



BLACKFINCH
VENTURES

Blackfinch Spring VCT plc
Half-yearly Report
For the period ended 30 June 2020

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Highlights

Investment Policy

Blackfinch Spring VCT plc (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.
- Strong performance against previous investment round milestones.

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 Data

(Period ended 30/06/20)

Net Asset Value (“NAV”)	£3,319,047
Shares in issue*	3,469,308
NAV per ordinary share	97.07p
Share price	100.00p

* Includes 50,000 redeemable preference shares

Chairman's Statement

A successful launch

I am delighted to be writing to Shareholders reporting on our progress to date. Accordingly, on behalf of your Board of Directors, I am pleased to be able to confirm that the Blackfinch Spring VCT plc (the "Company") successfully listed on the London Stock Exchange in early April, having allotted our first shares as planned. We warmly thank you for your support and belief in our ability to identify some of the most promising growth-stage technology investments in the UK.

To date, the Company's offer for subscription has raised £3.5 million and the closing date for this offer is 25 September 2020.

Pipeline and investments

I am pleased to report that the Investment Adviser's deal flow pipeline is very healthy, with hundreds of new investment opportunities being presented since April and over 30 of these being more closely reviewed. Of these, several are looking likely to close in the coming months, as they pass through our Investment Advisers a due diligence process, and these are discussed more fully in the Investment Adviser's Review. Furthermore, a number of the Investment Adviser's existing Enterprise Investment Scheme (EIS) portfolio companies have responded well to the changing times, creating promising opportunities for follow-on investment through our Company.

COVID-19 impact

True to its evolutionary values, the Investment Adviser's team quickly adapted to lockdown conditions, and was fully operational working from home within days. Beyond the team, COVID-19 has presented both challenges and opportunities. In-person pitches have been replaced by video calls and some sectors have struggled, whilst others have thrived. Logistics, ecommerce, education technology and home fitness are all areas which have seen growth during these unusual times, but in such a rapidly changing environment it has been important to tread carefully. Accordingly, rather than rush in to close the first deals, the team has taken a cautious approach, monitoring companies closely in order to move forward with greater conviction and lower risk.

Incoming director

Having seen through the launch of the current prospectus, non-executive director Richard Cook has resigned from the board, with our thanks, and has been replaced by Dr Reuben Wilcock. Reuben is Head of Ventures at Blackfinch, has a PhD in electronics and is a multi-award winning entrepreneur with 15 years' experience founding and growing technology start-ups. We welcome him to the board and look forward to working with him through the launch of the next prospectus.

Outlook

In September we made our first investment into a property technology company called Movebubble. The company has developed a rental app that offers pioneering ‘video viewings’ and is in the process of appointing ex-Rightmove chairman, Scott Forbes, to its board. With this first investment and a strong pipeline of high-quality deal flow, the outlook for the year ahead is positive. The challenges brought about by the global pandemic have inspired incredible innovations to address the world’s changing needs and have caused some sectors to see huge growth. The Company is well placed to support these pioneering companies, helping to position the UK for recovery whilst driving the potential for strong future returns.

I look forward to reporting on these first investments in our first Annual Report.

Peter LR Hewitt

Chairman

30 September 2020

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.com/ventures/service/springvct/

Investment Adviser's Review

In recent months the Blackfinch Ventures team has seen an increase in deal flow through a three-pronged approach to deal sourcing. In addition to crystallising co-investment opportunities with other leading investment funds, and utilising a cutting-edge research platform, we have looked to our best-performing Enterprise Investment Scheme (EIS) portfolio companies for follow-on investment opportunities.

Indeed, in the face of the upheaval caused by the COVID-19 pandemic, our EIS companies have been highly resourceful and creative. Two have become innovation leaders in their space through solving pandemic-related challenges. A third has experienced record sales due to a heightened need for their products.

Blackfinch Ventures views the ability of management teams to tackle and adapt to COVID-19-related difficulties as a key success indicator for all future investments. Three EIS follow-on Venture Capital Trust ("VCT") investment opportunities are detailed below. This is along with three exciting new opportunities in the pipeline.

The first Blackfinch Spring VCT investment, Movebubble, has now closed and we expect others to follow in the weeks and months to come.

Richard Cook

Founder and CEO Blackfinch Group

30 September 2020

Investment Adviser's Review

Portfolio Companies



A fast-growing 'next-generation' mobile property app that is revolutionising the housing rental market. The team is ambitious, driven and fully understands the problems that exist with the dominant players and how to solve them.

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 a 1,300% increase in engagement compared to standard rental listings.

The company has recently launched the ability to transact holding deposits directly through the app. 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. This approach has helped the company reach a gross-profit margin of 85% in Q1 and 94% in Q2. Exciting recent news is that the company is in the process of appointing the ex-chairman of Rightmove, Scott Forbes, to its board.

Company sector	PropTech
Stage	Scale-up
Asset class	Equity
Blackfinch Spring VCT investment	£399,997.40
Blackfinch Spring VCT holding	5.2%
Blackfinch EIS Portfolios holding	12.8%

Investment Adviser's Review

Pipeline Overview

Company 1

A hardware-driven Internet of Things company, which quickly realised it could solve urgent COVID-19 challenges by developing its wearable industrial safety device into a social distancing product.

Many previous attempts to properly trace virus spread and monitor social distancing have proved inadequate, which has led to the company's solution receiving tremendous interest from around the world.

Large, industry-leading enterprises have run paid trials with the product and are committed to signing contracts with the company. It has also qualified for a series of COVID-19 related grants for its innovation in this space, helping the team to execute on their exciting growth journey.

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

Investment Adviser's Review

Pipeline Overview

Company 2

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.

This is a unique business with no direct competitors. With tens of units already deployed the business model is well proven, with new stations quickly paying for themselves. The business has significantly increased monthly revenue during COVID-19 with September yielding the company's highest usage to date.

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

Investment Adviser's Review

Pipeline Overview

Company 3

This company is set to democratise the home-delivery by courier network much like Uber has for taxis. The team has built a highly efficient, data-driven, smart technology platform for last-mile delivery with an almost perfect customer satisfaction score. The lockdown has caused a huge spike in online deliveries, with swathes of the population indirectly utilising couriers for the first time via their food and goods orders. This company will be the operating system that automatically pairs delivery drivers with retailers in real time, taking revenue for each transaction.

Company sector	Logistics
Funds raised to date	£300k
Stage	Scale-up
Asset class	Equity

Investment Adviser's Review

Pipeline Overview

Company 4

An innovative company that's operating a sophisticated wholesale marketplace for the rapidly growing craft drinks industry. Its optimised delivery is far more efficient than conventional distributors, despite offering a much wider range of premium products. The company reacted impressively quickly to the Covid lock-down by finding a new market to replace a temporary drop in its core customer base. It has grown revenue to over £100k a month and has exciting plans for overseas expansion.

Company sector	E-commerce
Funds raised to date	£1.8m
Stage	Scale-up
Asset class	Equity

Investment Adviser's Review

Pipeline Overview

Company 5

A fintech business in the payment processing space, focusing on a \$33.4bn market. It has strong traction in Asia where it is being recommended by the biggest Chinese payment systems. As a consequence it has already signed long-term deals with two banks to be their standard solution. Revenue was accelerating rapidly before the COVID-19 lockdown and is set to pick up quickly as restrictions in Asia relax.

Company sector	FinTech
Funds raised to date	£1.3m
Stage	Scale-up
Asset class	Equity

Principal Risks and Uncertainties

The Company's assets consist of equity and cash. Its principal risks include market risk, interest rate risk, credit risk and liquidity risk. Other risks faced by the Company include economic, investment and strategic, regulatory, reputational, operational and financial risks as well as the potential for loss of approval as a VCT.

Investments in smaller unquoted companies, (usually with limited trading records which require venture capital) carry substantially higher risks than would an investment in larger or longer-established businesses.

There can be no guarantee that the Company will meet all its objectives or that suitable investment opportunities will be identified. The past performance of members of the investment adviser team is no indication of future performance.

The Company may be unable to maintain its VCT status, which could result in loss of certain tax reliefs.

The market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock. There may also be constraints imposed on the realisation of investments to maintain the VCT tax status of the Company.

Statement Of Directors' Responsibilities

In respect of the Half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements which has been prepared in accordance with FRS 104 “Interim Financial Reporting” gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Chairman’s Statement and Investment Adviser’s Review (constituting the interim management report) include a true and fair review of the information required by DTR4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the period to 30 June 2020 and their impact on the condensed set of financial statements;
- the Statement of Principal Risks and Uncertainties on page 9 is a fair review of the information required by DTR4.2.7R, being a description of the principal risks and uncertainties for the remaining six months of the year; and
- the financial statements include a fair review of the information required by DTR4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the period to 30 June 2020 and that have materially affected the financial position or performance of the Company during that period.

For and on behalf of the Board

Peter LR Hewitt
Chairman

30 September 2020

Income Statement

for the period ended 30 June 2020

	Note	Revenue £'000	Capital £'000	Total £'000
Investment management fee		(6)	(16)	(22)
Other expenses		(78)	-	(78)
Loss on ordinary activities before taxation		-	-	-
Taxation on ordinary activities		-	-	-
Loss and total comprehensive income attributable to shareholders		(84)	(16)	(100)
Basic and diluted loss per share (p)	6	(2.48)	(0.49)	(2.97)

The total column of this Income Statement represents the profit and loss account of the Company. The supplementary revenue and capital columns have been prepared in accordance with The Association of Investment Companies' Statement of Recommended Practice. There is no other comprehensive income other than the results for the period discussed above. Accordingly a Statement of Total Comprehensive Income is not required.

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

The accompanying notes are an integral part of the statement.

Statement Of Changes In Equity

for the period ended 30 June 2020

	Non-distributable reserves		Distributable reserves		
	Share capital £'000	Share premium £'000	Capital reserve (distributable) £'000	Revenue reserve £'000	Total reserves £'000
Opening balance	-	-	-	-	-
Total comprehensive income for the period	-	-	(16)	(84)	(100)
Share issues and buy backs	34	3,443	-	-	3,477
Share issue expenses	-	(58)	-	-	(58)
Closing balance as at 30 June 2020	34	3,385	(16)	(84)	3,319

The accompanying notes are an integral part of the statement.

Condensed Balance Sheet

for the period ended 30 June 2020

	Note	£'000
Fixed assets		
Investments held at fair value	-	-
Current assets		
Debtors		58
Cash at bank		3,398
		3,456
Current liabilities		
Creditors: amounts falling due within one year		(137)
Net current assets		3,319
Net assets		3,319
Capital and reserves		
Called up share capital	8	34
Share premium account		3,385
Capital reserve		(16)
Revenue reserve		(84)
Equity shareholders' funds		3,319
Net asset value per share (p)	7	97.07

The accompanying notes are an integral part of the statement.

Statement of Cash Flows

for the period ended 30 June 2020

Cash flows from operating activities	£'000
Investment income received	-
Investment management fees	-
Other operating costs	(22)
Net cash outflow from operating activities	(22)
Cash flows from investing activities	
Net cash outflow from investing activities	-
Net cash outflow before financing	(22)
Cash flows from financing activities	
Net proceeds of share issues and buybacks	3,420
Increase in cash	3,420
Reconciliation of net cash flow to movement in net cash	
Increase in cash during the period	3,398
Net cash at start of period	-
Net cash at end of period	3,398
Reconciliation of loss on ordinary activities before taxation to net cash outflow from operating activities	
Loss on ordinary activities before taxation	(100)
Net (gain)/loss on investments	-
Increase in creditors	137
Increase in debtors	(59)
Net cash outflow from operating activities	(22)

The accompanying notes are an integral part of the statement.

Notes To The Financial Statements

for the period ended 30 June 2020

1. General information

Blackfinch Spring VCT plc is a Venture Capital Trust incorporated in England and Wales.

2. Basis of accounting

The half-yearly financial report covers period ended 30 June 2020. The condensed financial statements for this period have been prepared in accordance with FRS 104 (“Interim financial reporting”) and in accordance with the Statement of Recommended Practice “Financial Statements of Investment Trust Companies” revised November 2014 (“SORP”).

3. 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.

4. Segmental reporting

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

5. Copies of the Half-yearly Report

Copies of the Half-yearly Report are being made available to all shareholders. Further copies are available free of charge from Blackfinch by telephoning 01452 717070 or by email to enquiries@blackfinch.com.

6. Accounting policies

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

a. 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.

b. 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.

c. 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.

d. Equity

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs.

e. 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 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 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. Other expenses

Other expenses include:

	2020 (£)
Directors' fees	12,053
Admin fees	15,781
Registrars and receiving agent fee	12,597
Audit fees	16,413
Irrecoverable VAT	11,723
Sundry expenses	9,730
Total	78,297

8. Debtors

2020 (£)

Amounts falling due within one year:

Prepayments and accrued income	7,857
Other debtors	50,000
Total	57,857

9. Creditors

2020 (£)

Amounts falling due within one year:

Trade creditors	3,339
Sundry creditors and accruals	133,620
Total	136,959

10. Called up share capital

Class	Number of shares	Nominal value per share	Total
Ordinary shares	3,419,308	0.01	34,193
Total share capital		-	34,193

11. Earnings per share

Earnings per share is based on the loss attributable to shareholders for the period ended 30 June 2020 of £100,265 and the weighted average number of ordinary shares in issue during the period of 3,379,339. There is no difference between basic and diluted earnings per share.

12. Net asset value

The net asset value per share at 30 June 2020 is based on net assets of £3,319,047 and the number of ordinary shares in issue on 30 June 2020 of 3,419,308. There is no difference between basic and diluted net asset value per share.

13. Related party transactions

The Company appointed Blackfinch as its investment adviser. During the period to 30 June 2020, Blackfinch acquired 50,000 redeemable preference shares.

Related party transaction

Save as disclosed in this paragraph there is no conflict of interest between the Company, the duties of the directors, the duties of the directors of the Investment Adviser and their private interests and other duties.