



Corporate Management Service

Brochure

Signatory of:



PRI Principles for
Responsible
Investment

Where we live, where we invest, is where we **THRIVE**



Working with leaders of positive change to enable individuals, businesses and communities to thrive.



Our heritage dates back over 25 years, our philosophy is one of adaptation to market change and customer needs.



Our experienced team bring expertise on tax-efficient solutions, alongside property development and asset-backed lending and renewable energy.



Our offerings are known for flexible designs and lower fees. And our focus is on capital protection, security and growth.

Benefits of tax-efficient investments are subject to change and personal circumstances.

Welcome to Blackfinch

Blackfinch was founded on evolutionary principles, inspired by the work of Charles Darwin. Our ability to adapt and evolve, and our focus on helping others thrive, are core to how we work.

Offering tax-efficient solutions, we work closely with advisers to meet different client needs. We create portfolios with asset backing, solid income streams, and access to tax benefits. The Blackfinch Corporate Management Service (CMS) is our bespoke solution for businesses.

The Blackfinch CMS can deliver strong risk-adjusted returns for surplus capital in a firm. Holding high levels of cash can reflect healthy trading and provide reassurance. But holding too much in times of low interest rates and high inflation is expensive. Shareholders can also miss valuable tax reliefs.

The Blackfinch CMS enables businesses to maximise the earning potential of excess cash, as well as maintain tax reliefs. We help clients put their cash to work through a programme of lending to other businesses. In supporting economic growth, this can also help clients prove they are positively contributing to the world around us.



Richard Cook
Founder and CEO



How the Service Works



The Challenge

Most business owners develop their company over many years, navigating a range of issues and facing mixed fortunes. As time goes by, a company evolves, including its trading activities, and owners can change their attitude to risk.

For most firms, it's common to hold a surplus of cash that isn't producing returns. As this can provide a valuable cushion, owners don't want to take undue risk with it. Yet the surplus can compromise a business's earning potential and tax reliefs.



The Solution

The Blackfinch CMS enables business owners to put surplus cash to work while staying in control of capital. We're appointed under a management agreement to provide the service and surplus cash always remains within the firm.

We help each team to develop a trading strategy, based on asset-backed corporate and property development lending. This also sits within the directors' own risk profiles and return expectations. Clients can choose from target returns of 4%-6% per annum.

A Supportive Process

Each loan's underlying assets provide strong security to underpin a company's capital. Assets are transparently valued and we continue to monitor their value.

Focus on security

Clients using the Blackfinch CMS can participate, alongside other businesses, in direct lending to small and medium-sized UK companies. We allocate each client a share of the profits made through the service.

Clients can also benefit from the security we take on each loan. All lending is asset-backed and focused on capital protection. We only accept security that we take on a first-charge basis over land, buildings and other assets.

An Expert Team

We allocate clients' capital to loans that our team and affiliates have selected. Clients can benefit from the expertise of sector specialists in corporate and property lending markets.

We act on loans clients select, ensure security is taken on the borrowers' assets, and attend to recovering any debts owed. We continually rebalance each loan book for diversification. This brings exposure to a wide range of borrowers as new opportunities arise.

How The Service Works

As part of the bespoke offering, we work with each client to develop a trading strategy tailored to their requirements and business needs.

Trading Strategy

Through the Blackfinch CMS, clients can access asset-backed lending trades based on their chosen strategy, including their target return and the loans they select. Our focus is on diversification, security and risk mitigation.

Bespoke Strategy

We consult with owners to develop a bespoke trading strategy for a strong and diversified lending business. The strategy is based on criteria that suit the directors' risk and return expectations. We help to develop a business plan aligned with how each client runs their company. This ensures clients stay in control of trading activity.

Owners Define Activity

Clients define the lending that will underpin their trading activity. They view loans before capital is deployed and choose their strategy based on a variety of factors. These include loan term, types of borrowers, the average target return and the level of security they wish to take over underlying assets.

Asset-Backed Lending

All lending activity in the Blackfinch CMS benefits from underlying asset security. We work to ensure an emphasis on preserving capital and creating profit.

Asset-Backed Loans

Capital is always underpinned by a tangible asset over which a client firm can take security. This applies to a corporate loan, or a loan to a property developer. The underlying asset is usually a building, land or other tangible business asset.

Analysis Of Asset Values

Our specialist team analyses the underlying assets. We confirm that each asset is strong and that its value provides suitable security for a firm's capital. We also have assets valued by third-party experts carrying their own professional indemnity cover.

We also target values on assets to provide a level of comfort in the event of market declines.

Blackfinch CMS Loan Book

As at 31st July 2023

Total number of loans (active)	59
Total lending	£29,116,738
Total repaid	£2,587,452
Outstanding loans	£26,529,286
Current average loan size	£541,414

Lending Opportunities

Corporate Finance

Clients can take part in funding business deals nationwide. We work in established sectors with reputable partners who share our responsible principles.

Property Development Finance

Clients can participate in lending to developers across the UK, in regions where there's high demand for property. This work can rejuvenate urban areas and boost local economies.

Extensive Due Diligence

We conduct extensive due diligence on each opportunity. We scrutinise the underlying project plus the capabilities and experience of the borrower. We look at the viability of their exit strategy and ability to repay capital. This is alongside assessing underlying assets.

Ongoing Monitoring

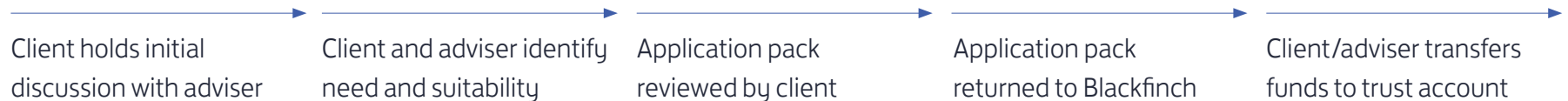
After we have provided funding, we monitor the performance of the project throughout its full term. This is to ensure that clients' capital remains protected by the underlying asset's value.

Meeting the Need for Responsible Investing

All investment opportunities are carefully screened against a wide range of criteria such as financial stability, the people involved, the potential risk to the local community and more. In turn clients can choose loans for projects aligned with their own beliefs and business targets.

Starting a Lending Business

1 Advice and 'Sign Up' Process



2 Lending Process



Key Benefits



Strong Risk-Adjusted Returns

The service targets competitive discrete returns of 4%–6% per annum (net of all fees). During periods of low interest rates and high inflation the service could help a business earn more from surplus cash. This is by potentially exceeding returns offered on cash accounts.



Ease of Access for Loan Exits

If a client wishes to exit loans, we will access our network of other lenders and attempt to sell their holdings in loans on their behalf.



Structured Process

After we receive a client's application pack we start work on their business plan, consulting with them to ensure it fits with their expectations. The establishment process typically takes two to four weeks. After this a business accesses its first loans. We revisit each client's plan with them on each loan expiry.



Strong Security

Underlying assets provide strong security to underpin company capital. The assets are transparently valued and security is via a legal charge. We continue to monitor the value of the assets compared with each client's loan position. This ensures that their businesses always benefit from strong security.



Bespoke Service

We understand that each company's structure and priorities differ. So, we work extensively with clients to deliver tailored solutions. These are drawn from a bespoke business plan and fits specific company needs.



Flexibility

We know that a business will continue to change and grow. If and when a client has additional surplus cash, as part of the service we can accept further incremental amounts. This is subject to a minimum amount of £10,000.



Tax Benefits

Using the service can help shareholders to maintain or reinstate certain tax benefits. These include Business Relief (BR) for Inheritance Tax (IHT) relief and Business Asset Disposal Relief (BADR) for Capital Gains Tax (CGT) relief.



Business Relief

If a company holds excess cash, it can lead to HMRC restricting BR available to shareholders on death. This can result in the costly 40% Inheritance (IHT) charge. Through the Blackfinch CMS, clients can put surplus cash in their business to use through lending activities that should meet the qualifying criteria for BR. This can then enable IHT mitigation on death.



Business Asset Disposal Relief

If a client sells their shares or liquidates their company, they will generally need to pay CGT on the net sales proceeds. By using BADR, the amount of CGT payable can reduce to 10%.

Typical Loan Examples

Newhaven Eco Homes

We have provided a loan for a development of eco-homes in East Sussex. The loan facility will enable the demolition of existing disused buildings and erection of 13 eco-apartments within two blocks. The homes will be built to the Active House principles set by the Active House Alliance, the highest ecological standard in the property industry. The team is working with a committed developer on this sustainable ecological project, which will also help to put disused land to good use.

Development

Newhaven,
East Sussex

Finance Arranged

c.£2.3m Property
Development Loan

Finance Period

19 Months

Security

First Charge

Loan To Value

61%

Affordable Housing

We have provided a c.£2.2m property development loan for the development of 24 residential units in Kent, South East England. The loan will be used to clear the site and build the 24 residential units, comprising a mixture of two- and three-bedroom houses. Seven units will be allocated to affordable housing.

Development

Kent

Finance Arranged

c.£2.2m Property
Development Loan

Finance Period

19 Months

Security

First Charge

Loan To Value

30%

Participation Levels and Fees

Levels

The minimum amount to participate in the Blackfinch CMS is £200,000. Clients can make additional contributions of £10,000 or more at any time.

Target Return

We'll always look to mitigate risks where possible. We have access to some of the most attractive asset-backed loans available. This helps to create strong upside potential for each client's business. Due to the strength of lending activities, and competitive fees, we can target a return on holdings of 4%–6% per annum.

Ease of Access for Loan Exits

Clients should expect to hold their loans for the duration of that loan. However, we recognise that situations may change, and clients may wish to exit their loans early. In this instance we will assist the client by accessing our network of other lenders and attempt to sell their holdings in loans on their behalf. Liquidity will depend on the available capital from those other lenders. The minimum amount for partial withdrawals is £3,000.

Adviser Fees

At a client's request, we can facilitate any upfront or ongoing fees agreed with their adviser. We deduct upfront adviser fees from the amount contributed. In contrast, we deduct ongoing adviser fees from a client's portfolio every three months. Please note, ongoing fees will reduce the net return.

Reporting

We issue quarterly valuations which provide details on the loans a client accesses and a valuation of their holdings.

Initial Fees

We deduct an initial fee of 3% from the amount contributed (after deduction of adviser fees). This is to cover the costs of establishing the Blackfinch CMS.

Annual Management Charge

We charge an AMC of 0.5% plus VAT. We only take this fee after a client's agreed target return has been achieved.

Company Servicing Fee

This fee covers the day-to-day running costs and fees associated with the management of the underlying loans that make up a client's portfolio. They include dealing with all taxation, accountancy, legal and any other professional fees that any normal business is likely to incur. We provide these services to the investing company for a fixed annual fee of 1.5% plus VAT (charged monthly) of the current investment allocation.

Eligibility

The Blackfinch CMS is only available to companies that have carried on a business (other than FCA-regulated business) prior to subscribing for it. The company must only lend money through the Blackfinch CMS that it has generated through its existing business.

Risks

This service may not be suitable for all clients. We recommend that clients seek independent tax and financial advice before making a decision. Clients should carefully consider the following risk factors together with all other information contained in this brochure.

In particular, clients should consider the following:

Values and Returns

No representation is or can be made as to the future performance of the Blackfinch CMS, or that it will receive the level of returns contained in this brochure. The assumptions are assumptions only and these returns may not be realised. Clients' capital is at risk and the return is not guaranteed. The value of a client's contribution and the returns they receive are dependent on the performance of the loans in which the CMS client participates and the resulting income they earn.

Taxation

Any changes to the taxation environment or HMRC practice may affect returns. Accordingly, clients will have their own tax position to consider and must take their own independent professional advice in this matter. Clients may be liable to make tax payments on any amounts they withdraw.

Future Performance

Past performance doesn't imply that future trends will follow the same or a similar pattern. Forecasts made in this brochure may not be achieved. There is a risk that clients will not get back the full amount contributed.

Regulation

Although Blackfinch Investments Limited is authorised and regulated by the Financial Conduct Authority (FCA), the Blackfinch CMS is not a collective investment scheme and as such, is unregulated. Clients won't benefit from regulatory protection under the UK's financial services regulatory regime including those protections that would apply to a collective investment scheme.

Business Relief (BR)

We will lend to companies on a client's behalf that we reasonably believe qualify for BR. However, we can't give any commitment that each will remain BR-qualifying at all times in the future. The relief is assessed by HMRC, on a case-by-case basis, at the time of death of the loan participant, as part of the probate process. Therefore, it cannot be guaranteed.

Note: Firms must meet certain legal requirements in order to qualify for BR. It's important to ensure that any shareholding, and the company as a whole, satisfies these requirements and can meet them on an ongoing basis. We can provide some assistance with this. However if clients are in any doubt, they should take independent advice.

Conflicts of Interests

The companies underlying the Blackfinch CMS may acquire shares in, or assets from, other companies managed by Blackfinch Investments Limited. They may also make loans to other entities managed by Blackfinch Investments Limited or in which Blackfinch Investments Limited has a financial interest. All loans and transactions will be monitored and ratified by the companies' non-executive directors.

The information set out above is not an exhaustive summary of the risks of the Blackfinch CMS.

