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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 revised Performance Incentive Scheme with Calculus Capital Limited

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 a resolution to effect the Related Party Transaction described herein (the "**Resolution**") to be proposed at the Annual General Meeting of the Company to be held on 22 August 2024 at 12 noon.

Notice of the 2024 Annual General Meeting of the Company is set out in the Company's annual report and accounts for the year ended 31 March 2024 which are being sent to Shareholders along with this Circular and which are also separately available for viewing at <https://calculuscapital.com/vct-annual-general-meeting-2024/>

PART 1
LETTER FROM THE CHAIRMAN

CALCULUS VCT PLC

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

Directors:

Jan Ward (Chairman)
Janine Nicholls
Hemant Mardia
John Glencross

Registered Office:

12 Conduit Street
London W1S 2XH

11 July 2024

Dear Shareholder

Recommended proposals to revise the Company's performance incentive agreement with Calculus Capital Limited (the "Manager", "Calculus Capital") by way of (i) a reduction in the headline performance fee payable to the Manager and (ii) the introduction of a co-investment arrangement for the individuals in the Manager's investment team and other key members

Shareholders may recall that about a year ago, a new performance incentive structure with the Manager, Calculus Capital, was approved and put in place.

Under this arrangement, the Manager would become entitled to a performance fee equal to 20% of excess realised gains (less previous performance incentive payments made), with excess gains calculated 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.

Furthermore, incentive fees were 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) 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.

Proposed revision to these arrangements

As I said in my letter to Shareholders at the time we proposed the above revised structure, 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.

I am writing to you now to inform you that a resolution will be put to Shareholders at the upcoming Annual General Meeting of the Company to make two revisions to the current arrangements which are:

1. that the quantum of Calculus Capital's entitlement to a performance fee in respect of excess realised gains **be reduced from 20% to 10%**; and
2. that a **co-investment syndicate ("Syndicate")** structure be put in place to facilitate the individual members of Calculus Capital investment team and other key members of its staff ("**Syndicate Members**") putting their own money into each investment that the Company makes, with Syndicate Members receiving a junior class of shares to those received by the Company (being A2 Ordinary Shares as explained below).

It is the Board's view that these revisions go even further in aligning the interests of investors with those persons most closely engaged in originating investments for the Company's portfolio and managing them through to the

point of exit – the investment team themselves. Allowing those team members to have direct 'skin in the game', and to risk their own capital alongside investors' in the pursuit of success of the Company portfolio, serves to reinforce the ultimate purpose of the performance incentive arrangements.

For Syndicate Members, the arrangements allow them to benefit directly from the successes achieved on the back of their hard work and skill in selecting and managing the Company's portfolio, with the added bonus of the attractive EIS tax reliefs which are likely to be available to them, subject to their personal circumstances.

Mechanics of the new arrangements

The reduction in the level of fee payable to Calculus Capital in the event of realised gains is a self-explanatory measure, designed to create more room for the co-investment syndicate structure.

The proposed co-investment syndicate arrangement which will complement this reduced fee to Calculus Capital will be structured to mirror that which has already successfully been implemented in the context of the Calculus EIS Fund.

In this arrangement, the Syndicate Members, being the Calculus Capital investment team members who select and manage the Company's investment portfolio on a day-to-day basis, will be required to make a cash investment alongside the Company in each of the Company's investments going forward (save where this is impossible for practical reasons). As such, they will have 'skin in the game' alongside investors in each and every investment, with no 'cherry picking' possible.

In terms of the mechanics, portfolio companies in which the Company invests will be required to issue two designations of investor shares to the Company and the Syndicate Members, rather than a single designation as would typically be the case. For the purposes of the description that follows we will call these A1 Ordinary Shares and A2 Ordinary Shares.

- The investee company will issue eleven times the number of A1 Ordinary Shares as it does A2 Ordinary Shares, and the A1 Ordinary Shares and A2 Ordinary Shares will all be issued at the same price per share.
- The Company will hold all of the A1 Ordinary Shares and 88% of the A2 Ordinary Shares. The Syndicate Members will hold none of the A1 Ordinary Shares, but will be issued 12% of the A2 Ordinary Shares in exchange for investing their own cash.
- The holders of the A1 Ordinary Shares will have the right to receive the aggregate issue price of all of the A1 Ordinary Shares and A2 Ordinary Shares (the "**Preferred Amount**") but nothing further.
- Once the holders of the A1 Ordinary Shares have received the Preferred Amount, the holders of the A2 Ordinary Shares will be entitled to receive any further funds that would be otherwise due to the A1 Ordinary Shares and A2 Ordinary Shares. This serves to deliver a performance-related return to the Syndicate through their holding of 12% of those A2 Ordinary Shares, but only once the invested capital has been fully returned to the Company through its holding of A1 Ordinary Shares.
- This structure will mean that the Syndicate Members will contribute 1% of the total capital contributed overall (i.e. the amount invested by the Syndicate Members and the Company combined) in a given investment.

The commercial impact of the structure will be that the Company will receive back 101.01% of its invested capital before the Syndicate Members receives any distribution; and thereafter the Company will receive 88% of any amount returned in excess of 101.01% of its invested capital and the Syndicate Members will receive 12% of any amount returned in excess of 101.01% of the Company's invested capital.

Amounts "returned", "received" or "distributed to" shareholders for the purposes of the above will include dividends paid by the investee company, sale proceeds and amounts returned pursuant to a liquidation or other return of capital.

While the creation of a junior class of shares to facilitate the co-investment as part of the Company's investment should not be controversial for the portfolio company or external/incumbent investors, it may not always be possible. This would primarily be the case for loan investments and AIM investments where equal ranking is a necessity although there may also be some unquoted investments where circumstances prevent it for one reason

or another. Where this is the case, the co-investment arrangements will simply not apply to that particular investment (with no impact on the performance fee calculation).

Worked illustrative examples of how the co-investment arrangements would operate are set out in the Appendix to this letter for those Shareholders wishing to understand the proposal in more detail, including how the figure of 101.01% is arrived at.

Related Party Transaction

The Company is a closed ended investment fund and its investment manager is Calculus Capital. Accordingly, pursuant to LR 15.5.4, Calculus Capital is a related party of the Company. The entry into the revised performance incentive arrangements with the Manager described above will therefore constitute a related party transaction under the Listing Rules (the "**Related Party Transaction**").

John Glencross is a director of the Company and also a director (CEO) and indirectly a substantial shareholder of Calculus Capital and therefore a potential Syndicate Member and as such is also considered a related party. Pursuant to LR13.6.2, John Glencross 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.

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).

A notice convening the Annual General Meeting at which the resolution to approve the Related Party Transaction is set out at the end of Company's 2024 annual accounts which have been sent to Shareholders along with this Circular – and which are separately available to view at <https://calculuscapital.com/vct-annual-general-meeting-2024/>.

The Board consider the Related Party Transaction to be fair and reasonable as far as the Company's shareholders are concerned and the directors have been so advised by Beaumont Cornish Limited, the Company's Sponsor, in providing its advice to the directors, Beaumont Cornish Limited has taken into account the directors' 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 they are.

As noted when the current performance incentive arrangements were put into place, 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. While it is the opinion of the Board that the current arrangements do go a long way to mitigating this risk, it is also the Board's view that the proposed arrangements are an even better and more direct way of incentivising the management team. Accordingly, if the Related Party Transaction is not passed and the new performance incentive arrangements are not implemented, an opportunity will have been missed to enhance the performance arrangement, and the Board and Calculus Capital believe this would ultimately be a disbenefit to the Company. Ultimately, if other investment managers were to implement co-investment arrangements and these proved a valuable recruitment tool for attracting top talent, Calculus Capital may face competition in recruiting and retaining the best personnel.

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 Annual General Meeting. Whether or not you propose to attend the Annual 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 Annual General Meeting.

You may submit your proxy electronically using the Calculus Proxy Voting App at: <https://calculuscapital.com/vct-annual-general-meeting-2024/>. Shareholders can use this service to vote or appoint a proxy online. The same voting deadline of 48 hours (excluding non-working days) before the time of the meeting applies as if you were using your

personalised Proxy Form to vote or appoint a proxy by post to vote for you. Shareholders will need to use the unique personal City Investor Number (or CIN) and Access Code printed on their share certificate. Shareholders should not show this information to anyone unless they wish to give proxy instructions on their behalf.

If you have elected to receive post, a personalised form of proxy will be enclosed with shareholders' copies of this document.

Completion and return of a form of proxy will not prevent you from attending and voting in person at the Annual General Meeting, should you wish to do so.

Recommendations

The Board, with only the exception of John Glencross who is ineligible to vote his shares and did not take part in the Board's consideration of the matter, as he is also a director of Calculus Capital and a related party (i) are of the opinion that the Related Party Transaction to be proposed at the Annual General Meeting is in the best interests of the Shareholders as a whole and recommends that you vote in favour of the Resolution and (ii) intend to vote, in respect of their own holdings of 29,643 Ordinary Shares (representing 0.04% 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 Annual 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. John Glencross, who holds 76,640 ordinary shares in the Company, will not vote on the Resolution and has undertaken to take all reasonable steps to ensure that his associates will not vote on the Resolution.

Yours faithfully

Jan Ward
Chairman

APPENDIX TO THE CHAIRMAN'S LETTER

Examples of a Syndicate co-investment alongside the Company

Set out below for illustrative purposes only are various return scenarios resulting from the Related Party Transaction based upon a total investment by Calculus of £2 million over the A1 and A2 Shares in a portfolio company:

Return multiples	Return scenarios			
	0.5x	1x	2x	3x
Total cost of investment	2,000,000	2,000,000	2,000,000	2,000,000
Total return from investment	1,000,000	2,000,000	4,000,000	6,000,000
Return distribution				
Company - A1 Shares (max £2 million)	1,000,000	2,000,000	2,000,000	2,000,000
Company - A2 Shares 88% of upside over £2 million	-	-	1,760,000	3,520,000
Total return to the Company (A1 and A2 shares)	1,000,000	2,000,000	3,760,000	5,520,000
Syndicate A2 Shares: 12% of upside over £2M	-	-	240,000	480,000

All figures above given in £

The Company contributes £1,980,000 and the Syndicate contribute £20,000, making total cost investment of £2 million

If the return is less than £2 million which equates to 101.01% of the Company's invested capital of £1,980,000, the Company takes everything with no return to the Syndicate Members.

If the return is more than £2 million, the Company takes the £2 million plus 88% of the upside over £2 million and the Syndicate Members take 12% of the upside.

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 10 July 2024 (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 31 March 2024, 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 three 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 21 August 2023 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 excess realised gains, subject to the achievement of certain hurdles relating to the Company's cumulative realised investment gains, total return over a rolling five-year performance period and the achievement of a NAV per share increase of at least 4.5% since the end of the previous year.
- 5.3 A revised performance incentive agreement to be entered into subject to Shareholders' approval with terms which are identical to that of the agreement referred in paragraph 5.2 above but with a reduced entitlement of 10% of excess realised gains.

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 28 February 2022, 28 February 2023 and 31 March 2024 (including the Notice of Annual General Meeting) and the unaudited interim report and accounts of the Company for the periods ended 31 August 2023 and 31 August 2022;
- 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 circular.

11 July 2024