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Beaumont Cornish Limited ("BCL") is authorised and regulated by the Financial Conduct Authority ("the FCA") and is acting exclusively for the Company and for no-one else in connection with the matters set out in this document and will not be responsible to anyone other than the Company for providing the protections afforded to customers of BCL or for affording advice in relation to the contents of this document or any matters referred to herein. BCL is not responsible for the contents of this document. This does not exclude or limit any responsibilities which BCL may have under FSMA or the regulatory regime established thereunder.

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## **Circular to Shareholders of Calculus VCT plc**

(Incorporated in England and Wales with registered number 07142153)

### **Recommended Proposals to approve entry into a new Performance Incentive Scheme with Calculus Capital Limited**

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Your attention is drawn to the letter from the chairman of the Company set out in Part 1 of this document which contains a recommendation to vote in favour of the Resolution to be proposed at the General Meeting.

You will find out on page 7 of this document, a **Notice of a General Meeting** of the Company set out in Part 3 of this document to be held at 1 Warwick, 1 Warwick Street, London W1B 5LR on **21 August 2023** immediately following the conclusion of the Company's Annual General Meeting scheduled for **12.00 p.m.** on the same day to approve the Resolution to effect the Related Party Transaction described herein. Whether or not you plan to attend the General Meeting, please complete and submit a proxy form in accordance with the instructions printed on the enclosed form.

To be valid, it should be lodged with the Company's registrars, The City Partnership (UK) Limited at the address printed on the proxy form so as to be received not later than 48 hours (excluding weekends and bank holidays) before the time appointed for the meeting or any adjourned meeting. A member may return a proxy form in their own envelope with the address The City Partnership (UK) Limited, The Mending Rooms, Park Valley Mills, Meltham Road, Huddersfield, HD4 7BH. As an alternative to completing the hard-copy form of proxy, you can appoint a proxy electronically by emailing a scanned copy of the signed form of proxy to [proxies@city.uk.com](mailto:proxies@city.uk.com). For an electronic proxy appointment to be valid, your appointment must be received by The City Partnership (UK) Limited not later than 48 hours (excluding weekends and bank holidays) before the time appointed for the meeting or any adjourned meeting.

**PART 1**  
**LETTER FROM THE CHAIRMAN**

**CALCULUS VCT PLC**

*(Registered in England and Wales with registered number: 07142153)*

*Directors:*  
Jan Ward (Chairman)  
Janine Nicholls  
Claire Olsen  
John Glencross

*Registered Office:*  
12 Conduit Street  
London W1S 2XH

17 July 2023

Dear Shareholder

**Recommended proposals to enter into a new performance incentive agreement with the Company's manager, Calculus Capital Limited ("Calculus Capital")**

The Directors' Report contained in the Company's published annual accounts for the year ended 28 February 2022 referred to the board of the Company ("the Board") having recognised that the existing performance fee arrangements with the Company's manager, Calculus Capital, were no longer compatible with the current strategy of the Company. The Board resolved to undertake a review of the existing arrangements, and comparable arrangements within the VCT market, and communicate any proposed changes in due course.

Following the conclusion of that process, I am writing to you to seek Shareholders' approval for a new performance incentive agreement with Calculus Capital, to replace the existing incentive agreement.

As further set out below, it is proposed that the existing arrangements, which permit incentive payments to be made only following the payment of dividends totalling 105p per Ordinary Share, be replaced with an incentive scheme based instead on the achievement of realised gains made through the sale of investments by the Company. For incentive payments to become due under the proposed arrangements, two total return hurdles must also be satisfied and no payment may be made to the extent it would cause either of those hurdles not to be met.

*Description of existing performance incentive arrangements*

Under the current arrangements, Calculus Capital would be entitled to receive a performance incentive payment equal to 20% of distributions made by the Company to Shareholders once those Shareholders have received distributions equal to 105p per share. Distributions for these purposes are defined as dividends paid in cash and the consideration paid by the Company, on a per share basis, where it buys back shares from its Shareholders.

These arrangements were conceived when the Company was in its early stages as a 'structured products' VCT under the joint management of Investec Structured Products as well as Calculus Capital and operating in a very different market, regulatory environment and with a different strategy and return profile. No performance incentive has been paid historically under these arrangements and the Board do not consider any payment to be achievable in the foreseeable future.

*Description of proposed new performance incentive arrangements*

Under the proposed new arrangements, the incentive fees are only payable to Calculus Capital if:

- the Company's cumulative realised investment gains are greater than its cumulative realised investment losses since inception;
- the total return to Shareholders, made up of net asset value ("NAV") per share and dividends per share paid, ("the **Total Return**") is positive over a rolling five-year performance period; and
- the Total Return for the year preceding any payment has increased by at least 4.5% from the NAV per share at the end of the previous year.

If all three conditions are met, a performance fee equal to 20% of the excess realised gains (less previous performance incentive payments made) is payable to Calculus Capital. Excess gains are calculated simply by subtracting realised losses made on the disposal or write off of investments by the Company from realised gains made on the disposal of investments by the Company.

By way of illustration, if the new performance incentive arrangements were to have been in place as at the date of this document, the Company would have achieved excess cumulative realised gains of £326,997. However, this would not have resulted in an initial performance payment to Calculus Capital of £65,400 (ie 20% for such excess realised gains) being due in respect of the period ended on 28 February 2023 since both of the Total Return conditions set out above were not met at the relevant times.

#### **Rationale for the revised performance incentive arrangements**

The existing performance incentive fee arrangement has been substantively unchanged since 2010, having been conceived of when the Company was in its first years of operation, with a co-manager in the form of Investec Structured Products, and in a period when the regulatory landscape for VCTs was markedly different.

The purpose of any performance fee arrangement with a fund manager is to incentivise that manager to perform, to enable it to attract and retain key staff and to align the interests of the manager with those of investors. The existing arrangements are not achieving those goals and so it is the opinion of the Board that they need to be refreshed.

With that in mind, we have surveyed the market for other arrangements which we believe are well structured to achieve the above aims and consulted with leading market commentators on what they consider to be optimal in terms of providing protection and value for money for shareholders.

A key element of the proposed new arrangements is that performance incentive fees would only be paid out based on realised gains made on disposals. A common weakness of certain of the VCT performance fee structures we reviewed, in the Board's opinion, is where these are based simply upon unrealised "paper" gains.

By combining a requirement for overall positive returns, the achievement of a 4.5% value hurdle in the lead up to any calculation, and the important requirement that fees are only then payable where actual, realised gains exceed realised losses, the Board believe that the proposed arrangements ensure shareholders' position is well protected while allowing the manager to be appropriately incentivised.

#### **Related Party Transaction**

As Calculus Capital is the investment manager of the Company, the entry into the new performance incentive arrangements described above will constitute a related party transaction under the listing rules of the FCA (the "**Listing Rules**") (the "**Related Party Transaction**"). Accordingly, the approval of Shareholders for the Company's entry into the Related Party Transaction is required in accordance with Listing Rule 11.1.7(3).

John Glencross, as the chief executive of Calculus Capital and a non-independent director, did not take part in the Board's consideration of the proposed new arrangements, nor vote on the Board's decision to put the Related Party Transaction to Shareholders for their approval at the General Meeting.

A notice convening the General Meeting is set out at the end of this document which proposes a single Resolution to approve the Related Party Transaction. The General Meeting will be held immediately following the conclusion of the Company's Annual General Meeting scheduled for 12.00 p.m. on 21 August 2023 at 1 Warwick, 1 Warwick Street, London W1B 5LR.

The Board, which has been so advised by Beaumont Cornish Limited, the Company's Sponsor, considers the Related Party Transaction to be fair and reasonable insofar as the Company's shareholders are concerned. In providing its advice to the Board, Beaumont Cornish Limited has taken into account the Board's commercial assessment of the effects of Related Party Transaction.

#### **Risk factors relating to the Related Party Transaction**

If the Related Party Transaction is not approved by Shareholders, the existing performance incentive arrangements will continue. As noted above, the Board and Calculus Capital consider that it may be more difficult to recruit, retain and incentivise quality investment management personnel without an appropriate incentive scheme in place. This may affect the performance of Calculus Capital, which may in turn impact the performance of the Company's portfolio and, thereby, returns to Shareholders, as the ability to pay performance incentive fees is an important

component of management returns payable to an investment manager and, accordingly, an investment executive's remuneration package for managing a venture capital portfolio.

**Action to be taken**

Before taking any action, you are recommended to read this document in full.

Shareholders will find enclosed with this document the form of proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting, you are requested to complete and return the form of proxy attached so as to be received not less than 48 hours before the time appointed for holding of the General Meeting. Completion and return of a form of proxy will not prevent you from attending and voting in person at the General Meeting, should you wish to do so.

**Recommendations**

The Board are of the opinion that the Related Party Transaction to be proposed at the General Meeting is in the best interests of the Shareholders as a whole and unanimously recommends that you vote in favour of the Resolution.

The Board, with only the exception of John Glencross who is ineligible to vote his shares, intend to vote, in respect of their own holdings of 37,455 Ordinary Shares (representing 0.05% of the voting rights in the Company), in favour of the Resolution.

Under the Listing Rules, Calculus Capital as a related party is not entitled to vote on the Resolution to be proposed at the General Meeting to approve the Related Party Transaction. Calculus Capital does not hold any shares in the Company and has undertaken to take all reasonable steps to ensure that its associates shall not vote on the Resolution and to include procuring undertakings not to vote from its employees.

I look forward to welcoming you at the General Meeting and to your support for the Resolution to be proposed.

Yours faithfully



**Jan Ward**

Chairman

## PART 2

### ADDITIONAL INFORMATION

#### 1. Corporate information

The full legal and commercial name of the Company is Calculus VCT plc and the Company's registered office is located at 12 Conduit Street, London W1S 2XH.

#### 2. Major shareholders

As at 14 July 2023 (being the latest practicable date prior to publication of this document), the Company is not aware of any person who has an interest in the Company's capital and voting rights which is notifiable under UK law (under which, pursuant to CA 2006 and the Listing Rules and the Disclosure Guidance & Transparency Rules of the FCA, a holding of 3% or more of the voting rights of each class of share must be notified to the Company).

#### 3. No significant changes in the Company's financial position

There have been no significant changes in the financial position of the Company which have occurred since the 28 February 2023, being the end of the last financial period for which audited financial information has been published.

#### 4. Director information

John Glencross is a director of the Company and of Calculus Capital, the Company's manager and the counterparty under the Related Party Transaction. He was appointed under a letter of appointment dated 22 February 2010. His appointment may be terminated on 3 months' notice, provides for no benefits upon such termination and he does not receive any remuneration from the Company in respect of his appointment. John holds 76,640 Ordinary Shares in the capital of the Company.

#### 5. Material contracts

Set out below is a summary of those contracts (not being contracts entered into in the ordinary course of business) to which the Company was a party during the last two years, or which contain provisions under which the Company has an obligation or entitlement which is material as at the date of this document, and which shareholders of the Company would reasonably require to make a properly informed assessment of how to vote on the Resolution.

- 5.1 An investment management agreement dated 2 March 2010, as amended and supplemented from time to time, between the Company (1) and Calculus Capital (2) pursuant to which Calculus Capital has agreed to act as discretionary investment manager to the Company in respect of the venture capital investments portfolio and to advise in respect of the Company's investments in near cash assets. The appointment may be terminated on 12 months' notice or immediately in circumstances of material breach by either party. Calculus Capital receives an annual management fee of 1.75% of the net assets of the Company, calculated and payable quarterly in advance, together with any applicable VAT thereon. Calculus Capital also provides company secretarial services as part of its investment management services to the Company, for an additional annual fee of £15,000. Calculus Capital retains the right to charge arrangement and syndication fees to the private companies in which the Company invests and may also receive on-going directors' fees and monitoring fees from such investee companies. Calculus Capital provides a running costs cap of 3.0% of NAV and, where annual costs are in excess of this amount, will bear those costs. The agreement contains normal provisions indemnifying Calculus Capital in respect of loss and/or liability incurred in the provision of services pursuant to the agreement (save in circumstances of its wilful default, negligence or fraud).
- 5.2 A performance incentive agreement dated 26 October 2015, as amended and supplemented from time to time, between the Company (1) and Calculus Capital (2) pursuant to which Calculus Capital will be entitled to a performance incentive fee equal to 20% of Ordinary Shareholder Proceeds in excess of 105p.

## **6. Consent**

BCL has given and not withdrawn its consent to the inclusion of reference to BCL's name in the form and context in which it appears in this circular.

## **7. Document available for inspection**

Copies of the following documents will be available for inspection at the Company's registered office on normal business days and during normal business hours from the date of this document until the date of the General Meeting and throughout the General Meeting:

- the memorandum and articles of association of the Company;
- the audited report and accounts of the Company for the financial years ended 29 February 2020, 28 February 2021, 28 February 2022 and 28 February 2023 and the unaudited interim report and accounts of the Company for the periods ended 31 August 2022 and 31 August 2021;
- the material contracts referred to in paragraph 5 above;
- a draft of the proposed new Performance Incentive Agreement which is the subject of the Resolution and is more fully described on page 2; and
- this document.

17 July 2023

**PART 3**

**NOTICE OF GENERAL MEETING**  
of  
**CALCULUS VCT PLC**  
*(Registered in England and Wales with registered number 07142153)*

Notice is hereby given that a general meeting of Calculus VCT plc (the "Company") will be held immediately following the conclusion of the Company's Annual General Meeting scheduled for 12.00 p.m. on 21 August 2023 at 1 Warwick, 1 Warwick Street, London W1B 5LR for the purposes of considering and, if thought fit, passing the following resolution as an ordinary resolution.

**ORDINARY RESOLUTION**

***THAT, the entry by the Company into a performance fee agreement with Calculus Capital Limited, on materially those terms set out in the Circular to shareholders dated 17 July 2023, be and is hereby approved.***

By Order of the Board

Calculus Capital Limited, Company Secretary

Registered Office:  
12 Conduit Street  
London  
W1S 2XH

17 July 2023

## Notes to the Notice of the General Meeting

1. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), members must be registered in the Register of Members of the Company at the close of business on 17 August 2023 (or, in the event of any adjournment, 48 hours before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member, but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
3. To appoint more than one proxy, you will need to complete a separate proxy form in relation to each appointment (you may photocopy the proxy form), stating clearly on each proxy form how many shares the proxy is appointed in relation to. A failure to specify the number of shares to which each proxy appointment relates or specifying an aggregate number of shares in excess of those held by the member will result in the proxy appointment being invalid. Please indicate if the proxy instruction is one of multiple instructions being given. All proxy forms must be signed and should be returned together in the same envelope.
4. A personalised form of proxy is enclosed with shareholders' copies of this document. To be valid, it should be lodged with the Company's registrars, The City Partnership (UK) Limited at the address printed on the proxy form so as to be received not later than 48 hours (excluding weekends and bank holidays) before the time appointed for the meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll. A member may return a proxy form in their own envelope with the address The City Partnership (UK) Limited, The Mending Rooms, Park Valley Mills, Meltham Road, Huddersfield, HD4 7BH. As an alternative to completing the hard-copy form of proxy, you can appoint a proxy electronically by emailing a scanned copy of the signed form of proxy to [proxies@city.uk.com](mailto:proxies@city.uk.com). For an electronic proxy appointment to be valid, your appointment must be received by The City Partnership (UK) Limited not later than 48 hours (excluding weekends and bank holidays) before the time appointed for the meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
5. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should the member subsequently decide to do so. A member can only appoint a proxy using the procedures set out in these notes and the notes to the proxy card. The termination of the authority of a person to act as a proxy must be notified to the Company in writing. Amended instructions must be received by the Company's registrars by the deadline for receipt of proxies.
6. Ordinary Shares carry equal voting rights and a member present in person or by proxy shall have one vote on a show of hands and on a poll shall have one vote for every share of which he/she is the holder.
7. A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company. On a vote on a resolution on a show of hands, each authorised person has the same voting rights as the corporation would be entitled to. On a vote on a resolution on a poll, if more than one authorised person purports to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.
8. Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person") should note that the provisions in Notes 2 and 3 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.
9. Nominated persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or, perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.

10. As at the date of this notice, the Company's issued share capital and total voting rights amounted to 58,678,817 Ordinary Shares each carrying one vote each.
11. Section 319A of the Companies Act 2006 requires the Directors to answer any question raised at the meeting which relates to the business of the meeting, although no answer need be given (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) if it is undesirable in the best interests of the Company or the good order of the meeting. You may alternatively submit your question in advance by letter addressed to the Company Secretary at the registered office.
12. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.
13. By attending the meeting, members and their proxies and representatives are understood by the Company to have agreed to receive any communications relating to the Company's shares made at the meeting.
14. Members satisfying the thresholds in section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the meeting. A resolution may properly be moved at the meeting unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the meeting.
15. Members satisfying the thresholds in section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may properly be included in the business at the meeting. A matter may properly be included in the business at the Annual General Meeting unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the meeting.
16. None of the Directors has a contract of service with the Company. A copy of the letters of appointment of the Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (except weekends and public holidays) until the date of the meeting and at the place of the meeting for a period of fifteen minutes prior to and during the meeting.