

## Notice of Annual General Meeting 2019

Letter from Chairman Dr. David Williams

Dear Shareholder,

This year's Annual General Meeting ("AGM") will be held at noon on Thursday 8 August 2019 at the offices of Howard Kennedy LLP, No. 1 London Bridge, London, SE1 9BG. The AGM will be preceded by a presentation from the Investment Manager at 11.30am. All shareholders are invited to attend. The following pages contain the notice of the AGM and set out the business to be considered and the procedures for voting.

If you have sold or otherwise transferred all of your shares in Ventus VCT plc (the "Company"), please send this document and accompanying form of proxy as soon as possible to the purchaser or transferee or to the stockbroker, independent financial advisor or other person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

### IMPORTANT NOTICE - REQUISITIONED RESOLUTIONS

This year's AGM contains resolutions that have been "requisitioned" - that is "proposed" - by a small group of shareholders (the "Requisitioning Shareholders"). Despite the fact that the Company's performance is top ranked amongst its peers, these resolutions propose the extreme step of removing the current and experienced Board of Directors with a view to replacing them with entirely new directors, two out of three of whom have no experience as directors of a UK listed company. These are Resolutions 10 to 16.

The requisition notice raises seven issues the Requisitioning Shareholders feel should be addressed. Your Board is always grateful for shareholder challenge and feedback and has carefully reviewed the points raised. Many of these points have been continuously reviewed by the Board in recent years, although it acknowledges that the previous Annual Reports may not have contained sufficient information to make this explicit to all shareholders. By demonstrating the advanced state of its deliberations, the Board is now pleased to announce significant progress on key strategic areas, and to give additional disclosure of information.

Your Board, having carefully considered all the issues raised and taken the advice of its sponsor and legal advisor, unanimously advises shareholders to vote against the resolutions. Details are set out on pages 9 to 15. In summary:

- The last three-year total return (Net Asset Value ("NAV") growth plus dividends) of the Company is 27.90p, 41.50p and 20.90p per share (in the ordinary shares, "C" shares, and "D" shares respectively). This equates to a three-year compounded annual return of 7.16%, 10.29% and 5.16% respectively. These returns come against a backdrop of falling power prices. For example, the 10 year forward average power price has fallen 12% since the 2016 year end accounts.
- Total returns (NAV growth plus dividends) since Temporis Capital Limited ("Temporis") began managing the fund in 2011 are 65.25p, 90.20p and 51.30p per share (in the ordinary shares, "C" shares, and "D" shares respectively). Since the appointment of Temporis compounded annual rates of return are 6.55%, 9.47% and 8.81% respectively.
- The Board continues to take tangible action to deliver shareholder value, having progressed a number of important initiatives that will serve to increase or bring forward cashflow from its investee companies both now and in coming years. These include agreeing terms to reduce the cost of the debt held by many of our investee companies

as well as agreeing to release debt service reserve accounts held by the investee companies. The Board has quantified the impact of these actions, together with an agreement reached with Temporis to reduce investment management fees, as follows:

Share Class	Estimated increase in cash available over next 5 years <sup>1</sup>
Ordinary Shares	4.18p/share
“C” Shares	11.00p/share
“D” Shares	17.40p/share

- In light of the expected increases in free cash the Board is reviewing its capital allocation framework and will communicate the results of this review in October 2019. This framework will consider share buybacks, increased dividends and re-investment within the investee companies
- On 14 June 2019 the Company appointed Lloyd Chamberlain, a significant shareholder in both the Company and Ventus 2 VCT plc, to the Board. Lloyd’s appointment brings substantial investment management experience to the Board and ensures shareholder representation in the run up to the 2020 continuation vote. Lloyd’s appointment is to be approved by shareholders at the AGM where, in accordance with corporate governance best practice, he will retire and stand for re-election.
- The revised Boards across the Company and Ventus VCT 2 plc hold 1.57million shares, equating to 1.20% and 3.22% of the Company and Ventus 2 VCT plc respectively. This is in comparison to 0.80% and 0.78% (respectively) understood to be held by the proposed board members in the requisition notice.
- The Board has demonstrated that it has the skills required to manage the Company. In contrast, of the directors proposed by the Requisitioning Shareholders only one has experience as a director of a UK listed company.
- The Board considers it is likely that the board proposed by the Requisitioning Shareholders would seek to self-manage the assets, with some of the proposed directors involved in an executive capacity in the management of the Company’s assets. In our view this would be a risky path to follow as the proposed team has no track record of working together. In addition to the potential for conflicts of interest, the Board has been advised that self-management may not be viable because of significant regulatory hurdles. Irrespective of the tests to be passed, the Board considers that there is appreciable value and risk mitigation in employing a third-party insured and fully FCA regulated investment manager with deep resources as opposed to a smaller in-house team.
- The Board considers that the Requisitioning Shareholders’ proposals would be likely to increase uncertainty and risk for shareholders. The lack of continuity of any Board members, uncertainty over the potential replacement of the Investment Manager and the risks associated with self-management could, in the Board’s view, lead to the shares trading at greater discounts to NAV and more unpredictability around the 2020 continuation vote. This contrasts with the security of a positive track record of the existing Board and Investment Manager.

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<sup>1</sup> Comprised of (i) interest savings in investee company debt costs either concluded or agreed (ii) brought forward release of debt service reserve accounts and (iii) expected reduction in management fees per terms agreed with Temporis. Note that the estimated increase in cashflow does not appear in the Company’s NAV, as the Company values its assets on an unlevered basis. The NAV also excludes the impact of future management fees.

- The Board has renegotiated terms with Temporis to substantially reduce investment management fees. On entry to the new contract fees will drop to 2.00% of NAV per annum after this year's AGM and to 1.50% of NAV following the 2020 AGM.
- For illustrative purposes, assuming future fees are calculated using the NAV as at 28 February 2019, the investment management fees applicable to each financial year is set out in the table below:

Financial Year Ended	Current IMA Weighted Average Fee (%)	Proposed IMA Weighted Average Fee (%)	Benefit (%)	Potential Saving to the Company (£)
28 February 2020	2.25%	2.10%	0.15%	£55,000
28 February 2021	2.21%	1.71%	0.50%	£188,000
28 February 2022	2.08%	1.50%	0.58%	£219,000
28 February 2023	2.00%	1.50%	0.50%	£188,000

- Shareholders are asked to weigh up the status quo against the potential benefits and risks of a wholesale change of Directors, and potentially, the investment management team. For context, a further saving of, say, 0.25% per annum in investment management fees versus the proposed fees of 1.5% would deliver an additional 0.29p, 0.35p and 0.36p per share per annum (ordinary shares, "C" shares and "D" shares respectively). This is a very small potential benefit compared to the shareholder returns that have been delivered by the current Board and Investment Manager.
- Thalia Power Limited ("TPL") is a related party to the Investment Manager. TPL provides the full scope of corporate and financial administration services to a number of the Company's investee companies. The Board has benchmarked the services performed by TPL, and the comparative costs of sourcing these services from 3<sup>rd</sup> parties. The Board is confident that these costs represent good value. Additional disclosure has been provided on page 17 of the Annual Report
- The Board has reviewed the remaining, non-discretionary costs of managing the Company and is confident that these cannot be meaningfully reduced further. Additional disclosure has been provided on pages 18 & 19 of the Annual Report.
- In light of the significantly increased cashflow projections resulting from actions initiated by the Board, the Board and Investment Manager are working together to develop a long-term capital allocation framework to be communicated by the interim results in October 2019. This framework will consider a wide range of strategies including share buybacks, increased dividends and re-investment within the investee companies.
- The Board highlights that the existing performance fee structure aligns the Investment Manager to maintain the life of the assets for as long as possible. Without growth or reinvestment, NAV growth and dividends would eventually reduce to below 7.00p per annum (the performance fee threshold) - as the existing assets that the Company owns have a finite life - resulting in no performance fees.
- The Board has again reviewed the potential to merge the share classes and believes that the challenges that existed two years ago (resulting in the May 2017 decision not to recommend a merger) can now be overcome, particularly given the further stabilisation of the operating record of the assets. The Board expects to conclude a share class merger in the next year.

**In summary the Board continues to set the strategy for the Company and actively manage the Investment Manager, delivering excellent results for shareholders. The Requisitioning Shareholders have not set out a clear strategy and only one of the proposed board has experience as a director of a UK listed company. Shareholders are being asked to remove a Board that has overseen strong performance and, in our view, to take on significant uncertainty for an uncertain reward.**

As a result, the Board believes that the passing of Resolutions 10 to 16 would be detrimental to the Company and its shareholders. The Directors will vote against Resolutions 10 to 16 with their own holdings and unanimously recommend that you vote against those Resolutions.

Yours faithfully

Dr. David Williams

Notice is hereby given that the AGM of Ventus VCT plc will be held at 12 noon on Thursday 8 August 2019 at the offices of Howard Kennedy LLP, No. 1 London Bridge, London, SE1 9BG, for the purpose of considering and, if thought fit, passing the following resolutions (1-16 of which will be proposed as ordinary resolutions and resolution 17 as a special resolution):

**Ordinary Business**

1. To receive the Company's audited Annual Report and Financial Statements for the year ended 28 February 2019.
2. To declare a final dividend of 5.00p per ordinary share, 5.00p per "C" share and 2.50p per "D" share in respect of the year ended 28 February 2019.
3. To approve the Directors' Remuneration Report for the year ended 28 February 2019.
4. To re-appoint BDO LLP as Auditor of the Company to hold office until the conclusion of the next AGM at which accounts are laid before the Company.
5. To authorise the Directors to determine the remuneration of the Auditor.
6. To re-elect David Williams as a Director of the Company who retires in accordance with the Company's articles of association and, being eligible, offers himself for re-election.
7. To re-elect Jo Dixon as a Director of the Company who retires in accordance with the Company's articles of association and, being eligible, offers herself for re-election.
8. To re-elect Chris Zeal as a Director of the Company who retires in accordance with the Company's articles of association and, being eligible, offers himself for re-election.
9. To re-elect Lloyd Chamberlain as a Director of the Company who retires in accordance with the Company's articles of association and, being eligible, offers himself for re-election.

**Requisitioned Resolutions**

10. That Nicholas Curtis, having consented to act, be and is hereby appointed as a director of the Company.
11. That Andrew Garrad, having consented to act, be and is hereby appointed as a director of the Company.
12. That Richard Roth, having consented to act, be and is hereby appointed as a director of the Company.
13. That, pursuant to section 168 of the Companies Act 2006 and article 73.1 of the Company's articles of association, Josephine Dixon be and is hereby removed as a director of the Company.

14. That, pursuant to section 168 of the Companies Act 2006 and article 73.1 of the Company's articles of association, David James Williams be and is hereby removed as a director of the Company.
15. That, pursuant to section 168 of the Companies Act 2006 and article 73.1 of the Company's articles of association, Christopher John Zeal be and is hereby removed as a director of the Company.
16. That, in accordance with the provisions of section 316 (2) (a) and 340 (2) (a) of the Companies Act 2006, the expenses of the Company in complying with sections 315 and 339 of the Companies Act 2006 in respect of the above resolutions (and accompanying statement contained in the Appendix to this notice) be paid by the Company (rather than the members who requested circulation of the same) (and, to the extent that any sum has been paid by those members to the Company in accordance with sections 316(2)(b) and/or 340 (2)(b) of the Companies Act 2006, such sum shall be reimbursed to those members).

### **Special Business**

17. That the Company be and is hereby generally and unconditionally authorised to make market purchases within the meaning of Section 693(4) of the Companies Act 2006 (the "Act") of ordinary shares of 25p each, "C" shares of 25p each and "D" shares of 25p each in the capital of the Company provided that:
  - (i) The maximum aggregate number of shares hereby authorised to be purchased is 2,444,501 ordinary shares, 1,698,233 "C" shares and 298,415 "D" shares, representing 14.99% of the current issued share capital of each class;
  - (ii) The minimum price which may be paid for a share is 25p per share;
  - (iii) The maximum price, exclusive of any expenses, which may be paid for a share is an amount equal to the higher of; (a) 105% of the average of the middle market prices shown in the quotations for a share in The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;
  - (iv) The authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the AGM of the Company to be held in 2020 and the date which is 18 months after the date on which this resolution is passed; and
  - (v) The Company may make a contract or contracts to purchase its own shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of its own shares in pursuance of any such contract or contracts as if the authority conferred hereby had not expired.

By order of the Board

### **The City Partnership (UK) Limited**

Secretary

24 June 2019

## Notes to the Notice of Annual General Meeting

1. A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint one or more proxies to attend, speak and vote and, on a poll, to vote in his place. A proxy need not be a member of the Company.
2. To appoint a proxy you may use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited by 12 noon on 6 August 2019 to The City Partnership (UK) Limited, Suite 2 Park Valley House, Park Valley Mills, Meltham Road, Huddersfield, HD4 7BH. Completion of the Form of Proxy will not prevent you from attending and voting in person.
3. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company at 6pm on 6 August 2019 shall be entitled to attend, speak and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend, speak and vote at the adjourned Meeting is at 6pm two days prior to the adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend, speak and vote at the Meeting.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed.

A reply-paid form of proxy is enclosed with members' copies of this document. To be valid, it should be lodged with the Company's registrars The City Partnership (UK) Limited, Suite 2 Park Valley House, Park Valley Mills, Meltham Road, Huddersfield, HD4 7BH so as to be received not later than 48 hours 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. Online voting: alternatively, you may register your votes electronically by visiting [www.proxy-ventus.cpip.io](http://www.proxy-ventus.cpip.io). For details on how to vote, please follow the instructions provided on the voting website.
6. As at 24 June 2019 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 16,307,547 ordinary shares of 25p each, 11,329,107 "C" shares of 25p each and 1,990,767 "D" shares of 25p each, carrying one vote each at an annual general meeting of the Company. The Company holds 45,900 "C" shares in treasury. Therefore, the total voting rights in the Company as at 24 June 2019 are 29,581,521.
7. Appointment of a proxy will not preclude a member from attending, voting and speaking at the Meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
8. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between the Nominated Person and the member by whom he/she was nominated, have a right 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, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

9. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
10. The Annual Report and Financial Statements including this Notice of Annual General Meeting are available on the Company's website [www.ventusvct.com/financial\\_reports.php](http://www.ventusvct.com/financial_reports.php)
11. Shares held in uncertified form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST Manual and in the Notice of AGM. Shareholders wishing to vote through CREST should use the Registrar ID 7RA36 and ensure the votes are submitted no later than 48 hours prior to the meeting.
12. Except as provided above, members who have general queries about the Meeting should telephone the company secretary, The City Partnership (UK) Limited on 0131 243 7215.

**STATEMENT FROM THE BOARD OF THE COMPANY AS TO WHY YOU SHOULD VOTE  
AGAINST RESOLUTIONS 10 to 16**

Your Board has carefully considered the requisitioned resolutions, along with several other ideas proposed by shareholders throughout the year, and has taken advice from its listing sponsor and legal advisors.

**The Company continues to take tangible action to deliver shareholder value**

Over the past 12 months the Board has given careful consideration to the Company, management, Board composition and strategy through to, and beyond, the 2020 continuation vote.

The Board progressed a number of important initiatives that will serve to increase or bring forward cashflow from its investee companies both now and in coming years. These include agreeing terms to reduce the cost of the debt held by many of our investee companies as well as agreeing to release debt service reserve accounts held by the investee companies. The Board has quantified the impact of these actions, together with an agreement reached with Temporis to reduce investment management fees, as follows:

Share Class	Estimated increase in cash available over next 5 years <sup>2</sup>
Ordinary Shares	4.18p/share
"C" Shares	11.00p/share
"D" Shares	17.40p/share

The breakdown of these increases is as follows:

Pence per share	Debt service reserve releases			Reduced cost of debt			Reduced investment management fees			Total expected additional cash		
	Ordinary Shares	"C" Shares	"D" Shares	Ordinary Shares	"C" Shares	"D" Shares	Ordinary Shares	"C" Shares	"D" Shares	Ordinary Shares	"C" Shares	"D" Shares
Additional cash available in year ended 28 February 2020	0.90	5.44	3.12	0.13	0.50	2.21	0.17	0.20	0.21	1.20	6.14	5.54
Additional forecast cash flow 2021-2024	0.00	0.00	0.00	0.54	1.98	8.83	2.44	2.89	3.04	2.98	4.87	11.87
<b>Total</b>	<b>0.90</b>	<b>5.44</b>	<b>3.12</b>	<b>0.67</b>	<b>2.48</b>	<b>11.04</b>	<b>2.61</b>	<b>3.09</b>	<b>3.25</b>	<b>4.18</b>	<b>11.01</b>	<b>17.41</b>

<sup>2</sup> Comprised of (i) interest savings in investee company debt costs either concluded or agreed (ii) brought forward release of debt service reserve accounts and (iii) expected reduction in management fees per terms agreed with Temporis. Note that the estimated increase in cashflow does not appear in the Company's NAV, as the Company values its assets on an unlevered basis. The NAV also excludes the impact of future management fees.

The Board has also considered the continuation vote, at which shareholders will decide whether to continue the Company as a VCT. In connection with that the Board has concluded that it is in the best interests of shareholders to appoint a shareholder Director to the Board of the Company. Lloyd Chamberlain, a significant shareholder across both the Company and Ventus 2 VCT plc has joined the Board. Lloyd's appointment ensures shareholder representation in the run up to the 2020 continuation vote.

**In summary, the Board has delivered tangible value to shareholders and has a clear strategy to continue to do so.**

### **The Board is aligned with shareholders and has the appropriate experience**

#### Board alignment with shareholders

The Boards across the Company and Ventus 2 VCT plc hold 1.57 million shares. Only two of the directors proposed by the requisitioned resolutions hold shares in the companies, and their collective shareholdings are stated to be 0.5 million shares.

**Your Board, with its shareholder representation, is well positioned to ensure a focus on shareholder value. None of the Board members have a vested interest in the future management arrangements of the Company and your Board will continue to act independently to maximise shareholder value.**

#### Board experience

The Investment Manager is employed because of its deep experience in operating renewables assets. Therefore, the Board has identified the skills that it needs to manage the Company as:

- Renewables experience to enable oversight of technical issues
- Governance, accounting and reporting expertise to ensure the Company complies with relevant statutes and compliance rules
- Investment management experience to enable oversight of the Investment Manager and to have a clear investor relations strategy
- Business strategy and finance proficiency to oversee the Company strategy and optimise shareholder returns

Your Board offers expertise across all these areas. Your Board has significant experience of running a listed company and has overseen the strong performance of the Company to date. Your Board has taken strong action to protect shareholder value, including making the difficult decision to change Investment Manager in 2011.

Your Board believes that its skill base is well suited to the task of running the Company. The addition of a significant shareholder as a Director further rounds the Board composition and sets the path for clear and unambiguous communication with shareholders in the run up to the 2020 continuation vote. The Board will continue to consider further changes in its composition as the Company matures.

In contrast, of the directors proposed by the Requisitioning Shareholders, only one has experience as a director of a UK listed company.

**Your Board is a known quantity that has a track record of delivering shareholder returns. You are being asked to jeopardise that for a proposed board where the majority of its members have no experience as directors of a UK listed company, no clear strategy and no tangible benefits to offer shareholders.**

*The Board has reviewed item 5 in the Shareholder Concerns within the Shareholder Requisition and does not believe it has merit.*

### **The Board considers it likely that the requisitioned board would seek to self-manage the assets**

Your Board met twice with Nicholas Curtis in the past year to understand his concerns. Mr Curtis is a director of a company that operates several small-scale hydro-electricity schemes. Shareholders will note that Mr Curtis' statement promotes 'self-management' of the Company as one of the options. Mr Curtis has made it clear to some shareholders that self-management is his favoured option.

**The Board therefore considers that it is likely that the board proposed by the Requisitioning Shareholders would seek to self-manage the assets with some or all of the directors involved in an executive capacity in the management of the Company's assets. As well as giving rise to potential conflicts of interest and questions around appropriate corporate governance, the Board has been advised that self-management poses significant regulatory challenges for a listed company with retail investors.**

**The Board considers that there is appreciable value and risk mitigation in employing a third-party investment manager with deep resources as opposed to a smaller in-house team.**

**The Requisitioning Shareholders' proposals would be likely to increase uncertainty and risk for shareholders**

The Requisitioning Shareholders' proposals would, in the Board's view, be likely to increase uncertainty and risk for shareholders. The lack of continuity of Board members, uncertainty over the potential replacement of the Investment Manager and the risks associated with self-management could lead to the shares trading at greater discounts to NAV. This in turn could lead to greater unpredictability around the 2020 continuation vote.

Also, the proposals are not specific. It is suggested that the Company's running costs are high, but no detailed plan is set forth to change that. In particular, as to management fees, no consideration seems to have been given to the notice period of two years under the current investment management agreement ("IMA"). Your Board has negotiated the new proposed arrangements with this in mind, and the equivalent fee for investment management in the third year of the proposed arrangements is effectively 0.59% of NAV. The Board considers that this looks very favourable when viewed against market comparables.

**The Board has undertaken a further review of the Company's fees and costs**

The Requisitioning Shareholders have put forward the view that the running costs of the Company are too high now that the portfolio is operating and that the development activity of the Company is at an end. The majority of the running costs relate to the investment management fees paid to Temporis and as described below, these are scheduled to significantly reduce in the near term.

**Reduction in Investment Management Fees**

Temporis has been the Investment Manager of the Company since September 2011. It is the Board's view – shared by many shareholders – that Temporis has performed well. Since 2011 the Company has delivered substantial increases in value in each share class and the Investment Manager has converted the portfolio of partly developed assets and uninvested cash that it inherited into a stable operational portfolio of yielding assets.

The Board renegotiated the terms of the IMA with the Investment Manager in May 2017. The result was that management fees were reduced to 2.25% of NAV per annum from 1 November 2017, with a scheduled reduction in fees to 2.00% from November 2021. The agreement reached in May 2017 was for a minimum term of two years, with two years' notice, and therefore May 2019 was the earliest opportunity for the Board to next negotiate with the Investment Manager. If the agreement is terminated, the currently agreed fees would need to be paid for 2 years.

In the Board's view it is in the interests of shareholders to continue with Temporis as Investment Manager. In addition to the strong performance of the Company in the period since 2011, the Board also recognises the significant value in stability and continuity in management of the portfolio and that there would be appreciable risks and costs in moving the management of the funds to a completely new team. The revised arrangements detailed below would allow the Company to secure significantly reduced investment management fees whilst continuing to benefit from continuity of personnel and the significant investment that the Investment Manager has made in systems and resources over the course of its tenure as Investment Manager of the Company.

The proposal is that:

- Management fees reduce from 2.25% to 2.00% per annum of NAV on entry to a new contract. Fees will fall from 2.00% to 1.50% immediately after the 2020 AGM;
- The two years' notice period cannot be invoked until the first anniversary of entry into the revised agreement.
- The Board will implement the new arrangements shortly after the AGM.
- The other terms of the IMA would remain unchanged. In particular, the revised contract would retain a provision to reduce the termination notice period to one year should shareholders vote to not continue the Company in 2020.

The entry into the renegotiated IMA constitutes a smaller related party transaction under listing rule 11.1.10 and will be dealt with accordingly by the Company.

For illustrative purposes, assuming future fees are calculated using the NAV as at 28 February 2019, the investment management fees applicable to each financial year are set out in the table below:

Financial Year Ended	Current IMA Weighted Average Fee (%)	Proposed IMA Weighted Average Fee (%)	Benefit (%)	Potential Saving to the Company (£)
28 February 2020	2.25%	2.10%	0.15%	£55,000
28 February 2021	2.21%	1.71%	0.50%	£188,000
28 February 2022	2.08%	1.50%	0.58%	£219,000
28 February 2023	2.00%	1.50%	0.50%	£188,000

Another way to look at the beneficial economics of the new fee proposal is a comparison in percentage terms over its three-year life with the alternative of giving the required two years notice under the current IMA and then appointing someone new for year three.

The table below shows the proposed new fee percentages over three years (totaling 5.00%) and those that would continue to be paid for two years under the current IMA. It also shows the imputed 0.59% annual fee that would need to be secured from any new investment manager for year three to deliver the same 5.00% over the whole period of the proposed new contract. Annual fees of 0.59% per annum are favourable when compared against market comparables and as such the Board is satisfied that the proposed arrangements offer very good value to shareholders over the period of the proposed agreement.

Comparison	Annual fee % to July 2020	Annual fee % to July 2021	Annual fee % to July 2022	Total Fees
Renegotiated Temporis fees	2.00%	1.50%	1.50%	5.00%
If Temporis terminated and replaced in Year 3	2.25%	2.16%	<b>0.59%*</b>	5.00%

\*Implied cost to equal the renegotiated fee base

*The Board has reviewed item 1 in the Shareholder Concerns within the Shareholder Requisition and does not believe it has merit given the actions already taken to reduce the fees.*

### Thalia Power Limited

The businesses in which the Company invests operate renewable energy assets. Investee companies do not have their own management team or employees. Therefore, it is important that a service provider is appointed to administer the investee companies. This role includes treasury management, the preparation of accounts, tax returns, liaison with the lending bank, preparation of financial models and projections, company secretarial services, insurance liaison, sales invoicing and other such tasks. These services do not fall within the Investment Manager's remit but they are crucial to the ongoing operations of the investee companies.

When Temporis was appointed Investment Manager in 2011 it was clear that investee companies were not being adequately administered. For example, it became apparent that across the portfolio our companies had under-billed for power and related benefits. Temporis subsequently corrected this on behalf of the relevant investee companies.

Thalia Power Limited ("TPL") is a related party to the Investment Manager. TPL provides the full scope of corporate and financial administration services to a number of the Company's investee companies.

All but two of the Company's investments are joint ventures that have shareholders other than Ventus VCT plc. Therefore, third parties, including joint venture directors of investee companies, have to be satisfied that TPL's service represent value for money and are contracted on arms-length terms.

The average cost of TPL providing these services to an investee company is £27,000 per annum. Each investee company has other shareholders and as such the share of the cost borne by the Company is considerably lower, being approximately £9,000 per annum per investee company on average.

There are two investee companies where TPL does not provide these services. The average cost of the same services to those investee companies is £57,000 per annum. It is the view of the Board that the contracts in place for these necessary services represent good value for money to the investee companies. By approving service contracts with TPL, the investee company joint venture partners share this view.

The Board has previously asked whether a related party disclosure was needed in relation to TPL and it was advised by the auditors that this was not required. However, the Board believes this additional voluntary disclosure will be beneficial to shareholders. This is set out on page 17 of the Annual Report.

*The Board has reviewed item 3 in the Shareholder Concerns within the Shareholder Requisition and does not believe it has merit.*

### Other Non-Discretionary Costs

There are a number of other cost categories in the accounts which form the "other expenses" which the Board and the Investment Manager have sought to minimise where possible. The overwhelming majority of these costs are non-discretionary and are a consequence of operating a VCT that is a premium listed company. The categorisation of these expenses are set out below:

- AIC subscription charges
- Company secretarial fees
- Directors & Officers insurance
- Financial Conduct Authority regulatory fees
- Internal audit fees
- London Stock Exchange listing fees
- Registrar fees
- RNS charges
- Sponsor & brokerage fees
- Typesetting, printing & mailing costs in respect of the annual and half-yearly reports
- VCT tax compliance and monitoring fees

Where the costs above are discretionary, or multiple providers can provide the services, the costs have been negotiated extensively to ensure the Board obtains value for shareholders.

**The proposed directors assert that these costs can be reduced considerably. In the Board's considerable experience of operating a listed company there is no meaningful scope for further cost reduction.**

*The Board has reviewed item 4 in the Shareholder Concerns within the Shareholder Requisition and does not believe it has merit.*

### **The Board and Investment Manager are focused on optimising long-term shareholder returns**

In light of the significantly increased cashflow projections resulting from actions taken by the Board, the Board and Investment Manager are working together to develop a long-term capital allocation framework. This framework will consider share buybacks, increased dividends and re-investment within the investee companies. The Board will provide additional information in October 2019, including updated dividend targets, to allow shareholders to appraise the Company's shares as an investment in the run up to the continuation vote at 2020's AGM.

As set out in the Annual Report, the Investment Manager is entitled to incentive fees based on the performance of the Company. The incentive fee is calculated in any given year by taking the sum of (i) the increase in net asset value and (ii) dividends paid or declared in respect of that year (the "Return"). The Return must exceed 7.00p per share (calculated on a per share class basis) in order for a performance fee to arise. Also, before a performance fee arises, shareholders must have achieved a cumulative Return of 60.00p pence per share.

After satisfying the 60.00p per share hurdle, the performance fee is 20% of the Return in excess of 7.00p per share for the relevant year e.g. if the Return were 8.00p per share in a given year the performance fee would be 0.20p per share.

Therefore, the performance fee is structured to incentivise the Investment Manager over the long term to maximise returns to shareholders through growth in both net asset value and the payment of dividends.

*The Board has reviewed item 2 and item 7 in the Shareholder Concerns within the Shareholder Requisition and does not believe they have merit.*

### **The Board is aiming to conclude a share class merger within the next year**

The Board has again reviewed the potential to merge the share classes and believes that the challenges that existed two years ago (resulting in the May 2017 decision not to recommend a merger) can now be overcome, particularly given the further stabilisation of the operating record of the assets. The Board expects to conclude a share class merger in the next year.

*The Board has reviewed item 6 in the Shareholder Concerns and is pursuing this proposal.*

**In summary**

The Company is performing well, under the experienced guidance of your current Board. The Company has seen a total return this year of 15.0p (13.5%), 14.6p (10.9%) and 23.1p (18.5%) (pence per ordinary, "C" and "D" shares respectively; % return on starting NAV). The Board has progressed a reduction in operating costs as well as a significant improvement in cashflow from investee companies. The Board estimates the benefit to be a total of 4.18p, 11.01p and 17.41p per share over the next five years (in the ordinary shares, "C" shares, and "D" shares respectively). With the addition of a significant shareholder, the Board is well set to give balanced commentary to shareholders in the lead up to the continuation vote at the 2020 AGM.

In contrast, the Requisitioning Shareholders propose three directors, only one of whom has experience as a director of a UK listed company. They offer no clear proposition to shareholders. Their preferred course of action seems to the Board to be self-management, which the Board and its advisors do not consider viable or in the best interests of shareholders.

The Board therefore urges you to vote against the requisitioned resolutions (10 to 16), allowing the Company to continue its strong performance under the existing and experienced Board.

**Yours sincerely**

**Dr. David Williams**

**24 June 2019**

## Appendix – Statement from Requisitioning Shareholders

### Shareholder Requisition to Replace the Existing Board of Directors

Dear Ventus 1 Shareholder,

Shareholders representing at least 5% of the share capital (the "Shareholders"] in each of the two Ventus VCTs (together "Ventus") have requested that resolutions be placed at the forthcoming Annual General Meetings to replace the existing board of directors.

In the year to February 2018, the two Ventus VCTs incurred investment management fees of approximately **£2.16m** and total management costs of **£2.54m**. The Shareholders believe that these fees are very high, especially as no **new** investments are being made.

#### **THE FEES OF THE INVESTMENT MANAGER (TEMPORIS CAPITAL LIMITED) WERE EQUIVALENT TO 50% OF THE DIVIDENDS PAID TO SHAREHOLDERS**

Whilst the Shareholders recognize the positive yields and total returns, they believe that a greater portion of the income generated from the investee companies should be available for distribution.

The Temporis fees were renegotiated in 2017; however, the Shareholders believe this was not done competitively and the Shareholders believe that the existing directors have not 1) addressed the cost base adequately and 2) considered other options for managing the assets.

The proposed new directors will review all aspects of how Ventus is managed and how support is provided to the investee companies to ensure value is maximized for both the short and long-term benefit of shareholders.

**WE WOULD URGE YOU TO VOTE IN FAVOUR OF THE ELECTION OF RICHARD ROTH, ANDREW GARRAD AND NICHOLAS CURTIS AND THE REMOVAL OF THE CURRENT DIRECTORS, AND AGAINST THE (RE-)ELECTION OF ANY DIRECTORS PROPOSED BY THE BOARD.**

#### **Shareholder Concerns**

- 1) **Investment Manager Fees:** The fees paid to Temporis are very high, given that no **new** investments are being made. Although there was a reduction in these fees in 2017, the Shareholders believe this was not done in the open market, on a competitive basis.
- 2) **Investment Manager Performance Fees:** The Performance Fees do not appear to adequately incentivize and target the people operating the assets to maximise availability.
- 3) **Additional Fees to the Investment Manager:** It is understood that another entity linked to Temporis (called Thalia Power) provides further services to investee companies. These fees are not disclosed. Whilst this is not illegal in any way, best practice says these should be disclosed.
- 4) **Other Cost Reductions:** There are approximately £400,000 per year of 'Other Costs' across the two funds (excluding audit and directors' fees). Experience from other VCTs suggests that there are opportunities for these to be reduced.
- 5) **Corporate Governance and Existing Directors:** Across both funds, existing directors breach Association of Investment Companies guidelines for length of service. In the view of the Shareholders, the recently appointed new directors do not appear to have renewable sector experience sufficient to hold Temporis to account.
- 6) **Amalgamation of Share Classes:** Given the similar nature of the assets this could be undertaken relatively easily. Aside from cost savings, complexity could be reduced and liquidity (particularly for C and D shareholders) materially improved.
- 7) **Longer Term Strategy:** The Ventus assets have a limited economic and technical life and there can be no guarantee that returns achieved historically can be maintained. There are options around repowering and extending the life of existing assets. There is a concern that the contractual structure with Temporis conflicts with the objectives of the shareholders who are looking to have a long term, tax free income.

## The Proposed Directors

The proposed directors across the two funds have been selected based on their renewables industry and VCT experience, which are the skills needed to manage the companies.

There will be no change in the directors' remuneration policy.

**Richard Roth:** Richard is experienced in the operation and governance of Venture Capital Trusts, Richard sits on various other VCT boards and has a proven track record of hands on management and cost reduction.

**Andrew Garrad CBE:** Andrew is one of the foremost technical wind experts in the UK and was awarded a CBE for his services to the wind industry. Andrew will focus on optimization of the wind portfolio.

**Nicholas Curtis:** Nick is a chartered accountant with a finance background. He also has experience in hydro and currently operates a portfolio of small-scale renewables assets. Nick is a large shareholder across both the VCTs.

New directors are also being proposed for Ventus 2 that will work closely with the Ventus 1 board and bring additional industry experience.

## Strategy

Until the new directors are in place and have access to the Temporis Management Agreement, review the investee companies and understand the reasons for the high operating costs, it would be unwise to set out a definitive, detailed strategy.

At the inception of the funds, provision was included in the Articles for a vote in 2020 on whether the funds would be wound up or continue to operate. It is the view of the Shareholders that this review should be undertaken by fresh eyes who will be better placed to assess the operations of the company and the relationship with Temporis.

Options to consider include:

- Tendering the Investment Management contract competitively
- Subdividing the Investment Management role into accounting, management and operational packages
- Creating an in-house team to operate the assets
- Expanding the scope of the director role so as to enable more proactive management.

Should there be a proposal to replace the Investment Manager, this will be discussed and voted on at the time of the continuation vote.

**The Shareholders believe that Ventus has the potential to significantly enhance its dividends to investors for the remaining life of the assets.**

More information on strategy, the proposed directors and contact details for asking questions can be found on the Ventus Shareholders website [www.ventusvctshareholders.com](http://www.ventusvctshareholders.com). Alternatively, please email [nick.curtis51@icloud.com](mailto:nick.curtis51@icloud.com)

Yours sincerely,

Nicholas Curtis

May 2019

**The contents of this document are not to be construed as legal, business, financial or tax advice. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other appropriately authorized independent financial adviser.**