



BLACKFINCH
VENTURES

Blackfinch Spring VCT plc
Annual Report and Financial Statements
for the year ended 31 December 2023

Companies House Number 12166417

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Highlights

Offer for Subscription

In the year ended 31 December 2023, the Company's offers for subscription raised £7,151,846 gross (2022: £7,903,824), with the issue of 7,706,903 (2022: 8,573,388) shares.

Investments

The Company made 18 qualifying investments in the period, for a total of £5.1m, adding five new companies to its portfolio that now stands at 25. There were no realised returns in the year, but there was an unrealised gain of £3.9m on investments, which brought the overall investment value to £25.8m.

Net Asset Value ("NAV") Movement

The NAV per share increased by 12% from 90.85p to 101.54p, driven by the uplift in the value of investments.

Dividends

An interim dividend was announced on the 13th February 2024. The dividend rate announced was 2.5p per share.

Summary Data	Year ended 31/12/2023	Year ended 31/12/2022
Net asset value (£'000)	29,359	19,267
Shares in issue ('000)	28,914	21,207
NAV per ordinary share	101.54p	90.85p
Share price as per the London Stock Exchange (mid-price)	92.00p	85.00p

Investment Objective

The objective of the Company is to invest in innovative growth-stage technology-enabled companies which are on their scale-up journey. Investments are targeted in unquoted companies with the potential for high growth and where there is likely to be a reasonable prospect of a trade sale or exit strategy in due course.

Chairman's Statement

I am pleased to be writing to Shareholders to present the Annual Report and Financial Statements for Blackfinch Spring VCT plc (the 'Company') for the year ended 31 December 2023.

In a year marked by global uncertainties and domestic economic pressures, the Company has again made encouraging progress, with a healthy set of new investments, good growth in the aggregate value of our existing portfolio companies, and steady fundraising. Most significantly, these developments have enabled the Company to announce its first interim dividend payment of 2.5p per shares, to be paid in April 2024.

During the year the Company allotted a further 7,706,903 shares, having raised £7.2m, just 10% down from the £7.9m raised in 2022. This amount includes £1.3m from the first allotment of the Company's new offer, which successfully launched on 7 September 2023.

Increased Diversification

Your Company invested a further £5.1m during the year. Alongside follow-on funding for existing companies in the portfolio, five promising new ones were added. These businesses operate in a range of emerging fields such as Audio AI, Construction Technology, and Education Technology. The extra sector diversification that they bring further enhances the robustness of the portfolio, which now comprises a total of 25 innovative technology-enabled companies. Details of them are contained on page 12, with the largest 10 companies by value now accounting for 61% as compared to 70% in 2022.

Growth in a Turbulent Environment

The economic environment in 2023 continued to be challenging. The UK went into recession, while both inflation and interest rates raced to recent highs. Global uncertainties increased, with renewed tensions in the Middle East coming on top of the ongoing conflict in Ukraine, making for a difficult geopolitical environment.

In this context, portfolio companies demonstrated considerable resilience and agility, many having to adapt to the changing needs of customers who were often facing increased cost pressures of their own. Nonetheless, all but six of the Company's businesses were able to grow their revenues during the year, some by impressive amounts, demonstrating the robustness of the existing portfolio. Similarly, only two investments had a lower valuation at the end of the year than at the start, with the values of some others being held at cost because the class of shares held by the VCT have downside protection.

A Promising Pipeline

The recent economic turbulence appears not to have dimmed founders' enthusiasm for establishing innovative new businesses. Our Manager reports a strong supply of technology firms that are clearly demonstrating growth, even in the current climate, allowing just the best to be selected to join the Company's portfolio. Examples of the ones currently being assessed are given on pages 28 to 35. There will also be further opportunities to provide follow-on funding to well-performing portfolio companies.

Financial Milestones

I am pleased to report that the strong performance of portfolio companies has driven up the Net Asset Value (NAV) per share from 90.85p at the start of the year to 101.54p at the end. It is the first time the NAV per share has exceeded its launch value of 100.00p, and it represents even better growth when tax reliefs are taken in to consideration.

Consistent with our long-term strategic objective of paying regular dividends from 2024, I am delighted that since the end of the year we have announced our first interim dividend. I am also pleased to report that the Board will be inviting our shareholders at the June 2024 AGM to approve the payment of a final dividend of 2.6 per share. Should the proposed final dividend be approved, then this will realise for 2024 the aspiration, as stated in the September 2023 prospectus, to pay dividends annually totalling 5% of the Company's net asset value. While these dividends will be paid from the recently converted share premium, its payment provides important certainty to investors, and it is supported by increases in the value of investments that we expect to be realised in future.

Dividend Reinvestment Scheme

The Company intends to adopt a dividend reinvestment scheme, which will allow existing and new shareholders to elect to apply all or part of any cash dividends they may receive in respect of their ordinary shares in subscribing for further ordinary shares.

The price at which shares will be issued under the dividend reinvestment scheme will effectively be the last published NAV per share as close as reasonably practical to the dividend payment date. The Company bears all of the costs of operating the dividend reinvestment scheme.

Dividend reinvestment enables shareholders to increase their total holding in the Company without incurring dealing costs or issue costs. Subject to the limits on investments in VCTs, shares issued under the dividend reinvestment scheme should qualify for the VCT tax reliefs that are applicable to subscriptions for new VCT shares.

Shares subscribed for under the dividend reinvestment scheme will form part of the relevant shareholder's annual limit for investing in VCTs. Shareholders wishing to invest their dividends should contact either the Company's Investment Manager or the Company's Registrars, details for which can be found on page 95 of this report.

The terms and conditions of the dividend reinvestment scheme can be found on the Company's website (<https://blackfinch.investments/vct/>).

Outlook

The Company has successfully navigated the complexities and risks of 2023, delivering strong progress towards our objectives of long-term growth. While global uncertainties remain, the economic prospects in the UK are improving, with both inflation and interest rates expected to continue falling. Such conditions have the potential not just to boost the performance of portfolio companies but also to prompt increased interest from parties who may wish to acquire them and deliver realisations. Coupled with signs that new subscriptions to the VCT are increasing, and with a healthy investment pipeline, there is an excellent outlook for the year ahead.

Finally, I would like to extend my thanks to the Managers for their efforts this year which have been borne out by the substantial increase in shareholder value.

Peter L R Hewitt, KOFO, JP, FCSI, FRSA

Non-executive Chairman

26 April 2024

Companies House Number - 12166417

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 01452 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, KOFO, JP, FCSI, FRSA (Chairman)

Peter has been a director of 13 public companies over the last 30 years, chairing seven of these including seven 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 four years. He is Co-Chairman and co-founder of Universal Defence and Security Solutions Limited, a global defence consultancy with over 600 team members.

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.

Peter has been the Chairman of the Company since 11 November 2019.

Dr Katrina Tarizzo PhD, BA (Hons), Dip MRS

Katrina's involvement with early-stage company development has spanned over 30 years from the perspective of being both a founding shareholder and director of several companies across a variety of sectors and geographies including financial services, real estate, chemicals and technology. She was formerly a director of The Share Centre in its founding years, a pioneer of low-cost stock broking for retail investors that was subsequently listed on AIM through Share PLC, having been more recently acquired by Interactive Investor.

Katrina was heavily involved in the UK and French privatisation programmes, establishing Johnson Fry Privatisations Limited which has since become part of Legg Mason. She was also a founder of a speciality chemicals company based in Poland, manufacturing and shipping rubber to the worldwide chewing gum market. Moving with the times into the technology sector, Katrina was involved in the development of a US financial website company, listed on NASDAQ, and more recently co-founded Linescape.com, a search engine that provides shipping schedule data feeds to the logistics industry. She is currently a director and shareholder of City Living PCC Limited, listed on the International Stock Exchange, which operates in the residential real estate and development sector across Poland.

She is a Doctoral graduate of the London Business School with a wealth of international business experience.

Katrina has been a director of the Company since 14 August 2023.

Dr Reuben Wilcock

Reuben is an award-winning entrepreneur with over 20 years' experience founding and growing start-ups. His smart home energy spinout, Joulo, won the British Gas Connected Homes award and was acquired by Quby. Reuben was a leading figure in entrepreneurship, founding the Future Worlds accelerator, through which he mentored over 250 entrepreneurs across 50 companies. He has a degree in Electronics, a PhD in integrated circuit design, is a named author on over 45 academic papers and has five patents. He is currently Head of Ventures at Blackfinch where he has led over 80 investments worth more than £60m into a portfolio of high-tech high-growth Seed and Series-A stage companies. He sits on the boards of many of these, actively supporting founders and their teams through different stages of growth.

Reuben has been a director of the company since 18 September 2020.

Investment Manager's Review

Given the turbulent economic environment in 2023, we have been delighted both with the progress made overall by existing portfolio companies and by the strength of the innovative new businesses we have been able to add to the portfolio. They bring the portfolio to a total of 25 high-potential companies, up from 20 at the start of the year. While technology plays an important role in each of them, collectively they span 17 industry sectors, from Advertising Technology to Transport Technology, as illustrated on page 25.

A total of 18 investments were made in the year, of which five were into new companies. As reported in the Half Year review, the first part of the year saw the addition of pioneering education technology provider Up Learn, which is helping students succeed in A-Level exams, and shared transport provider Collectivetech Ltd (trading as RideTandem). They were followed in the summer by Oculo, the Company's first Construction Technology business. Its platform uses sophisticated computer vision to match views of what's been built with detailed digital models of the design plans to confirm construction has been completed correctly and to specification.

The end of the year concluded with two new investments. Quin AI is a high-growth AI business founded by an impressive pair of sisters. Its platform analyses consumer behaviour on e-commerce websites, then determines the best offers or incentives to give shoppers to maximise sales and reduce drop-off rates. Secondly, Lstn Inc., trading as BeyondWords, is an ambitious AI company that is leading in the text-to-voice market for the publishing industry. It transforms written articles into engaging AI-generated audio by combining enterprise-grade voice cloning with audio generation. We had been supporting BeyondWords in our EIS Portfolios since 2021 as it grew to the size and maturity appropriate for investment by the Company.

The remaining investments, totalling £3.0m, were follow-ons into existing portfolio companies. Several of them were at higher valuations than our original investments, reflecting the strong underlying progress made by the firms. Four companies also attracted funding rounds led by external investors that pushed valuations higher, including Odore and especially Transreport, which by the end of the year was in the process of closing a £10m round from new investors. Kokoon, supported by our first debt investment at the end of 2022, was also able to attract new funding, triggering the conversion of our loan into new shares. The funding has allowed Kokoon to extend its operations into 2024 and to launch a major new partnership.

With increased pressure on both consumer and business budgets in 2023, some portfolio companies have

inevitably suffered setbacks on their growth journeys. Measure Protocol lost its largest customer early in the year as the result of the customer's aggressive cost-cutting. Measure Protocol has had to reduce its costs but has since regained part of the lost contract – a testament to the value it was delivering – as well as landing new sales. Similarly, Placed suffered high churn from the downturn in recruitment, but again was quick to adapt, refocusing its strategy which has led to consistently renewed growth in the final quarter of the year.

Some other companies have also seen longer sales cycles and slower growth, and they have trimmed their budgets accordingly. Nonetheless all but six portfolio companies have been able to grow their revenues during the year. Some have done particularly well. New company Oculo has accelerated its rate of growth even since we invested in the summer, while Illuma has again more than doubled revenues from its platform for ethical online advertising.

With the revenue multiples of technology companies listed on public markets having been much more stable than in 2022, portfolio valuations this year have primarily been driven by the underlying performance of companies. With good revenue growth across much of the portfolio, and with some individual company valuations being prevented from declining because of downside protection in the share class held by the Company, aggregate valuations have risen throughout the year. These increases have driven a 10.69p uplift in NAV per share to take it above 100p for the first time.

Internally, Blackfinch has again been expanding the investment team that manages the Company's investments. A Senior Manager joined the team in April 2023, to lead on investments into new companies, while a further Manager and an Analyst have also been hired. We have additionally continued to enhance our own technology platform for monitoring investments and the underlying companies. It has helped us to maintain our agile support for these businesses even while the size of the portfolio has expanded.

Encouragingly, we continue to see a strong pipeline of high-quality technology-enabled companies seeking investment – businesses that are proving they can thrive even in a weaker economic environment. Examples of those we were assessing for potential investment in March or April are given on page 28. With improving prospects for inflation and interest rates as we head into 2024, there is an excellent outlook not just for these businesses but also for our existing portfolio companies and for the Blackfinch Spring VCT itself. I look forward to providing the next update in the half yearly review.

Richard Cook
Founder and CEO, Blackfinch Investments Limited

26 April 2024

Investment Manager's Review

Environmental, Social and Governance Policy ("ESG")

It is intended that portfolio companies should aim to make at least a small net positive contribution to the world, and believe that doing so in a responsible, sustainable manner not only benefits society and the planet but also reduces long-term investment risk.

Public sentiment continues to be concerned with social practices, with the environment in general, and with climate change in particular. Good governance underpins the management of these risks, alongside more conventional business risks, maximising the prospects of long-term sustainable success for individual companies and the investments made in them. To this end Blackfinch Ventures applies a formal ESG Policy to the investments they make on behalf of the Company.

The Investment Manager's 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, including employees and customers; it includes human rights, diversity, data privacy, and fair working practices. Governance is concerned not just with management structures and risk analysis, but with a culture of transparency, honesty, and integrity. We assess these aspects both from formal due diligence questions and from conversations with founders, employees, and customers.

Investing in growing, technology-enabled businesses that address real-world needs naturally leads us to support those that are set to try and 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 founders. Few early-stage companies have

formal ESG policies of their own, but they must recognise the importance of the principles involved.

Whilst all portfolio companies aim to deliver an economic benefit – creating jobs and growing the economy – some additionally have an explicit environmental or social purpose that the Investment Manager believes tie in with long-term trends in society and hence increases future market demand. Transreport democratises access to public transport for people with limited mobility by making it easy for them to book assistance throughout their journeys; and Cultureshift is similarly finding strong demand for its platform to help large organisations tackle workplace bullying and harassment.

We also look at the impacts our own decisions make, for example, in terms of the diversity of founders who receive funding. One of our newest investments is in Quin AI, which is run by an impressive pair of sisters. It puts the firm in the small minority of venture-funded companies run by all-female founders.

Investment Portfolio

Investment	As at 31 December 2023				As at 31 December 2022		
	Cost £'000	Valuation £'000	Increase in value in 2023 net of additions £'000	% of total assets value	Cost £'000	Valuation £'000	% of total assets value
Brooklyn Supply Chain Solutions Ltd	1,162	1,162	-	3.9	900	900	4.7
Client Share Ltd	858	1,555	639	5.3	700	758	3.9
Collectivetech Limited	440	528	88	1.8	-	-	-
Cultureshift Communications Ltd	780	990	210	3.4	500	500	2.6
Currensea Ltd	1,075	1,075	-	3.7	1,075	1,075	5.6
Cyclr Systems Ltd	1,300	1,300	(183)	4.4	1,300	1,483	7.7
Edozo Ltd	463	474	11	1.6	200	200	1.0
Illuma Technology Ltd	1,218	3,715	1,792	12.6	1,130	1,835	9.5
Kokoon Technology Ltd	500	521	21	1.8	500	500	2.6
LSTN Inc.	300	300	-	1.0	-	-	-
Measure Protocol Ltd	680	680	(12)	2.3	400	412	2.1
Oculo Technologies Ltd	840	1,049	209	3.6	-	-	-
Odore Ltd	830	831	1	2.8	430	430	2.2
Placed Recruitment Ltd	600	600	-	2.0	600	600	3.1
Quin AI Limited	200	200	-	0.7	-	-	-
Recruitment Smart Technologies Ltd	780	780	-	2.6	780	780	4.0
Spotless Water Ltd	459	791	295	2.7	459	496	2.6
Staffcircle Ltd	1,262	1,262	-	4.3	1,000	1,000	5.2
Startpulsing Ltd	1,575	1,575	(85)	5.4	1,400	1,485	7.7
Tangle Software Inc.	490	490	-	1.7	350	350	1.8
Teamed Ltd	1,280	1,315	(173)	4.5	1,280	1,489	7.7
Tended Ltd	1,075	1,081	-	3.7	700	706	3.7
Transreport Ltd	770	1,711	690	5.8	770	1,020	5.3
Up Learn Limited	360	664	304	2.3	-	-	-
Watchmycompetitor.com Ltd	980	1,109	64	3.8	700	765	4.0
Total fixed asset investments	20,277	25,758	3,871	87.7	15,174	16,784	87.0
Net current assets	3,601	3,601		12.3	2,483	2,483	13.0
Net assets	23,878	29,359		100.0	17,657	19,267	100.0

A total of 18 investments were made in the year, up from 17 during 2022. Five of these investments were in new companies. One of them originated from the Blackfinch EIS Portfolios, with the Company co-investing alongside a follow-on investment by the EIS Portfolios. The other four were new co-investments with the EIS Portfolios. The remaining 13 investments were follow-on investments into existing VCT portfolio companies.

Three of the investments were made in December, and they are all held at cost. Most other investments are valued on a financial multiple; a full breakdown of valuation method is given on page 99. Overall, just two investments ended the year with a lower value, with some valuations being maintained because of downside protection in the class of shares held by the Company, while 11 increased more than a trivial amount. These increases have significantly outweighed the decreases resulting in an aggregate unrealised gain of £3.87m on those companies held since the end of 2022.

Investment Manager's Review

Investment Portfolio - Top 10 Holdings



Illuma is a digital advertising company that offers advanced technology designed to select the best websites on which to deploy adverts to generate the highest response rates. Its artificial intelligence learns in real-time, determining the optimum context in which to place any given advert. Illuma's product offers an alternative to traditional cookie-based targeting, which suffer from privacy concerns and Google's plans to remove cookies altogether. Since investment in 2021, Illuma has grown its revenue over 4x, expanded to the US, and has secured large global customers such as Procter & Gamble and Sky.

Company sector	Advertising Tech
Stage	Scale-up
Asset class	Equity
Net assets 31/12/2022	£2.26m
Net assets 31/12/2021	£1.80m
Revenue and profit	n/a *
Cost of investment	£1.22m
Value of investment	£3.71m
Basis of valuation	Revenue Multiple
Equity held by Blackfinch Spring VCT	10.5%
Initial investment date	August 2021

*Revenue and profit are not publicly available because only abbreviated accounts are filed at Companies House.

Investment Manager's Review

Investment Portfolio



Transreport's innovative technology platform makes it easy for people with reduced mobility to book and receive the special assistance they need for their journey. As well as this 'Passenger Assist' app, the company has developed a suite of platforms targeting the industry's digital transformation and has a strong vision to address a broader range of journeys spanning rail, air and road. Transreport has secured an exclusive, long-term contract with the entire British rail network. Since investment in 2020, Transreport has grown its monthly revenue 6x, and expanded both internationally into Japan, and into airports. Transreport has also been very successful in gaining high profile recognition. The founder was invited to the 2023 G7 Business Summit where he met with the UK Prime Minister Rishi Sunak.

Company sector	Transport Tech
Stage	Scale-up
Asset class	Equity
Net assets 31/12/2022	£4.05m
Net assets 31/12/2021	£2.15m
Revenue and profit	n/a *
Cost of investment	£0.77m
Value of investment	£1.71m
Basis of valuation	Revenue Multiple
Equity held by Blackfinch Spring VCT	4.9%
Initial investment date	December 2020

*Revenue and profit are not publicly available because only abbreviated accounts are filed at Companies House.

Investment Manager's Review

Investment Portfolio



Startpulsing Limited, trading as 'OnePulse', allows global brands to gain feedback on ideas in real time from a community of thousands. With responses coming in minutes, it helps companies carefully tailor their products and campaigns to ensure that customers are happy and engaged. It also allows consumers to directly impact the decision-making of companies they use every day whilst earning money and staying on top of product releases. Since investment in 2021, OnePulse has grown its monthly recurring revenue over 2.5x and secured new enterprise clients including Pepsi, Coinbase, and TikTok.

Company sector	Market Intelligence Tech
Stage	Scale-up
Asset class	Equity
Net assets 31/07/2023	£(0.95m)
Net assets 31/07/2022	£0.37m
Revenue and profit	n/a *
Cost of investment	£1.58m
Value of investment	£1.58m
Basis of valuation	Revenue Multiple
Equity held by Blackfinch Spring VCT	11.9%
Initial investment date	March 2021

*Revenue and profit are not publicly available because only abbreviated accounts are filed at Companies House.

Investment Manager's Review

Investment Portfolio



Clientshare specialises in increasing the strength of relationships between buyers and suppliers through its easy-to-use online technology platform. Its 'Service Governance' products help large organisations maintain strong relationships with their clients, and deliver the insights needed to tackle emerging problems. The effect is to increase customer retention and reduce churn. Having already secured enterprise customers such as HP and Compass Group prior to the Company's first investment in 2021, Clientshare has subsequently grown in revenue over 2.5x and secured additional major customers such as EY. The business has also planted over 5,200 trees in the 'Clientshare Forest', based on customers' use of its platform.

Company sector	Service Governance Tech
Stage	Scale-up
Asset class	Equity
Net assets 31/12/2022	£1.37m
Net assets 31/12/2021	£1.16m
Revenue and profit	n/a*
Cost of investment	£0.86m
Value of investment	£1.55m
Basis of valuation	Revenue Multiple
Equity held by Blackfinch Spring VCT	10.1%
Initial investment date	March 2021

*Revenue and profit are not publicly available because only abbreviated accounts are filed at Companies House.

Investment Manager's Review

Investment Portfolio

teamed.

Teamed simplifies the process for companies hiring and managing employees internationally, without the need to set up entities abroad. Its Employee-as-a-Service solution allows employers to seamlessly manage the entire hiring and employee management process, from employment and compliance, to payroll, payments and localised benefits, all in one place. It saves employers the stress, time and cost of doing it all themselves. The core value proposition of Teamed is socially positive as it supports the hiring of employees in remote regions, where residents may otherwise not have access to such well paid jobs.

Company sector	HR Tech
Stage	Scale-up
Asset class	Equity
Net assets 30/11/2022	£1.51m
Net assets 30/11/2021	£0.07m
Revenue and profit	n/a *
Cost of investment	£1.28m
Value of investment	£1.32m
Basis of valuation	Revenue Multiple
Equity held by Blackfinch Spring VCT	13.7%
Initial investment date	September 2022

*Revenue and profit are not publicly available because only abbreviated accounts are filed at Companies House.

Investment Manager's Review

Investment Portfolio



Cyclr has a plug-and-play solution that helps software companies connect their product to data from third-party platforms. The solution avoids having to develop these 'integrations' from scratch, enabling clients to satisfy requests for new integrations far faster and at a fraction of the cost of developing them internally. Cyclr's solution to this problem is applicable globally, connects to over 400 of the world's most popular platforms, and its graphical, no-code approach sets it apart from the competition. Since investment in 2021, Cyclr has already tripled its revenue, launched a new product, and opened an office in Canada.

Company sector	Software Tech
Stage	Scale-up
Asset class	Equity
Net assets 30/11/2022	£3.94m
Net assets 30/11/2021	£1.11m
Revenue and profit	n/a *
Cost of investment	£1.30m
Value of investment	£1.30m
Basis of valuation	Revenue Multiple
Equity held by Blackfinch Spring VCT	8.7%
Initial investment date	March 2021

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Investment Manager's Review

Investment Portfolio



StaffCircle is an agile business whose online human resources (HR) platform enables companies to engage and manage their staff, especially remote workers, or those without desk jobs. The platform allows effective communication through any device, from desktop computers to mobile phones, a flexibility which is proving invaluable for the accelerated trend towards remote working. It is led by a committed founder who has an impressive track record founding and exiting three previous start-ups. The company's platform has clearly differentiated market positioning and is steadily accumulating more and more customers.

Company sector	HR Tech
Stage	Scale-up
Asset class	Equity
Net assets 31/03/2023	£0.63m
Net assets 31/03/2022	£2.08m
Revenue and profit	n/a *
Cost of investment	£1.26m
Value of investment	£1.26m
Basis of valuation	Revenue Multiple
Equity held by Blackfinch Spring VCT	8.2%
Initial investment date	April 2022

*Revenue and profit are not publicly available because only abbreviated accounts are filed at Companies House.

Investment Manager's Review

Investment Portfolio



Trading as Brooklyn Vendor Assurance, the company has created a platform that allows the world's largest businesses to manage their supplier contracts. The solution maps and governs organisations in areas including risks, performance, ESG, and compliance. Brooklyn's customers include large enterprises such as Danske Bank and Sainsburys, with the product catering for the very complex needs of the world's largest organisations who spend millions on compliance and governance each year. Since investment in 2021, the company has increased its recurring revenue 2.5x, having both expanded its deployments within existing enterprise clients, and secured new long-term contracts with organisations such as Cumberland Building Society. Brooklyn also has an ESG partnership with Positive Impact Commerce (PIC), with the company's platform enabling its customers to manage their suppliers' environmental performance, including automated scoring and tracking.

Company sector	Supply Chain Tech
Stage	Scale-up
Asset class	Equity
Net assets 31/12/2022	£0.50m
Net assets 31/12/2021	£1.05m
Revenue and profit	n/a *
Cost of investment	£1.16m
Value of investment	£1.16m
Basis of valuation	Revenue Multiple
Equity held by Blackfinch Spring VCT	12.2%
Initial investment date	March 2021

*Revenue and profit are not publicly available because only abbreviated accounts are filed at Companies House.

Investment Manager's Review

Investment Portfolio



WatchMyCompetitor offers a business intelligence platform that enables organisations to monitor competitors, clients and key partners, tracking product launches, promotions and important business changes. The company's cloud-based platform uses machine learning technology to track the public developments of companies all over the world. Its dashboard summarises current insights, whilst daily feeds – automatically generated but curated by a human analyst – keep customers on top of any rapidly changing market events. Since investment in 2021, WatchMyCompetitor has grown its monthly revenue over 2x, and secured top-tier clients including Amazon, Hyundai and Virgin Media.

Company sector	Market Intelligence Tech
Stage	Scale-up
Asset class	Equity
Net assets 31/12/2022	£1.69m
Net assets 31/12/2021	£2.00m
Revenue and profit	n/a *
Cost of investment	£0.98m
Value of investment	£1.11m
Basis of valuation	Revenue Multiple
Equity held by Blackfinch Spring VCT	8.5%
Initial investment date	August 2021

*Revenue and profit are not publicly available because only abbreviated accounts are filed at Companies House.

Investment Manager's Review

Investment Portfolio



Tended designs intelligent personal safety wearables and monitoring systems. These wearables combine 'geofencing' technology with behavioural science to ensure on-site workers are kept out of harm's way. The company saw considerable success during the pandemic with a reliable social distancing product, and it now utilises this centimetre-accuracy positioning technology to help keep workers on construction sites and around railway tracks within safe zones, without crossing a 'virtual fence' into potential danger. Its products have a clear social benefit in improving working safety and saving lives, and Tended has recently secured deals from major employers such as National Rail and AmcoGiffen.

Company sector	Safety Tech
Stage	Scale-up
Asset class	Equity
Net assets 30/06/2022	£(0.94m)
Net assets 30/06/2021	£(0.43m)
Revenue and profit	n/a*
Cost of investment	£1.08m
Value of investment	£1.08m
Basis of valuation	Price of New Investment
Equity held by Blackfinch Spring VCT	11.6%
Initial investment date	September 2021

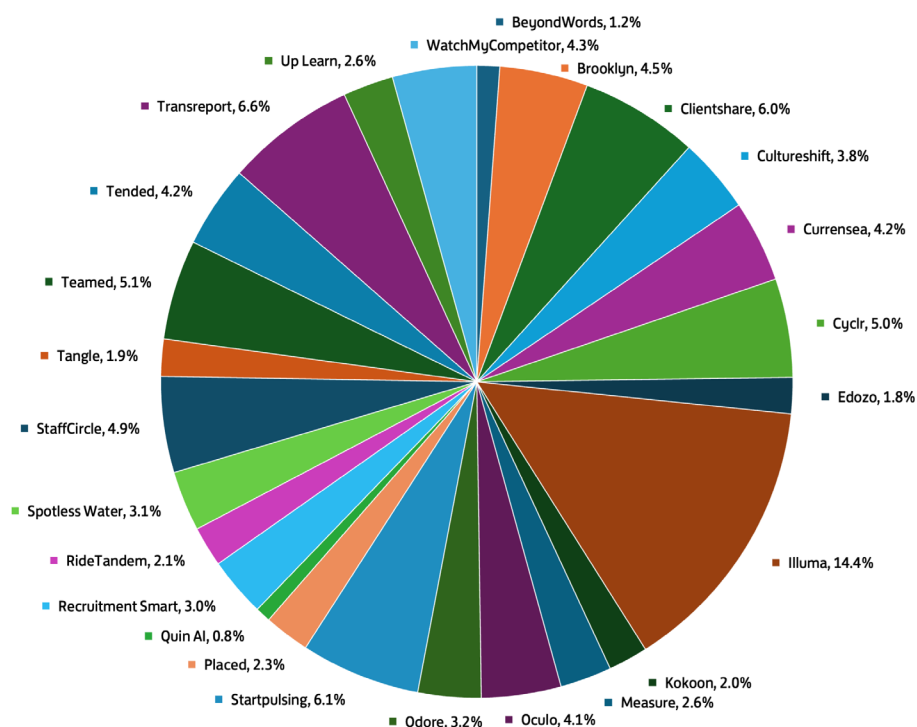
*Revenue and profit are not publicly available because only abbreviated accounts are filed at Companies House.

Investment Manager's Review

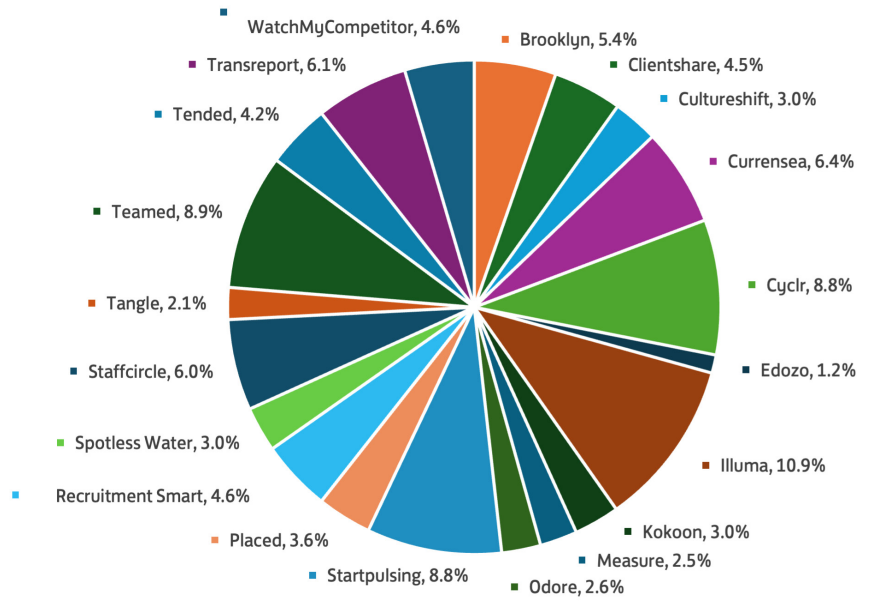
Portfolio Statistics

By the end of the reporting period, cash represented approximately 13% of the Company's £29.5m net assets (compared to 14% of £19.3m at the end of 2022) while investments in qualifying portfolio companies constituted approximately 87% (also 87% in 2022). A full break-down of these investments is shown in the chart below, together with a comparison from the previous year.

2023 Portfolio split by valuation (excl. cash)

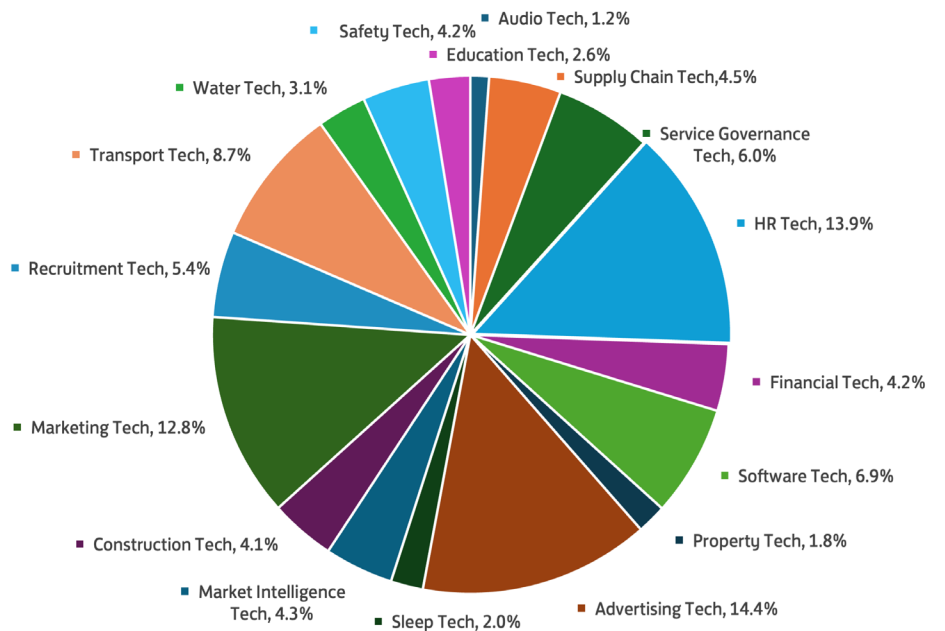


2022 Portfolio split by valuation (excl. cash)

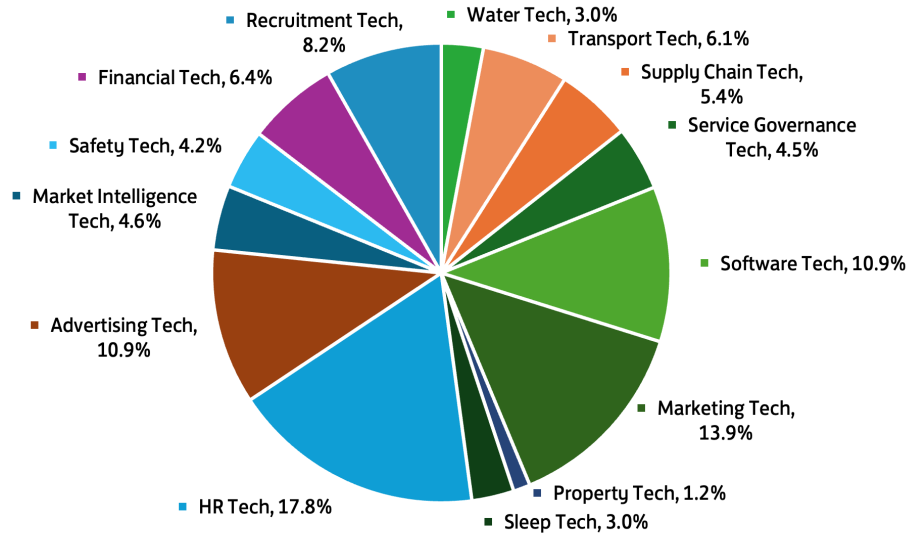


The 25 investments to date are in distinct industry sectors, illustrating the diversification that is being built into the portfolio. It is worth noting that the three largest sectors – Advertising Tech, HR Tech and Marketing Tech – serve business customers across many sectors and are not tied to any particular industry. We nonetheless plan to further extend the sector diversification with the next investments.

2023 Portfolio split by industry

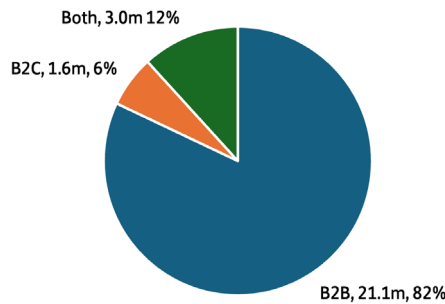


2022 Portfolio split by industry

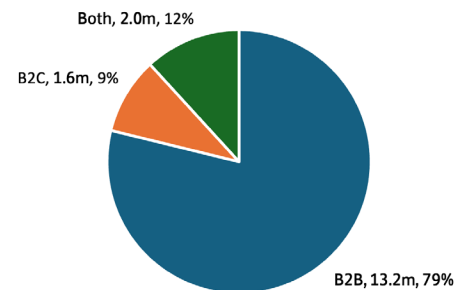


The portfolio has a B2B (business-to-business) focus, but Kokoon and Currensea are predominantly B2C (business-to-consumer), while some investments target both business and consumer customers.

2023 Portfolio split by Customer Type

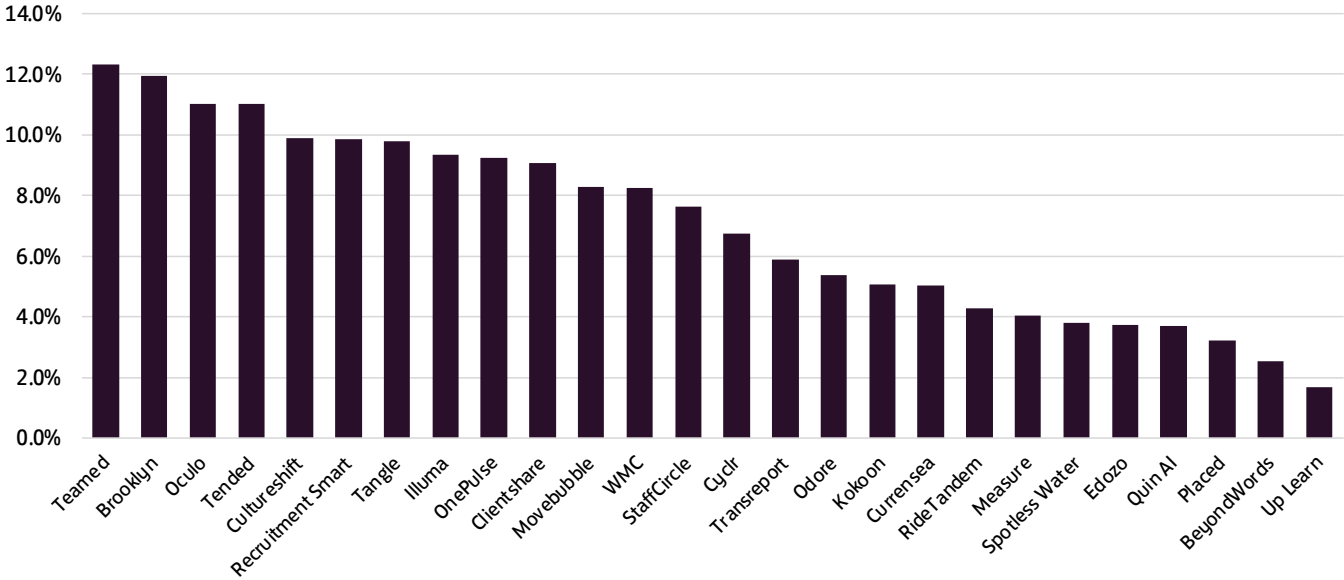


2022 Portfolio split by Customer Type



The Company holds minority stakes in each of its portfolio companies ranging from 1.7 to 12%. This range is slightly narrower than last year. The portfolio continues to be built out and diversified over more sectors so it is likely that forthcoming investments will be of a similar size and equity holding, although the range may increase over time.

% Equity held on a fully diluted basis



Investment Manager's Review

Pipeline Overview

The Investment Manager continues to benefit from a solid pipeline of opportunities. Some of the new companies being considered for investment are described below, though it is likely that only some will complete as they move further through the evaluation process.

Company 1

This ingenious company is revolutionising the deployment of electric vehicle charging stations with state-of-the-art artificial intelligence (AI). By using a huge number of data points, its AI models help ChargePoint operators deploy chargers accurately and at speed, selecting the best locations to maximise revenue. This impressive AI solution is already profitable and boasts an exciting pipeline of operators.

Company sector	Electric Vehicle Tech
Stage	Scale-up
Asset class	Equity

Investment Manager's Review

Pipeline Overview

Company 2

This revolutionary company has developed a seaweed-based waterproof coating for food and cosmetics packaging. This coating is recyclable, marine safe, and compostable, and can be applied to paper or card as a fully sustainable replacement for plastic. The company's CEO has significant start-up experience and has already secured development contracts with three major brands.

Company sector	Materials Tech
Stage	Scale-up
Asset class	Equity

Investment Manager's Review

Pipeline Overview

Company 3

This innovative company offers an impressive platform for clients to build and deploy digital apps in the wellness and healthcare space, without having to write their own code. The platform offers more than 80 pre-built features, ensuring apps can be created quickly and cost-effectively by those with medical rather than technical knowledge. The company's founder, who has sold several 'low-code' start-ups before, has increased its revenue five-fold in just 12 months.

Company sector	Health Tech
Stage	Scale-up
Asset class	Equity

Investment Manager's Review

Pipeline Overview

Company 4

This innovative young company lets business suppliers create 3D virtual showrooms and deliver online demonstrations of physical products. It makes remote sales presentations far more powerful, while saving on the cost of in-person visits. Its energetic leadership team is driving strong growth, with sales more than doubling each year.

Company sector	Sales Tech
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Stage	Scale-up
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Asset class	Equity
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Investment Manager's Review

Pipeline Overview

Company 5

This purpose-driven company has developed a web-based marketplace where elderly people find local help so they can continue living independently at home. It focuses on home help rather than care, covering activities such as meal preparation, cleaning and companionship. The company has quickly reached profitability and already serves almost 2,000 people in the south of England.

Company sector	Age Tech
Stage	Scale-up
Asset class	Equity

Investment Manager's Review

Pipeline Overview

Company 6

This unique company has built its own AI to help software development teams maintain strong cyber security. The system automatically identifies potential vulnerabilities based on software code that has been changed and selects the appropriate tools to test them. It helps ensure strong security whilst minimising unnecessary testing. No other company is tackling cyber security in the same way, which is driving impressive revenue growth.

Company sector	Cyber Security
Stage	Scale-up
Asset class	Equity

Investment Manager's Review

Pipeline Overview

Company 7

This pioneering company is using AI to deliver customer research at scale. Its Software-as-a-Service (SaaS) solution helps marketers to run effective product interviews remotely instead of in person, saving large enterprises money on slower and expensive in-person research. This elegant solution is already profitable and working with customers ranging from small clients to blue-chip organisations.

Company sector	Market Intelligence Tech
Stage	Scale-up
Asset class	Equity

Investment Manager's Review

Pipeline Overview

Company 8

This exciting company has developed highly-sophisticated image processing technology that can determine with high accuracy what a human eye would and would not notice in an image. This information is invaluable in designing effective websites and marketing images. The team has an excellent blend of commercial and technical experience, and the wide range of industry applications has already generated impressive traction across global brands.

Company sector	Computer Vision
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:

- Innovative growth-stage and technology-enabled, and which are on their scale-up-journey,
- The capability to grow quickly through disrupting their markets,
- Strong performance against previous investment round milestones.

The Company's portfolio companies will be:

- Requiring investment of at least £0.25m,
- Entering large growing markets and have the potential for high return multiples,
- Generally able to show evidence of product-market-fit.

Investment Strategy

The Company invests in innovative growth-stage technology-enabled companies which are on their scale-up-journey and have the potential for high growth alongside reasonable exit timescales, and that are underpinned by clear ESG values. To be considered for investment, companies must demonstrate to Blackfinch that they are capable of growth through disrupting large growing markets - typically a market value of at least £1bn - and be capable of achieving significant predicted exit multiples. Highly regulated industries, for example MedTech, are considered only in exceptional cases due to the timescales involved in bringing products to market. On behalf of the Company, the Investment Manager will be pursuing an active investment strategy.

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, focussed 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 relevant technical expert will assess the company's 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 by the Investment Manager to give an opinion as to 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 judged to be capable of significant exit multiples.

The Investment Manager's existing Blackfinch Ventures EIS Portfolio service

creates a strong opportunity for follow-on and co-investment. If approved by the Board and compliant with VCT Rules, follow-on 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. Where co-investments are made simultaneously, an allocation policy determines the proportion of the overall investment made by each of the EIS Portfolios and the Company, with exceptions requiring approval from the Investment Committee and in some cases the Investment Manager's Conflicts Committee. Approval of this Conflicts Committee is also required in handling any subsequent conflict between the funds for the investment.

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. 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 Ventures manager or director as the NED on the board of its portfolio companies to ensure independence. Instead, where appropriate it aims to appoint a NED from its network of Venture Partners who are experienced founders, industry leaders and experts brought together for this purpose. These Venture Partners add meaningful value through their experience and network, and founders cite this approach as a key differentiator from competitor VCT funds. The Investment Manager's portfolio teamwork 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 also trade overseas. The Qualifying Companies in which investments are made must have no more than £15m of gross assets immediately prior to the investment (or £16m 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. Qualifying Companies must not be deemed to be in financial difficulty, and a recent revision to how HMRC applies this test to early-stage businesses has increased the risk of making a non-qualifying 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 from 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. Such investments are subject to market fluctuations. At the end of 2023, any funds not employed into Qualifying Investments were held as cash.

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 are not permitted to exceed 25% of the aggregate total amount received from time to time on the subscription of Shares in the Company without a special resolution being passed by Shareholders.

Share Buyback Policy

The Shares are intended to be 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% 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.

In February of this year, the Company declared an interim dividend to be paid in April 2024 of 2.5p per ordinary share. The Directors have further proposed a final dividend of 2.6p per share to fulfil the intended policy for the current period.

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:

- Total Return relative to amount subscribed.
- The increase in the value of investments.
- Operational expenses as a proportion of NAV and shareholders’ funds.
- Ongoing charges figure, as defined below.

Total Return is the NAV plus all dividends paid. With no dividends having yet been paid it is equivalent to the NAV. The NAV per share moved in line with portfolio investment valuations, increasing throughout the year from 90.85p to 101.54p by the end of the year. Total Return 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 reflects performance of the underlying investee companies over the year.

The net increase in the year was £3.87m, all from unrealised gains, compared to £0.44m in the previous period. This is further discussed on pages 12 to 13.

Operational expenses in the period were 2.03% of NAV at the end of the period, down from 3.27% in 2022, as the NAV has grown relative to expenses. Operational expenses are central running costs of the Company, including Directors’ fees, annual investment advisory

fees, administration fees and audit fees but excluding transactions related fees and expenses, any incentive fee, any regulatory and compliance costs, and any trail commissions payable by or on behalf of the Company.

The ongoing charges figure (OCF) 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 OCF includes the full Investment Management Fee paid to Blackfinch. However, the Investment Manager rebates part of this fee back to shareholders, allowing them to pay any ongoing advice fees and otherwise to buy more shares in the VCT. Although a cost to the VCT, it is not a cost to shareholders. For comparison with other products, for which trail commissions are excluded from the OCF, the Directors therefore also consider the OCF less the Shareholder rebate.

	Year to 31 December 2023 (%)	Year to 31 December 2022 (%)
Ongoing Charges Figure	3.31	5.07
Ongoing Charges Figure less Shareholder Rebate	2.81	4.50

The Company's share price over the period is shown in the graph on page 71. 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 24 to 27, to ensure that the Company will continue to qualify as a VCT.

Key Contracts

Investment Management Agreement

An agreement, as varied from time to time, (the "Investment Management Agreement") dated 10 December 2020 and made between the Company and Blackfinch Investments Limited 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. The Investment Manager receives 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 Management Agreement. The Investment Manager 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 Operational 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.

Key Contracts

Performance Incentive

As is customary in the venture capital industry, the Investment Manager is incentivised with a performance related incentive payable in relation to each accounting period, subject to the Performance Value per Share being 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 Fees previously paid or accrued by the Company to the Investment Manager for all previous accounting periods since the inception of the Company, and
- iii. the cumulative amount of dividends or any other distributions paid by the Company before the relevant accounting reference date.
This includes the amount of those dividends in respect of which the ex-dividend date has passed as at that date,

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

At the end of the year, the Performance Value per Share is less than the initial High Water Mark of 130p and so no performance incentive is payable.

Administration Agreement

Under the terms of the administration agreement dated 11 November 2019, Blackfinch Investment Limited agreed to provide certain administration services and company secretarial services to the Company. In exchange for these services, the Company has agreed to pay to the Administrator 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

Key Contracts

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.

Receiving Agent Agreement

Under the terms of the receiving agent agreement dated 31 August 2023, Blackfinch Investments Limited agreed to provide receiving agent services to the Company. In exchange for these services, the Company has agreed to pay the Receiving Agent an annual fee of £13,000 (plus VAT if applicable). This agreement will continue until either party chooses to terminate after giving the other part no less than 30 days' notice of termination in writing. The agreement is subject to early termination in certain circumstances, such as in the event of certain breaches or the insolvency of either party.

Investment management services and Administration

The Investment Manager is paid an annual fee of 2.5% of Net Asset Value (plus VAT if applicable) for the investment management services it provides to the Company. The fee is payable quarterly in arrears. The Company is responsible for its normal third party costs including (amongst other things) listing fees, audit and taxation services, legal fees, sponsor fees, registrars' fees, Directors' fees and other incidental costs. The Investment Manager 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 the Investment Manager. 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 Investments Limited under which the Custodian agrees to hold securities in certificated form on behalf of the Company as custodian for an annual fee of £5,000 (plus VAT if applicable), 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.

Key Contracts

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, Administrator, Custodian and Receiving Agent. 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. This is by no means a total list of risks, but the Directors deem those listed below to be the main risks of which they are aware at this time.

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. Investors may also be liable to capital gains tax which arise on any subsequent disposal of Shares. The most prevalent risks to VCT status at this time are 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, or if any investee company loses its qualifying status.

Working closely with the Board, 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, and the Board reviews the status of the VCT tests on a quarterly basis. Philip Hare & Associates has been appointed as Tax Adviser to provide monitoring reports to the Board twice yearly.

Investment, performance and valuation risk

The Company will mainly invest in growth-stage technology-enabled VCT 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

Principal and Emerging Risks

companies. Small companies often have limited product lines, markets or financial resources and may be dependent for their management on a small number of key individuals and may be more susceptible to political, exchange rate, taxation and other regulatory changes. 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, timely 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 2022 as reported to the Board by the Investment Manager from time to time. These guidelines set out recommendations, intended to represent current best practice on the valuation of venture capital investments for the industry. The valuation takes into account all known material facts up to the date of approval of the Financial Statements by the Board.

Regulatory and compliance risk

The Company is an alternative investment fund for the purposes of the Alternative Investment Fund Managers Directive ("AIFMD") and has appointed Blackfinch Investments Limited as its Alternative Investment Fund Manager (AIFM). 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

Principal and Emerging Risks

Company's Stock Exchange listing, reputational damage, and/or financial penalties.

The day to day running of the Company is overseen by the Investment Manager. The Board is updated at Board Meetings at least quarterly on all regulatory, compliance and financial matters and takes specific legal action when so 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 and remains compliant at all times.

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. 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 breaches and cyber attacks, 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.

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, labour shortages, high inflation, energy costs, general fears of a recession or conflicts such as in Ukraine and the Middle East.

Principal and Emerging Risks

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 aforementioned economic, political and external factors which have an impact on the UK and Global economies. This ensures that exposure to the risks for each portfolio company are addressed and where needed action is taken to minimise the risk.

The economic and political environment as well as external factors 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 to ensure an appropriate and transparent response is formulated.

The Board's principal concern is the interest of the Company's Shareholders taken as a whole, the Board engages and communicates with Shareholders by various means. At the Annual General Meeting, 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.

During the year, after carefully considering the volume and quality of investment opportunities being seen by the Investment Manager, the Board issued a prospectus on 7 September 2023 to raise up to £20m with an over-allotment facility of £10m.

Given the significance of maintaining the Company's VCT status to the Company's objectives of maximising the net asset value return and of delivering attractive tax-free dividends to shareholders, the Board monitors the Company's compliance with the relevant HMRC Regulations at each of its meetings. The Board also reviews at each meeting the risks to which the Company is exposed and the internal controls designed to reduce the probability of such risks arising and to mitigate the effect if they should occur.

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. The Investment Manager works 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 considered worthwhile, as explained above.
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 directors and especially the founders, and their commitment to ESG.

ESG is instrumental to the Investment Manager. It invests in companies that can make a difference in the world. With a strong commitment to ESG and a technology mandate, the Investment Manager supports firms that are breaking new ground. These firms are innovating with products that address real-world needs. When making investment decisions, the Investment Manager assesses firms' ESG credentials and views. ESG factors are also integrated into the Investment Managers internal processes and how they work with firms long term. A detailed assessment is made of ESG in each company, which is then included in the Investment Committee Paper for approval; it 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 are detailed on page 36 and can be found within the Blackfinch Ventures ESG Policy at blackfinch.com/sustainability/.

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 under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. The Company does not fall within the scope of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 effective as of 1 April 2019 which implements the Government's policy on Streamlined Energy and Carbon Reporting, replacing the Carbon Reduction Commitment Scheme.

The 2018 Regulations require companies that have consumed over 40,000 kilowatt-hours of energy to include energy and carbon information in their Directors' Report. However, 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 December 2023 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 2028. 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 Customs, and over the valuation of investments. The effects of rising inflation and labour shortages 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. Base scenarios assumed a £2-3m increase in annual fundraising each year over the period, and that no investments would exit until 5 years after investment and then return 2.5 times the amount invested. Alternative scenarios included a period of 12 months in which no new funds were raised, and investments making lower returns of 1.5 times the amount invested. The Board 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. The Board is aware that the Company has not met the three diversity targets set out in Listing Rule 9.8.6(9). However, the Board would point out that it comprises only three Directors, two of whom are independent. One of the two independent Directors is a woman and chairs the Company’s audit committee. At this time, the Company does not have a Director from a minority ethnic background. 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.

The Board has disclosed the following information in relation to its diversity based on the position at the Company's financial year ended 31st December 2023:

Gender	Number of Board Members	Percentage of Board Members	Number of Senior Roles
Men	2	66.6%	1*
Women	1	33.3%	1**
Prefer not to say	-	0.0%	-

Ethnicity	Number of Board Members	Percentage of Board Members	Number of Senior Roles
White British (or any other white background)	3	100%	2
Mixed/Multiple Ethnic Groups	-	0.0%	-
Prefer not to say	-	0.0%	-

* Peter Hewitt currently holds the position Non-Executive Chairman

** Katrina Tarizzo currently holds the position of Non-Executive Audit Chair

On behalf of the Board

Peter L R Hewitt, KOFO, JP, FCSI, FRSA

Non-executive Chairman

26 April 2024

Companies House Number - 12166417

Directors' Report

The Statement of Corporate Governance on pages 60 to 65 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 Katrina Tarizzo. On the 14th August 2023, Kate Jones stepped down from being a director of The Company following Katrina Tarizzo being appointed on the same day. 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 15 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 4,334,679 (2022: 3,178,963) shares. There were 28,914,136 (2022: 21,207,231) ordinary shares in issue at the year end. During the year a total of 7,706,903 (2022: 8,573,388) ordinary shares in the Company were issued as a result of offers for subscription at an average price of 92.80 pence per share raising £7,151,845.60.

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.

Co-Investment Allocation Policy

Given the Investment Manager's considerable experience of, and exposure to, the EIS investment sector, the Board has reviewed and is satisfied with the revised co-investment allocation policy and conflicts paper produced by Blackfinch Investments Limited.

Annual General Meeting ("AGM")

The full Notice of the Annual General Meeting is on pages 108 to 110 of these financial statements.

A resolution is proposed to elect Katrina Tarizzo as a Director of the Company. The Board has chosen not to comply with the Provision of the UK Corporate Governance Code for the annual re-election of all directors. The Board believes that given the size and early stage of the Company, annual re-election would be inappropriate. However, the Board has decided that each of its two independent Directors will stand for re-election every second year with only one such Director standing in any given year. 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 adopt a dividend reinvestment scheme and to authorise the Directors to offer holders of ordinary shares of 1 pence each in the capital of the Company the right to receive shares pursuant to the terms and conditions of the dividend reinvestment scheme.
- Resolution 10, an ordinary resolution, is proposed to ensure the Directors are granted the authority to allot shares in the Company pursuant to the terms and conditions of the dividend reinvestment scheme until the date of the 2025 Annual General Meeting up to an aggregate nominal amount representing 10% of the issued ordinary share capital of the Company from time to time (approximately 4m shares at the date of the notice of this AGM).
- Resolution 11, an ordinary resolution, is proposed to ensure the Directors retain the authority to allot shares in the Company until the date of the 2025 Annual General meeting up to an aggregate nominal amount of £500,000 (representing approximately 124 per cent of the issued ordinary share capital of the Company as at 1 April 2024).
- Resolution 12, a special resolution, is proposed to empower the Directors to allot shares under the authority granted by resolution 10 without regard to any rights of pre-emption on the part of the existing shareholders.
- Resolution 13, a special resolution, is proposed to empower the Directors to allot shares under the authority granted by resolution 11 without regard to any rights of pre-emption on the part of the existing shareholders.
- Resolution 14, a special resolution, is proposed to renew the existing share buyback authority to ensure that authority to buy back shares is in place until the date of the 2025 Annual General Meeting.

Auditor

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

Substantial Shareholdings

Name of shareholder	31 December 2023		31 December 2022	
	No of ordinary shares held ('000)	% of shares in issue	No of ordinary shares held ('000)	% of shares in issue
Transact Nominees Limited	1,595	5.51	1,090	5.14

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 twelve 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, its investments, and the cash holdings. As at 31 December 2023 the Company held cash balances with a value of £3,734,174 (2022: £2,684,677). Cash flow projections show the Company has sufficient funds to meet all its expected expenditure for the foreseeable future for a period of twelve calendar months after the date of the financial statements. The largest expenditure lines are linked to the NAV of the company and would therefore reduce proportionally. Stress tests indicate that the company has sufficient cash to meet its expenditure obligations even if there were no additional inflows over the next twelve months. The Directors have reviewed the portfolio of qualifying investments and expect the Company to continue to satisfy the conditions of VCT compliance. Businesses in this increasingly diversified portfolio are performing well, and the Company has the resources to provide additional short-term funding to those that require it. 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 72 to 85 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 18 on pages 36 to 40. Social, environmental and carbon reporting disclosures are included in the Strategic Report.

Events after Reporting Date and Future Development

Significant events which have occurred after the year end are detailed in note 20 on page 105. 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, KOFO, JP, FCSI, FRSA

Non-executive Chairman

26 April 2024

Companies House Number - 12166417

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, (iv) papers to accompany the appointment of the newest director were not created as the size of the current Board allows all existing directors to be actively involved in the recruitment process, (v) neither open advertising nor an external consultancy have been used to recruit directors to the Board due to the internal recruitment team the Investment Manager has access to which allows the costs of the exercise to be kept to a minimum, (vi) the Board does not currently comply with the Code’s diversity targets due to the size of the Board, and (vii) 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 Company’s Articles require that all Directors must retire at or before the third AGM after the AGM at which they were last elected to hold office. As mentioned earlier within the report, to fall in line with the Articles, the independent Directors are to stand for re-election every second year with only one Director standard in any given year.

The Board considers that these provisions of the Code 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 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 pages 6 to 7.

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. Directors are initially appointed until the following Annual General Meeting

when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, the Company's Articles require that all Directors must retire at or before the third AGM after the AGM at which they were last elected to hold office. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for a Director to seek a further term. The Board, when making a recommendation, will take into account the ongoing requirements of The UK Corporate Governance Code, including the need to refresh the Board and its Committees. The Board seeks to maintain a balance of skills and the Directors are satisfied that as currently composed the balance of experience and skills of the individual directors is appropriate for the Company. The Directors also have access as required to independent professional advice.

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

Board Performance

The Directors, in consultation with the Company Secretary, carried out an informal evaluation of the performance of the Board, the audit committee and individual Directors. The review concluded that all were performing effectively.

The Board also assessed and monitored its own culture, including its policies, practices and behaviour and was satisfied it is aligned with the Company's purpose, values and strategy.

Investment Manager and Advisers' Performance

The Board reviewed the performance of the Investment Manager and the Company's other advisers and was satisfied that all were performing effectively.

Board and Committee Meetings

The following table sets out the Directors' attendance at full Board and audit committee meetings held during the period ended 31 December 2023.

Director	Board Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
Peter Hewitt	5	5	4	4
Kate Jones	5	2**	4	2**
Katrina Tarizzo	5	3**	4	2**
Reuben Wilcock*	5	5	4	4

*Reuben Wilcock is not a member of the audit committee but attends the audit committee meetings.

** Neither Kate Jones nor Katrina Tarizzo were able to attend every meeting due to their resignation and appointment being in August 2023.

The Board is in regular contact with the Investment Manager between Board 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. These functions are carried out by current members of the Board. Appointments of new Directors and Directors' remuneration are dealt with by the full Board.

Report of the Audit Committee

The audit committee comprises the two independent non-executive Directors, Kate Jones (Audit Chair) and subsequently Katrina Tarizzo (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: blackfinch.investments/vct/.

During the period ended 31 December 2023 the audit committee met 4 times 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 terms of engagement, independence and fees; and
- reviewed the external auditor's comprehensive report to the committee on the annual financial statements; and
- reviewed the valuation of unquoted investments.

The Directors carried out a robust assessment of the principal and emerging 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
- safeguarding of cash.

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 53.

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 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 four years; in accordance with ethical standards the engagement partner is rotated after at most five years, and the current partner has served for four years.

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 43 to 45, 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. The Board also receives annual reports from its principal third party service providers on their systems and controls. The Board concluded that it was satisfied with the effectiveness of the controls carried out by their service providers.

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.

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 (noted below). 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 the Investment Manager's website (blackfinch.investments/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 the Investment Manager'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, KOFO, JP, FCSI, FRSA

Non-executive Chairman

26 April 2024

Companies House Number - 12166417

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.
- 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, KOFO, JP, FCSI, FRSA

Non-executive Chairman

26 April 2024

Companies House Number - 12166417

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 AGM to be held on 6 June 2024.

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 72 to 85.

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), 18 September 2020 (in the case of Reuben Wilcock) and 14 August 2023 (in the case of Katrina Tarizzo) 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. Kate Jones stepped down as a director of the Company on 14 August 2023. Peter Hewitt is entitled to receive an annual fee of £20,000 (plus VAT if applicable), Kate Jones was entitled to and Katrina Tarizzo 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 Investments Limited 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 for the Directors 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 year ended 31 December 2023 are shown in the table below.

Director	Total annual fixed fee (£)	Total fixed fee for period ended 31 December 2023* (£)	Total annual fixed fee (£)	Total fixed fee for period ended 31 December 2022 (£)
Peter Hewitt	20,000	20,000	20,000	20,000
Kate Jones**	18,000	11,146	18,000	18,000
Katrina Tarizzo**	18,000	6,923	-	-
Reuben Wilcock	12,000	12,000	12,000	12,000
	68,000	50,069	50,000	50,000

* The aggregated amount of NI contribution paid on directors' remuneration totalled to £1,209 (2022: £1,736). Contributions paid on remuneration of Peter Hewitt, Kate Jones and Katrina Tarizzo were £636, £573 and £Nil respectively (2022: £994, £742, £Nil).

** Kate Jones resigned from the Board on 14 August 2023, and Katrina Tarizzo has been appointed as a director on 14 August 2023.

Annual percentage change in Directors' remuneration

The following table sets out the annual percentage change in Director's fees, excluding taxable expenses.

Director's name	% change for the year ended 31 December 2023	% change for the year ended 31 December 2022	% change for the period ended 31 December 2021
Peter Hewitt	-	0.80	44.74
Kate Jones	(38.01)	-	31.31
Katrina Tarizzo	100.00	-	-
Reuben Wilcock	-	-	179.07

Relative importance of spend on pay

The table below shows the remuneration paid to Directors and shareholder distributions in the year ended 31 December 2023:

	2023 (£)	2022 (£)
Total dividend paid to shareholders	n/a	n/a
Total repurchase of own shares	n/a	n/a
Total directors' fees	50,069	50,000

Directors' shareholdings (Audited)

The Directors who held office at 31 December 2023 and their interests in the shares of the Company (including beneficial and family interests) were:

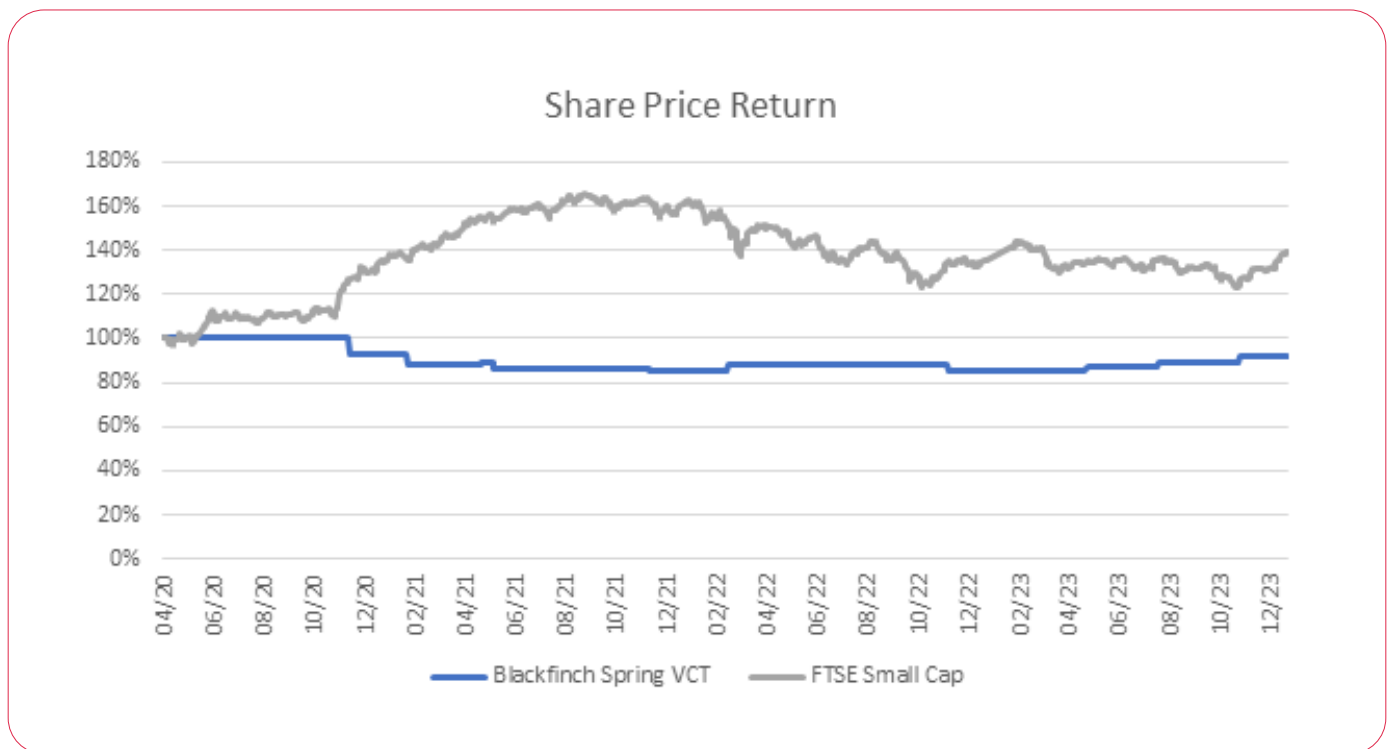
	31 December 2023		31 December 2022	
	Shares held	% of issued share capital	Shares held	% of issued share capital
Peter Hewitt	5,087	0.018	5,063	0.024
Katina Tarizzo	-	-	-	-
Reuben Wilcock	3,314	0.012	3,298	0.015

Subsequent to the Company's year end no shares were allotted to any of the directors.

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 VCT. 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 as the benchmark for investment performance because its constituents are smaller UK listed companies and therefore closest to the small private companies within the Company.



Shareholder Voting

At the last Annual General Meeting, 100 per cent of shareholders who exercised their voting rights voted for the resolution approving the Directors' Remuneration Report, showing significant shareholder approval.

On behalf of the Board

Peter LR Hewitt, KOFO, JP, FCSI, FRSA

Non-executive Chairman

26 April 2024

Companies House Number - 12166417

Independent Auditor's Report

to the members of Blackfinch Spring VCT plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
- 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.

We have audited the financial statements of Blackfinch Spring VCT plc (the 'Company') for the year ended 31 December 2023 comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Statement of Cash Flows and the 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagements including retenders and reappointments is 4 years, covering the years ending 31 December 2020 to 31 December 2023.

We remain 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. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the VCT compliance reports prepared by management's expert during the year and as at year end and reviewing the calculations therein to check that the Company was meeting its requirements to retain VCT status;
- Consideration of the Company's expected future compliance with VCT legislation, the absence of bank debt, contingencies and commitments and any market or reputational risks; and
- Reviewing the forecasted cash flows that support the Directors' assessment of going concern, challenging assumptions and judgements made in the forecasts, and assessing them for reasonableness. In particular, we considered the available cash resources relative to the forecast expenditure which was assessed against the prior year for reasonableness.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Key audit matters	Valuation of unquoted investments 2023, 2022
--------------------------	--

Materiality	<i>Company financial statements as a whole</i> £587,000 (2022: £385,000) based on 2% (2022: 2%) of Net assets
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An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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. These matters were 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 these matters.

Key Audit Matter

Valuation of unquoted investments (Note 1 and Note 11)

We consider the valuation of unquoted investments to be the most significant audit area as there is a high level of estimation uncertainty involved in determining the unquoted investment valuations.

There is an inherent risk of management override arising from the unquoted investment valuations being prepared by the Investment Manager, who is remunerated based on net asset value.

How the scope of our audit addressed the key audit matter

Our sample for the testing of unquoted investments was stratified according to risk considering, inter alia, the value of individual investments, the nature of the investment, the extent of the fair value movement and the subjectivity of the valuation technique.

For all unquoted investments in our sample we:

Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation (“IPEV”) Guidelines and the applicable accounting standards. We have recalculated the value attributable to the Company, having regard to the application of enterprise value across the capital structures of the investee companies.

For investments sampled that were valued using less subjective valuation techniques (price of recent investment reviewed for changes in fair value) we:

- Verified the price of recent investment to supporting documentation;
- Considered whether the investment was an arm’s length transaction through reviewing the parties involved in the transaction and checking whether or not they were already investors of the investee Company;
- Considered whether there were any indications that the price of recent investment was 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; and
- Considered whether the price of recent investment is supported by alternative valuation techniques.

Key Audit Matter

How the scope of our audit addressed the key audit matter

For investments sampled that were valued using more subjective techniques (revenue multiples) we:

- Challenged and corroborated the inputs to the valuation with reference to management information of investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements;
- Reviewed the historical financial statements and any recent management information available to support assumptions about maintainable revenues, earnings or cash flows used in the valuations;
- Considered the revenue multiples applied and the discounts applied by reference to observable listed company market data; and
- Challenged the consistency and appropriateness of adjustments made to such market data in establishing the revenue, cash flow or earnings multiple applied in arriving at the valuations adopted by considering the individual performance of investee companies against plan and relative to the peer group, the market and sector in which the investee company operates and other factors as appropriate.

Where appropriate, we performed a sensitivity analysis by developing our own point estimate where we considered that alternative input assumptions could reasonably have been applied and we considered the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable and free from bias.

Key observations

Based on the procedures performed we consider the investment valuations to be appropriate considering the level of estimation uncertainty.

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	Company Financial statements
	2023 £'000	2023 £'000
Materiality	587	385
Basis for determining materiality	2% of Net assets (2022: 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 unquoted investments which would typically have a wider spread of reasonable alternative possible valuations, we have applied a percentage of 2% of net assets	
Performance materiality	440	289
Basis for determining performance materiality	75% of Materiality (2022: 75% of Materiality)	
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered several factors including the expected total value of known and likely misstatements and the level of transactions in the year.	

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £29,000 (2022: £19,000). We also agreed to report differences below this thresholds that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements, or our knowledge obtained during the audit.

Going concern and longer-term viability

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and
- The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.

Other Code provisions

- Directors' statement on fair, balanced and understandable;
 - Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
 - The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
 - The section describing the work of the Audit Committee.
-

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

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.

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.

Directors' remuneration

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

Matters on which we are required to report by exception

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, or returns adequate for our audit have not been received from branches not visited by us; or
 - the 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 Statement of Directors' Responsibilities, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with the Investment Manager and those charged with governance;
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations; and

we considered the significant laws and regulations to be the 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") and updated in July 2022 with consequential amendments and the applicable financial reporting framework. We also considered the Company's qualification as a VCT under UK tax legislation.

Our procedures in respect of the above included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of the Investment Manager, and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- Obtaining the VCT compliance reports prepared by management's expert during the year and as at year end and reviewing their calculations to check that the Company was meeting its requirements to retain VCT status; and
- Reviewing minutes of meeting of those charged with governance throughout the period for instances of non-compliance with laws and regulations.

Fraud

We assessed the susceptibility of the financial statement to material misstatement including fraud.

Our risk assessment procedures included:

- Enquiry with the Investment Manager and those charged with governance regarding any known or suspected instances of fraud;
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas most susceptible to be valuation of unquoted investments and management override of controls.

Our procedures in respect of the above included

- In addressing the risk of valuation of unlisted investments, the procedures set out in the key audit matter section in our report were performed;
- In addressing the risk of management override of controls, we:
 - Considered the opportunity and incentive to manipulate accounting entries and target tested relevant adjustments made in the period end financial reporting process;
 - Reviewed for significant transactions outside the normal course of business;
 - Reviewed the significant judgements made in the unlisted investment valuations and considering whether the valuation methodology is the most appropriate;
 - Considered any indicators of bias in our audit as a whole; and
 - Performed a review of unadjusted audit differences, if any, for indications of bias or deliberate misstatement.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

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

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 and 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

26 April 2024

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

Financial Statements

Income Statement

for the year ended 31 December 2023

	Note	Revenue £'000	Capital £'000	Total £'000
Return on investments	11	-	3,871	3,871
Investment Manager's fee	7	(164)	(491)	(655)
Other expenses	8	(194)	(18)	(212)
(Loss)/profit before taxation		(358)	3,362	3,004
Taxation	9	-	-	-
(Loss)/profit attributable to equity shareholders		(358)	3,362	3,004
Return per share (pence)				
Ordinary shares (pence)	10	(1.37)	12.89	11.52

Income Statement

for the year ended 31 December 2022

	Note	Revenue £'000 Restated	Capital £'000 Restated	Total £'000
Return on investments	11	-	438	438
Investment Manager's fee	7	(107)	(320)	(427)
Other expenses	8	(337)	-	(337)
(Loss)/profit before taxation		(444)	118	(326)
Taxation	9	-	-	-
(Loss)/profit attributable to equity shareholders		(444)	118	(326)
Return per share (pence)				
Ordinary shares (pence)	10	(2.48)	0.66	(1.82)

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 July 2022. 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 92 to 106 are an integral part of the financial statements.

Statement of Changes in Equity

for the year ended 31 December 2023

	Non-distributable reserves			Distributable reserves		Total
	Called up share capital £'000	Share premium £'000	Capital reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total reserves £'000
Opening balance as at 1 January 2023	212	19,556	1,610	(1,103)	(1,008)	19,267
Total comprehensive income for the period	-	-	3,871	(509)	(358)	3,004
Contributions by and distributions to owners:						
Shares issued	77	7,075	-	-	-	7,152
Share issue expenses	-	(64)	-	-	-	(64)
Share premium cancellation	-	(25,279)	-	25,279	-	-
Closing balance as at 31 December 2023	289	1,288	5,481	23,667	(1,366)	29,359

Statement of Changes in Equity

for the year ended 31 December 2022

	Non-distributable reserves			Distributable reserves		Total
	Called up share capital £'000	Share premium £'000	Capital reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total reserves £'000
Opening balance as at 1 January 2022	126	11,809	1,172	(783)	(564)	11,760
Total comprehensive income for the period	-	-	438	(320)	(444)	(326)
Contributions by and distributions to owners:						
Shares issued	86	7,818	-	-	-	7,904
Share issue expenses	-	(71)	-	-	-	(71)
Closing balance as at 31 December 2022	212	19,556	1,610	(1,103)	(1,008)	19,267

The notes on pages 92 to 106 are an integral part of the financial statements.

Balance Sheet

as at 31 December 2023

	Note	31 December 2023 £'000	31 December 2022 £'000
Fixed assets			
Investments	11	25,758	16,784
Current assets			
Debtors	13	210	2
Cash at bank and in hand		3,734	2,685
		3,944	2,687
Current liabilities			
Creditors: amounts falling due within one year	14	(343)	(204)
Net current assets		3,601	2,483
Net assets		29,359	19,267
Capital and reserves			
Called up share capital	15	289	212
Share premium account		1,288	19,556
Capital reserves		29,148	507
Revenue reserves		(1,366)	(1,008)
Total shareholders' funds		29,359	19,267
Net asset value per Ordinary share (pence)	17	101.54	90.85

The Financial Statements were approved by the Directors and authorised for issue on 26 April 2024 and signed on their behalf by:

Peter LR Hewitt, KOFOS, JP, FCSI, FRSA
Non-executive Chairman

26 April 2024

Companies House Number - 12166417

The notes on pages 92 to 106 are an integral part of the financial statements.

Statement of Cash Flow

for the year ended 31 December 2023

	Notes	Year ended 31 Dec 2023 £'000	Year ended 31 Dec 2022 £'000
Operating activities			
Investment Manager's fees paid	7	(677)	(392)
Cash paid to Directors	8	(45)	(61)
Other cash payments	8	(214)	(276)
Net cash outflow from operating activities		(936)	(729)
Cash flows from investing activities			
Purchase of investments	11	(5,103)	(9,385)
Net cash outflow from investing activities		(5,103)	(9,385)
Net cash outflow before financing		(6,039)	(10,114)
Cash flows from financing activities			
Proceeds from share issues		7,152	7,904
Share issue costs		(64)	(71)
Net cash inflow from financing		7,088	7,833
(Decrease)/increase in cash and cash equivalents		1,049	(2,281)
Cash and cash equivalents at the beginning of the period		2,685	4,966
Cash and cash equivalents at the end of the period		3,734	2,685
Reconciliation of profit before taxation to net cash outflow from operating activities:			
Profit/(loss) before taxation for the period		3,004	(326)
Net gain on investments	11	(3,871)	(438)
(Increase)/decrease in debtors		(208)	2
Increase in creditors and accruals		139	33
Net cash outflow from operating activities		(936)	(729)

The notes on pages 92 to 106 are an integral part of the financial statements.

Notes To The Financial Statements

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.

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 July 2022. 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.

The Financial Statements are prepared in pounds sterling, which is the functional currency of the company. All values in these financial statements are rounded to the nearest thousand (£’000), except where stated.

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 twelve 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. As at 31 December 2023 the Company held cash balances with a value of £3,734,174 (2022: £2,684,677). Cash flow projections show the Company has sufficient funds to meet all its expected expenditure for a period of twelve calendar months after the date of the financial statement. The Directors have reviewed the portfolio of qualifying investments and expect the Company to continue to satisfy the conditions of VCT compliance. Businesses in this increasingly diversified portfolio are performing well overall. 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 11 and the Investments Manager's Review on pages 8 to 9.

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 2022 ("IPEVCV guidelines") 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. Financial instruments

The Company has applied 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 amortised cost.

d. 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.

Non-distributable capital reserve

Non-distributable capital reserve represents increase and decrease in the value of investments held at the year-end.

Distributable capital reserve

The following are disclosed in this reserve:

- gains and losses on the disposed of investments; and
- expenses allocated to this reserve in accordance with the above policies
- credits arising from the cancellation of any share premium account.

Revenue reserve

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

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 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

	Year ended 31 December 2023			Year ended 31 December 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Blackfinch Investments Limited	164	491	655	107	320	427

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 36 to 55.

8. Other expenses

	Year ended 31 December 2023		Year ended 31 December 2022	
	Revenue £'000	Capital £'000	Revenue £'000	Capital £'000
Directors' remuneration fees	53	-	49	-
Administration fees	79	-	60	-
Registrars and receiving agent fee	23	-	23	-
Auditors remuneration – audit of Statutory Financial Statements	58	-	50	-
Other professional fees	58	18	42	-
Other costs	1	-	1	-
Irrecoverable VAT	130	-	112	-
VAT recoverable from Blackfinch Investments Limited – prior years	(208)	-	-	-
	194	18	337	-

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 pages 68 to 71.

9. Taxation

Please note, the below layout has been updated since previous reports. This is to meet the requirements under FRS 102 which is to include a reconciliation between the tax expense (income) included in profit or loss; and the profit or loss on ordinary activities before tax multiplied by the applicable tax rate.

a) Analysis of tax charge	2023 £'000	2022 £'000
Current year charge:		
Revenue charge	-	-
Credited to capital return	-	-
Current tax charge (Note 9b))	-	-
Prior year charge:		
Revenue charge	-	-
Credited to capital return	-	-
Total current and prior year tax charge (Note 9b)	-	-

b) Factors affecting tax charge for the year	2023 £'000	2022 £'000
Profit/(loss) on ordinary activities before taxation	3,004	(326)
Effect of:		
Profit/(loss) before taxation multiplied by average rate of corporation tax in UK of 23.52% (2022 19%)	707	(62)
Effect of non-taxable (gains)	(911)	(83)
Effect of timing difference loss not recognised carried forward	204	145
Tax charge for the year (Note 9a)	-	-

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 asset is £607,096 (2022: £390,297) based on losses carried forward of £2,428,384 (2022: £1,561,187). This is calculated using a corporation tax rate of 25% (2022: 25%) which is the rate at which it is deemed that any losses would be utilised.

10. Return per share

	2023			2022		
	Net (loss) / profit £'000	Weighted average shares '000	Earnings per share pence	Net (loss) / profit £'000	Weighted average shares '000	Earnings per share pence
Revenue	(358)	26,091	(1.37)	(444)	17,920	(2.48)
Capital	3,362	26,091	12.89	118	17,920	0.66
Total	3,004	26,091	11.52	(326)	17,920	(1.82)

The Company has no securities that would have a dilutive effect and hence basic and diluted earnings per ordinary share are the same.

The Company has no potentially dilutive shares and consequently, basic and diluted earnings per ordinary share are equivalent in the year ended 31 December 2023.

*Please see note 21 on page 106 for details.

11. Investments

Movements in investments during the period are summarised as follow:

	Notes	£'000
Opening valuation:		
Cost as at 31 December 2022		15,724
Unrealised gains at 31 December 2022		1,610
Realised losses at 31 December 2022		(550)
Valuation at 31 December 2022		16,784
Movements in the year:		
Purchased at cost		5,103
Disposal proceeds		-
Unrealised gains/(losses)		3,871
Total movements in period		8,974
Closing valuation:		
Cost at 31 December 2023		20,827
Unrealised gains at 31 December 2023	16	5,481
Realised losses at 31 December 2023	16	(550)
Valuation at 31 December 2023		25,758

The Company is required to report the category of fair value measurements used in determining the value of its investments, to be disclosed by the source of inputs, using a three-level hierarchy:

Level 1: quoted prices in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1 and comprise AIM quoted investments and other fixed income securities classified as held at fair value through profit or loss.

The Company has no investments classified in this category.

Level 2: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The Company has no investments classified in this category.

Level 3: the fair value of financial instruments that are not traded in an active market (for example, investments in unquoted companies) is determined by using valuation techniques such as revenue or earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

All of the Company's investments fall into this category at 31 December 2023.

Most companies were valued using a multiple of revenue, while those that had recently received investment, or are in the process of concluding investment at an agreed price, were valued at the price of that investment. The overall value of investments according to these different methods is shown in the table below.

Valuation methodology	Total value of investments £'000
Revenue multiple	20,164
Held at price of recent investment	5,594

Each method is subject to uncertainties. Revenue multiples are based on the multiples of comparable public companies. A change in the value of a market multiple could lead to a significant change in the fair value of the portfolio. Similarly, the prices of new investments that are agreed are subjective and could affect the value of any prior holding in that company. When setting a valuation by the price of a new investment, other valuation methodologies are also considered in the context of the company's circumstances, and the investment price may be adjusted or even disregarded. The Board has adjusted the inputs to the valuation calculations to determine the impact of changing these parameters on the fair value of the portfolio, as follows:

Valuation methodology	Input modified	Increase to input	Increase in fair value of investments £'000	Increase in NAV per share
Revenue multiple	Reference public revenue multiple	+1x	1,973	6.82p
		-1x	(1,502)	(5.19p)
Price of recent investment	Price of new investment	+20%	977	3.38p
		-20%	(821)	(2.84p)

The aggregate effect of these impacts could be to increase the value of the Company's unquoted investments by £2.95m (14.5%) or decrease it by £2.32m (11.5%). For valuations determined from a revenue multiple, the ranges and weighted averages of the multiple and the premium/discount relative to market comparables are shown below. The range of premiums is very wide, reflecting the early stage nature of many of the companies, which can have higher growth rates or other indicators of greater future potential relative to their revenues than much more established public companies.

		31 December 2023	31 December 2022
Revenue Multiple	Range	4.7 – 15.1	4.3 – 10.2
	Weighted average	7.1	7.1
Premium (discount)	Range	(10%) – 175%	(15%) – 100%
	Weighted average	35%	34%

12. Significant interest

	Total Equity held by Blackfinch EIS Portfolios (%)	Equity held by the Company (%)
Investment		
Brooklyn Supply Chain Solutions Ltd	22.6	12.2
Client Share Ltd	19.1	10.1
Collectivetechnology Ltd	6.8	4.5
Cultureshift Communications Ltd	9.6	10.3
Currensea Ltd	2.3	5.7
Cyclr Systems Ltd	16.8	8.7
Edozo Ltd	19.8	4.3
Illuma Technology Ltd	7.0	10.5
Kokoon Technology Ltd	14.1	5.3
LSTN Inc.	5.7	2.8
Measure Protocol Ltd	8.5	4.4
Oculo Technologies Ltd	2.4	12.7
Odore Ltd	3.1	5.8
Placed Recruitment Ltd	8.6	3.7
Quin AI Ltd	4.1	4.1
Recruitment Smart Technologies Ltd	2.9	10.4
Spotless Water Ltd	8.5	3.8
StaffCircle Ltd	37.7	8.4
Startpulsing Ltd	21.8	11.9
Tangle Software Inc.	11.8	11.3
Teamed Ltd	2.6	13.7
Tended Ltd	35.8	11.6
Transreport Ltd	10.6	6.8
Up Learn Ltd	2.8	1.9
Watchmycompetitor.com Ltd	6.1	8.5

Details of holdings may be found in the Investment Manager's Review and Investment Portfolio on pages 8 to 12.

13. Debtors

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Prepayments	2	2
Other debtors	208	-
Total	210	2

14. Creditors

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Trade creditors	43	10
Accruals	300	194
Total	343	204

15. Called up share capital

During the year, the Company issued 7,706,903 Ordinary Shares for a consideration of £7,151,845.60.

	2023 Number '000	2023 £'000	2022 Number '000	2022 £'000
Ordinary shares (1p shares)				
Allotted, issued, and fully paid during the period:				
Ordinary shares	28,914	289	21,207	212
	-	-		
Total	28,914	289	21,207	212

16. 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 distributable reserve.

Capital reserves includes all costs which are considered capital in nature, and amount transferred from share premium account. As at 31 December 2023 there were total realised losses of £550,000 (2022: £550,000), and unrealised gains of £5,481,218 (2022: £1,610,039).

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

17. Net Asset Value per Ordinary Share

	Net assets £'000	2023 Ordinary shares '000	NAV per share pence	Net assets £'000	2022 Ordinary shares '000	NAV per share pence
Ordinary share	29,359	28,914	101.54	19,267	21,207	90.85

18. 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 categories of financial instruments at 31 December 2023:

	2023		2022	
	Cost £'000	Fair value £'000	Cost £'000	Fair value £'000
Assets at fair value through profit or loss:				
Equity investments	20,848	25,758	15,724	16,784
Assets measured at amortised cost:				
Cash at bank	3,734	3,734	2,685	2,685
Other debtors	208	208	-	-
Liabilities measured at amortised cost:				
Creditors	(43)	(43)	(10)	(10)
Accruals	(300)	(300)	(194)	(194)
	24,447	29,357	18,205	19,265

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, growth-rate, 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 8 to 13.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company is exposed to credit risk through its debtors, creditors and cash held with bank.

Credit risk arising on transactions with debtors and creditors relates to transactions awaiting settlement. Risk related to unsettled transactions is considered to be small due to the short settlement period involved.

At 31 December 2023, cash held by the Company was held by the Lloyds Bank. Bankruptcy or insolvency of the bank may cause the Company's rights with respect to the cash held by it to be delayed or limited. Should the credit quality or the financial position of the bank deteriorate significantly the Company has the ability to move the cash holdings to another bank.

Interest risk

The Company does not have any direct exposure to interest rates. Interest is not earned on bank deposits at the present time. Other financial assets and other liabilities also attract no interest at the present time. The potential impact to Portfolio Companies of interest rates is kept under review by the Investment Manager.

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 based on inputs such as the price of recent investments and the revenue multiples of comparable public companies. A sensitivity analysis on these inputs is given in note 11 above. The Board has additionally estimated that a 30% fall in the carrying value of the Company's unquoted investments would reduce profit before tax for the year and the Company's net asset value per share by £7.73m and 26.73p respectively. Such a drop is considered to be an appropriate illustration given historical volatility and market expectations of future performance.

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.

19. 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.

20. Post Balance Sheet Events

Non-adjusting event

Since 31st December 2023 the Company has completed the following additional investment transactions:

- investment of £200,000 in Beings Beam Ltd;
- investment of £300,000 in Cogniss Holdings Ltd;
- investment of £620,000 in CollectiveTech Limited;
- investment of £360,000 in Cultureshift Communication Ltd;
- investment of £500,000 in Kelp Industries Ltd;
- investment of £700,000 in LSTN Inc.;
- investment of £450,000 in Oculo Technologies Ltd;
- investment of £300,000 in Polished Rock Ltd;
- investment of £100,000 in Quin AI Limited;
- investment of £620,000 in Recruitment Smart Technologies Ltd;
- investment of £282,044 in Teamed Ltd;
- Investment of £300,000 in Tended Ltd;
- investment of £775,000 in Up Learn Limited;
- investment of £450,000 in Watchmycompetitor.com Ltd; and
- investment of £400,000 in What Matters Now Limited.

21. Contingencies, Guarantees and Financial Commitments

Under the terms of the Investment Management 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 year were 2.03% of the total Net Asset Value as at 31 December 2023 (2022: 3.27%).

There were no other contingencies or guarantees as at 31 December 2023 (2022: none).

22. Related Parties and Transactions with the Investment Manager

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 0.3% of NAV per annum and receiving agent fee of £13,000 per annum, paid quarterly. Details of the agreements with the Investment Manager are set out on pages 42 to 45.

Blackfinch Investments Limited also acts as a promoter for the VCT offers. In the year 2023 the Company was charged total amount of £63,819 for those services (2022: £70,964).

The remuneration and shareholdings of the Directors, who are key management personnel of the Company, is disclosed in the Directors' Remuneration Report on pages 68 to 71.

23. 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 (resigned 14th August 2023)
Katrina Tarizzo (appointed 14th August 2023)
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
The Mending Rooms,
Park Valley Mills, Meltham Road,
Huddersfield, HD4 7BH
01484 240 910

VCT Tax Adviser

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

Auditor

BDO LLP
55 Baker Street
London, W1U 7EU

Secretary

The City Partnership (UK) Limited
The Mending Rooms
Park Valley Mills
Meltham Road
Huddersfield, HD4 7BH

Investment Manager, Promoter and Administrator

Blackfinch Investments Limited
1350-1360 Montpellier Court
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01452 717 070

Blackfinch Spring VCT plc

(Registered in England and Wales with registered number 12166417)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM”) of Blackfinch Spring VCT plc (“the Company”) will be held at Howard Kennedy’s offices, 1 London Bridge, London SE1 9BG on 6 June 2024 at 11.00am for the purposes of considering and, if thought fit, passing the following resolutions, resolutions 1 to 11 as ordinary resolutions and resolutions 12 and 14 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 2023 together with the Independent Auditor’s Report thereon.
2. To approve the Directors’ Remuneration Policy.
3. To approve the Directors’ Remuneration Report for the year ended 31 December 2023.
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 2025 at which financial statements are laid before the Company.
5. To authorise the Company’s directors (“Directors”) to fix the remuneration of the auditor
6. To approve a final dividend of 2.6 pence per ordinary share in respect of the year ended 31 December 2023 with a payment date of 13 December 2024 and a record date of 22 November 2024.
7. To elect Katrina Tarizzo as a director of the Company.
8. To re-elect Reuben Wilcock as a director of the Company in accordance with the Listing Rules.
9. That, pursuant to article 34 of the Company’s articles of association (“Articles”), the Company adopt a dividend reinvestment scheme on the terms and conditions available from the Company’s website (<https://blackfinch.investments/vct/>) and that the Directors be authorised to offer holders of ordinary shares of 1 pence each in the capital of the Company (“Share” or “Shares”) the right to receive Shares, credited as fully paid, instead of cash in respect of the whole (or some part as may be determined by the Directors from time to time) of any dividend declared in the period commencing on the date of this Resolution 9 and ending at the conclusion of the Company’s next annual general meeting following the date of the passing of this resolution pursuant to the Company’s dividend reinvestment scheme.

10. That, subject to the passing of Resolution 9 and in accordance with article 34 of the Articles and in addition to existing authorities, the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the “Act”) to exercise all the powers of the Company to allot and issue the following Shares pursuant to the terms and conditions of the dividend reinvestment scheme adopted by the Company and in connection with any dividend declared or paid in the period commencing on the date of this Resolution 10 and ending at the conclusion of the Company’s next annual general meeting (unless previously renewed, varied or revoked by the Company in general meeting):
- Shares up to an aggregate nominal amount representing 10% of the issued share capital from time to time (approximately 4m Shares at the date of this notice).
11. That, the Directors be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all of the powers of the Company to allot Shares or to grant rights to subscribe for or to convert any security into Shares up to an aggregate nominal value of £500,000, representing approximately 124% of the issued share capital of the Company as at 1 April 2024, being the latest practical date prior to publication of this document, provided that the authority conferred by this Resolution 11 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 11, whichever is the later (unless previously renewed, varied or revoked by the Company in general meeting).

Special Resolutions

12. That, in accordance with section 570(1) of the Act, the Directors be and are hereby given power to allot or make offers or agreements to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authorities conferred by resolution 10 above as if section 561 of the Act did not apply to any such allotment, and so that:
- a. Reference to the allotment in this resolution shall be construed with section 560 of the Act; and
 - b. The power conferred by this resolution shall expire at the conclusion of the Company’s next annual general meeting following the passing of Resolution 10 (unless previously renewed, varied or revoked by the Company in general meeting) save that the Company may prior to such expiry make offers or agreements which would or might require equity securities to be allotted after the expiry of the said power and the Directors may allot equity securities of such offers or agreements notwithstanding the expiry of such power.
13. That, the Directors be and hereby are empowered pursuant to Section 570(1) of the Act 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 the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act by Resolution 11 above as if Section 561(1) of the Act did not apply to such allotments, provided that the power provided by this Resolution 13 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 13, whichever is the later (unless previously renewed, varied or revoked by the Company in general meeting), save that the Company may, prior to such expiry, make offers or agreements which would or might require equity securities to be allotted after the expiry of the said power and the Directors may allot equity securities of such offers or agreements notwithstanding the expiry of such power.
14. That, the Company be and is hereby authorised to make one or more market purchases (within the meaning of section 693(4) of the Act) of Shares provided that:

- 14.1 the maximum aggregate number of Shares authorised to be purchased is an amount equal to 14.99% of the issued Shares as at the time of this notice (approximately 6m shares);
- 14.2 the minimum price which may be paid for a Share is their nominal value;
- 14.3 the maximum price which may be paid for a 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 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
- 14.4 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 14 or on the expiry of fifteen months from the passing of this Resolution 14, whichever is the later, save that the Company may, prior to such expiry, enter into a contract to purchase Shares which will or may be completed or executed wholly or partly after such expiry.

