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8 October 2024

Literacy Capital plc

Amendment to management fee and charitable donations effective from 1 January 2025

Literacy Capital plc ("Literacy", "BOOK" or the "Company"), announces a variation to the terms of the investment management agreement between the Company and its investment manager, Book Asset Management LLP ("BAM LLP" or the "Investment Manager"); and an immaterial change to its investment policy relating to the amount the Company may use to make charitable donations, each with effect from 1 January 2025.

Management fee

Since Literacy was admitted to the Specialist Funds Segment of the London Stock Exchange ("LSE") on 25 June 2021, net asset value ("NAV") per share has increased by 225.4%, which is more than any other investment company listed on the LSE over the same period. As Literacy's portfolio has grown considerably in recent years, now numbering 19 different businesses, the Investment Manager is keen to ensure that it has the resources necessary to build the scale and capabilities within its team to continue to deliver strong investment returns for shareholders. The Investment Manager is also keen to make investments in its use of data, technology and back-office functions to improve its processes and support for portfolio companies. Due to Literacy's focus on investing in small businesses, the level of support that is required by and provided to the portfolio companies is typically much higher than in other segments of the private equity market.

The Company and the Investment Manager have therefore entered into an amended and restated management agreement (the "New IMA") to provide for an increase in the management fee payable to the Investment Manager to 1.5% of the adjusted audited net asset value as at the end of that year (the "Increased Management Fee"), effective from 1 January 2025. Under the terms of the Company's existing investment management agreement, the Investment Manager is currently entitled to a management fee in respect of each financial year equal to 0.9% of the Company's adjusted audited net asset value as at the end of that year. No other amendments to the Company's management arrangements are made pursuant to the New IMA. For the avoidance of doubt, the basis of the calculation of adjusted audited net asset value has not changed. The Company will continue to pay zero performance fees and carried interest to BAM LLP, whilst Paul Pindar and Richard Pindar will remain ineligible to receive warrants, meaning the fees charged by the Investment Manager remain substantially lower than private equity managers would ordinarily charge.

Charitable donations

The Company also announces an immaterial variation to its investment policy, effective from 1 January 2025, regarding the amount which the Directors may use for charitable donations. The Company has made charitable donations equal to 0.9% of net assets in each financial year since 2018 as per the Company's investment policy, which states *"The Company may also make charitable donations equal to 0.9% of net assets in each financial year, as determined by the Board from time to time."*

In 2018, the Company's net assets stood at £54 million and therefore the 2018 donation amounted to approximately £0.53 million. Given the growth of the Company (to more than £300 million of net assets at the end of 2023), the most recent annual donation provision equated to more than £2.75 million in 2023. The total charitable donation provision for each calendar year (shown in £'000s) is shown in the table below:

	2018	2019	2020	2021	2022	2023
Charitable donation provision (£'000s)	£532	£621	£772	£1,527	£2,314	£2,759

A major beneficiary of Literacy's donations has historically been Bookmark Reading Charity. It is pleasing to note that Bookmark has now built an increasingly professional and effective fundraising operation of its own which significantly reduces its need for material donations from Literacy whilst still having the funding needed to meet its ambitious plans to support 500,000 children over the next 3 years.

The Board has therefore concluded that reducing the Company's charitable donation from 0.9% to 0.5% of net assets per annum enables the Company to retain its unique feature of making a significant difference to children from disadvantaged backgrounds, through continuing to make substantial seven-figure donations on an annual basis, whilst allowing for the Increased Management Fee to be paid without materially increasing the total cost of the combined elements for shareholders.

The amendments highlighted above together increase the management fee and charitable donation from 1.8% to 2.0%. The increased management fee will support BAM LLP's efforts to add incremental value to BOOK's portfolio, which is considered ultimately in the best long-term interest of both the fund's shareholders and the charities that it supports. In turn, this will further enhance its charitable goal of advancing the education of children in the United Kingdom, in particular by promoting or supporting the development of reading.

No other changes have been made to the Company's investment policy. Any such donations shall be at the discretion of the Board. The change in the investment policy highlighted above is not considered to be a material change of the Company's investment policy and therefore the change does not require the prior approval of shareholders in accordance with the Company's voluntary compliance with UK Listing Rule 11.4.14R.

A full text of the revised investment policy will shortly be available on the Company's website at www.literacycapital.com, following it becoming effective on 1 January 2025.

Shareholder consultation and related party transaction

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The Board Directors who are independent of the Investment Manager (the "Independent Directors"), have taken account of the views of major shareholders of the Company, who were consulted on the proposed changes. The Investment Manager (and its associates) and the Independent Directors hold c. 45% of shares in the Company and therefore certain independent shareholders were also consulted, representing c. 20% of shares held, and were also supportive of the changes mentioned above.

The Company is not admitted to the Official List and as such the Company is not subject to the UK Listing Rules of the Financial Conduct Authority (the 'UK Listing Rules'). Nevertheless, as a matter of good corporate governance, in entering into the New IMA the Company has voluntarily complied with UK Listing Rules 8 and 11 (as currently in effect) on related party transactions as if the Company were subject to the UK Listing Rules.

In voluntary compliance with UK Listing Rule 11.5.4(1) (as currently in effect), the Company has received advice from Singer Capital Markets Advisory LLP, as the Company's financial adviser, that the Increased Management Fee brought about by the entry into the New IMA is fair and reasonable so far as the shareholders of the Company are concerned. In providing its advice, Singer Capital Markets Advisory LLP has taken into account the Independent Directors' commercial assessment of the New IMA and the views of the majority of shareholders. The Independent Directors for these purposes are Simon Downing, Christopher Sellers and Rachel Murphy. Paul Pindar and Richard Pindar are not considered to be Independent Directors for these purposes as they are principals of the Investment Manager.

Commenting on the changes to investment policy, Richard Pindar, CEO of the Investment Manager and Director of Literacy Capital plc said:

"We are immensely proud of the contributions BOOK has made to charitable causes since inception over seven years ago, witnessing first-hand the significant difference that donations have made to children from disadvantaged backgrounds, through the hard work of Bookmark and other charities. Due to the success of BOOK and its growth in net assets, we are delighted that we can continue to provide meaningful financial contributions to support the vital efforts of UK literacy charities, whilst maintaining our capacity to invest in private businesses where we see a clear route to creating additional value."

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About Literacy Capital plc

Literacy Capital (BOOK.L) is a closed-end investment company that was co-founded by Paul Pindar and Richard Pindar in 2017 with £54m of capital. Literacy listed on the London Stock Exchange's Main Market in June 2021, before gaining Investment Trust status on 1 April 2022. The Company focuses on opportunities to invest for the long-term in growing private businesses where a clear route to creating additional value can be seen with its support.

It also has a unique charitable objective, making annual donations to charities focused on improving UK literacy in children. £10.0 million has been donated or reserved for donation to charities since the trust's creation in 2017. For more information, please visit our website: www.literacycapital.com.

A copy of this announcement will be available on the Company's website at www.literacycapital.com.

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