (UK) Limited before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.

Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.

e) Copies of the Directors' letters of appointment will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and public holidays excluded) from the date of this notice, until the end of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 5pm on 7 June 2021 or, in the event that the Annual General Meeting is adjourned, on the Register of Members at close of business two days prior to any adjourned meeting, shall be entitled to attend and vote at the Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 5pm on 7 June 2021 or, in the event that the Annual General Meeting is adjourned, on the Register of Members after close of business two days prior to any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.

g) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

h) As at 28 April 2021, the Company's issued share capital comprised 9,818,827 Ordinary Shares. The total number of voting rights in the Company as at 28 April 2021 is 9,818,827. The website referred to above will include information on the number of Shares and voting rights.

i) If you are a person who has been nominated under section 146 of the CA 2006 to enjoy information rights ("Nominated Person"):

- you may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
- if you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights; and
- your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

k) Except as provided above, members who have general queries about the Annual General Meeting should call Blackfinch on 01452 717 070 (no other methods of communication will be accepted).

l) Members may not use any electronic address provided either in this notice of the Annual General Meeting, or any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.